

GLOBAL STRATEGY FORUM

**Lecture Series
2009 – 2010**

GLOBAL STRATEGY FORUM

President

Johan Eliasch is the first President of Global Strategy Forum. He is Chairman and CEO of Head, the global sporting goods group and ECJ Holdings, a diversified private investment group. He is an advisory board member of the Centre for Social Justice, a member of the Advisory Boards of Brasilinvest, Societe du Louvre and the British Olympic Association, Chairman of Starr Underwriting Agents, Co-Chairman of Cool Earth and a Patron of Stockholm University. He is a trustee of the Kew Foundation. He was part of the Conservative shadow foreign office team as special advisor on European affairs (1999-2003) and responsible for foreign relations (2003-2005). He was Conservative deputy party treasurer (2003-2007). He served as the Prime Minister's Special Representative on Deforestation and Clean Energy from 2007-2010.

Chairman

The Rt Hon Michael Ancram QC is the first Chairman of the Forum. Michael Ancram served in the last Conservative Government and from 2001 to 2005 held the portfolios of Deputy Leader, Shadow Foreign Secretary and Shadow Defence Secretary. Following the 2005 General Election, he remained as Deputy Leader of the Party and became Shadow Secretary of State for Defence. On December 6th 2005, in accordance with his speech made at the Party Conference in October, he stepped down from the Front Bench. He was subsequently appointed, by the then Prime Minister Tony Blair, to the Intelligence and Security Committee. He retired as an MP at the May 2010 General Election.

Director

Jacqueline Jinks is the second Director of Global Strategy Forum. She joined Global Strategy Forum as Research Director in June 2006. From 1997-2005, she was Political Secretary and speechwriter to Lord Moynihan, a former Conservative Senior Spokesman on Foreign Affairs in the House of Lords. She worked for the Rt Hon Michael Howard QC MP and the Rt Hon Francis Maude MP, during their respective tenures as Shadow Foreign Secretary. She has also worked in the US, for the Democratic National Committee during the 1996 US Presidential Election campaign.

PRESIDENT'S FOREWORD

AT A TIME when British foreign and defence policy faces its most fundamental review since the 'East of Suez' debate in the 1960s, the need for an informed public discourse on the key foreign policy questions confronting the nation has never been more important. The decisions to be taken over the coming year will shape the UK's international stance for a generation. Trenchant issues are in play. Will Britain remain a global military power able to undertake expeditionary warfare? What will be the relationship with the United States? How will the UK respond to emerging global structures based on networks rather than blocs? How will we respond to the emergence of new power centres like China and to pressing global challenges like climate change?

Against this background, I take both pleasure and pride in introducing Global Strategy Forum's fourth annual collection of lectures. This covers a selection of the topics addressed during the course of our 2009-2010 events series, attesting to the fact that GSF has been an active participant in the discussion of the major issues of the day. We have sought to quicken the tempo of our activities. In addition to lectures, we have held extended seminars. At the same time as we accelerated programmatically, there was no dilution in quality. The lecture series was fortunate in attracting authoritative speakers, who were matched by both the quality and numbers of the attendees. Together they have, in my view, further consolidated GSF's role as part of the foreign policy discourse in London.

As Global Strategy Forum's President, I continue to be a firm believer that as our world becomes more interdependent and networked, information and good ideas do not reside only with or even primarily with governments, even in the foreign and defence policy arenas which have traditionally been the prerogative of officials. An informed citizenry is also a vital component of sound policy formation. In this context, GSF aims to provide the opportunity for non-partisan, innovative debate and discussion as a means of transcending "group think" about current issues. Conventional wisdom will not, in my view, lead to the best outcomes for British policy. This is why GSF events are on the record and open to all.

In the coming year, our aim is to consolidate GSF's reputation as a forum where expertise and experience can combine to produce new ways of thinking about our nation's most pressing problems. As I have said previously, I see GSF's niche as an "intellectual incubator for innovative ideas with direct policy relevance." This means guarding our political independence and ideological openness fiercely - and having the courage to tackle controversial topics. Our forthcoming 2010-2011 series will, I have every confidence, take us another step in this direction.

This pamphlet reflects only a small number of the activities that we have undertaken over the past year. Details of all our events can be found on our updated website. As ever, we are indebted to all our speakers, authors and contributors, whose willingness to share their expert knowledge has allowed GSF to build its reputation. Moreover, the commitment and interest of our members enables us to fulfil our remit as an open forum and we look forward to another successful year with their continued input and involvement.

Johan Eliasch
President, Global Strategy Forum

ABOUT GLOBAL STRATEGY FORUM

Global Strategy Forum was founded by Michael Ancram MP and Johan Eliasch in 2006, as a membership-based open forum dedicated to the promotion of fresh thinking and active debate on foreign affairs, defence and international security issues. As such, we are an independent, non-party political organisation.

Michael Ancram delivered the Forum's inaugural lecture in May 2006, entitled '*A Fork in the Road - sorting out the UK's defence policy debacle*'. This was subsequently published as a pamphlet and distributed to a wide readership. Since then, we have held a very successful series of monthly lunchtime lectures in which we encourage bold, provocative and challenging thinking from our keynote speakers and lively debate from the invited audience during the ensuing Q&A session. As a result, our lectures are well-attended and often over-subscribed. This fourth compendium of our lectures gives a flavour of the ideas which continue to be disseminated under the Forum's auspices.

In 2009-2010, we have had the pleasure of hosting Johan Eliasch, President of GSF; the Rt Hon Lord Patten of Barnes CH; Rt Hon Lord Howell of Guildford, now Minister of State at the Foreign and Commonwealth Office; FW de Klerk, former President of the Republic of South Africa; Sir Richard Dalton KCMG, former UK Ambassador to Iran; Ambassador Chas W. Freeman, Jr, former US Ambassador; Sir Sherard Cowper-Coles LCMG LVO, then the Foreign Secretary's Special Representative for Afghanistan and Pakistan; Professor Christopher Andrew, Professor of Modern and Contemporary History at Cambridge University; and General Sir Richard Dannatt GCB CBE MC, Chief of the General Staff from 2006 to 2009.

During the same period, we held a number of debates. In May 2009, we held a debate entitled '*Is Pakistan the World's Most Dangerous Place?*' with panellists Baroness Falkner of Margravine, Dr Farzana Shaikh and Sir Hilary Synnott. Asif Durrani, Pakistan Deputy High Commissioner gave a reply and the event was guest chaired by Lord Anderson of Swansea. Also in May 2009, we posed the question, '*Is the World Economic Crisis our Biggest Security Threat?*' to panellists Oliver Kamm, Sir David Omand GCB and Gideon Rachman. In July 2009, we held a debate on whether the use of torture in intelligence gathering can ever be justified, in which Ambassador Tom Pickering and Michael Howard MP participated and which was chaired by GSF Advisory Board Member, Malcolm Rifkind MP. In March 2010, we held a debate entitled '*Yemen and Somalia: a 'ticking time bomb'?*' Victoria Clark, Stephen Day and Dr Kristian Coates Ulrichsen were the panellists.

In addition, we also hosted two seminars. The first took place in the House of Lords in February 2010 and focused on Turkey. A distinguished delegation from Turkey was led by the State Minister for EU Affairs, HE Egemen Bagis, who gave a keynote speech to the seminar, entitled '*Turkey's Role in an Emerging Network World*'. The high level Turkish delegation of speakers included Dr Ibrahim Kalin, Suat Kiniklioglu MP, Nursuna Memecan MP, HE Kursad Tuzmen and HE Yasar Yakis. On the British side, the keynote speaker was Dominic Grieve QC MP, then the Shadow Justice Secretary. He was joined on the panel by Lord Howell of Guildford, Lord Wallace of Saltaire, Baroness Nicholson of Winterbourne, Lord Hannay of Chiswick, GCMG, CH and Mehmet Ögütçü. The second seminar, also in the House of Lord, was co-hosted with the Windsor Energy Group and was entitled '*Afghan Scenarios - A Nation in the Balance?*' It was co-chaired by Michael Ancram MP and Lord Howell of Guildford, and the following speakers participated: Professor James Clad, Professor Michael Clarke, Anthony Fitzherbert, General The Lord Guthrie of Craigiebank GCB LVO OBE, UK, Adam Holloway MP, Professor Anatol Lieven and Andrew Wilson, News Presenter, Sky. HE Mr

Shaukat Aziz, Prime Minister of Pakistan (2004-2007) joined the post-seminar dinner discussion.

At the 2009 Conservative Conference, we held a fringe meeting at which Michael Ancram and Malcolm Rifkind debated the question, *'Should we talk to terrorists: yes or no?'* In December 2009, GSF published Michael Ancram's pamphlet, *'Turkey: A New Bridge In A Network World?'*

We continue to seek the views of leading politicians, academics and opinion formers, both in Britain and internationally. Please visit our website for further information on our activities and our forthcoming event series.

THE LECTURES

Climate Change: Global Risks and Opportunities

Johan Eliasch

Does the 21st Century Belong to China?

Rt Hon Lord Patten of Barnes CH

Britain's Foreign Policy: "adamant for drift"?

Rt Hon Lord Howell of Guildford

The Impact of the Fall of the Berlin Wall on South Africa and the World

FW de Klerk

Iran in 2009: How Much Has Changed?

Sir Richard Dalton KCMG

Turkey: A New Bridge in a Network World?

Rt Hon Michael Ancram QC MP

China's Challenge to American Hegemony

Ambassador Chas W. Freeman, Jr

The Security Service and the Defence of the Realm: Past and Present

Professor Christopher Andrew

The Challenges for Defence in the Next Decade

General Sir Richard Dannatt GCB CBE MC

CLIMATE CHANGE: GLOBAL RISKS AND OPPORTUNITIES

Transcript of a lecture given by Johan Eliasch

9th June 2009

Johan Eliasch is the first President of Global Strategy Forum. He is Chairman and CEO of Head, the global sporting goods group and ECJ Holdings, a diversified private investment group. He was part of the Conservative shadow foreign office team as special advisor on European affairs (1999-2003) and responsible for foreign relations (2003-2005). He was Conservative deputy party treasurer (2003-2007). Johan served as the Prime Minister's Special Representative on Deforestation and Clean Energy from 2007-2010.

What I am going to talk about today is climate change, but not 'An Inconvenient Truth'. I am really trying to give a big picture view of what the problems are, what the risks are if we do not do anything, and also what the opportunities are, if we do this right.

The planet was not designed to have nine billion people on it and that is really what climate change is all about. For a long time, there were far fewer than a billion people and climate change issues did not exist. If you go back a few hundred million years, there have been periods with much higher CO₂ concentrations than we have had, even today, and the planet has managed to adapt, but populations in those years (of animals) suffered as a consequence. This actually happened because of other exogenous factors, which we are not facing today. So this is really what this is all about: how we adapt the way we live to what the planet can accommodate.

Population growth has led to increased demand for food and water. Food means you need more land for agriculture, you need water and water also requires energy in many places. And the other thing, of course, is rising energy demand, whether it is fuels, coals, natural gas, nuclear energy. Some are good and some are bad and some of the bad can become good if we apply technologies to make them good.

Now, land conversion. That is a major problem, because it involves cutting down trees and the forests around the world, particularly the rainforests, are major carbon sinks. To give you an idea, each hectare of rainforest harbours about 300 to 400 tonnes of carbon. With rising agricultural demand, we have cut down more trees, so that has resulted in a drastic increase of CO₂ emissions from deforestation. The other part of it is that, as we are getting more prosperous, we change our diets from simple diets to more energy or CO₂ consuming diets. For instance, beef has a ten times higher carbon footprint than, for example, rice. And of course, if you look in the Amazonas, 80% of all the deforested areas are occupied by cattle ranches.

We have had a steady increase in global greenhouse gas emissions over the years. If you look from 1970 to 2004, we have had a 50% increase. If we look at the different sectors that contribute, energy is the biggest, but that consists of many different sub-sectors. The third one is forestry, which is roughly 17-18% of global greenhouse gas emissions, but that is one thing as a whole. There is an opportunity here, because unlike other sectors where you are most likely to invest heavily in new technologies and where the transition is also likely to take a very long time, forestry

is potentially simpler to deal with. To put that into context, global deforestation accounts for more CO2 emissions than the US, than China and than the EU; and that puts it into perspective.

We can show different temperature change models of what might happen. The threshold we have to be careful about is 2 degrees. If we cannot do something to mitigate this before we reach a 2 degree increase, we have this danger area between 2 and 4 degrees and I will get to the impact of that later on in the presentation. Today, the environmental and also social cost of climate change is not really reflected in what consumers pay for goods. Nor is it reflected on other things that we have as benefits and that is why we need to put a value on carbon reduction.

Another very important issue which has started to get more attention and which must not be forgotten, is water, because with increased temperatures, we will have less fresh water at our disposal and as 50% of the world's population live in areas which are exposed to water stress, this is something which we must focus on.

Eco systems are another danger area. If we have a temperature increase of 2 degrees, most likely as many as 30% of all species will suffer the threat of extinction. Coral mortalities are another important area, services that the corals provide in the ocean. Rising temperatures could also affect food supplies. There could be a decrease in cereal productivity, with negative impacts for subsistence farmers. Coasts are also likely to be affected - if you take a country like Bangladesh with rising sea levels, lots of land there will not be possible to live on, resulting in migration, which can lead to conflicts as those people have to find new places in which to live.

Health is another issue. There could be increased morbidity and mortality, as well as increased malnutrition and infectious diseases and this could result in as many as half a million deaths a year in about 20 years as a consequence of rising temperatures.

Now the other thing which is important here is that the longer we delay this in fixing the problem, the costlier it is going to get, and that is based on all these things that I have described to you. Dealing with something which has begun to deteriorate obviously requires more investment. If we look at continuing as we do today, 'business as usual,' we overshoot the target that is necessary to stabilise, which, in atmospheric terms, is 475 parts per million of CO2. Right now we are here, so we need to take action to follow the load projected.

The process of dealing with climate change started with the Kyoto Protocol which some people say was not very successful because look at where we have got to today, with not as much action as people had hoped. The next milestone in talking about the successor to the Kyoto Protocol which expires in 2012, is Copenhagen in December. This is the UN Conference. Here the key thing is going to be: how do we finance climate change? We need to admit forests into the Clean Development Mechanism, we need to find agreements on technology transfer and also adaptation. We also need to set effective targets and all that together, hopefully reach an effective deal at Copenhagen.

But let me tell you this: you are dealing here with over 200 parties. When you do things in business, you usually start with a handshake, which turns into a term sheet and then the lawyers get involved and you end up with thousands of pages. But here it is the opposite. You start off with thousands of pages and in the end you have one sheet of paper which usually does not say anything. And that is the challenge, the big challenge that we have in getting something together which can be effective and make a change.

Financing mechanisms for this to happen and the costs of dealing with climate change are obviously now a major issue. The opportunity, though, that this has presented the processes with means that we now have to be much more concerned about which areas to focus on and how we can get the maximum carbon emission reduction relative to the cost. Some years ago there were many projects which, from a cost efficiency point of view, would be difficult to justify. There were biofuels problems, costing over \$90-\$100 per tonne on the carbon market, which under the emissions trading scheme were trading at \$30 a tonne, and that obviously does not make sense. So what is needed here for financing to take place is a sensible approach. We need a market-led system, probably together with other means, such as regulation and also possibly taxation in some countries, to make this happen; and we need both public and private funds. But this is like any market - whether it is the stock market or a bond market, it needs to function on some principles.

Let's turn to forests. If we look here at cost effectiveness, forests present a huge opportunity, because if we can deal successfully with reducing deforestation, we can halve the cost of dealing with climate change globally. And why is that? It is because the estimated cost per tonne of carbon is as low as somewhere around \$2-\$5 per tonne, which is very low compared to other sources of reductions.

It is also unlikely that the world can achieve the targets of carbon emissions without addressing forestry and avoiding deforestation. Looking at it in isolation, the effects of deforestation on climate change could lead to additional global damages of one trillion dollars per year by 2100, which is quite a high amount - let's say a couple of percent of global GDP or maybe by then, about one percent. What is required now to halve emissions from forests by 2030 is estimated at somewhere between 17 and 33 billion.

The basic proposition here is the need to make the standing tree more valuable than the cut-down tree to all stakeholders; and I add 'to all stakeholders', because the economics here are different depending on who you talk to, but if you do not address the totality you cannot really address the problem. And that is something I have experienced personally because the way I got involved with this was, having always had an interest in rainforests and what they do, I acquired some rainforest in the Amazonas and I applied the sort of economics that I am used to in the beginning to preserve the area that I had. And what I did was, I gave the harvesting rights to the local population so that they could go in and harvest nuts and fruits for free. They could keep everything and the deal was that they became the custodians of the forest. Now this worked very well for the community, but it did not always make the local politicians happy because they lost means of getting votes in elections, because these people were not as dependent on the politicians. So what would happen instead was, if there was a group of settlers that needed to be placed somewhere, they would, of course, be placed very near my lands. Now this led to local conflicts because of course, the population of this city, they would favour the protection of my lands because that was their livelihood and then the politicians would try something else. So it is very important to understand that you are dealing with lots of different interests and you need to satisfy all the interests for this to have sustainability. If we can achieve that proposition, we can achieve substantial emissions reductions, we can lower the costs of tackling climate change overall significantly and we can also address poverty in many of these areas because, in some cases, deforestation is a result of poor people not having any food to feed themselves with or their families, and therefore they resort to cutting down trees. And we can also protect bio-diversity and water systems.

To achieve this, we need a step change in how land issues and how commodities are produced,

and that is accommodation of carbon finance, policy incentives in rainforest nations, consumer awareness and regulation. The aim here should be that by 2020, we should halve deforestation and we should try to make the entire forestry sector carbon neutral by 2030, and that can be done if we reduce deforestation by 75% and we plant new trees to make up for the other 25%.

So what we need here is first of all effective targets, based on national baselines and robust measuring; we need a linking to carbon finance, and that basically means that if you avoid deforestation, you are eligible to receive carbon credits which you can then sell in a carbon market; and we need governance. We need a governance structure, because in a lot of these areas sometimes there are not very efficient judicial systems and we need to have an effective way of monitoring and ensuring that everything is done.

When you hear this, you probably say to yourselves, 'why has forestry been neglected for such a long time?' Avoiding deforestation in developing countries has only been a significant part of the climate change negotiations since December 2007 in Bali. And to date, developing countries have only been able to participate in carbon trading schemes through the Clean Development Mechanism and avoided deforestation has not been part of it.

That is why Frank Field and I established Cool Earth, because we said 'this is crazy' - this is such an opportunity not only to deal with climate change problems, but also because rainforest destruction is something that should not happen. Therefore we decided to establish an organisation which gives people the opportunity to take an active part in this. So Cool Earth was set up to support local NGOs with projects in local rainforest areas designed to preserve those rainforests.

To date, this what we have achieved in the last two to three years: we have protected 88,000 acres of rainforest where we have 530,000 mature trees; we have contributed to two schools and one clinic; six warehouses have been built; we have trained 45 forest engineers and very importantly, we have amassed a membership of 100,000 members which shows you how close to people's hearts the protection of rainforests is.

I think with that, I have given you an overview of climate change and forestry, so please - questions.

DOES THE 21ST CENTURY BELONG TO CHINA?

Transcript of a lecture given by the Rt Hon Lord Patten of Barnes CH

13th July 2009

Lord Patten *was elected as MP for Bath in May 1979, a seat he held until April 1992. In November 1990 he was appointed Chancellor of the Duchy of Lancaster and Chairman of the Conservative Party. Lord Patten was appointed Governor of Hong Kong in April 1992, a position he held until 1997, overseeing the return of Hong Kong to China. He was Chairman of the Independent Commission on Policing for Northern Ireland set up under the Good Friday Peace Agreement, which reported in 1999. In September 1999 he was appointed European Commissioner for External Relations. On leaving office in Brussels in 2004, he was made a life peer and took his seat in the House of Lords in January 2005. He was appointed Chancellor of Newcastle University in 1999, and elected Chancellor of the University of Oxford in 2003.*

Thank you very much indeed for inviting me to talk to you today. I was trying to remember over breakfast when I looked with enthusiasm at my diary for the day, why I had agreed to address what seems to me to be a profoundly silly or provocative question (no disrespect to Global Strategy Forum) on three counts.

First of all, it seems to me to ignore the realities of global politics in the 21st century, a point to which I will return in a moment. I do not see China in the guise of a sort of 20th/21st century Germany emerging from the fractured empires of the 19th century, bigger than any other European power at the time could cope with.

Secondly, the question does assume a sort of exponentialism in looking at geopolitics which slightly offends me. It assumes the 'Goldman Sachs' view of the world, that once the line is going up the graph paper it continues inexorably somewhere out the top, a view which I do not myself believe and which seems to me to render scholarship largely unnecessary. It is also a view of history which is contradicted by much of my personal experience and that of my friends. One of my best friends is William Waldegrave, who was Minister of Europe in 1989, and recalls the time early in that year when he was visiting Berlin in pursuit of his ministerial duties; and the afternoon he arrived a young East German student was shot trying to get over the Wall or cross the canal, actually, from the East to the West. And William, being a decent liberal-minded fellow, wanted to make a statement condemning this, and all his experts and all the Berlin experts gathered round him to convince him that this was a very bad idea, that they had better ways of dealing with these issues that created a crisis with the East Berlin or East German authorities; that if he just left it to them, they would be able to manage it in a way which did not disturb the even tenor of relations with East Germany. And as William points out, it was only a matter of months before there was no Wall, no East Berlin, no East Germany. So I am reluctant to accept a view of history which assumes inevitability.

I also happen to think that, that view, the sort of Goldman Sachs view, is sometimes absurdly aggregated to a view that China is totally different from any other society that has ever existed.

There is now a book, a very, very long book, which has been much reviewed, not surprisingly well-reviewed by John Gray, saying that the game is up for the rest of us, we are now coping with a civilisational state which is going to dominate the world, rather the view that France used to have, or perhaps parts of the United States have, and I think that notion is unfair to China and unfair to the Chinese and pretty absurd.

Thirdly, I think the question plays into the hands of those on the right wing of politics in the United States who think that the 21st century is inevitably going to be a hegemonic struggle between the United States and China for world leadership, a point to which I want to return, but it does not seem to me to be a likely scenario for the 21st century that we are now enjoying.

Let me just stand back and look at the question under four or five different headings.

First of all, it is perfectly clear today that in a sort of Hegelian sense, predicaments faced today being the result of predicaments overcome in the past, we are dealing with the consequences of the 20th century. A fourfold increase in population, a thirteen fold increase in urban population, a nine fold increase in water use, a thirteen fold increase in energy, a forty fold increase in output, and - which we shall hear much more of between now and Copenhagen - a seventeen times increase in the emission of carbon dioxide to the atmosphere.

We have sometimes argued or some have argued in the past, that a difference in this world was going to be the melting away of the nation states and national boundaries. I think it has been true to an extent about national boundaries, I certainly do not think it has been true of nation states. Nation states still seem to me to be the principal building blocks in international society, the principal focuses of political loyalty and even affection. But nation states today do confront the consequences of the 20th century which have meant that their frontiers are increasingly porous and that however mighty they are, they cannot cope with the problems that crowd in on their citizens on their own; and that is as true of China, however mighty in the future, as it is of the United States today. It is true when one looks at the present and the soon to be hysterically reported question of epidemic disease. It is true of organised criminality, it is true of drugs, it is true of nuclear proliferation and it is manifestly true of climate change, which I guess is the most existential question that any of us face. I found myself last Sunday in the position of having to chair a debate at which one of those taking part was the President of the Maldives which, as he said rather gloomily at the beginning of the discussion, he hoped would survive our debate that evening. So, an issue which could affect all of us, which demonstrates the impossibility of single nation states coping with these problems on their own.

There is another aspect to the question of social, political, economic technological change, which of course has been the subject of a recent and ludicrously successful book (he said enviously) by Tom Friedman, 'The World is Flat', which manifestly it is not, but at least part of Mr. Friedman's argument is correct. He says that from the 15th century to the 19th century, competition was largely between nation states. In the 20th century it was between corporate entities and multi-national corporations, and that technology has now meant that competition is between individuals who are liberated by technology to compete with one another, from Tianjin to Bangalore to Boston and indeed to our own island home. I think that there is some truth in that argument, though not as much as the sales of Mr. Friedman's book would suggest, but overall, I think it adds to the weight of the argument, that looking at history and international relations in terms of the rise and domination of nation states is not all that smart.

The second point I want to make is to put what has been happening in context while offering you my own modest collection of the 'gee-whiz' statistics which figure so prominently in books like the recent one by Mr. Jacques.

Until 1820 (when you look at Angus Maddison's book on economic comparisons), China and India, partly because of their size, represented over 50% of the world's GDP. That fell steadily after the industrial revolution which picked up the economies in Europe and North America. It is fair to add that while the Chinese economy represented perhaps 33% of the world's economy until the early 19th century, China had already started falling back behind Europe and North America in terms of per capita GDP, partly because of an increasing productivity lag. The figure fell for China and India calamitously, partly as a result of politics, both the politics visited upon China and India by the imperial powers, and because of choices that were made within India and China during the following 160-170 years.

It is interesting to compare the recent extraordinary surge of globalisation with what happened in the late 19th century which was the main subject of Maynard Keynes' *Economic Consequences of the Peace*. In the late 19th century we saw a deflationary boom as a result of three things. First of all, the opening up of trade and of economic markets, a process that was led by this country albeit resulting in my own political party going into the wilderness for rather a long time. Secondly, technology - the steam ship, steam engines, the telegraph. And thirdly, the opening up of the Mid-West and in particular the development of Chicago. The recent surge in globalisation whereby from 2000 to 2007, GDP per head went up annually at a faster rate than ever before and we saw the fastest growth for 40 years around the world, had similar antecedents.

First of all, the opening up of markets, thanks not least to international negotiations. Secondly, technology: containerisation, aircraft, information technology; and thirdly, which is the comparison with China and the opening up of the Mid-West, the fact that India and China joined the global economy. Two and a half billion people pretty much becoming part of the world's economy and taking maximum advantage of the opening up of markets which had been pioneered by the United States. An interesting point raised by James Kynge in his book, *China Shakes the World*, is that China is the first example, really, of a country which has taken huge advantage of America's economic leadership in opening up trade opportunities while at the same time rejecting America's view on the political infrastructure within which that economic opening should take place.

The 'gee-whiz' statistics which I promised, and I don't wish to let you down, demonstrate how well China has done during the period since 1979-80 when Deng Xiaoping started to encourage the opening up of the economy, or at least, initially, the liberalisation of the agricultural economy in China. The 'gee-whiz' statistics focus on the extraordinary export performance of China, which means that China today, at least until the crash, was exporting more in a day than it exported in the whole of 1979. China has grown largely on the back of exports, not just to America and Europe, which is now China's biggest trade partner, but to its neighbours as well. China has had an astonishing exporting performance and has been a major importer recently, having joined the WTO. When I was Governor of Hong Kong in the 1990's, tariffs imposed by China were on average about 41%. Today they would probably be 5% or 6%. So we have seen this growth of 9% a year for 30 years; we have seen the Chinese Chicago, Chongqing, growing at probably eight times the pace that Chicago grew in the 19th century. We have seen the development of urban life in China. In 1949 when the Communist party took over, there were five cities with populations of a million or more. Now, there are forty. I think there are six or thereabouts in Japan. There are now around

4,000 skyscrapers in Shanghai, twice as many as in New York, with another 1,000 promised over the next few years.

At this stage, I used to ask people to look at the back of their silk ties to see where they had been manufactured, and then it was only after a bit I realised how many manufacturers lie, because the truth is that more than 50% of the silk ties around the world are made in China, most of them in Zhejiang Province, which I think increased pretty well a hundred fold the number of computerised looms it had in a period of two or three years. So it has been an astonishing record. There were periods in the recent boom years when Wal-Mart's trading relationship with China was larger than that of Russia or Australia; and America now knows, to its cost, that half the world's growth in most years between 2000 and 2007 was America's deficit and China's exports. As Herb Stein used to say, 'things that can't go on forever don't'.

All those economic figures demonstrate why people have, to coin a phrase, been 'gob smacked' by what has happened in China and have written books telling us that we have seen the future and it's in Beijing. I think it is worth just telegraphically indicating some of the weaknesses which any Chinese leader would find himself, and it is himself - I think all the nine members of the standing committee of the Politburo are men with astonishingly black hair.

It is just worth considering some of the weaknesses.

First of all, China's growth has been remarkable, but arguably it has been at a slightly slower pace than the growth of some other Asian economies which took off in the 1980s and 90s. It is also true to say that rates of return for inward direct investment, which has been much higher in China than in most of its surrounding countries geographically, have been lower than in those countries. There are also serious arguments raised about China's ability to innovate technically or to establish global brands. I suppose the principal global brand that it has established, Lenovo, it actually bought on the market; and as far as technical innovation is concerned, China tends to have got round its inadequacies there by technology transfer as the result of joint ventures. That has been what has happened with semi-conductors, with generators, with turbines. There has been a lot of technology transfer from Motorola, Microsoft and others who have established laboratories in China.

China has also been quite skillful at buying in technology. For example the engine of the very successful Chery car is manufactured by an Austrian company called AVL. And there has also been good old-fashioned intellectual property theft, which we can be cross about although we should not be too sanctimonious about, because you should read what Dickens said about intellectual property theft in the United States in the 19th century when he saw the copyright of his own books pillaged by American capitalism. But it is true that intellectual property theft is a reason why a lot of European software companies, American ones too, would be very chary about using any of their most modern and up to date technology in China. There are many very good examples of property theft - the one I most clearly remember from when I was in Hong Kong involved Yamaha's production, after years, of a motorbike for the China market, called I think, the Jinbao, which was produced after a lot of investment and a lot of effort in 1995 and within three months, exact replicas were being made in 36 factories around China at one third of the cost. And because of that sort of intellectual property theft, there is less pressure on Chinese manufacturers to make the sort of technology leaps that they might otherwise be capable of.

The environment poses clearly huge problems for China, and is one reason for (not the only, but

probably the best and largest example of the development of a sort of skeletal civil society in China) the development of environmental groups. There are huge figures postulated for the number of people dying prematurely every year from respiratory ailments, with some figures suggesting a figure as high as 400,000. We know that, according to the World Bank, 16 out of the 20 most polluted cities in the world are in China. We know that, from China Dialogue for example, there are tremendous problems of water stress in China, related to the fall in the water table, which in parts of China has been 80 metres. When I first heard Isabel Hilton mention that figure, I said, 'did you say eight?' and she said, 'no, *eighty*'. We know there are problems with the flow of Chinese rivers, as anyone who has seen the Yellow River or the Yangtze will know. Those problems are being exacerbated by glacial melt in the Tibetan Plateau which has security implications for China and India. Four hundred out of the 660 or so of the largest Chinese towns and cities are technically water stressed. So it is not very surprising that the Chinese leadership, particularly probably Wen Jiabao, is serious in what they say about the environment and its cost to Chinese economic growth. Whether they will be able to do very much about it in the negotiations at Copenhagen remains to be seen.

There are also, as of course there are in India where the problems are dealt with through the safety valve of elections, serious problems of social inequity. Everybody knows the problem between urban and rural China. The comparison was put in an original way in an article in the *Lancet* magazine a few months ago, which indicated that primary health statistics in urban China were about the same as in Mexico, but that primary health statistics in rural China were about the same as in the Democratic Republic of the Congo. It does leave one with a pretty clear idea of how considerable the problem is, even in a country where 400 million people have been lifted out of abject poverty in the last few years, even a country which has done so much better in poverty alleviation than, say, India. Some of you, like me, will have walked through the shopping malls underneath the larger hotels in Beijing and seen the designer label products on display and wondered at what the reaction would be of somebody arriving from West China and being parachuted into one of those shopping malls.

There is also an issue, a political issue, which of course one addresses with the reactions of one's own political prejudices. There is a paradox in the position of a party which depends on both economic growth and political control in order to stay in office. And there's a dilemma which was, I think, extremely well expressed a couple of years ago in the reports in the Communist party newspapers in Hong Kong, *Ta Kung Pao* and *Wen Wei Po*, of what was alleged to be an argument going on in Beijing. The argument, it was said, in parts of the party hierarchy in Beijing, were between on the one hand the party hardliners who were arguing against any further economic reform, saying that if the party continued to give up control over the economy, it would sooner or later lose control of the state. And on the other hand, there were the modernisers, who very often involved people running banks, which is interesting, but who were saying that unless we continue to wind up the state-owned enterprises, to relax controls over foreign investment, unless we continue to do that and promote the private sector which grows so much more rapidly than state-owned enterprises, we won't grow so fast, we won't be able to attract as much foreign investment, we won't create as many jobs, and in those circumstances, the Party will certainly lose control over the state. And it has always seemed to me to be China's dilemma, that both those propositions are entirely correct. The Chinese leadership has to find some way in which it can do both those things.

Eighteen months or so back, Mark Leonard produced a little book with a rather brave title, '*What China Thinks*'; in which he had had the fairly original idea of going round the think tanks which

sustain debate in the Party to hear what they were saying, and came back from this expedition with all sorts of bright ideas about how Chinese think tanks were really considering the future of democratic development in China. I just had one problem with this otherwise interesting and charming book: it always defined democracy in ways which did not allow for any change in the government, or the election of the sort of government you might want to see, and that seemed to me to be a proposition which was not necessarily sustained by arguing (to come back to what I said at the outset) that China was totally different from everyone else and that the Confucian tradition militated against concepts of transparency and accountability politically, as in commercial life.

So I think there is a real political dilemma there for the Chinese leadership and it is hugely in all of our interests that China manages to cope with that problem without the sort of turbulence which has been shown in its dealing with ethnic issues in the last 18 months or so, indeed, longer than that. I believe passionately that we should want China to go well, rather than China to go badly, but I retain a western liberal's - why do I say western liberal's - a liberal's view, or maybe you could say a Marxist's view, that economic development has political consequences and that you cannot indefinitely open up an economy while keeping an iron grip on politics.

There is finally one last reason for thinking that it is a daft question. The bit of *'War and Peace'* which most of us, if we're truthful, don't actually read, the Epilogues setting out Tolstoy's views on history, include, you will recall, when Tolstoy was trying to work out why Napoleon had done so well and why eventually he did not get to Moscow. Tolstoy asked the question, 'what is power?' I don't think Tolstoy would have answered it with much reference to the economy, but of course it does have some relationship to the economy, and the reason why the United States is powerful, indeed the reason why the United States is today's only superpower, is because it has been responsible for 25% or more of global output ever since the 1980s.

It is also of course, spending about the same amount as the rest of the world put together on military technology. It has complete command of the global commons and also has, despite Mr. Bush's and Mr. Cheney's best efforts, it also still has a certain cultural and moral authority. 42 out of the 50 best universities in the world according to Shanghai Jiaotong as well as the Times Higher Education Supplement, are American. 75% of the PhD science papers that will be written in the United States this year are written by foreigners or by immigrants. So America still has a huge outreach and is still, I would argue, the only country which matters everywhere. Some countries matter in a lot of places, but the United States is the only country which matters on every continent and in every country.

So, I think we are still in a situation in which we only have one superpower. It is a superpower which I suspect looks with some frustration at the inability of Europe in political areas, though not in economic, to get its act together. I think it is a country, a superpower, which increasingly understands that the post-war domination of the global agenda by America and to some extent Europe, is a matter of the past, and that in order to get things done, in order to solve any serious problem in the world today, America will have to work with China, with India and to some extent with Brazil and others as well.

But I do not see the future as being one in which China is going to have to work out how it can work with the United States in order to exercise global domination. I think the argument is still the other way round and one of the principal jobs that America has (and I hope Europe as well) in the

next few years, is to persuade China that as a great economic power with considerable political influence, it has a vested interest in stability, in keeping things safe and sound, which is not exactly what its commodity-driven diplomacy is doing in Somalia or Burma or other parts of the world.

So, I admire what has happened in China, but I don't think we should regard China today as the equivalent of 19th century Bismarckian Germany.

BRITAIN'S FOREIGN POLICY: "adamant for drift"

Text of a lecture given by the Rt Hon Lord Howell of Guildford

27th October 2009

Rt Hon Lord (David) Howell *was appointed Minister of State at the Foreign and Commonwealth Office on 14th May 2010. Lord Howell was made a life peer in 1997. He was Member of Parliament for Guildford from 1966 to 1997. He was Opposition spokesperson for Foreign and Commonwealth Affairs, 2000 -2010 and Deputy Opposition Leader of the Lords, 2005-2010.*

MENDING THE BROKEN REED OF BRITISH FOREIGN POLICY

"The world is no longer defined by powerful regional blocs or spheres. It is defined by powerful global networks"

Our foreign policy defines us. Clear and confident international purpose, well articulated, however complex the issues, gives us pride and purpose at home and provides a focus for our national loyalties.

At a time of almost universal concern and uncertainty about the course of economic events, and when financial turmoil could yet spill over into civic and political disorder and into irresistible pressures for protection, leading to the downfall of the whole liberal trading order, and a time when our parliamentary institutions are discredited and a real crisis of political legitimacy looms, the need for clarity and definition in our national role and purposes becomes more necessary than ever.

I know that opinion pollsters and election strategists tell us that foreign policy is not of much interest to voters. Domestic issues are said to always come much higher up the agenda. But this is misleading and I believe the experts are posing the wrong question. Our positioning in the world and our international connections give our lives meaning. They tell us what to be proud of, what common causes and loyalties bind us together and prevent further social disintegration right here at home. These are not abstruse matters or the preserve of the chattering classes. They are central to daily and family life and the hopes and feelings which sustain us.

And it is this very central matter about which I propose to talk today.

A NEW LANDSCAPE

It is surely now time for a clean break and a new strategic direction, a new tone and a new philosophy, so as to best position ourselves in the amazing new network world that has evolved around us.

1. Within this new network, the USA remains a great and powerful nation. But its unipolar moment has passed. It no longer leads the world because in an age of networks there is no

single 'top dog' leader in the old sense. The theme becomes team co-operation, not team leadership, and even less 'going-it-alone'. Pax Americana is no more. President Obama shows he understands this (although do all those around him?). His Cairo speech was blessedly free of the lecturing tone and talked more of respect, encouragement and working together with other (non-Western) powers. He has a lot of errors and damage to undo, not least the colossal strategic error which removed Iran's enemies and promoted Iran as the leader of anti-Westernism, leaving America's reputation in the Middle East and the Gulf, and I am afraid Britain's as well, in tatters.

2. Power has shifted not only away from Washington but from the whole Atlantic axis. Western hegemony no longer rules OK. The rising power centres are in Asia – China, India, Japan, the whole Chinese diaspora of South East Asia and to a growing extent in Latin America. It is from these directions that forces, influences and hard resources (cash) are now coming which will bear most strongly on our own future fortunes. The groundwork is being laid not just for a new economic pattern but for a complete replacement of the US and dollar-dominated financial and political order.
3. The European Union is Britain's local regional club, so to speak, and it has achieved a great deal. But the EU today is very different from the EU of only a short while ago – which in turn is totally different from the EU we first joined almost three decades ago. 20th century visions of Europe as a bloc or superpower are substantially outdated. The world is no longer defined by powerful regional blocs. It is defined by powerful global networks. Neither the Lisbon Treaty aficionados nor the majority blocs in the sadly remote European Parliament have grasped this. Good Europeans should be looking in radical new directions and leading our region away from the tramline thinking embodied in the now dated Lisbon texts.
4. Power has not only drained away from the Atlantic capitals to new alliances and groupings. It has slipped away from all nation-state governments as more than one and a half billion people tap into the worldwide web and make their mark on opinion, events and markets, with inevitably increased volatility in all sectors. We live in an age of networks, soft power, sub-governmental and non-governmental linkages between states and societies, requiring new diplomatic machinery to keep track of it all at state level.
5. The world's (and our own) energy mix is changing fast, downgrading to some extent the importance of oil in the medium term, but over the coming decade making Britain massively reliant on imported gas, as the North Sea supply fades. This changes our priorities and relationships with Middle Eastern suppliers, with Russia, with the Central Asian gas producers and with Turkey, which emerges as one of the key energy channels between east and west, as well a growing mediating influence in the labyrinth of Middle Eastern and near Asian issues which bedevil global stability.

NEW QUESTIONS FOR BRITISH POLICY

This new landscape, with Western hegemony in clear decline, presents immediate and important questions for British policy:

- Do we now have the right stances and tones, as well as the right distribution of diplomatic resources, in our relations with Washington, with Brussels and with the new rising powers of

Asia and the Middle East?

- Do we have the right military and security dispositions to meet these new conditions? The military are flexible and ready as always to perform even the ugliest tasks (as now). But they have to plan ahead and they DO need a clear definition of the nation's security priorities and purposes within which they have to act. Are they getting it? And especially are they getting a clear picture over our involvement in Afghanistan, with Pakistan and in areas like Somalia and Yemen, the new breeding grounds for terrorism?
- With the nuclear non-proliferation regime in need of renewal and with a new global determination in evidence to move to a nuclear-free world, have we dovetailed our role in this process with our national security priorities?
- Are the international institutions of the 20th century the right ones for the new century? We take pride in belonging to so many of them – NATO, EU, UNSC, WTO – but are they still the best channels for projecting our aims and guarding our security today?
- What about the G20, in effect replacing the G8. How do we manage our position with this new forum? What about the new groups on the stage, such as the Shanghai Cooperation Organisation? Are we investing in the Commonwealth as a power network of the future, embracing as it does almost 2 billion people across continents and faiths in some of the fastest growing and most dynamic nations on earth?
- Europe is our neighbourhood and we must remain committed to its stability and prosperity. But are we right to invest so much time and effort in EU institutional reform, to put so much of our overseas development efforts through the EU machinery, and to place such emphasis on EU defence structures?
- National energy security is paramount. Have we adjusted our foreign policy priorities to our new pattern of energy needs, environmental imperatives and climate change concerns described above?
- Perhaps above all, do we have the right Ministerial and administrative systems here in London to adjust, flexibly and swiftly, to the new conditions, and the right balance and coordination between our major departments concerned with overseas affairs?

A blunt 'NO' has to be given to all these questions. One only has to ponder for a moment on the new realities to see how hopeless inapposite all the policy stances behind these questions have become, as well as the systems we have currently to administer them.

ASIA STILL RISING

The rise of Asia as a global force – predicted by some of us over a decade ago - has become something of a cliché. Together the so-called JACIK countries (Japan, ASEAN, China, India, Korea) now have a GNP equivalent to the EU, and if measured on purchasing power parity terms, much larger than either the EU or NAFTA. The combined official reserves of these countries are much larger than those of the EU and the US combined. Global recession may have lowered the numbers all round, but the relative positions remain the same.

(Incidentally it is disappointing that not only the policy-makers, but the leading commentators, have been dismally slow in perceiving the shifting balance in a non-Western direction. Some of

us were warning over a decade ago that Atlantic and Western hegemony were being challenged, not only economically but politically, culturally and in scientific and technological fields. Yet only a few days ago a distinguished FT political commentator was writing that ‘the market no longer belongs to the West’, as though it was some new insight to be shared with FT readers! We have to move forward our understanding of world trends at more than this glacier speed if we are to avoid sinking out of sight).

It is not just a matter of super-competitive manufacturing imports from Asia. It is only now dawning on the West that Chinese technology and advanced scientific research, especially in such fields as nanotechnology, are racing ahead. Standards in business and scientific education, long believed to be the monopoly of the West, are not only matching but beginning to surpass Western levels, with the likelihood that the flow of business students is starting to reverse in a West to East direction.

Combine this intellectual and academic momentum with Asia’s ethos of hard work, scrupulous saving and intense commitment to children’s education and advancement and the pattern emerges which a decade or more ago I christened ‘Easternisation’. Then I argued, and today we are now seeing, the emergence of cultures more suited to the information age than Western attitudes. This, I contended, would lead to the rise not only of economic power and influence in Asia, but would place nations like Japan, India, China and Korea, and even the smaller nations such as Malaysia and Singapore, at the centre of global events. Their full cooperation would be needed – indeed their leadership - in resolving all key global issues – a message that still has not reached all American policy-makers.

Has it reached our policy-makers here in the UK? Not if the withdrawal pattern of British embassies and agencies – from Latin America in particular – is anything to go by!

LOOKING BEYOND EUROPE

As Foreign Secretaries come and go, quarterly and annual reports continue to flow from the FCO asserting the same priorities, sometimes shuffled a bit to meet new fashions (such as climate change), but essentially with the same message. The priorities are the European Union, and the UN, plus the customary genuflection in the direction of Washington. Barely a mention of the amazing Commonwealth network. The old Adam – a fear of being ‘left out’ of the European integration show, still dominates FCO thinking. When the incumbent Foreign Secretary, David Miliband, addressed the assembled Ambassadors and High Commissioners at Lancaster House on June 8th, about Britain’s goals there was no mention of the Commonwealth at all, to the amazement of several listeners – only pledges to strengthen the European Union (in the wrong way) and the United Nations.

Yet if we rely on the ‘EU partners’ or ‘EU common foreign policy’ to promote or defend our interests we do so at our peril. The UK’s history, experience and connections (the Commonwealth again) give it a potentially huge advantage in relating to the new power centres of the post-Western world – advantages that most other EU members have no interest at all in promoting.

EU cooperation is certainly indispensable on some fronts. But I very much doubt whether the EU ‘strengthens our clout in Washington, Beijing or Moscow’, as David Miliband was proclaiming only

yesterday. It almost certainly does the opposite, with our views being frequently blended down into a fuzzy and ineffectual EU consensus.

Added to that our Foreign Policy administration and policy-making *corpus* has great difficulty, quite understandably, in grasping that international relations are less and less a matter between governments. No one likes facing the fact that their role has shrunk. There have been commendable efforts to make space for more independent linkages and agencies, notably through the British Council and support for the BBC World Service.

What is missing is an understanding that under the influence of globalised communication and the worldwide web the whole fabric of international relations has already changed. Power and influence are flowing through new channels, as Manuel Castells reminds us in his penetrating new work, 'Communication Power'.

As Professor Anne-Marie Slaughter, Dean of the Woodrow Wilson School of Public and International Affairs, and one of President Obama's key advisers, has explained, modern states are not disappearing as the fashionable 'end of the nation state' theorists would have it, but they are disaggregating into separate, functionally distinct parts which are creating a new pattern of informal internationalism. New network structures similar to the Commonwealth are ideally suited to operating and getting the best returns for our own country from this new world. And this points up how utterly foolish the foreign policy-makers in the UK have been over the past decade or so in failing to develop this colossal potential for a nation like ours. Thus, for example, the possibilities for enhancing our national security through Commonwealth network co-operation, well understood by the professional military, have been wholly neglected by the policy strategists in Whitehall.

The Commonwealth structure is weak today, not least because it is startlingly under-resourced. The British contribution works out at about 20p per person per year, as against £54 per person to the EU. Yet even in its attenuated state it constitutes a huge reservoir of soft power and influence. A more ambitious and better-resourced Commonwealth, prepared to harden somewhat its international response to world issues, and to welcome the association and support of other like-minded democracies, could deliver influence and reach for British interests which other nations would envy.

NEW MACHINERY

But perhaps the most important and immediate issue of all is how to establish the right machinery to push forward the new agenda and repair the enormous damage to our standing which a decade of unsteady hands at the foreign policy tiller has bequeathed to us.

Lord Hurd of Westwell, the distinguished former Foreign and Commonwealth Secretary, has spoken of a 'malaise' developing in the Britain's once much praised Foreign Service, and of a 'hollowing out' of the Foreign Office, in London (Lords debate 26th February 2009).

Both he and many other well-qualified observers have expressed unease at the extraordinary imbalance that has developed between the tight funding of the FCO and the far larger resource allocation for the Department for International Development, now with a budget four times that of the Foreign Office. If the two departments were united in their perceptions of foreign policy

goals that would present no more than a problem of inter-departmental co-ordination. But DFID does not see things this way. It has become, in the words of Conservative spokesman Andrew Mitchell, *'perilously close to setting out its own foreign policy'*. The impression is left that while it may have worthy aims, it is not too interested in the national interest, except in the very vaguest terms.

More than one former Foreign Secretary has pleaded – after leaving office - for the total overseas efforts of the internationally concerned departments, including both DFID and the Ministry of Defence, to be looked as one, and the balance of their budgets assessed in a coherent and strategic manner under the supervision of the directly interested Ministers. The Conservative proposals for a National Security Council would help greatly in bringing this fragmented and dislocated situation together.

THE CHANGES HAVE ARRIVED

Meanwhile, a dispiriting picture emerges. At a time when we should be forging new alliances with the powers that will affect our destiny, when we should be vigorously promoting new and more flexible structures regionally for the EU, when we should be building up the Commonwealth as the ideal soft power network of the future, at a time when we should be massively strengthening and modernising our security forces to meet asymmetric threats, when we should be redirecting our development and aid policies, when we should be reconstructing our overseas Ministries to get a better resource balance and upgrade our whole diplomatic resource, we are doing none of those things.

This leaves us with an international stance without focus, adamant for drift and governed by querulous indecision disguised as strategy. It leads directly to national loss of direction, purpose and cohesion, and opens wide the way for social division. It endangers our own future, weakens our contribution to international goals and projects an image of defeatism and lost confidence. It also demoralises those very able foreign policy practitioners and diplomats who remain and find themselves wired into the wrong administrative structure travelling along the wrong tracks.

The global context has changed. Within it we need a new foreign policy direction, based on a deep and intelligent analysis of the new world conditions, and we need new government machinery to operate it successfully and with confidence and vigour. Our amazing country, built on its amazing and dazzling past, and still full of talent and vitality, deserves no less. The chance for change is coming. Let's hope it is not too late.

THE IMPACT OF THE FALL OF THE BERLIN WALL ON SOUTH AFRICA AND THE WORLD

Text of a lecture given by F W de Klerk

16th November 2009

Frederick Willem (FW) de Klerk was born in Johannesburg on 18 March 1936. He practised as an attorney in Vereeniging from 1960 until 1972 when he was elected to Parliament. In February 1989 he was elected leader of the National Party. After his election as President in September 1989 Mr De Klerk initiated the transformation process that culminated in the adoption of South Africa's first fully democratic constitution in December 1993. He retired from party politics in 1997. In 2004 he established the Global Leadership Foundation in London. He was awarded the Nobel Peace Prize together with Mr. Nelson Mandela in 1993.

We have just celebrated the 20th anniversary of the destruction of the Berlin Wall. I was fortunate enough to be in Berlin for the occasion and to have discussed the implications and consequences of the momentous events of 9th November 1989 with two of the main protagonists - Mikhail Gorbachev and Lech Walesa. We all agreed that the fall of the Berlin Wall was one of the turning points in modern history.

The events of 9th November 1989 will reverberate through history with similar impact to those of 14th July exactly two hundred years earlier. The fall of the Bastille was only a single incident in a lengthy and complex process. Nevertheless, it came to symbolise the success of the French Revolution. The French Revolution, in turn, marked the beginning of the end of absolute monarchy in Europe and signalled the dawn of a new approach to the government of society.

In the same way, the fall of the Berlin Wall - although only a single event in a broad historic process - has come to symbolise the collapse of international communism and the end of the bipolar world. Perhaps, even more significantly, it signalled the failure of ideology and social engineering to provide workable solutions to the challenges of human societies.

The point of departure of ideologists is that intellectuals have the ability to construct utopia by shattering the old order and then remoulding it nearer to the heart's desire. This often involves not only the redesigning of the institutions of society - but of human nature itself.

However, ideologists usually discover that it is more difficult to remould human beings than they imagined. People have an obstinate habit of resisting change; clinging to traditions and pursuing what they believe to be their self-interest. For ideologists the utopian ideal is so imperative that they feel entitled to enforce conformity on those who disagree - usually by sending them to gulags or re-education camps. Ideologists also insist that because the revolution is never really complete: they have a historic mandate to remain in power until utopia has been attained - in other words, forever. Almost invariably, ideology and freedom are irreconcilable.

The fall of the Berlin Wall was above all a victory for freedom. The crowds who gathered day after

day in Leipzig and in other German cities quietly and peacefully reasserted their right to personal liberty. The constituent countries of the Soviet empire were able to assert their national independence - and in most cases quickly established constitutional democracies. At the same time, people throughout the former Soviet empire were able to begin to exercise their right to economic freedom. After decades in the straightjacket of command economies, they were finally able to participate in the newly re-emergent markets.

What factors contributed to these momentous developments?

In the first place, it had become evident to any rational observer that free markets generated much greater wealth and higher standards of living than rigid command economies. Western Europe was demonstrably a better place in which to live than the drab and severely rationed East. Even the most committed communist apparatchiks staring across the Berlin Wall at the brash prosperity of West Berlin must have developed secret doubts. Khrushchev's boast in his 1957 kitchen debate with Vice-President Nixon - that the Soviet economy would eclipse the American economy in a couple of decades - simply did not happen. Instead of overtaking Americans in terms of prosperity, Soviet citizens fell further and further behind in the consumer race. Ultimately, the Soviet Union did not have the resources to continue to compete in the arms race against the United States.

Secondly, the citizens of the Soviet Union could no longer be isolated from the impact of globalisation. Even before the advent of the internet, fax machines and modern communication technology began to inform Russians of global trends and fashions. The new generation wanted American jeans, the Rolling Stones and the Beatles - not Marx and Lenin.

As with all collapsing empires, the main cause of the decline was simply that the leadership began to lose faith in the political mythology on which their state had been founded. It had become increasingly obvious to new generations of leaders that communism was not delivering the utopian paradise that had inspired their predecessors.

At the other end of the Eurasian landmass, Chinese communists were drawing similar conclusions. They were fully aware of the spectacular success of the Chinese populations of Hong Kong and Taiwan. They also knew that the critical success factor of these societies was economic freedom - but had noted that Hong Kong under British rule was not a politically free democracy. They concluded that the extension of economic freedom in China itself need not necessarily threaten the position of the Communist Party.

One of the most astounding aspects of the 1989 developments in Eastern Europe was that they were entirely unexpected and unpredicted. No-one envisaged only two or three years earlier that within a decade Germany would be reunited; the Baltic republics would be independent; Central Europe would be free and the Communist Party would be banned in Russia. Anyone who had done so would have been taken away for psychiatric assessment.

The most important consequence of the events of November 1989 and its aftermath was the end of the bipolar geostrategic paradigm that had characterised global politics since the end of World War II. The central reality in global politics was no longer the confrontation between NATO and the Warsaw Pact. The primary strategic threat was no longer the possibility of a nuclear war or a conventional invasion of Western Europe. Soviet-backed wars of national liberation no longer dominated strategic considerations in the third world.

Within a few short months all these factors - which had dominated the strategic debate for forty-five years - evaporated. The world was left with the United States as the single, unchallenged, global superpower. The mantle of sole global pre-eminence came unexpectedly to the United States. It was a role for which Americans were not properly prepared either by history or inclination.

The United States was now the only country that could effectively project its military power in any part of the world. Its political and economic system had emerged triumphant from its cold war engagement with communism. Francis Fukuyama wrote of the "End of History" based on the proposition that free-market democracy was the culmination of mankind's historic quest for the best possible system of political and economic government.

The result, inevitably, was a degree of hubris. When Vice-President Gore and Hillary Clinton came to South Africa in May 1994 to attend Nelson Mandela's inauguration, they bought their own armoured limousines in giant military transport aircraft. When our security authorities asked why they had done so when we could have provided perfectly good armoured vehicles for them, the reply was simply "because we can." The United States could flaunt its power. It no longer felt it necessary to sacrifice its immediate national interests to comply with multilateral initiatives such as the Kyoto Protocol.

The question that American intellectuals now asked themselves was what the United States should do with its global military pre-eminence? The answer was provided in part by a Neo-Conservative think tank, The Project for a New American Century. In its 1997 statement of principles it asked whether the United States had the resolve "to shape a new century favorable to American principles and interests." Those principles included the need to promote political and economic freedom throughout the world; and the need to preserve a world order that was friendly to America's security, prosperity and principles.

The result was the second Iraq War.

In the view of Neo-Con strategists Iraq presented an excellent opportunity to pursue their principles in practice. They could bestow the benefits of American democracy on the Iraqi people - and also secure the United States strategic position in the world's main oil-producing region. As a result, the Americans blundered into a tar-pit of conflict which they did not understand and from which they must still extricate themselves. History has not ended - and the new American century lasted less than twenty years.

America discovered in Iraq and Afghanistan - at an enormous cost - the limitations of its military power. Its economic power and prestige has at the same time been seriously tarnished by the current economic crisis. Everywhere, neo-Communists are emerging from the woodwork and proclaiming that they were, after all, right about the weaknesses of the capitalism. Nobel Economics Laureate Joseph Stiglitz has expressed his worry that *"as they see more clearly the flaws in America's economic and social system, many in the developing world will draw the wrong conclusions."* He fears that *"a variety of forms of excessive market intervention will return"* and that *"these will fail"*. He goes on to point out that *"there has never been a successful economy that has not relied heavily on markets."* Of course, he is right. The problem is not the proven performance vehicle of free markets, but the reckless manner in which the vehicle has been driven often egged on by the traffic police themselves! The answer is definitely not to return to the donkey cart of command socialism.

The world after 1989 has been dominated by new and unforeseen factors.

The first is a virtual end of wars between countries. Despite the continuing conflicts in Iraq and Afghanistan, we are living in one of the most peaceful periods in history.

The second is that the most serious threat to peace now comes from conflicts within countries between ethnic, religious and cultural communities. According to the Stockholm International Peace Research Institute, 25 of the world's 27 serious conflicts are between ethnic, religious and cultural communities within countries.

A deep sense of cultural, religious or ethnic alienation lies at the root of many of the nasty little wars throughout the world - most of which seldom impact on the evening news. Too often, minority communities feel that they are not sufficiently accommodated, politically or culturally, in the processes by which they are governed. They feel that their governments are insensitive to their languages and cultures; that they are subject to discrimination, repression and efforts to integrate them forcibly into the majority culture. This sense of alienation often breaks out in conflict, rebellion, demands for secession and sometimes in acts of terrorism. Present or recent conflicts in Chechnya, Sri Lanka, Georgia, the Philippines, Thailand, Indonesia and Darfur provide depressing examples.

Religious and cultural alienation are also among the main underlying causes of international terrorism. Most terrorists are motivated by a deep sense of religious and cultural grievance. The rampant advance of globalised consumer culture with its attendant political and social ethos, poses a threat to conservative societies and particularly to fundamentalist Muslims. One of the great challenges of the new millennium will be to address cultural and religious alienation and to devise norms and approaches that will enable different communities to live together in peace.

Finally, the dominant development since 1989 has been the acceleration of globalisation. The process of global economic and information integration is creating a new framework for international relations. Events in even the remotest regions can have an impact on the global environment. No one, no community, no country can any longer be ignored. Who would have thought ten years ago that Muslim fanatics hiding in caves in Afghanistan could possibly threaten the United States or downtown Manhattan?

In the same manner, the fall of the Berlin Wall in 1989 had dramatic repercussions for South Africa's constitutional transformation.

One of the South African Government's central political and strategic concerns before 1989 was the expansion of Soviet influence in southern Africa and the influence of the South African Communist Party within the ANC.

Former South African governments were deeply concerned about Communist influence in the ANC. They knew that a large majority of the members of the ANC's National Executive Committee were also members of the South African Communist Party. They knew that SACP cadres controlled key functions within the ANC alliance, most notably its armed wing, Umkhonto we Sizwe. They knew that the SACP proposed a two phased revolution. During the first - national liberation - phase, the ANC would be the vanguard party and would lead all forces opposed to apartheid to the goal of national liberation. During the second phase, the SACP would take over as the vanguard party and

would lead the country to the establishment of a 'people's democracy'.

Former National Party governments did not feel that they were under any moral obligation to accept a one-man, one-vote process that would quickly lead to the demise of democracy and the establishment of a totalitarian communist regime – as had already happened in a number of neighbouring states.

This was not a question of 'reds under beds'. The communist threat was very real. The contest between the free world and the Soviet bloc was taking place through third world liberation struggles. Throughout the 1980s, South African Defence Force units were involved in direct conflict with Soviet and Cuban-led forces in southern Angola. The battle of the Lomba River in September 1987 was one of the largest set-piece battles in Africa since the Second World War. However, the tide was already turning: the following year the Soviet Union and Cuba agreed to withdraw Cuban forces from Angola as the precursor for the implementation of UN resolution 435 for the independence of Namibia. The negotiations with the Angolans and the Cubans and the subsequent successful implementation of the UN independence plan during 1989 reassured the South African government that it could secure its core interests through negotiations with its opponents.

The collapse of the Soviet Union symbolised by the fall of the Berlin Wall removed one of the major obstacles to a negotiated settlement in South Africa. Communism was in headlong disarray; the South African Communist Party was in shell-shocked retreat; constitutional democracy and free market principles were triumphant.

Never again would the balance of forces be so favourable for an equitable negotiated settlement. The destruction of the Berlin Wall opened a window of opportunity through which we unhesitatingly jumped. During the following four years we were able to negotiate a model democratic constitution which has served as the basis for 15 years of stability and growth - despite the many challenges that continue to confront us.

South Africa is now a full participant in the globalised world and economy. Our history will continue to be shaped by developments on the world stage. Our economy is also suffering from the effects of the global economic crisis. The South African Communist Party is trumpeting this as the long-awaited failure of capitalism and is making a serious bid to re-establish its influence over its ANC alliance partner. As with the rest of the world, relationships between our ethnic and cultural communities present a threat to stability and must be managed with sensitivity and toleration. Our future will also depend on mankind's ability to address the threat of global warming and to ensure sustainable development.

What conclusions can we draw from the twenty years since November 1989? We have learned that:

- countries that enjoy economic freedom and free markets perform much better than those with centralised command economies;
- pragmatism is preferable to ideology of any kind, including soviet communism, Verwoerdian separate development; and even the Neo-Con's new American century;

we are increasingly interdependent: events anywhere in the world can affect countries all over the world;

- if we wish to address global problems - like global warming and third world poverty - we must work together;
- the unipolar world has come to an end - and we are about to enter an era of multipolarity;
- the main threat to peace now comes from conflicts between cultural, ethnic and religious communities within countries;
- it is unwise - even for the most powerful countries - to become involved in protracted military adventures far from their shores and remote from their core interests;
- in a rapidly changing world, the future is unpredictable; and
- there is no end to history.

For us in South Africa, the fall of the Berlin Wall showed how deeply we are influenced by events on the global stage - and helped us to break down the walls between our own people.

IRAN IN 2009: HOW MUCH HAS CHANGED?

Transcript of a lecture given by Sir Richard Dalton KCMG

24th November 2009

Sir Richard Dalton KCMG is Associate Fellow on the Middle East and North Africa at the Royal Institute for International Affairs (Chatham House) and is a leading UK expert on Iran. From 2002-2006 he served as UK Ambassador to Iran, playing a central role in European negotiations with Tehran over its nuclear programme. Prior to this, he served as the first UK Ambassador to Libya in 17 years, working from 1999-2002 to revive Britain's links with Iran and helping to pave the way for the deal on the elimination of Libya's WMD capability.

Thank you very much for that welcome. It is indeed a crucial period on Iran. Whenever is it not a crucial period on Iran? But there are five things now to draw attention to.

Iran itself, the state of its regime, its internal and external policy, you could describe as unfinished, a revolution within the revolution which began and which has not yet been completed. The negotiations are teetering. The priorities for the six negotiating countries are in doubt. There is pressure for a break to the process that has scarcely begun, but which did look optimistic for a short period in the autumn and there is pressure for sanctions. In fact, I think I shall contend that the slogan of a 'twin track' approach has probably now outlived its usefulness. We need some patience and some additional creativity and I shall suggest some ways in which that might be seen through.

My talk will have four movements to it, like the best classical symphonies. Inside Iran and the nuclear negotiations are the big movements, the first and last ones, and we will get to the negotiations via a short slow movement on Iran and the region and a lively scherzo on the UK/Iran relations! A lot of ex-ambassadors are like under-employed orchestral conductors. In my thirty minutes, I shall go beyond time signatures and tempos and attempt an interpretation. In other words and before my analogy collapses, I will have a go at policy.

So to start with – what is going on inside Iran?

Basically it is the same Iran, despite the events of June. The trends that were apparent for many years, though, have been intensified and the system is weaker because it is more disunited. Why do I say it is the same Iran? One reason is (and this is an exaggeration, but it makes my point) that the decision to fix the 2009 election was actually taken in 2001. What I mean by that is that after the second victory of President Khatami that year, the powers that be were seriously scared that reformism might undermine the Revolution. We started to see a serious backlash which hobbled President Khatami in that year. We saw the sentencing of Professor Aghajari, which in many ways to me was a milestone in which a noted supporter and fighter for the revolution was sentenced to death for blasphemy. Another milestone that we can see in retrospect, which shows how what happened after June was prefigured, was a speech which Ahmadinejad gave in March 2008 when he expanded on his view that the Hidden Imam supported him and his policies. He argued that Iran's global mission would soon be at hand and

that it was time to wrap up all the various distractions of domestic policy - that was in March 2008.

But 2009 was the year in which, and this is a major discontinuity, Khamenei took sides dramatically to support Ahmadinejad as a presidential candidate despite the extent and nature of the challenge to his victory. And why he did that was because he wished to intensify what he calls the 'cultural war', the war against influences inside Iran which might ultimately demolish the Revolution.

I am going to quote here from an article which some of you may have seen by Maziar Bahari, a Newsweek journalist just released, and written about his experiences. Ayatollah Khamenei, he wrote just the other day, liked to warn Iranians about a cultural NATO, as threatening as the military one, a network of journalists, activists, scholars and lawyers who supposedly sought to undermine the Islamic Republic from within. Anyone on the streets of Tehran in June, Mr Bahari went on, would have known just how spontaneous, even leaderless, the post election protests had been. But Khamenei and the Revolutionary Guards clearly believed (or at least wanted Iranians to believe) that they had been orchestrated by foreigners. They called the plot a 'Velvet Revolution' or a soft overthrow. *'You are worse than any saboteur or killer'*, Bahari's interrogator raged at him on the first day of his interrogation, *'Those criminals destroy an object or a person. You destroy minds and provoke people against the Leader'*.

But the fact that this attempt to control politics by reorienting society has not yet been completed leaves Iran in a very febrile mood. Not only do we see the intense factionalism and personal rivalries with which we are familiar, but we see criticism from leaders who had previously been quiet and muted in their concerns, but who now speaking out. Mohsen Rezaei, one of the failed presidential candidates of this time, said in the newspaper, Etemad-e Melli, just the day before yesterday, *'National unity has lost its effectiveness. We must all accept that the country's current situation is not that appropriate. We must soon find a way to get out of our existing bad condition. The country is facing social, cultural and moral crisis.'*

But what about those protests? What about the Green Movement? What is its future? I do not think it is very good in the short term. There is no organisation left beyond the informal communication that can take place when it is decided that demonstrations will be mounted, there are no media outlets, there is a sense of powerlessness and a sense of 'what can we do?' given the nature of the crackdown. Yes, the protests were unprecedented - three million on the streets. Yes, popular defiance still exists, but it has not got an outlet that is going to affect seriously the conduct of politics in the short term.

Long term of course, the seeds of further action in the future to promote a genuine democracy have been sown and that is what has changed in 2009. The role of the women of the Green Movement must be mentioned. Their courage and their leadership even if not in the streets and on the rooftops, that is a discontinuity, something which has been latent, but people are now standing up for what they think.

Of course, the many different aims within the Green Movement influence its current situation. The leaders are loyalists. They are people who want to see the Islamic Revolution saved from itself, the Islamic Republic rescued and republicanism rescued from one particular slavish interpretation of the Islamic element within the system. But their view is not shared by the majority of the foot soldiers, the people in the street who want to see an efficient government and a freer government and who do not see how that can be delivered by the clerics. But the fact that this unresolved well of

discontent exists does make the regime very uneasy. It has not finished what it started. It has not suppressed dissent, reformism or centrism; and it is struggling from day to day.

A lot of it has been written about the role of the Revolutionary Guards. They were always there in the background. They did have to move to the foreground because of the unprecedented nature of that challenge on the streets. To quote Maziar Bahari again, *'IRGC intelligence is now responsible for Iran's internal security, which means that its paranoias have suffused the regime. There remain players within the system who can make rational decisions about Iran's international interests. If there were not, I, Maziar Bahari, would still be in jail, but the Guards are exacerbating the Islamic Republic's worst instincts, its insecurity and deep suspiciousness. As world powers try to engage Iran to mitigate the threat of its nuclear programme, it is critical that they understand this mindset and the role the IRGC now plays within the Iranian system.'*

So, to sum up what is going on inside Iran: the government remains in control and it remains capable of taking decisions, but the extent of the fissures within make it very hard to reach agreement on an actual strategy and an actual policy and we will get on to that in a minute.

So what is their world view now? Clearly the priority is domestic and it is domestic in dealing with the day-to-day decisions that have to be taken, notably in the economic sphere on ending subsidies in order to give their budget more headroom, but without promoting a revolution from below from the poorer in society left having to spend more.

In the report which Chatham House did last year, we homed in on the fact that many in Iran realise that they cannot mend their economy without an accommodation with more of the outside world. I think we overestimated the speed at which this insight would sink in. I thought that it would have sunk in by now in effect, but it has not. To put it at its most basic, they will not be able to maintain a significant hydrocarbon export potential in five to ten years' time unless they massively increase the rate at which they invest in their resources now and manage their resources more efficiently and that means reintroducing western and other oil majors into the process on terms that those majors find acceptable. That realisation will sink in, in due course I believe, but it is going to be too late to influence attitudes to the nuclear negotiations within the timescale required.

So also, within their world view, they are struggling with the policy dilemma which has been evident now for many years. It was summed up in a meeting which I attended in 2005 with the then Head of the Supreme National Security Council, Larijani, who is now the speaker of the Iranian Majlis. He said Iran's options are to surrender, to nobly defy or to manoeuvre in such a way as to preserve the gains of the Revolution. Now, he favoured the manoeuvre option. Nobody in Iran, right the way through to the greenest, is talking about surrendering to the kinds of pressures which amount from Europe and the United States. But which they are going to choose between - noble defiance (which is what you associate with the most extreme of the statements you read of Iranian policy) and a resumption of the kind of manoeuvring which we saw when from June onwards when Ahmadinejad wrote to the IAEA saying 'please help us get fuel for our research reactor', which one we are going to see dominant in the future, we simply cannot forecast.

At the moment the situation is fluid but defiance has the upper hand. For example on 22nd November, the conservative newspaper, *Jumhuri Islami*, wrote: *"Mr ElBaradei must be reminded that the Iranian people have well understood that any retreat by them from their principled positions in connection with the nuclear issue as well as any other issue, will make the other side*

more greedy. If we go back one step they will move forward two steps. For this reason the Iranian nation will never retreat from its nuclear positions". That is noble defiance for you, that is the pure voice and very often it seems that Ayatollah Khamenei, who has the final word, believes in that. Hence the conflicted nature of their responses to the open hand from the new US administration and I am going to finish my little chapter on what is going on in Iran by discussing that briefly.

In his message of 4th November, President Obama said, *"I have made it clear that the United States of America wants to move beyond this past and seek a relationship with the Islamic Republic of Iran based upon mutual interests and mutual respect".* He went on, *"Iran must choose. We have heard for thirty years of what the Iranian government is against, the question now is what kind of future is it for?"* To cut it short, he concludes by saying, *"It is time for the Iranian government to decide whether it wants to focus on the past or whether it will make the choices that will open the door to greater opportunity, prosperity and justice for its people".*

Very challenging words, if you think about the strategy conflict which I have just described.

Anyway, President Ahmadinejad gave his response a couple of days ago in a speech in Tabriz. He said, *"Those who claim that they want constructive interaction must know that if a clear, fundamental and correct change is observed and the Iranian nation sees that they have truly changed their attitude, have given up their aggressive and arrogant behaviour, are respecting the right and dignity of the Iranian nation and by returning the right and wealth of the nation they have honestly stretched a hand of friendship towards, Iran will accept it. However, they should know if they are pursuing deception and mischief in our region again, the response of our nation will be the same definite response which the Iranian nation gave to the predecessors of these gentlemen"* [meaning Bush].

So there you have it. Iran still refuses to accept that its experiment is over, which is basically what Obama was inviting the Iranians to accept. They do not accept that opportunity, prosperity and justice can only be achieved via a deal with the United States. Regrettably, it still seems that both Iran on the one hand and the United States on the other, are setting high barriers to starting serious talks and that is where we have been for years.

Now, I move to Iran and its region.

Basically policy has not changed. It is all about forward defence of territorial integrity and of the Revolution by making life tough for Israel and the United States, whom they see as still irredeemably against them. They want influence on the decisions being made by the governments in their region, whether on the Arab side of the Persian Gulf or in central Asia, India, Pakistan or Turkey. As for who is carrying out policy, those difficult subjects of Afghanistan and Iraq were always in the hand of the IRGC and I am sure they still are.

What about the reaction in the region to those policies?

We still hear a lot from the GCC countries about fears of Iranian hegemony and of a US/Iran stitch-up behind their backs. I think that both those fears are overdone. Nor do I think that Iran is showing a predisposition to promote subversion through Shi'a communities. So, there is much more continuity there than change. Also, part of the reaction to Iran is the popular support which Iran enjoys in the Arab world for being seen to stand up to Israel. I think that the election turmoil has

taken some of the shine off that, but it is still a political resource which the Iranians have and which the leadership of Arab countries to Iran's west are very nervous about.

Policy response to where Iran is in its relations in the region? Clearly military and diplomatic containment has to continue and clearly it would be a great advantage in easing our difficulties with Iran if the Middle East Peace Process could be rescued and it would help the Middle East Peace Process if we could be pressing on with an Iran process with the objective of improving Iran's behaviour in the region.

Secondly, we should clearly be carrying on with the many GCC defence dialogues that take place between NATO and the GCC, and between the US and the GCC, and the lesser players like France and the UK. Clearly we should be talking up regional defence co-operation, leading ultimately to structures in which Iran and Iraq can be integrated when the time is right. I think to help that, it would be right to declare that normalisation of both Iran and Iraq in the region is the long-term aim. The world's policy should be built on recognising that an anti Iran alliance between external powers, and particularly GCC countries, is simply an impossibility.

What about Iran and Britain?

The history shows that it follows a fever chart. In my view, this relationship only approached a normal temperature for a very few months at the end of 2002 and early 2003. There had been an interregnum for a year before I arrived because of the dispute over who should be the British Ambassador and I was lucky enough to be given the job and that coincided with the high point of the Jack Straw and Kamal Kharrazi period, when there was this serious common interest in mitigating the consequences of an invasion of Iraq, which was going to do great things for Iran by removing their principal enemy to the west. I think we have to regard that period of semi-normality as an aberration. The history is one under which we have always been on probation and as far as most of the powers that be in Iran are concerned, we have consistently as a country failed the test of probation. So things have certainly got much harder for my successors and 2009 is undoubtedly a particularly bad year after four hard ones.

There are three reasons for that. I think it is worth singling out the - to us, very positive, to the Iranian regime, very, very negative - BBC Persian service, underlining for the Iranians our crass insincerity in sending Ambassadors to talk about respect and mutual interests and then sending our journalists and broadcasters to bat against the Islamic Republic as they would see it, by disseminating information and opinions which Islamic Republic is trying hard to suppress.

Secondly, there is a long running extradition issue, which is a serious thorn in the side of the relationship. Thirdly the de-prescription of the MKO and of course now on our side, the totally unjustifiable, wicked imprisonment and trial of (now he is released on bail and a sentence of four years hanging over him) Hossein Rassam, the member of the embassy staff who was so important to our understanding of what was happening inside the regime and inside Iran by following public affairs and writing it up for us.

So the general tenor of Iran's relations with Britain is that we are a serious part of their problem and as far as the UK is concerned, we are struggling to hang on and to achieve what we can to project what influence we can, but we need to recognise in the short term that this is not a battle that we can win so far as the regime is concerned.

Now, nuclear negotiations.

The discussions of refuelling the Tehran Research Reactor. The negotiators found the limits of Iranian capabilities and policies in a dramatic way. Those of us who have been working on this subject recognise that the format for an instruction to an Iranian negotiator reads something like this: 'ensure there are no more sanctions; drag things out; get a good deal; and don't give anything away.'

That is not original to me, that is original to a member of the FCO staff from whom I heard it just the other week. But I think that is roughly what the Iranian instructions are now. I think, but for the post election turmoil, we would have been facing something much more constructive, but the government is nervous. It fears showing weakness and the factionalism and the personal rivalries are such that with Ahmadinejad associated with the desire to strike a deal, others are jumping on his head simply because they oppose him rather than looking at the merits for Iran, which are very significant, of the deal originally proposed.

It is fair to say too, that what has actually happened has shown that the negotiators in the Six put too big a hurdle in front of Iran given the situation in which it currently was. Maybe they should have been presenting this as a confidence-building measure, rather than as a way of taking Iran's low enriched uranium away, so that the regime would not be tempted to do anything wicked with it, like turning it into nuclear weapons. By making that the dominant explicit objective they have managed to stir up every single antibody in the Iranian system. Maybe a historian will say that the negotiators tried to run before they had walked and they crafted an offer which was not one that Iran could not refuse.

I am still optimistic that something could be salvaged, because it is essential for Iran's self-image as a technologically advanced state with a nuclear programme that is in the vanguard of everything they want to achieve for their society, that the Tehran Research Reactor does not grind to a halt. There are hospitals up and down the country that rely on its products. Tot up the number of family members with a relationship to somebody with a disease who is going to find it hard to get treatment because that reactor is not producing its medical isotopes and you get an idea of the penetration in society of the sense of failure that the regime would have if the reactor ground to a halt.

I still think there is something to negotiate for and I think the guideline for the negotiators should be 'how do we get ourselves in a better situation than we would be in if the negotiations collapsed?' Now, any deal may be better than no deal under such a metric. Why? Because a deal, even one which looks undesirable in relation to the terms that the Six have put on the table so far, would help to reverse the cycle of mistrust and submission.

It would also empower Ahmadinejad against his enemies. Now, if you suggest empowering Ahmadinejad to negotiate, you of course get into the whole subject of whether we should be negotiating with that government at all. You get into the question of legitimacy of the government, of where the interests of countries like our own start and where the interests of the Iranian people in a change of government end. I am happy to have that discussion, but I am not going to give you more of my views now, other than to say that I do think our priority at present must be on trying to make the Middle East safer and that does mean engaging with the government that Iran has, even though we may have doubts about its essential nature or how the particular

administration that they have come to power.

The current situation is that Iran has not fully replied to the TRR deal suggestions. It has not engaged in the intensified dialogue about its nuclear programme which had been agreed in principle in the Geneva meeting on 1st October and it has failed to meet the timings laid down at that meeting (which was the end of October) for such a dialogue to begin. That was the position that the six countries adopted, of disappointment at the lack of follow up to the understandings reached on 1st October when the Six met in Brussels on 20th November.

So what now? I have heard a senior representative of one of the Six saying that the end of year reappraisal does not mean calling a halt to attempts to start a negotiation. The Six, this person said, are not going to say a definitive 'no' at the time of the reassessment at the end of the year. If that is the case, I think it would be wise. I think the Tehran Research Reactor outline deal should be kept on the table. I do not believe it is in the interests of either Iran or of the negotiating parties on the other side to break off totally.

'What about Israel?' some will say, 'have we got time?' I would say 'yes'. I do not think Israel is likely to attack before and unless there is a dangerous new indication of an actual threat from Iran. No change in 2009 over the position in previous years in that respect, in my view. I think that Israel's friends and associates should continue to encourage this kind of thinking firmly, concentrating on an actual and imminent threat which, after all, in international law is what constitutes a reason for pre-emptive attack in the first place.

Secondly, I think we should encourage the six countries to recognise where Iran is in this state of internal chaos and to show some self-restraint in exploiting it. So, for example, on the question of human rights in Iran - absolutely right that there should have been a pungent resolution of the General Assembly just a couple of days ago, but absolutely right too that we should not declare overt support for particular opposition groups.

As another example of self-restraint, I think that a ritual statement by the EU at the end of the year of a twin track strategy - 'we're not getting anywhere in negotiations, so we'd better get on with sanctions' - that is futile and it is self-indulgent. Everybody knows that preparations for sanctions are being made and rubbing it into the faces of the Iranians simply plays into the hands of Ahmadinejad and plays into the hands of those in Iran who say that there is really no change whatsoever in the position of their opponents, their enemies, notably the position of the United States. I do not think either way - a strong EU statement or no EU statement - is going to make any difference to the price of fish, but we are better off keeping our powder dry and not making things harder in Iran than they are already.

What about options for the next step? This is my last section.

We are looking at a march to new UN Security Council sanctions and some new unilateral ones with decisions being taken in several months' time, and meanwhile trying to schedule talks and waiting for Iran to come around to serious participation. If this was all that we were doing, then I think it would be a council of despair. I am glad to see that nobody is over-egging the possibility of sanctions making any serious change to Iranian policy. It is being presented as showing we are serious, reinforcing the political message and if, of course, sanctions do become inevitable, there are five areas that will be looked at, I believe: oil and gas investment; financial sanctions; sanctions

against individuals; tightening and enforcing existing measures; and maybe some sanctions on transport and communications.

But my message is that we should be looking at supplementing the slow march to sanctions with additional diplomatic measures and I take some encouragement from another remark made by a senior official of a different member of the Six who said 'Well if this proposal, the Tehran Research Reactor proposal, has got nowhere, then we should be looking for further proposals.'

There are a couple I could suggest.

Calling a pause for two months on the nuclear talks from the side of the Six, reserving the position of the Six, of course, and not conceding the Iranian view that nuclear talks are not necessary, but proposing to Iran to start with another subject, for example, Afghanistan, or taking ideas out of the Iranian negotiating paper of September.

Secondly, and quite rightly, any moves of this nature are being undertaken in secret. I am talking about the US/Iran bilateral possibilities. There have been letters to Ayatollah Khamenei we know, but is it possible to jump-start the multilateral negotiations by using back channels, perhaps starting through a third party? I am sure that is under review and I think it should be encouraged.

The objective, of course, is to find that elusive small package of mutual benefit between both parties, which would cut through the suspicions and show both parties that there is something that they can achieve together. It does not have to be on the nuclear front - it could be on counter terrorism, on Afghanistan or on maritime interests in the Persian Gulf. The point that I think we need to make is that it has to benefit both sides. It has to be of demonstrable benefit to the people of Iran in some shape. It is extremely difficult to find such a thing if the Iranians are determined to see through in private what they are projecting in public. The kind of quotation that I have given you, their public position, I do not think would be maintained consistently in private, but it is only United States diplomats who can test that and I may be over-optimistic. But to repeat, it is in the interests of those who want to see the multilateral negotiations start to empower Ahmadinejad against his opponents to win the battle for permission to engage the United States. After all, the domestic situation in Iran can still get worse for our interests before it gets any better.

The third possibility on rethinking diplomacy put forward by some thinkers in the United States, is to say 'Well, all this step by step, issue-specific co-operation has been shown over umpteen years simply not to work and it is time for a comprehensive bilateral US/Iran negotiation. Put everything on the table at once, define the scope, define the trade-offs, by all means implement in stages but get the main content of the diplomacy out there right off - the grand bargain.' The difficulty with this is that there is no sign that United States administration has moved sufficiently far in its thinking or that United States congressional and other dominant political thinking has got so far as to be able to contemplate that sort of an approach. The incremental approach, even if it has got a pretty poor track record, maybe the only one that has any political mileage in the United States and possibly even in Europe. But the grand bargain approach has got many theoretical advantages and it is plausible. I hope that at least it might be reviewed to see whether there is a chance of formulating it.

Well, my conclusion.

We do not know what we are dealing with in Iran. We can guess and I have tried to do that. Firstly, I will leave with you a thought that there are two unfinished campaigns: the internal one to extirpate reformism and the one on external policy to establish what the strategy should be.

Secondly, we need to be clear as a country that is part of the negotiating group about what our priorities are now. Are they to do the next thing that occurs on the 'to do list', namely sanctions? Or are they to still try and tease out an Iranian position which will enable a negotiation to take place? The two may not really be able to be run in parallel.

Thirdly, we need to recognise where Iran is and explore alternative diplomatic approaches; and fourthly, to assist the recovery of nuclear talks on external policy, we need to cut Ahmadinejad some slack.

In short, we need to make haste slowly on sanctions and we need to continue firmly, coupled with non interference, on Iran's internal problems.

TURKEY: A NEW BRIDGE IN A NETWORK WORLD?

Text of a lecture by the Rt Hon Michael Ancram QC MP

8th December 2009

Michael Ancram is the first Chairman of Global Strategy Forum. He served in the last Conservative Government and from 2001 to 2005 held the portfolios of Deputy Leader, Shadow Foreign Secretary and Shadow Defence Secretary. He served on the House of Commons Intelligence Select Committee until he stood down from Parliament at the May 2010 General Election.

The genesis of this pamphlet and hence this talk today arose from a view that over the last three years the world has changed dramatically from one of hard power and blocs to one in which it was no longer necessary to be strong to talk to the strong or threatening to have authority, but in which soft power, dialogue and technological skills are increasingly becoming the prime tools of international diplomacy and influence. This was the 'network world' of which recently Lord Howell spoke to us.

It has surprisingly quickly seen the end of hegemonic strategies and the diminution of polarisation. It has witnessed the increasing salience of not only the obvious re-emerging forces of China, Russia and India but also of the growing economic and technological entities of South Korea, Japan and even Malaysia. It is a world in which reaching out is taking over from going in, where engagement is replacing ostracisation and which is based on cooperation rather than conscription, on encouragement rather than direction.

It has become increasingly clear that one of the potentially key players in this network world is Turkey. Yet the extent of that potential is still to be determined and it is to that question which my pamphlet is however inadequately addressed. I might simply have called it the 'Re-emergence of Turkey' and avoided the sensitivities which I know exist in the often-used 'bridge' metaphor. I chose not to because in this network world I believe the bridge analogy is more appropriate than ever.

I am not speaking of a bridge in the passive sense of something over which things move or are transported, but a dynamic concept which not only facilitates but energises relationships and movements across and around it. It is more than a hub from which initiatives radiate outwards although that is part of it. It has the potential to connect those which are unconnected, to reconcile those which are currently not reconciled and to give support where the lack of it causes instability. It is that concept of a bridge which seems to be central in exploring the question of where the Turkey of today is headed. And in this its geopolitical location is crucial.

Turkey's importance lies not only in its linking of Europe and Asia on a north/south axis but also on an east/west axis as the essential water passage between central Asia and Russia and by way of the Dardanelles to the Aegean and the Mediterranean beyond. It historically was and currently is and will remain 'a bridge', but one that both motivates and adds value.

While Turkey's military strength is unquestioned, this 'bridge' would not be based on hard power

but on commerce and diplomacy and facilitation between conflicted nations, a working example of soft power or even what has sometimes been called 'smart' power. Turkey is well suited to the emerging network world.

The question remains however, as to whether Turkey really wants to be a driving force, a key player, a bridge in this networked world. Does it see its future either in the EU and the West or through what is loosely called neo-Ottomanism in the Middle East region? Or is it still undecided and just testing the various waters around it? And in any event is the country domestically stable enough to sustain such a foreign policy? These are the question which I will try to explore.

'Neo-Ottomanism' is a term some analysts have used to describe Turkey's recent self-confidence in regional affairs and its new activism in the Middle East. As a broad philosophy it appears to have been actively pursued by the ruling Justice and Development Party (the AKP). Omar Taspinar, an expert commentator on Turkey and the surrounding region, quotes Ahmet Davutoglu, formerly the Prime Minister's top foreign policy advisor and now the Foreign Minister, as saying that "strategic depth" was a necessary remedy after years of unbalance, that is to say, looking too much to Europe. It logically followed that the untapped potential, both economic and political, gained from turning to the east was too great to be ignored. And so it is proving.

A renewed emphasis on the Middle East has been attributed a number of factors, among them security, economic necessity and opportunity and perceived rebuffs from the EU. In terms of trade and goods, Turkey's imprint can be found all over the Middle East and an increasing amount of Gulf capital flows into the Turkish economy. Turkey also now functions as what is sometimes known as an 'example' state. According to former Foreign Minister Ali Babacan, countries in the region ask Turkey detailed questions about how democracy, Islam and security function together.

Turkey's chief role in the Middle East was until recently as a member of NATO and an early ally of Israel. It is now increasingly becoming that of proactive intermediary. For example, Turkey has been central in refereeing discussions within Iraq. Indeed the European Commission has welcomed Turkey's continued support for efforts to achieve stability, security and national reconciliation in that country.

Israel and Syria have also made positive use of Turkey as intermediary. In April 2008 Prime Minister Recep Erdogan announced that both nations had sought Turkey's help, saying "*The trust Turkey has makes it almost obligatory to take on a mediating role.*"

Turkey has long been Israel's closest friend in the Muslim world, and in 1948 was one of the first countries to recognise Israel. The armies of the two countries have been close. Yet Turkey is also the only NATO country to have welcomed Hamas leader Khaled Meshal, and it has been unambivalent about the need to bring Hamas to the negotiating table. This insistence that the current status quo is unsustainable is a firm message for Israel. Indeed Turkey's straight talking may eventually point the best way forward to an Israeli-Palestinian solution.

Turkey was active in attempting to bring about an end to the attack on Gaza in December 2008 and January 2009. Prime Minister Erdogan met with President Mubarak after talks with Jordan, Syrian and Palestinian leaders including Hamas in a bid to end the offensive. It may have been frustration at their failure to end the Gaza siege, or that it was damaging the prospect of Israeli-Syrian and Israeli-Palestinian negotiations, that riled Mr Erdogan enough to snub President Shimon

Peres by storming off the stage in Davos earlier this year and why military relations with Israel including over-flying agreements have recently changed. It remains to be seen in the longer term to what extent relations have been soured, and how much they are affected by the relatively more hard line stance of the Netanyahu Government in Jerusalem.

Arising from all this there emerges a wider and vitally important question, namely whether there is likely to be a Turkish agreement with Iran on control and influence over the region, or whether between them there will be constant friction and struggle for influence. In essence, will Iran be a friend or a threat to Turkey in the region? The jury on this pivotal point are still out.

In February of this year, Mr Erdogan told the Guardian newspaper that Iran had asked Turkey to resolve its thirty-year dispute with the US as a possible prelude to re-establishing ties. As Iran and Turkey currently appear to be strengthening relations - Abdullah Gul met Ayatollah Khamenei in March 2009 and Mr Erdogan met him in October - this would be a major string to Turkey's mediating bow. At the same time there is noticeable anxiety in the US Administration at the potential for improving Turkish relations with Iran to undermine the Western strategy towards that country not least in the matter of sanctions.

Turkey's dealings have not been restricted to the Middle East, and indeed her neighbours to the north could prove just as much in need of mediation as those to its east. Turkey played a conciliatory role following the conflict between Russia and Georgia. Apparently Georgian police even wear Turkish style uniforms. Turkey has proposed a regional initiative, the "Caucasus Cooperation and Stability Platform", which is intended to include Turkey, Russia, Georgia, Azerbaijan, Armenia and possibly Iran.

Turkey has also made headway in bringing Pakistan and Afghanistan together. In April 2007, the Presidents of all three countries met in Ankara for a summit, producing the "Ankara Declaration". This contained pledges to try and achieve cooperation in areas including territorial integrity, sustainable development and the fight against terrorism.

Yesterday, Mr Erdogan met President Obama in Washington to discuss a number of issues, including sending troops to Afghanistan, relations with Armenia and the Middle Eastern region. There is no doubt that even since the President's early visit to Turkey the areas for discussion between the two countries are widening considerably as Turkey's regional influence grows.

Turkey is also developing strong and dynamic links with countries such as India and China as well as countries in South America and Africa.

There are also now hopes for a genuine restoration of relations between Turkey and Armenia. On October 10th Turkey and Armenia signed an historic accord normalising relations after nearly a century of hostility. Although there were last-minute problems, the two foreign ministers eventually signed the protocols in the presence of the US Secretary of State Hillary Clinton, the Russian Foreign Minister Sergei Lavrov and the EU's High Representative for the Common Foreign and Security Policy, Javier Solana.

Hostility on the ground is still very much to the fore in relations between the two countries and this will be a long and rocky process at best. On top of that Turkey is troubled by the long-lasting and ongoing dispute between Armenia and Turkey's ally Azerbaijan, over the disputed region of

Nagorno Karabakh. Nevertheless, relations are much better than could have been hoped in a very long time. This is very much in conformity with the foreign policy that the AKP have been trying to follow, that of 'Zero Problems with Neighbours'.

Whether it weakens Turkey's position and standing simultaneously to look both east and west will now depend on how deftly it manages its dealings. It appears that its leaders have realised that Turkey can benefit by befriending all sides, engaging rather than isolating. What is more Turkey's growing influence in the Middle East is the chief reason why America is embracing, and the EU should embrace, the country. Yet regarding trade, as the Economist pointed out last February, Arab investors look to the country precisely because they consider her European, not Middle Eastern. So how European is Turkey and how European is it likely to become?

If Turkey achieved accession it would become the EU's second biggest member state in terms of population, smaller only than Germany. It would bring a new energy dimension to the European Union. It is situated close to over 70 per cent of the world's gas and oil reserves and sits on major routes between supplier countries and markets. The major oil pipeline, running from Azerbaijan through Ceyhan, a Turkish port, is growing in importance. A new route for gas is imperative, and to this end Turkey again could be vital. The planned Nabucco pipeline project is a case in point.

All of this underlines the potential importance of Turkey to Europe and the value of achieving an even closer relationship. That is why Turkey's application for EU membership is as highly relevant to Europe as it is to Turkey. At the same time the special and significant characteristics of Turkey do not readily lend themselves to an increasingly and eventually wholly integrated Europe. This is not a disparagement but a statement of fact, one which I happily make equally in relation to the UK.

Turkey is a good example of why the current EU 'in-or-out' system is too rigid and a Europe of variable geometry would be preferable. A specially designed sort of 'Associate Membership' for Turkey could solve many of the problems regarding Turkey's current full membership bid, one which looks unlikely to ever fulfil fundamental EU expectations. A generally more flexible EU, with other countries also able to move to varying forms of associate or less than full membership themselves, could well be a better answer. Indeed, meeting Turkey's interests in this regard might well be the catalyst for creating a more sensible EU, based on variable geometry. I personally believe that there is, particularly after the ratification and imminent implementation of the Lisbon treaty, a strong case for looking at a Europe where the central core can move ever further into integration but where the countries on the edges - Turkey, Ukraine, Poland and the United Kingdom for a start - could all enjoy a less integrated and more associate form of membership where each could act as a dynamic bridge to what in each case lies beyond, whether into Asia or into Russia or across the Atlantic.

The military is a particularly important part of Turkey's power and influence because it is the largest army in Europe, and the second largest in NATO. Turkey is one of only a few NATO countries that is capable of independently and rapidly deploying an operational headquarters; its forces are predominantly ground based, technologically advanced and well-equipped - although its relationship with NATO, and especially the US, has at times been less than smooth.

Turkey's inability to participate in the European Defence Agency (EDA) has been criticised by those who promulgate a European Army and is another indicator of why Turkey might be better suited to the sort of 'Associate Member' status I have just suggested. Once again I would argue that the

same could apply to the UK.

There is also the issue of how Europe perceives Turkey. Different nations within the EU have alternative perspectives on Turkey's proposed membership. There are two primary concerns: how Europe's identity will be affected, and how the economics and other practical considerations will be resolved.¹

It doesn't help that the European Union's own future identity remains uncertain. After the Lisbon Treaty, the dynamic for internal reform and a unified sense of direction makes the prospect of new members harder to contemplate. Moreover, as one commentator points out, *"much of the general public [in Europe] simply see Turkey as too big, too poor, too far away and too Islamic."*

The UK is one of its strongest supporters, and in October 2007 the British Government released information about a new Strategic Partnership with Turkey, which includes assisting Turkey with their membership attempt, dependent on the continuation of reforms in Turkey. I hope that such support continues but by mutual agreement towards a slightly different form of membership.

Then there is the issue as to how Turkey sees Europe. Currently public opinion in Turkey is still in favour of membership, although this has declined sharply since 2004. Because of domestic political matters, frustration at the constant demands made by the EU and the belief that Turkey is ultimately not welcome in Europe, there are growing doubts that she will ever become a member of the EU. These perceptions are damaging even to the form of associated membership which I have suggested and to the reform movement within Turkey itself.

In fact Turkey began its domestic reforms before the EU existed. Turkey should continue to do so, at a pace that works best for the country, with or without the carrot of EU membership. It should be the role of western EU countries to encourage and help Turkey through this process, remembering as Hüseyin Gün points out, that it is hard for the government to introduce the more unpopular changes or look beholden to the EU when the stated position is that talks are 'open-ended' and have no certainty of membership. The 'Davos affair', as a foreign diplomat pointed out to The Economist, was further evidence of *"Mr Erdogan's conviction that the West needs Turkey more than Turkey needs it."*

One developing scenario is the relationship between Turkey and the US once again in evidence in Washington yesterday. It can be argued that President Obama's outreach to Turkey is amongst other things a sign that Europe has dropped the ball on this. Brussels can be accused of taking Turkey for granted, whereas Washington can be said to be positively courting Ankara. In short, as an editorial in the Guardian put it, Europe has *"yet to see what Mr Obama has already understood. Turkey's biggest asset is its geopolitical role, and it is using it intelligently."* The meeting yesterday in Washington underlines this as well as reemphasising that Europe is in danger of getting left behind.

Another major question is whether Turkey can sustain an ambitious and controversial foreign policy. For a start is it domestically stable enough?

¹ Public opinion in Europe in favour of Turkish accession runs at about 30 per cent across the whole Union. Turkey's membership is actively opposed by France, Austria and Germany. Their opposition is partly to do with Turkey itself and partly enlargement in general, and in varying degrees.

In many regards Turkey is an example to fledgling democracies in the Middle East; it has a constitution, a 550-seat unicameral Parliament, elections every four years and a directly elected President. Generally, the AKP have been a reforming party; politically, socially, economically and culturally and Turkey has changed a great deal since their election.²

Yet there are major problems that prevent Turkey from having genuine and solid democratic credentials. The Economist Intelligence Unit's Political Instability Index in March ranked Turkey 53rd out of 165 countries (the lower the rank, the higher the risk of instability). Successive political crises have damaged Turkey's reputation and derailed EU prospects, as well as creating an unwanted atmosphere of political instability.

The military's role in political life is complex. For many Turks, the army is the most constant institution in the country, commanding varying degrees of respect, and seen as above politics by its supporters. But that does not make for essential stability. The tension between the military and the political system has been cited by the EU as problematic, as is the impression that both the army and the government believe they should have top billing in dictating Turkey's affairs.

One example of this inherent instability was the decision in March 2008 of Turkey's Chief Public Prosecutor to petition the Constitutional Court for the closure of the AK Party, accusing it of being a focal point for anti-secular activities. While in the outcome the Party was not closed down, it was found guilty of anti-secular activity and fined 50 per cent of its state funding. This was a knock to the political stability of the country as a whole.

The economy, which had been growing and developing under the AKP's leadership, has also taken a major knock with the global financial crisis. In November 2008, the OECD cited Turkey as one of the countries most likely to be severely affected; its unemployment rate is at an all-time high of nearly 15 per cent. There are still ongoing talks between Turkey and the IMF about a loan deal.

Yet prior to this Turkey's economy had grown rapidly after the 2001 crisis, and developed into the 17th largest economy in the world and the 7th largest economy in Europe, with a GDP valued at \$659 billion. A PricewaterhouseCoopers long-term projection, made before the current crisis, suggested that Turkey could have an average annual per capita GDP growth of 3.4 per cent, lower than China or India, but higher than Brazil and Russia and significantly higher than that of the G8 countries. This robust position could well re-emerge once the worldwide recession has abated, but strong and confident leadership is now more vital than ever.

No study of the current situation in Turkey and international potential of Turkey can ignore the problem of the Kurds who make up around 15 per cent of Turkey's population and are mainly based in the poor south-east of the country, also the base of the Kurdistan Workers' Party (PKK).

The PKK has been boosted by the lack of stability in neighbouring Iraq, and it has established bases around and across the border. A profile produced by Jane's Terrorism and Insurgency Centre in September 2008 revealed a marked increase in support for the PKK among Turkey's Kurds since the summer of 2004.

² The three constitutional amendment packages introduced in 2001, 2002 and 2004 included, among other things: abolition of the death penalty, abolition of State Security Courts from the Turkish judicial system, the enshrinement of the principle of gender equality in the Constitution, and the supremacy of international human rights treaties over domestic law.

Yet the Turkish government has been working hard on creating the right initiatives to persuade the PKK to surrender their arms. The AKP have taken on the old slogan of 'peace at home and peace abroad'. To this end, Ankara recently lifted a ban on the Kurdish language and put money into new aid programmes for underdeveloped Kurdish regions. There have also been discussions with PKK leaders currently based in northern Iraq. The 'Democratic Opening' towards Turkey's 15 million Kurds is certainly a bold and politically risky initiative by Prime Minister Erdogan. Hopefully it could prove a real turning point in Turkish Kurdish relations.

Clearly, whatever Turkey's future direction may be, there still remains internally a lot to be done. At the same time both because of Turkey's relative success as a secular democracy in a Muslim country, and because of the destabilisation effect that could occur were it to falter, it remains vitally important to Europe and the wider western world that Turkey continues to be a relatively stable and exemplary force in the region.

In conclusion we need to ask the overall question of where Turkey is heading. I have no doubt that Turkey is ideally placed to play a leading role in a networked world. Moreover, it appears the governing AK Party has the inclination for it to do so.

Turkey's relationship with Europe is paramount and the direction that is taken will determine the futures of both Turkey and the EU. If Europe is to benefit from Turkey's regional importance, political clout, military abilities and energy security as well as to get a foot on this bridge to the Islamic world it will, I believe, require a system of variable geometry in order to achieve that goal.

The AKP's tenure, although it has not been plain sailing, has seen great inroads made in terms of political reforms. At the same time the most significant advances have been on the diplomatic front where Turkey in very short order has established itself as a key - if not the key - regional player. The initiatives undertaken by Mr Erdogan and Mr Davutoglu are certainly courageous and they are beginning to show early signs of bearing fruit in their changing relations with their middle eastern neighbours. They are also making headway on the Kurdish issue and talks with the Armenians. Domestic instability is never far away, but serious crises have for the time being been kept at bay. The economic situation is bad in Turkey, as elsewhere, but it retains the potential to become an economic powerhouse of the future. The potential is there.

Only Turkey can decide what its next steps must be. Europe should stand by, ready to encourage and to welcome. The West should support the progress of a stable Islamic secular democracy nestled in a neighbourhood of contentious and difficult countries and the world should welcome a renewed Turkey as a force for good.

No-one can foretell the future but one thing is clear. Turkey can if it so chooses become a real and vibrant bridge in a world that needs bridging more than ever. I hope that it will.

CHINA'S CHALLENGE TO AMERICAN HEGEMONY?

Text of a lecture given by Ambassador Chas W. Freeman, Jr., USFS (Ret.)

20th January 2010

Ambassador Freeman served as a member of the United States Foreign Service for thirty years. He was Assistant Secretary of Defense for International Security Affairs from 1993-94, earning the highest public service awards of the Department of Defense for his roles in designing a NATO-centred post-Cold War European security system and in re-establishing defence and military relations with China. He served as US Ambassador to Saudi Arabia from 1989-92 and as Deputy Chief of Mission and Chargé d'Affaires in the American embassies in both Bangkok (1984-1986) and Beijing (1981-1984). He was Director for Chinese Affairs at the US Department of State from 1979-1981. He was the principal American interpreter during the late President Nixon's ground-breaking visit to China in 1972.

Napoleon is said to have predicted that, when China woke from its slumbers, it would “*astonish the world.*” The Little Corporal was a loquacious fellow who got much wrong but he seems to have gotten this right. In a mere three decades, China has risen from impotence and backwardness to a leading position in global affairs. This year it will become the second biggest producer of goods and services, something projected just five years ago to happen only in 2020. China is clearly on the way to regaining its historic position as the world's largest economy, displacing the United States. (Given continued rapid growth in the Chinese economy, slow growth elsewhere, and progressive revaluation of the Renminbi Yuan, this could happen much sooner than many expect.) The prospect of transcendent Chinese wealth and power, coupled with America's devaluation of its own political and economic prestige, has led to mounting speculation about China's emergence as a global hegemon to rival and, perhaps in time, surpass the United States.

Not so long ago, in the Cold War, the world order was defined by the relationship between the Soviet Union and America as the overlords of rival blocs of nations. Recalling this, some pundits foresee the re-emergence of a bipolar world in which the United States and China exercise joint leadership in a so-called “G-2.” With the collapse of the USSR, there have been no rivals to American leadership when Washington has chosen to lead. The United States – which spends more on its military than the rest of the world combined – has enjoyed absolute military superiority in every region of the globe. Some imagine China as a “peer competitor” for global dominance.

Since 1974, when Deng Xiaoping addressed the United Nations General Assembly in New York, China has been at pains to deny any possibility that it might seek such dominance. As the Chinese defence “white paper” put it last year: “*China will never seek hegemony or engage in military expansion now or in the future, no matter how developed it becomes.*” In saying this, China is inadvertently echoing the American isolationists of the nineteenth and early twentieth century. The United States did not then seek to dominate or control the international state system, nor did it pursue military solutions to problems far from its shores. In time and in reaction to events, however, America came to do both.

Why has China, alone among nations, felt obliged to assert that it does not aspire to regional or global hegemony? Is this simply propaganda, intended to distinguish Beijing from Brezhnev's Moscow or from the militarism of contemporary Washington? Is it a contrite acknowledgment and repudiation of imperial China's past hegemonic status in East Asia? Or is it sincere counsel to future generations of Chinese not to bully their neighbours or the world once they have the power to do so? If so, is there something unique about China that causes its leaders to believe they must make a special effort to resist deep-seated hegemonic impulses?

This has become a timely question. After a couple of bad centuries, China is back. It believes, with some justification, that for most of its history it was the largest, wealthiest, best governed, and technologically most advanced society on the planet. China brims with confidence that it can regain this status, which it considers the natural order of affairs, and that it will do so in this century. Analogies to other rising powers with shallower histories – France, the United States, Germany, Japan, the USSR – are not helpful in predicting the consequences of China's rise. China has no messianic ideology to export; no doctrine of "manifest destiny" to advance; no belief in social Darwinism or imperative of territorial expansion to act upon; no cult of the warrior to animate militarism or glorify war; no exclusion from contemporary global governance to overcome; no satellite states to garrison; no overseas colonies or ideological dependencies to protect; no history of power projection or military intervention beyond its immediate frontiers; no entangling alliances or bases abroad.

China has a very persuasive explanation of its national interests. It says it needs domestic tranquility and peace on its borders in order to pursue its continued modernisation and economic development. It seems very comfortable with a multipolar world order, where peace and economic growth prevail. But anyone with experience of negotiating with the Chinese can attest that they are capable of both haughtiness and petulance. Some of this sort of conduct seems to have been on display at Copenhagen last month. How a still-more-powerful China conducts itself in the future will be decided in part by Chinese realities as shaped by Chinese history. But Chinese behaviour will also reflect how the rest of the world, including most notably the incumbent hegemon – the United States – reacts and interacts with China as China rises. And future Chinese conduct cannot be separated from the character of China's domestic politics. An autocracy that feels free to ignore the rule of law at home is unlikely to defer to international law and procedure abroad.

Whatever the meaning of China's assurances that it will not pursue hegemony or engage in military expansionism in future, we cannot be certain that it will not. There are grounds for optimism, especially with respect to China's use of military power. China's history includes examples of aggressive actions along its borders – especially in Korea and Vietnam. But overall China has been notable for its cautious, defensive, and inward-looking national security posture. The Great Wall stands as a symbol of this as does the scuttling of the Ming fleet in 1437. Despite a formidable history of innovation in military technology and warfare on a scale commensurate with its huge population and vast size, the Chinese strategic tradition stresses that weapons are inauspicious instruments to be used only when the use of force is unavoidable.

The People's Republic of China has used force when measures short of war have proven inadequate to secure its borders or strategic interests (as in Korea, India, and Vietnam), but, by marked contrast with India in Goa or Indonesia in Timor-Leste, it gave diplomacy the decades needed to resolve the Hong Kong and Macau issues without bloodshed. Beijing has shown a similar preference for negotiations rather than the use of force to settle the Taiwan issue. Cross-strait tensions are

lessening. It should be encouraging that China has insisted on United Nations authorisation for its military activities abroad, which are directed at peacekeeping and against piracy.

Still, China is modernising its military at a peculiar moment of history. The United States inherited worldwide military superiority from the collapse of its Soviet rival. Without much discussion, it has embraced the neo-conservative agenda of sustaining this superiority at all costs. But rising Chinese defence capabilities erode American supremacy. China's new anti-carrier weapons endanger US force projection capabilities in the Western Pacific; its anti-satellite programs imperil US global surveillance and communication capabilities; its growing operations in cyberspace menace US government operations and the economy of the American homeland alike. These are serious challenges not just to American hegemony but to core US interests. They have begun to draw a response.

The result is a deeply troubled Sino-American military relationship despite the diminishing prospects for war in the Taiwan Strait. China will persevere in its efforts to build a credible counter to American coercion. The United States will not soon abandon its obsession with the retention of absolute military superiority everywhere. A less hegemonic objective would allow the US to accommodate a more powerful China while retaining the ability to prevail in any conflict with it. As things are, increasingly overt military confrontation between China and the United States is likely.

These inherent tensions – along with those arising from the huge bilateral trade imbalance in favour of China – are why the idea of a US-China duopoly like the so-called G-2 is infeasible even if it were desirable, which it is not. Still, the world economy is about to see the displacement of the United States from its 20th Century pre-eminence. China will join the US, the EU, and Japan at the top. India, Brazil, Russia, and others in the G-20 will follow. What is in prospect is not the hegemony of one or two countries but its opposite – a multipolar balance of economic power.

China, like Japan, is, of course, a country with a population vastly larger than it can prosperously support on its own resource base, large as that is. And China is late in the search for access to raw materials for its burgeoning industries. (So is India.) China has a vital interest in the perpetuation of a global economic order open to trade and investment. China is now enmeshed in multilateral organisations in which it must daily demonstrate its dedication to the sovereign equality of nations, great and small. All this enforces the respect for comity that is the essence of a “responsible stakeholder.” It informed People's Bank of China Governor Zhou Xiaochuan's cautious suggestion last spring that it would be better to manage the dollar down to a sustainable international role than to have it collapse.

But America is out of practice at dealing with independent power centres. For the past two decades the United States has been the undisputed global hegemon. For 40 years before that, it was the indispensable arbiter of the bloc of nations known as the “free world.” American politicians are unaccustomed to formulating policy through multilateral consultations with other nations. Beijing isn't very good at this either, but seems more open to it than Washington. The United States will, as always, do what must be done, after it has exhausted all of the alternatives. But this will take time and cost the United States further prestige and influence. Meanwhile, China's global role will grow, especially if Beijing sustains the modesty and competence for which its diplomats have become known, rather than the arrogance that some of its domestic officials increasingly exemplify.

The Chinese Communist Party has delivered prosperity to ordinary Chinese, which is why it enjoys their support. Eighty-six percent of Chinese think their country is on the right track. Chinese see proof of the superiority of their political-economy in the apparent effectiveness of its response to the financial crash and its aftermath. Their government's policies have so far succeeded in sustaining high rates of economic growth through programs that enhance long-term economic and intellectual competitiveness. The contrast with the muddled self-indulgence of Washington's response to the crisis, in particular, is striking. Americans have so far shrunk from the hard decisions necessary to restore fiscal integrity to their government or to reverse serious decay in their nation's human and physical infrastructure. The recession has joined foreign wars and continuing deterioration in relations with the Islamic world as a factor accelerating American decline.

China seems certain to emerge from the crisis with a much larger and more competitive economy. The generation born under the single-child policy is coming of age. It is far more inclined to consumption than its frugal predecessors. A faster transition to growth driven by domestic consumption than many have thought possible seems in prospect. China's imports are now rising much more rapidly than its exports. Its balance of payments surplus, huge as it still is, fell by half in 2009. Continuing economic growth, deepened ties with Asian neighbours, the progressive internationalisation of a yuan that is rising in value, all promise domestic stability and greater international stature for China in coming years.

The current self-congratulatory mood in China is therefore entirely understandable. Yet it masks the underlying weakness of the Chinese political system. Government in contemporary China derives its legitimacy almost entirely from its ability to deliver continued rapid economic growth. It stands for no credible values, neither trusts nor is trusted by those it rules, suffers from a high level of corruption, and has no clear vision for self-improvement. If America's politics are widely viewed as so venal as to be dysfunctional, the Chinese system is seen as cynically manipulative and of questionable legitimacy. Without political reform, China will remain vulnerable to unrest should the economy falter. If there is no rule of law in China, Beijing's word will be doubted abroad. Despite its economic successes and growing defence capabilities, China's international influence will remain limited as long as it fails to evolve an attractive political system. It is not impossible that it may do so but there is no evidence at present to suggest that it will.

A Chinese perception that the United States is attempting to leverage its military superiority to keep China down could goad Beijing into efforts to dislodge America from its position of global dominance. Given the continuing disparities in national power, the ensuing struggle would be a long one. The trigger would probably be some incident derived from US military operations offshore China or from the Taiwan issue, to which Sino-American relations remain hostage. This is unlikely, but, unfortunately, it is not impossible to imagine.

As I speak, for example, China is actively considering how to put effective pressure on the United States to halt arms sales to Taiwan. China wants Washington to live up to Ronald Reagan's commitment to restrain and reduce such sales in return for credible pursuit by Beijing of a peaceful settlement of its differences with Taipei. Sanctions on selected American companies – modelled on those the US Congress has imposed on Chinese companies selling objectionable items to others – are apparently among the options before China's leaders. In the current economic climate, any such move by China could trigger a nasty confrontation and unleash an orgy of American protectionist retaliation that would likely set off a trade war. I do not consider such a development likely. If nothing else, however, the possible consequences of miscalculation by Beijing or Washington

illustrate the global stake in continuing prudent management of the Sino-American relationship by both sides.

It is important to see China as it is, not as we wish or fear it to be. In 1943, President Franklin Roosevelt declared that China *“has become one of the great Democracies of the world.”* That was nonsense, of course. But so, I believe, are perceptions of China as an emerging antidemocratic hegemon. The more likely prospect is that China will take its place alongside the United States and others at the head of a multilateralised system of global governance. In such an oligarchic world order, China will have great prestige but no monopoly on power comparable to that which the United States has recently enjoyed.

America has already lost its global political hegemony. But, for all the reasons I have mentioned, China is neither inclined nor capable of succeeding to this role. The Anglo-American financial model is much tarnished by recent events. But no alternative to it has yet emerged. It seems certain that whatever does replace it will be crafted by many hands, only some of which will be Chinese. American consumption is no longer the sole driver of the global economy. The China market has come to play an important part in sustaining world growth. But China is not the only economy that is rising. In some areas of global trade and investment, China will be a dominant factor. In others, it will not be. In the military arena, even if fiscal limitations force retrenchment, the United States will, for many years to come, remain the only power with global reach.

Americans will find it difficult to adjust to a world in which we are no longer all-powerful in all spheres. But we are a flexible and resilient people who can and will accommodate change. Neither we nor the Chinese will cease to pursue our national interests as we see them. In many instances, these views will more or less coincide. On such matters, if others agree, there will be global progress. Where we disagree, we will come under pressure from others to search for common ground. Neither of us will be so powerful that we can ignore such pressure. In short, the world in future will be more “democratic” and, likely, more muddled than in the past because many countries, not just the United States or China, will share power in it. There will be ample opportunity for countries with trusted relationships with Washington and Beijing to influence how they participate in global affairs. There will be no hegemon, and there will be no “G-2.”

THE SECURITY SERVICE AND THE DEFENCE OF THE REALM: PAST AND PRESENT

Transcript of a lecture given by Professor Christopher Andrew

9th January 2010

Christopher Andrew is Professor of Modern and Contemporary History and former Chair of the Faculty of History at Cambridge University, where he is also President of Corpus Christi College. He is Official Historian of the Security Service (MIS), Honorary Air Commodore of 7006 Squadron (Intelligence) in the Royal Auxiliary Air Force, the chair of the British Intelligence Study Group, Founding Co-Editor of *Intelligence and National Security*, and a frequent presenter on radio and TV. The most recent of his 16 books is *The Defence of the Realm: The Authorized History of MIS*, for which he was given exclusive access to the British Security Service's files and archives in order to produce the first official history of the intelligence agency.

There is half an hour to get through one hundred years, which should be no problem at all! I shall race through one hundred years in which the Security Service's main priority in its defence of the realm has moved from counter-espionage to which end, a hundred years ago or one hundred and a half years ago, it was founded in October 1909. It spent one hundred per cent of its resources on counter-espionage, compared to nowadays when patently, its main priority is counter-terrorism and it spends 2.5 per cent of its resources on counter-espionage.

I will get through the earlier part very quickly and then move onto the more recent part which I think maybe of more interest to people than the earlier part. We are astonishingly close to the finest and the most miserable hours in the history of MIS, geographically. If you have a look at the first picture, what you will see is the location of the finest achievement of the Security Service before the Second World War, not far from here. It is Westminster Bridge. It is just like a typical, blurred, boring photograph of Westminster Bridge until you notice that there is an aircraft about to fly under Westminster Bridge. Now this was being piloted by the most adventurous agent in the history of the Security Service before the Second World War. He went on to join the Royal Air Force. He was a fighter ace during the First World War and he found the inter-war years a bit of an anticlimax after the First World War, so what he did was fly repeatedly under all London bridges. Tower Bridge was his favourite, but he flew under them all. And in those days if you were a war hero, you were allowed to fly under any bridge you wanted, although he was, in fact, the only war hero who took advantage of that. But this attracted the attention of certain foreigners who were causing considerable confusion to His Majesty's Government at that point. Adolf Hitler invited our man, Christopher Draper, to the Munich Air Display in 1932 a few months before he became Chancellor; and he carried on talking to him for 40 minutes without interruption, which is longer than Eva Braun ever talked to him without interruption!

Shortly after Hitler came to power, a few months after that, Christopher Draper was asked by the Abwehr, the German Intelligence as it then was, if he would report on the Royal Air Force for German Intelligence, and he said 'absolutely fine', stopping only to ask MIS if it would be absolutely fine. MIS was then located only on the top floor of Thames House - of course, nowadays, it occupies the

whole of Thames House - and MI5 said this would be absolutely fine, subject to two provisos. Firstly, that he only told the Abwehr what it was that MI5, after taking advice in Whitehall, said he should tell the Abwehr, and secondly, that he should keep MI5 in contact with how he was to make contact with German Intelligence.

Now, on one level, this is pretty silly flying-under-bridge stories, although there are not that many silly flying-under-bridge stories around, but actually it was the opening to the greatest counter-espionage success in the entire history of the Security Service, because it was by furnishing MI5 with the details of how he made contact with the Abwehr that was the beginning of the double-cross system during the Second World War which most people, including myself, think to be the most successful deception in the entire history of warfare, and which ends with the capture of every German spy (almost every German spy - one committed suicide in Cambridge before he could be caught), a minority of whom were turned into the best double agents in the history of warfare, without whom the D-Day landings on 6th June 1944 would scarcely have been possible.

What tends to be forgotten, even though the double-cross system is nowadays well-known for those who like that kind of thing, is that at the very moment when Christopher Draper was getting going, MI5 was penetrating the German Embassy in a way that I am sure it does not do now, more successfully to my knowledge than any British Intelligence Agency has ever penetrated any major Embassy in London. Why? Because there were a number of ideological opponents of Adolf Hitler - Putlitz is the name that comes to mind - and MI5 through a series of officers whom I do not have time to mention, was in close contact with them.

This was the first time that MI5 (and I think probably any British Intelligence Agency), was posed with the most difficult question that any democratic agency has to face: how do you tell truth to power? The most succinct description of the highest calling of any democratic intelligence agency that I ever heard was one former chief of SIS, who said to me, *'My job was tell the Prime Minister what the Prime Minister did not want to know'*. The number of countries in which that can even be an ambition is very small minority of countries in the world.

So, for MI5, the combination of having extraordinary access to German foreign policy in the mid 1930s with the inability to persuade any British Prime Minister in the 1930s, in particular Neville Chamberlain, was extraordinarily frustrating. Then MI5 thought of a technique - I am not prepared to say whether it is being used now or since - but it is the only way that has ever been discovered to attract the attention of a Prime Minister who does not want to listen. The technique is simply to tell the Prime Minister that he or she is being insulted on a regular basis, either by one of their supporters or their opponents. So the Head of MI5, Vernon Kell, the longest surviving head, not merely of any British Intelligence Agency, but of any British Government department in the entire history of the 20th century, after having sent a whole series of memoranda before Munich to say that it was perfectly clear that what appeasement would do would be to bring the Second World War nearer, as opposed to making it less likely (it all seems pretty obvious now, but there were not all that many people saying it at the time), and having had no reaction at all from Neville Chamberlain, then wrote a memorandum in which he said, *'I think it my duty to tell you that the German Chancellor regularly refers to you as an arsehole,'* and then he put in brackets the German for arsehole, for the only time I believe in British/German relations. And, of course, it did have a dramatic effort on Neville Chamberlain. It made him extremely annoyed. It did not change his policy but it made him extremely annoyed. And this is, I believe, the only technique that has yet been discovered which is quite certain to attract the attention of a policy-maker who does not want

to listen, at any rate, until it was too late.

And yet, at the same time - and we are at this very moment astonishingly close to these places - at the very moment when British Intelligence, MI5, was beginning, in the early stages, the most successful deception in the entire history of intelligence and had penetrated a major foreign embassy more successfully than any other, it was itself penetrated more successfully than any other time in British history.

So how did this happen?

It happened because the forgotten success of British Intelligence as it has become over the last generation, is 'protective security'. There is good reason to believe that we are world-class in the way that we protect our security, but we would not have qualified for an honours degree or indeed a degree of any kind before the Second World War. So it is difficult now to remember that until the Second World War, not only did the FCO or the FO as it was in those days, not have a security department, it did not even have a security officer. In other words, we made in as ourselves as open to Soviet penetration as it would be possible to imagine. The only advantage of that was the Russians sometimes wondered whether we could really be as daft as we seemed and whether it could be a provocation of some kind. No, it was not - we were in fact as daft as we seemed. So in the 1930s, the Foreign Office had no more room for Soviet agents. It had two cipher clerks who were working for what was later called the KGB, it had two of the brightest Cambridge graduates to enter the Foreign Office in the mid 1930s, Donald Maclean and John Cairncross. John Cairncross was in the end asked to move to the Treasury because the Foreign Office was full up with Russian spies, but a temporary vacancy had arisen in the Treasury!

Now the degree to which the notion of protective security did not even exist is so extraordinary that I would like to share just one example with you. It applied even more to British Embassies abroad. Just the notion that there should be some way of protecting secrets in any British Embassy was, with the possible exception of the Soviet Union (it did not work there either), completely beyond the imagination, not simply of the Foreign Office but the whole of Whitehall. So let me simply take the best-known example, but add on a little to that. The Rome Embassy, where from 1924 until the Second World War, one or other of two Chancery servants, both of whom were brothers, the Constantini Brothers, every week used to steal all the classified material - I will use the phrase 'confidential print' which I know means something to some people here and not to others - once a week. In the case of one of the safes it was not too difficult because it did not have a back, but in the case of the other safe it did actually have to be opened, but as the code was contained in the safe that did not have a back, it was not too difficult either.

We now know - and this comes from the Soviet archives - that in 1934, over a hundred of these documents, confidential print as well as documents which had specifically to do with relations with Italy, in other words documents which had to do with British foreign relations generally, were thought sufficiently important to be 'passed to Comrade Stalin' - that is what the KGB archives say. Well, in the end, the Ambassador, Sir Eric Drummond, about to become Lord Perth, notices what is going on in 1936. He was not a very observant man, but he had put his wife's diamond tiara in the one of the safes overnight, and she, if not he, noticed that it was missing the following morning. Since the Foreign Office had nobody who could deal with this kind of stuff, he got Valentine Vivian from SIS to deal with it. Valentine Vivian deduced within 24 hours that it must be one of the bent Chancery servants, Secondo Constantini.

So the Ambassador got in Secondo Constantini and he said that terrible allegations had been made against him, and he was very sorry about this and that HMG would find a way of making it up to him and then the following year he was invited along with his wife as a guest of HMG to the Coronation of King George VI. Constantini could not have been nicer about the whole thing. He told the Ambassador not to worry about it and then, immediately after the Second World War, some subversive Labour MP discovered what was going on and the question was asked in the House, and the Junior Minister at the Foreign Office, Hector McNeil, had to respond. Hector McNeil said, yes, it was unfortunately true there had been great breaches of security in the Rome Embassy between the wars, but the House could rest assured that no such breaches were currently taking place. Now it is usually the case that when an answer like that is drawn up, it is drawn up by a Personal Assistant or somebody else, not by the Junior Minister, and the man who drew up that answer was the Personal Assistant of Hector McNeil, whose name was Guy Burgess.

I would say that the biggest transformation in the defence of the realm since the 1930s is that, having been almost unbelievably stupid in the notion of protective security, we have actually become the world leaders. I am perfectly happy to listen afterwards to anyone who thinks that anybody else does it better, but here are just a few bits of evidence. When, in the middle and later years of the Cold War, there was a serious attempt to make out what we actually needed to protect, two of the immense collection of acronyms which have degraded the English language over the last half century, were thought of: CNI (Critical National Infrastructure) and EKP (Economic Key Point). Well, at no point in the entire IRA offensives, at no point in the Al Qaeda offensives since then, has a single EKP or a single bit of the CNI been successfully attacked. There have been a few close shaves, which I would be happy to talk about afterwards. One of the problems in judging success insofar as Security Services are concerned is how to measure the things that do not happen rather than the things that do happen, which is why it seems to me that one of the greatest successes in the history of the British intelligence over the last half century has not been noticed at all. But to compare the experience of the last half century with what happened between the wars, shows that when we need to be, we can actually be really rather quick learners with two exceptions.

One, of course, is Parliament. I do not know how many security passes were found to have gone missing when an investigation was finally done at the turn of the century. I have heard the number of 4,000. I would be perfectly content to downgrade that to 2,000 or 3,000 but any rate, let's talk about a four figure sum. Nowhere else in British history so far as I am concerned has lost that number of passes. Fortunately it never occurred to either the IRA or Al Qaeda what an incredibly easy target Parliament was. No, it was actually the children of the establishment, the Countryside Alliance - but if the Countryside Alliance could appear on the floor of the House, had the IRA or Al Qaeda tried to do the same, I do not think they would have had very much difficulty.

The other was, of course, No. 10, and it was just No.10 and Parliament who were able to resist the advice of the Security Service which no other EKP or CNI was able to do. It was extraordinarily fortunate that only two months before, the IRA, firing a mortar in the next street from where we are, into the inner garden of No.10, close to the Cabinet Room, managed to do something, which if only a month or two beforehand No.10 had not finally agreed that it needed reinforced laminated windows, would have reduced the life expectancy and perhaps the lives of the Conservative Cabinet that were sitting there at the present time. I think the lesson of protective security is that the really tough targets are Parliament and No.10 - the others will respond to reason.

Now, let's move on or rather backwards, to the Cold War.

There is this extraordinary view, which has been repeated so frequently that I think it has become something like conventional wisdom that, during the Cold War, what the MI5 was about was looking for subversives under beds and sometimes claiming to have discovered them in beds and attempting to persuade supine governments of both parties that this was a real problem. Completely the opposite. What actually happened was that governments of both parties would begin to hyperventilate over the communist influence in industrial disputes, and indeed there was, but they nearly always exaggerated it, and then attempted to calm them down just as during British decolonisation.

So what I have produced is one of many documents that I could reproduce. This one, unlike the other ones, is pretty legible and it does appear to vindicate the views of those who believe that MI5 spent quite a bit of the Cold War hunting in a paranoid way for 'reds under beds.' You will see it has got at the top, Sir Roger Hollis. The document is from 1961 and he was Director General of the Security Service then, and down the left hand side there is a list of 16 Labour MPs who were believed to be secret members of the Communist Party – that's why it says 'CP' on the top left hand corner. Then on the right hand side there are another nine whose names are listed as possible. But this is not an MI5 document. It was the kind of thing that MI5 had to go through in the 1950s and 1960s. The then leader of the Labour Party, Hugh Gaitskell, not a particular conspiracy theorist, and George Brown in a sober moment possibly, and Patrick Gordon Walker put together this list and because they were expecting, quite rightly, to come to power in two or three years' time, they took it along to MI5 and asked MI5 to help them sort out the secret members of the Communist Party, as they were actually sitting in the House of Commons pretending to be Labour Party members. The Deputy Director General kept as straight a face as he could and explained that MI5 could not deal with party politics and thanked them for coming along. When they had gone, he just asked yet again, 'how do we deal with this kind of stuff?' They went through the list and they did not regard any of the names on it as of a particular significance. They did make one mistake. The top left hand says *W. Owen* - Will Owen, MP for Morpeth, whom we now know had actually been a paid agent of the Czechoslovak Intelligence Service, the STB, since 1954 and carried on as such until 1970 when he was brought to trial, but there was not evidence on which to convict him because Harold Wilson had refused to allow his telephone to be tapped.

There are plenty of other examples in my book, but the people who were likely to exaggerate the effect of communist subversion whether in Britain or in the Empire in those days were not the Security Service, but the political establishment.

I am hurrying on now to anti-terrorism.

Even the most basic elements of how MI5 got involved in counter-terrorism have disappeared from popular consciousness and I will give to some explanation as to why I think that is the case. There is this extraordinary belief that MI5's interest in Middle Eastern counter-terrorism began as some kind of suspicion of Palestinians or Muslim extremists. Complete nonsense. It actually began as a suspicion of Zionist extremists and the first major terrorist attack on these parts was in 1947, on the other side of Whitehall.

So what happened?

Here is the bit that is well known, then followed by the bit that has disappeared from national consciousness and even from Whitehall consciousness. In 1946, Menachem Begin, the future Prime Minister of Israel, leader of the Irgun with, on other occasions, some assistance from the Stern Gang, blew up the British Headquarters of the Palestine Mandate, the King David Hotel in Jerusalem, with tremendous loss of life, with deliberate loss of life as well - And then got halfway to Britain and blew up the Rome Embassy - anyone who has been to the Rome Embassy, which is quite a few people here, will recollect that even though the inter-war stable block survives, the whole of the rest of the Embassy had to be rebuilt after the Second World War. But this was only the preliminary to blowing up the Colonial Office which was on the other side of Whitehall in those days and a bomb of the size which caused tremendous loss of life in the King David Hotel was planted, but the woman who planted it failed to prime it correctly (even though she subsequently admitted it - there is a picture of her in my book, her name is Betty Knouth). But this was not just an occasional episode in the history of the MI5. It was deeply traumatic. For the next 25 years the Security Service rarely admitted Jewish entrants to the MI5, however patriotic, which of course the vast majority of them were.

How such basic elements in British counter-terrorism policy disappeared from the popular imagination, I think I do understand, because in order to talk to social scientists, I have had to develop a number of acronyms. You can get through to some colleagues in acronyms in a way that you could not in plain English, so here is one which I have found very useful, and which I claimed the patent of, which is HASDD - Historical Attention Span Deficit Disorder. It is the kind of thing that bankers suffered from until two years ago. How refreshing has it been to see on the underground, bankers reading books with exciting titles like '1929' or 'The Great Crash'. Hands up anyone who saw them reading books with those titles more than two years ago! In other words, because we are the cleverest generation in human history, we understand more than any previous generation. We have been guilty of the ultimate hubris of assuming that the experience of previous generations has nothing to tell our generation. We all know that our own personal experience is essential to us, but the number of organisations who realise that they collect these experiences, central to them, is less than it ought to be. Which explains why we made such a miserable start to the troubles in Ireland. Not the first troubles. We had, after all, to deal with the period from the Easter Rising in 1916 to the establishment of the Irish Republic (Free State as it was called then) in 1922. Now I have searched in MI5 archives and because there are several million files, I do not claim to have found everything, but I have not found a single file on the troubles in the 1970s which makes any reference whatever to the experience of the troubles which followed during the six years after the Easter Rising.

Now, suppose that anybody, anywhere in Whitehall had bothered to look at those short histories which were available, what would they have discovered? That military intelligence had not really got its act together, and in particular had not communicated successfully - we are talking about the period after the Easter Rising - with police intelligence. Police intelligence had not got its act together either and nobody had worked out a coherent position for either MI5 or SIS to adopt. What happens in the 1970s? Exactly the same. In other words, looking for an example of the platitude dear to all historians, that those who do not understand past errors are doomed to repeat them, provides a key insight into what goes on in the shambolic intelligence response to the Troubles. Thank goodness the IRA was shambolic as well.

You will find on page three the first major deployment of MI5 during the Troubles. What it shows, admittedly in silhouette (there is a colour picture in the book which shows her in her more lifelike

appearance) is Siobhan O'Hanlon, one of the leading IRA explosive experts of her generation and later a close adviser to Gerry Adams (but Gerry Adams has explained that he never ever had anything to do with the IRA so I am not quite clear how that happened) reconnoitring one of the softest prestige targets available to the IRA, in other words, the changing of the guard in Gibraltar. If you cast your eye down to the bottom of the picture, you will see what a complete lack of security was adopted. Look at it. They change the guard, they parade down a street containing dozens of parked cars, any one of which could have and indeed did contain explosives. Then at the top, there is the A4 of the MI5 surveillance section following her around Gibraltar on a particular day. She goes into the cathedral to light a candle and to pray. She believes sincerely in her homicidal cause. The thing that I really want to illustrate from all that, however, is the absurdity of the fact that the biggest MI5 deployment should be in Gibraltar, not London. There was never an MI5 deployment in London, or Birmingham or anywhere else in the UK against the IRA that began to approximate to what went on in Gibraltar.

What is the reason?

Successive British governments could not get their heads around even the basics of counter-terrorism - they may have thought so at the time, but they did not. Here is the evidence: in the 1970s or the 1980s, the Security Service had the lead intelligence role against any terrorist threat to the United Kingdom with only one exception. Just unfortunate that it was the only exception that actually really mattered in those days. That was Irish Republican Terrorism. Irish Protestant Terrorism, oh yes, that is fine - that was MI5. The reason was simply that in 1883, the Special Branch of the Metropolitan Police was actually founded to deal with it during the Fenian bombings of the Dynamite War of 1883-1885 and had been given responsibility for dealing with Irish Republican terrorism. And one of the great rules which has degraded the performance of Whitehall ever since is that what you have, you hold. Does it make any sense? No, that is not the point. If you have had it for 100 years, you have a complete title to it. Now unfortunately Margaret Thatcher was not sufficiently offended by the fact that there was an attempt to assassinate her in 1984 in the Brighton Hotel, but John Major, he was. People will speak with greater authority than myself on this, but he was really annoyed and he took it really personally when there was an attempt to assassinate him in 1991, so he thought the time had really come to hand over to MI5. Only the fact that it was handed over to MI5, in my judgement, explains why the City of London is still standing.

I will go on to talk about Al Qaeda.

We have been incredibly foolish about dealing with Al Qaeda, but we have not been any more foolish than other people. When Stella Rimington, the Director General of Security Service, went to the United States in March 1996, on her retirement tour, and there were discussions of Islamism terrorism in the White House, the National Security Advisor and then in Langley, the title 'Al Qaeda' was used, and that was the first time she had heard it. We were not well advanced.

Now what is going on? I would say this, because I am a historian, but historians have grown more immune to the notion that there is nothing worth learning from the experience from previous generations than any other profession. I am happy to hear anybody suggest any another name, but it was another area in which the FCO, like everybody else in Britain and like the State Department, made an incredible fool of itself in the late 1980s. Poor Sir Tony Parsons' despatches from Tehran are now open to inspection at the Public Record Office, where they are causing incredible

amusement to a new generation of really disrespectful post graduates from Cambridge and other universities.

Who got it right? Bernard Lewis got it right. The reason that Bernard Lewis got it right was that he did actually look at it in long-term perspective. In the mid 1990s, MI5, like practically everybody else, insofar as it was concerned with Islamist terrorism, saw it as some sort kind of offshoot of state-sponsored terrorism, certainly not as a new brand of transnational terrorism which would be the main problem of the 21st century. Bruce Hoffman got it right. And I got it right, but the only reason I got it right is that I realised that Bruce Hoffman got it right, so I went round saying in MI5 amongst other places that Bruce Hoffman got it right. But look at his book, 'Inside Terrorism' which reproduces articles that he produced in the mid 1990s. If you take a long view of the way that terrorism is developing, it is perfectly clear (and it was clear to him in 1995 and I do not think that there is anything that he wrote in 1995 which needs re-writing now) that this is the problem of the 21st century.

I am abbreviating myself, but let's just concentrate on the very last picture that I have got and I will with this one, suggest a really long-term historical perspective. And I will end there. This is Dhiren Barot. He did not come as close to achieving anything really ghastly, as, for example the airline bombers of 2006, but his ultimate aim was, as he explained, to use weapons of mass destruction, dirty bombs, in the centre of London. And there are only two conclusions one can draw from that: one, that here was an extraordinary eccentric - this will be the absolutely last time we will have to deal with somebody like that. And the other is the commonsensical solution that, as Mark Twain said 'common sense is extremely uncommon', that he is just the first.

If we take the two longest trends in human history, which I think we can take back at least 30,000 years, but I know colleagues in Cambridge will take the first one back 70,000 or 80,000 years, one is human nature. There is no credible evidence that human nature has changed, and very credible evidence since the Magdalenian period that it has not changed at all. What does this mean? It means that there will continue to be a minority of fanatics who, to achieve their aims, will, with actually considerable pleasure and self satisfaction, kill as many of us as they have believed to be necessary.

Secondly, that all human inventions, without any exception, without any possible exception, will spread around the globe. Now it used to take quite some time. It took the New World a thousand years to catch up with the wheel, although they have made progress since then. Put those two propositions together and one is left not with a probable proposition but unless somebody tells me otherwise, one of the few certain propositions that one can make about the problems we will have to face in our lifetime: weapons of mass destruction in the centre of London.

Thank you very much.

THE CHALLENGES FOR DEFENCE IN THE NEXT DECADE

Text of a lecture given by General Sir Richard Dannatt GCB CBE MC

23rd February 2010

General Sir Richard Dannatt *was commissioned from The Royal Military Academy Sandhurst into The Green Howards in 1971. From 2001-2002 he was the Assistant Chief of the General Staff in the Ministry of Defence before taking command of NATO's Allied Rapid Reaction Corps. In March 2005 he took over as Commander-in-Chief Land Command. He assumed the appointment of Chief of the General Staff in August 2006, handing over to General Sir David Richards three years later.*

May I begin by thanking you for this invitation to take part in the business of the Global Strategy Forum, and for your kind introduction. And I am most grateful to have this opportunity to address "*The Challenge for Defence in the Next Decade*", and within that title to consider how should we be approaching the major issues relating to the Defence of the Realm, the safety of our citizens and the well-being of the armed forces in the next ten years, and beyond. Self-evidently, the questions to be answered are numerous and complex, and therefore I very much welcome the wider debate on defence issues that is just getting going.

Two weeks ago, we had a Government Green Paper and a Select Committee Report published, Liam Fox made a significant speech at The Royal United Services Institutes, and this evening BBC2 "Newsnight" will be devoting its full fifty minutes in a live debate on defence, so I am glad that the subject is beginning to get the serious consideration it deserves.

It has often been said that there are no votes in defence – and, while that may generally be true, I think that this time around may be prove to be the exception to that rule. However, from my point of view, my motivation remains exactly as it has been for the duration of my professional life – namely, to try to do what is best for the Defence of the Realm, for the safety of our citizens and for the well-being of our armed forces – a series of challenges that I have already mentioned once.

That said, those of us closely involved in defence and across Whitehall, are all now agreed that a Strategic Defence and Security Review is urgently required – indeed it has been for a number of years now. And we need to be clear what we must get out of that Review and, equally importantly, how we scope and conduct the Review. And we need to do this in a way that prevents some comments being taken out of context, and not becoming tomorrow's headline. Frankly, Defence of the Realm must be the stuff of considered debate and not of catchy headlines. In my view a mature and reasoned debate should get us to a consensus on the major issues, and not one divided by vested interests, whether political, military or industrial.

But I believe that to answer the questions that must be addressed in a Strategic Defence and Security Review, context is all important. In so doing, I believe we need to look back, we need to look around, and we need to look forward, at both Britain's role in the world - yesterday, today and tomorrow - and then to conduct a proper analysis of the character and nature of future conflict and thereby we begin to have the chance to identify the threats and challenges for our country's overall security.

A LOOK BACK

So let's look back for a moment. And in looking back over our shoulders, we could go back as far as the Duncan Sandy's Review of 1957 which many agree laid the foundations of much of where we are today in organisational terms, but an immediate backward glance usefully goes back only as far as the Strategic Defence Review of 97/98 and it is worth examining how the world seemed then. I will be brief, but in summary, I would offer that the thoughts of those of us in the Ministry of Defence conducting that SDR included:

- First, a realisation that the New World Order, post the Cold War, was neither the end of history, as Francis Fukuyama suggested, nor the clash of clash of civilisations that Samuel Huntingdon feared, but indeed, it was an era not very different from previous ones.
- Second, that while for some the First Gulf War was an aberration, for others it was a signpost - but we soon fell into a preoccupation with the Balkans and agonised not about war fighting, but about how to keep a peace within someone else's war. This was a fundamental change and challenge.
- And third, as background noise, during the Nineties and running up to 9/11, we believed that liberal interventions could be conducted on the basis of 'Go Fast, Go First, Go Home.' For us, it worked in Sierra Leone, East Timor, Macedonia and even after 9/11, with our first ISAF experience in Kabul.
- And finally, it must be remembered that the run up to the 97/98 SDR was conducted in a period when UK Defence, while busy in Bosnia and Northern Ireland, was broadly in commitment and financial balance. Debate could be had and choices could be made, and were. Discretion was around. So that Defence Review could afford a balanced outcome. And it was foreign policy led, which was entirely appropriate - but whether the outcome of that SDR was fully funded remains a moot point, to which I will return.
- But the balance identified in 97/98 had many facets: I would suggest there was balance of national aspirations between Europe and the United States; balance between the maritime, land and air environments; and an equilibrium about Britain's role in the world - a nation still content to be a Permanent member of the UN Security Council, a member of the G8, and influential in NATO and in the Commonwealth.

But I would suggest three signposts came out of that SDR:

- Firstly we saw an accelerated move towards centralisation in defence, first signalled by Duncan Sandys in 1957 - for example, in 1997 we saw the establishment of the Defence Logistics Organisation, the Joint Harrier Force, the Defence Estates Organisation and several other joint initiatives, all these were products of that Review - but ones which produced a significant extension of the shift in power and decision making in defence towards the centre, and away from the decision-making potential of the three Single Services. But all these 97/98 decisions were influenced by the spirit of Jointery, essential, of course, in the battlespace but, when applied inappropriately, can create confusion between operational effectiveness in the field and financial efficiency in the business space. And what this process of centralisation has done is to accelerate the trend toward pulling decision making ever more towards the top. This is fine

if the top can take decisions, but over-centralisation is the antithesis of Mission Command – the philosophy on which the armed forces and the army in particular, has existed for a long period of time.

- Secondly, the SDR of 97/98 represented an ambitious outcome, but one not matched by adequate resourcing which sowed the seeds of the current significant pressures in the defence budget. Despite headline cash growth in recent years, the reality of defence inflation running well ahead of other inflation has steadily diminished the affordability of the overall programme as the inevitable cost of some individual programmes has increased well above the provision made for them.
- And finally, with a budget under considerable pressure there must be a willingness to make decisions – however hard they might be. But our practice in this country has only been to take the big decisions within the context of a formal Defence Review, and such a Review has only been conducted when the Government of the day determines this should happen. That said, there is growing support, on the other hand, to take the politics out of this aspect of defence, and conduct Reviews, by statute, on a quadrennial or quinquennial basis, on much the same basis as is done in the United States. Personally I would welcome this, as does seemingly a growing consensus.

A LOOK AROUND

But that thought aside, what I have just described is where we were in policy terms as we entered the new millennium – but the events of 9/11 changed the dynamic.

The dramatic events of that clear late summer day sent shockwaves around the world: it put a lot of questions on the table, and immediately reinforced our strategic relationship with the United States. Our national enthusiasm to stand shoulder to shoulder with the United States took us into Afghanistan in 2001 with popular acclaim, and subsequently to Iraq in 2003, albeit with much soul-searching. And then, with the Iraq campaign seeming to be progressing well in the early years, in the South at least, and with American eyes firmly focused on a deteriorating situation in the North and West of Iraq and, particularly, in Baghdad, Tony Blair announced in the middle of 2004 that we would return to Afghanistan in greater numbers in 2006 – a strategic move calculated to assist our senior partner in the coalition. This was a very reasonable decision at the time, but its strategic and operational consequences were considerable, especially as our national assumptions about Iraq were not fulfilled as hoped.

So, ‘Go First, Go Fast, Go home’ as a mantra from the 90’s quickly became history and the current decade has been characterised not by short, sharp interventions but by protracted campaigning, in Iraq and Afghanistan, where we have, and are, conducting operations ‘among the people’, ‘about the people’ and ‘for the people’. When I say among the people, Rupert Smith was right – people are the environment, the backdrop, much as ‘ground’ was the environment in conventional warfare. But the operations are also about the people for they are the focus, they are the object of our efforts, theirs are the hearts and minds we have to win, and, particularly in Afghanistan, we are also there for the people – but not just for the people of Afghanistan or Pakistan, but also for the people of the United Kingdom, the United States and the West generally. No one has any wish to see terrorism return to the streets of our inner cities or our societies violently changed by those

who would pervert one of the world's ancient religions for their own purposes. So in the context of war among the people, about the people and for the people, much water, and blood, has flowed under the bridge of Iraq in the past and I do not intend to rake over all the issues here. But it is critical that we, the armed forces and the country, understand that we should be proud of the contribution that we made in Basra and for the people of Southern Iraq. It was at times a bumpy ride and far from being smug and complacent we have learned lessons that have been incorporated into the way we do business today at all levels. But I am clear that had we not been there and had we not done what we did, Basra would not be the stable and increasingly prosperous city that it is today; without the training and support that we provided to the Iraqi army it would not be the capable, confident and credible security force that is today; and without the hard work and sacrifice of our armed forces, including the 179 military personnel who made the ultimate sacrifice, Iraq as a whole would not be the significantly more stable nation that it is today.

However, if Iraq was an unpopular war, Afghanistan, at least initially, was a misunderstood one, but I see Afghanistan both as a challenge and an opportunity, where we must succeed and, given the right commitment, we will succeed. Many of the lessons from Iraq can be, and indeed are being, applied in the south of Afghanistan. For Afghanistan is truly war among the people, about the people and for the people. And we are succeeding in spite of the tragic losses that we have suffered. For I sense the beginnings of hope – not reflected in the media headlines, but they are there for those who look beyond them. I see hope from the politicians in Kabul and Helmand that governance is improving and elementary democracy is taking hold; hope amongst our soldiers and the Afghan National Security Forces that progress is being made; and hope amongst the Afghan forces and civilians that their lot is improving – their security, government and economy are getting better – they can see this and they are encouraged. Operation MOSTARAK, which is ongoing, is an important element in this process. But there is still a long way to go and, as I think others are now beginning to accept, this is not just a military campaign. Perhaps for the first time we truly understand that this must be an increasingly joint and inter-agency campaign, led by NATO, and that all across Whitehall have an important part to play. I think the idea of a National Security Council would go a long way to providing the formal focus that is still lacking. But, we should be under no illusion: we are at war and if we want to succeed, which we must, we must get onto a war-like footing as a nation – I think I rather shook the parents and friends present when I said to the Officer Cadets being commissioned from Sandhurst at Christmas 2008, *“you enter an army that is at war – even if not everyone in our nation realises that”*.

But against all this must be set a Defence Budget that is already under huge pressure – a pressure resulting from the requirements of the war we are involved in today, and the requirement to maintain a balanced force for future eventualities, albeit against the background of increasing defence inflation and now a huge national budget deficit. All this has exacerbated the existing and significant financial pressures within the MoD.

A LOOK FORWARD

So that is the look back and the look around – what about the look forward?

The first aspect of consensus is that all accept and welcome that later in the year we will close with a Strategic Defence and Security Review in earnest – the first for over a decade and, as a precursor to the Review, we need to understand how fundamentally the world has changed in that

decade. Of course, this Review is very welcome by all of us in defence, with its pressing series of requirements to address: our place in the world; what we want to achieve in the world; and with what we need to equip ourselves in order to achieve our level of ambition.

So, I believe that there must be three fundamental principles in the approach to this Review: it must be driven by foreign and security policy within a cross-Whitehall context; second, it must be threat led; and third, it must be conducted with a truly joint focus within the armed forces – there can be no purely Single Service agendas. I will address each of these in turn before commenting on some of the desired outcomes of the Review.

So, to look first at the ‘how’ this Review should be done. As I have already said, the Review must be foreign and security policy led but, of course, it must be resource informed - however, it must certainly not be resource-led. Many of the problems we are experiencing now are caused by merely “filling in the pot holes in our immediate pathway”- “crisis budgeting”, as the former Permanent Secretary, Sir Kevin Tebbit, described it to the Chilcot Inquiry, and this is something we have had to be doing in recent years due to a politically directed focus on the early years of our budgets and a requirement to balance the books in the short term – all to avoid a “fuss” in defence - as opposed to adequately resourcing an evolving policy, over the short, medium and long term - a policy that properly reflects today’s reality. Those of us who have laboured under this straitjacket in recent years know that we can no longer afford to do this: we may now be unbalanced by necessity due to current operations in the near term, and this is almost certainly the right thing, but we have struggled to remain balanced by design in the mid to long term and the result is not a healthy position to be in. This needs to be fully debated and resolved.

Equally, the Review must be conducted with maximum participation from other Government Departments – it must not solely be a Ministry of Defence internal process. Both Afghanistan and Iraq have demonstrated the vital importance and relevance of a cross-Governmental comprehensive approach. The military instrument of power has limited utility when used in isolation, as conflict prevention and conflict resolution are ultimately political activities. All of us who wear, or have recently worn, uniform understand our Clausewitz, and his words are as relevant today as yesterday. Of course the military have much to offer but we, as a nation, have got to get better at integrating, projecting and delivering cross-Government effect into conflict zones. This will be the way to really succeed and we are seeing the fruits of this approach in Southern Afghanistan now. The Review will need to institutionalise the Comprehensive Approach and align cross-Whitehall objectives.

Secondly, the Review must also be threat-led rather than capability based, and this is a reversal of previous post-Cold War thinking. It is therefore critical that we develop a commonly held understanding of what we perceive to be the nature or character of future conflict. I, and others, have spoken extensively about this in the past, and it will and must continue to be the subject of intellectual debate. As Professor Michael Howard said *“no matter how clearly one thinks, it is impossible to anticipate precisely the character of future conflict. The key is to not be so far off the mark that it becomes impossible to adjust once that character is unveiled”*. But we must achieve the maximum level of common understanding, ideally moving towards a consensus, because the outcome of this debate will dictate the roles and capabilities of our armed forces, relevant to the UK’s needs, for years to come.

And thirdly, the Review should be conducted with the highest level possible of tri-Service

agreement and unity of purpose. In spite of media speculation to the contrary and it is just that, within the military we have become much more joint – after all we fight jointly: the maritime, air and land environments are all interconnected and increasingly interdependent. We accept and understand that we are part of a team and that the strategic vision that is developed is a partnership within the corridors of the Ministry of Defence and elsewhere, and must be as joint as the tactical reality that we see every day in the Green Zone of Helmand – but let us keep a clear understanding of the different requirements of the battle-space and the business-space – business dogma and battlefield reality must be kept apart.

So if these are the key requirements of ‘how’ to conduct the Review, what are the desired outcomes of the Review in very general terms, and without getting into the specifics, that the detailed analysis must develop?

Perhaps critically the Review must be underpinned by a clearly defined view of Britain’s global interests and our global role - I sense no appetite from any political party to see a reduction in our global role – no serious agenda for “strategic shrinkage”, as William Hague put it. I believe it is correct that we must assume that our history and the inescapable demographic legacy of our imperial and colonial past will remain a factor – link this to our current status, our trading interests, our geography, our trans-Atlantic ties and our responsibilities as a P5, G8, G20, NATO and Commonwealth member – all these things are hardwired into our political and national DNA. With this comes the responsibility of international activism on the global stage. We should not shy away from this. This is not “punching above our weight” but more like “operating commensurate with our responsibilities”.

And this global perspective must also be informed by a clear understanding of what capabilities our principal ally – the United States of America – needs from us. We cannot assume that the goodwill legacy of the immediate Cold War aftermath still remains and we must examine what capabilities would secure our continued influence with the United States. If we accept that, any future major conflict that we may become involved in, will be under American leadership, then it makes sense that the primary capabilities we put on the table are ones on which the Americans would place a premium – and we should also balance this within a European context, especially any leadership aspirations we may have in a pragmatic way with our European neighbours. Whatever the economic or political dynamics might be within Europe, the military dynamic is an entirely practical one. Some European nations can make useful military contributions to NATO, to other multinational operations or to coalition operations; other European nations will make such contribution. We, the United Kingdom, both can and will make such contributions, and amongst the major European players that puts us in a very small category, France, being the other obvious leading member.

But critically – and I come back to this again - we must ensure that we succeed in the current campaign. Success in Afghanistan is not discretionary – it will set the agenda for the future – and we must do whatever is necessary to succeed. Tomorrow will be a very uncertain place, if we do not succeed today. So, this commitment to success today must be demonstrated by a strengthened and enduring national, political, industrial, cross-Whitehall and departmental determination to delivering success in Afghanistan – and to do this we need to get onto a war-like footing. It is very much in our national interest to do this. If this means a further uplift in Afghan-specific capabilities, so be it. But nothing is forever, and those that worry that this will distort our future defence posture must remember that another future Strategic Defence Review, after this one, can change

priorities accordingly, especially if we move to a quadrennial or quinquennial model. But, of course, we all know that the future is uncertain and unpredictable. I stand by my earlier description of future conflict as being a kaleidoscope of conflict, and the more I look at the future the more I think that this analogy is correct. Peace-keeping, peace-enforcement, counter insurgency, irregular warfare and conventional war fighting are neat, linear ways to look at conflict, and as such these definitions may have been useful in the past. But we now know that we are facing a complex amalgam of all of these, and presented to us by hybrid adversaries within an increasingly complex environment. Our soldiers, sailors, marines and airmen are experiencing many of these complexities on a daily basis around the world and we must ensure that the Review results in the optimising of our defence capabilities to face this emerging character of conflict. We will therefore require armed forces that offer genuine political choice and relevance across the kaleidoscope of conflict. But importantly we should recognise the emerging – and principal – threat from failed states and non-state actors and the requirement to deal with these threats. This will force us to place greater emphasis on conflict prevention and I would suggest, flowing from our global history and interests, we are perhaps uniquely placed among the European nations to deliver global influence, to prevent conflict through military capacity building and strategic partnering.

And as I have already stated we are now recognising that war is among, about and for the people and so there needs to be greater emphasis on the people – but if prevention fails somewhere in the future, intervention may be inevitable and then stabilisation operations are a key role that the military and civilians together must deliver, and so the means to do this must be properly recognised in our overall Defence and Security Programme.

Therefore, I believe this requires us to maintain a relevant force, unbalanced by necessity and policy, to face the threat and realities of the current fight, whilst maintaining elements of an overall capability balanced as a hedge against the uncertainty of the future, to the greatest extent affordable. As the future advances towards us, we can rebalance again, to retain our relevance to adjusting circumstances and to re-adjust our Forces accordingly. Because, we have to accept, there can be no single or simple solution to the range of threats that challenge us – actually, it has ever been thus. And so there are no strategic concepts or technologies that represent a silver bullet: we must retain a carefully calibrated broad range of capabilities to the extent that is affordable, but I firmly believe we must optimise in the near term, to deal decisively and fully with the near term threat. Overall, we need a flexible, agile and responsive strategy – relevant to the nature of the conflicts we are and will be engaged in – and we need relevant and balanced forces that become increasingly joint and interdependent. The Review will play a vital role in ensuring that we are suitably placed for the future.

CONCLUSION

Now let me pull these threads together. When I started this address I said that I wanted to explain what we need from a Defence Review and how we should get there. The past and the present will be important influences on this debate but I believe that we are at a strategic crossroads – the future should take due note of the past and present. Much has changed since the last Defence Review and we are currently committed to a complex and difficult war. But we do now have the opportunity to fundamentally review our place in the world and our associated level of national ambition – thereby setting the conditions for our future defence and security posture and policy. In the event, we may confirm our place in the world or we may adjust it, but think about it we must

– and to do so, before asking the more important series of questions: what do we want the purpose, shape, balance, size and roles of our armed forces to be? If I can offer any advice to those conducting this vital review it would be to try to understand the nature of future conflict – to understand what that kaleidoscope will look like and agree with what we will need to equip ourselves to face it – and to win and succeed. I believe that this work will be absolutely critical and I would not wish to pre-judge its conclusions, today. Actually, and being a little parochial, this is a matter that the senior leadership of the army, in conjunction with academia, and mindful of the other Services too, have been debating for some time and the provisional judgement, based on logic, is the belief that the top priority for defence now is a force and funding structure that is relevant to the evident and demanding challenges of the near term, epitomised by Afghanistan, but with sufficient provision for the uncertainties of the kaleidoscopic character of the challenges of the long term – balancing these two requirements, assuming they actually are different, will not be simple but, in any event, the debate must be policy led and not financially driven. We must have what we absolutely need for the short term, and limit our ambitions for the medium and long term to what we can afford. So getting this balance right, over time, will be vital for the defence of our nation and our position in the world – and both depend on us making the right decisions over the next few months. And those answers will also dictate the contribution that our armed forces can make to the life and security of our great nation.

So that is my argument, but permit me please a couple of minutes, as I conclude, to say a few words about the military and our relationship with the general public. I have enjoyed my 40 years as a soldier immensely, but I would like to pay particular tribute after my three years as Chief of the General Staff to the courage, skill and professionalism of the young men and women of the Army – and the Royal Navy and Royal Air Force – who continue to put themselves in harm's way, on behalf of the nation. Our military community have much to be proud of and I have been immensely humbled by the fortitude of our servicemen and women, and their families, over the past few years. And our nation also has much to be proud of, and I would, once again, like to thank the general public for their numerous and very moving public displays of support for our young soldiers, sailors, airmen and marines. We, in the Armed Forces, are called to do tough and on occasions unpleasant, difficult and dangerous tasks, but we all take great succour from the fantastic support that we are given – after all, we are not a self-serving community, but one that operates in the name of the nation, itself the wider community from which we are drawn, and to which we return.

But my final word must be to those young men and women of the Armed Forces on operations, recovering from operations or preparing to go on operations. For me, it was a tremendous privilege to lead the outstanding people of the Army for the past few years and as I departed into the military sunset last August, I did so confident that our capability, professionalism and reputation remains where it should be, second to none. The challenge for policymakers over the next few months is to ensure that those same people can go on making the same kind of commitment, in the best interests of the nation, in the next decade and beyond.

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Sir Menzies ('Ming') Campbell CBE QC MP is one of the most respected and successful politicians of his generation. He grew up in Glasgow, was educated at Hillhead High School and went on to the University of Glasgow. As a successful university level athlete Ming ran the 200m for the GB team at the 1964 Tokyo Olympics and become captain of the UK Athletics Team 1965-66. He held the British 100m record from 1967 to 1974. In his professional legal life Ming was called to the Scottish Bar as an Advocate in 1968, but continued an association with the Scottish Liberal Party which he had held since University. In 1975 he became Chairman of the Scottish Liberal Party, and in 1982 a QC. He won the constituency of North East Fife with a majority of 1,447. In Parliament he has served primarily as a defence and foreign affairs spokesman, becoming Shadow Secretary of State for Foreign and Commonwealth Affairs since 1997 and Deputy Leader of the Liberal Democrats in 2003. He served as Leader of the Liberal Democrats since from 2006-2007.

The Rt Hon Frank Field MP worked as Director of the Child Poverty Action Group from 1969-79, during which time it became one of the premier pressure groups in the country. In 1974 he also became Director of the Low Pay Unit until 1980. In 1979, he was elected Member of Parliament for Birkenhead. Between 1980 and 1981 he served as Shadow Education and Social Security spokesman under the leadership of Michael Foot. In 1990 he took up the chairmanship of the Social Security Select Committee and continued in this role up to 1997. From 1997-1998 he accepted the position of Minister for Welfare Reform in Tony Blair's first cabinet. Since then, he has served as a member of the Public Accounts Committee between 2002 and 2005. Outside of Parliament, he is equally busy and committed. In 1999 he helped set up the Pension Reform Group which he chairs. From 2005, he has also been chairman of the Cathedral Fabrics Commission which is the planning authority for English cathedrals. In June 2010, the Government announced Frank's appointment as Chair of the Independent Review on Poverty and Life Chances, based in the Cabinet Office.

Gerard Griffin is portfolio manager at GLG Partners responsible for event driven strategies. Prior to joining GLG in 2010, Gerard was managing partner of Tisbury Capital Management, a firm he had founded in 2003. Previously, Gerard was a Managing Director at Citadel Investment. Gerard also serves on the board of St Luke's Centre in Manchester. He received a joint B.A. and M.A. in Political Science from Yale in 1990, and a J.D. from Yale Law School in 1996.

Hüseyin Gün is an entrepreneur, Principal Investor & Managing Director of Avicenna Capital, a private direct investment vehicle that invests in strategic assets (oil & gas, mining, banking) with particular focus on the Former Soviet Union, Middle East & Asia. Hüseyin is British educated and has an Honours Degree in Genetics. He began his career as a commodity trader and thereafter as a banker in Merrill Lynch and Credit Agricole Indosuez. He is a member of International Institute for Strategic Studies, London. He is the former Chairman of the Advisory Board of Global Fairness Initiative (GFI) in Washington DC. GFI's Board of Directors is chaired by the 42nd US President Bill Clinton. Mr. Gun is also the Founding Member of The Iraq Britain Business Council. Avicenna Capital is one of the key and the largest investors in the Republic of Iraq.

HRH Prince El Hassan bin Talal has been at the centre of Middle East Politics and diplomacy for many decades in the course of which he has won exceptional respect. He is concerned inter alia with humanitarian and interfaith issues and the human dimension of conflicts. This is exemplified by his work with Partners in Humanity and his co-chairing of the Independent Commission on International Humanitarian Issues. Amongst the well-nigh innumerable positions of HRH Prince

Hassan of Jordan, he is President and Patron of the Arab Thought Forum and Moderator of the World Conference of Religion and Peace. His Royal Highness is a founder of the recently formed Parliament of Cultures, dedicated to fostering dialogue amongst philosophers, thinkers and those exercising power. HRH Prince Hassan is the author of seven books, which have been translated into several languages, including *A Study on Jerusalem*, *Search for Peace*, *Palestinian Self-Determination* and in 2004 in collaboration with Alain Elkann, *To be a Muslim: Islam, Peace and Democracy*.

Lord Lamont of Lerwick (Norman Lamont) was at the centre of British politics for many years. He was a Cabinet Minister under both Margaret Thatcher and John Major, and was a member of the House of Commons for 25 years. He was heavily involved in the Thatcher reforms including privatisation that transformed the British economy. He was a Minister also in the Departments of Energy, Defence and Industry. He was Chancellor of the Exchequer from 1990-1993 and introduced three Budgets. He was made a Life Peer in July 1998 and as well as being a working Peer, he is a director of and a consultant to a number of companies in the financial sector.

Jonathan Lehrle was the first Director of the Global Strategy Forum from May 2006-February 2008. Born in Britain, Jonathan spent the first eighteen years of his life in Southern Africa. Upon his return to the United Kingdom he joined the Metropolitan Police, based in West London. His route into politics was through the Parliamentary Resources Unit (PRU), where he worked for two years covering the International Affairs & Defence portfolio. In 2001 he was appointed Chief of Staff to the Shadow Foreign Secretary and Deputy Leader, Michael Ancram QC MP, a position he held until December 2005. He is now a Senior Consultant at Bell Pottinger Sans Frontières.

Sir Malcolm Rifkind QC MP has been the Conservative Member of Parliament for Kensington and Chelsea since 2005. On 6th May 2010, he was elected to serve as MP for Kensington, now a single constituency. In 1974 he was elected as MP for Pentlands and represented that constituency until 1997. In 1979, when the Conservatives were returned to power under Margaret Thatcher, he was appointed a Parliamentary Under-Secretary of State, at first in the Scottish Office and then, at the time of the Falklands War, he was transferred to the Foreign and Commonwealth Office, being promoted to Minister of State in 1983. He became a member of the Cabinet in 1986 as Secretary of State for Scotland. He was also Minister of Transport until 1992 when he was appointed Secretary of State for Defence. From 1995-97 he was Foreign Secretary. He was one of only four ministers to serve throughout the whole Prime Ministerships of both Margaret Thatcher and John Major.

Rt Hon Jack Straw has been the Member of Parliament for Blackburn since 1979 and is the Shadow Lord Chancellor and Shadow Secretary of State for Justice. He announced that he would stand down from the Labour frontbench in October 2010. From 2007 to 2010, he was the Lord High Chancellor of Great Britain and the Secretary of State for Justice, appointed as part of Gordon Brown's first Cabinet. He has also served as Home Secretary from 1997 to 2001, Foreign Secretary from 2001 to 2006 and Lord Privy Seal and Leader of the House of Commons from 2006 to 2007, under Tony Blair.

