



## Does the Foreign Office have a future?

### Lord Wallace

Deputy Leader of the Liberal Democrats in the House of Lords

### Chair: Sir Marrack Gouling

Chatham House

Friday 7 December 2007

***Chatham House is independent and owes no allegiance to government or to any political body. It does not hold opinions of its own; the views expressed in this text are the responsibility of the speaker. This transcript is issued on the understanding that if any extract is used, the speaker and Chatham House should be credited, preferably with the date of the speech. This text was provided by the speaker and is not an exact transcript of the speech as delivered.***

**Lord Wallace:** I have several reasons for volunteering to give a talk on this topic. The first is that the FCO is currently engaged in yet another process of streamlining posts and restructuring its functions, under sharp budgetary pressure. This is largely an internal process, not well understood outside. The second is that we have a new Prime Minister who made limited use either of the FCO or of overseas posts when Chancellor of the Exchequer, while squeezing the FCO budget; and who may need persuading of the case for a stronger FCO while in No. 10. The third is that the Conservative Party has published a lengthy study of British external priorities, which recommends *inter alia* that a new National Security Council should be set up in the Cabinet Office, thus taking the long-term shift in external policy coordination from one side of Downing Street to another a step further. The fourth is that 2008 marks the 30<sup>th</sup> anniversary of the Berrill Report, the last of a succession of government reports on the structure of British diplomacy and the resources it demanded that marked the painful adjustment to the loss of imperial

status: the Plowden Report in 1964, the Duncan Report in 1969, and the Berrill Report in 1978.

I'm glad to see x members of the Central Policy Review Staff team which researched and drafted that report here today. I recall my own walk-on role in that enquiry, having just published a study of British foreign policy-making for Chatham House; meeting members of the team – in those days of deep Whitehall secrecy – in the basement of a Soho restaurant, and being grilled by Sir Nicholas Henderson in the Paris Embassy as he sharpened his teeth the week before his confrontation with the CPRS team, after which the *Daily Mail* portrayed one insufficiently-respectful team member as a 'dark-eyed evil genius': now the still dark-eyed Baroness Blackstone.

I have not conducted a systematic survey in preparing this talk. I have drawn upon recent FCO Annual Reports and House of Commons commentaries on them, on conversations with British officials both in London and in overseas missions. I am grateful to them for the time and the advice they have given me. The most important message I want to get across is that the future of the Foreign Office depends on outside understanding of its changing role and functions as well as internal restructuring. There is now a strong case for an outside enquiry, or at least a public presentation of its changing capacities and operating practices, to educate the political class and the media on what the FCO itself and Britain's overseas missions can – and cannot – do, as it faces rising demands within a shrinking budget.

A great deal has changed since the Berrill Committee reported. Every department in Whitehall is now engaged in multilateral diplomacy of some form or other, dealing directly with their opposite numbers within other national administrations, often without keeping embassies fully informed of the business they are transacting. Ministers travel to foreign capitals far more often; and more ministers, from more departments, travel.

There has been an explosion of staff attached to overseas posts from law enforcement agencies, including SOCA – the Serious and Organised Crime Agency –, HM Revenue and Customs, and the Ministry of Justice: dealing with drug and people-smuggling, money laundering, transnational criminal and terrorist networks. The rise of DfID – the Department of International Development – has created a significant new player in

relations with developing countries, with a budget far larger than that of the FCO. Mass travel and global communications have made migration a sensitive political issue, and the issuing of visas and passports a major preoccupation for some posts; the millions of British citizens holidaying or living abroad have imposed new demands on consular work, often under immediate and harsh media scrutiny. Immigration control necessarily extends well beyond Britain's own borders; I'm told there are now 1000 British immigration and borders officers working in France. The decline of British manufacturing has altered the character of export promotion – now more often inward investment promotion and scientific and technological collaboration; though the interests of British-based multinational companies still need political intervention in their support in authoritarian states.

Above all, the UK operates in a much more multilateral international framework. The most extensive and active is of course the European Union, of which in 1978 we were still a new member, in a European Community which then covered a far narrower agenda. But the UN and its associated agencies have also expanded their multilateral agendas: to include the Kyoto Protocol, the WHO's increasingly-active efforts to contain transnational epidemics, the expansion of peacekeeping operations and the management of a far large number of displaced people and refugees.

The communications revolution has also taken us from the early 1970s pattern of secure communications between governments passing through embassies, to be decrypted and delivered by diplomats to host governments, to the late 1970s innovation of the COREU secure teletext system that directly linked EU foreign ministries, to today's encrypted phone lines, secure Email and videoconferencing facilities. These enable British staff abroad to participate in Whitehall policy discussion in real time – and also enable staff in other Departments to communicate informally and instantly with their foreign *interlocuteurs*, many of whom they know personally from shared membership of multilateral working groups.

The British experience is, of course, not unique. Most foreign ministries in developed democratic states have lost ground in national policy-making in the past 30 years, as traditional foreign policy has given way to government-to-government negotiations.

Summitry – heads of government meetings, bilateral and multilateral, from European Councils to NATO Summits, G8, and the multiple bilateral consultations in between – now occupy a proportion of prime ministerial time that would astonish Harold Macmillan or Harold Wilson. That reduces the FCO to a subordinate relationship with the Prime Minister's staff, and can make the Foreign Secretary in effect an assistant to the Prime Minister. There's a limit to the authority of the FCO to coordinate the political dimensions of other Departments' external relations; it is one of the smallest Departments in Whitehall, with one of the smallest budgets. In many ways the FCO is further ahead in adjusting to these changes in its policy-making context than its opposite numbers on the European continent – certainly further ahead than the beleaguered State Department in Washington.

Yet a number of underlying issues have not changed – and, I would like to argue, some of the Berrill Committee's recommendations which were so vigorously rejected then should now be implemented. The most fundamental issue, of course, which all three of the reports of the 1960s and 1970s stressed, is that the machinery of foreign policy should be designed to serve clear objectives – preferably objectives agreed across the main political parties – and that the resources provided should be sufficient to meet those objectives. The changes now being driven through the FCO, however, are taking place in a context where British international objectives are contested and uncertain, and in which the gap between declared ambitions and resources allocated is wide, and widening further.

The greatest uncertainty is over the depth of Britain's European commitments; the other side of that coin is how far we remain committed to an 'independent foreign policy' on a global scale. 35 years after the UK joined the European Community, the *Economist* recently remarked, 'sections of the [British] government, media and public seem to want to forget that the EU exists' – while others actively campaign to reduce British engagement in European cooperation, or even to take the UK out of the EU altogether. In such conditions, the 25% reduction in FCO resources devoted to European posts and issues – however rational in other terms – could look to our European partners like a further signal of semi-detachment. Active British diplomacy within the EU requires strong bilateral links as well as hard negotiations in Brussels, to build coalitions as well as to inform negotiators about other governments' sticking points – with smaller states, which

on some issues may be key players, as well as with large. We need a public rationale for our missions in Britain's 'near abroad': no longer embassies in the traditional sense, more Permanent Representations of the British Government.

The Foreign Secretary's recent speech in Bruges emphasised the importance of closer European cooperation in defence and peacekeeping. That suggests the need for a larger investment in links between defence forces and ministries, rather than the cutback in defence attachés currently under way. Ratification of the Lisbon Treaty will lead to the creation of an EU External Action Service, jointly-staffed from the Commission, the Council Secretariat and national diplomats on secondment; I gather that a list of 25 names of suitable British nominees has even been drawn up. It seems to me strongly in British interests to play an active role in shaping and staffing the new EAS, just as we did in the early stages of the European Security and Defence Policy. In distant countries where distinctively British interests are limited there are potential advantages in common representation. Yet, as I understand it, officials are under instruction to say as little as possible about this entire initiative over the next six months, until after the Treaty has passed through both Houses of Parliament, for fear of exciting the Eurosceptic press. What's rational in long-term policy terms is, apparently, considered suicide in terms of domestic politics; so we risk leaving the initiative to others, for fear of admitting to Parliament or press what is under way.

One of the sharpest recent attacks on Gordon Brown's foreign policy, by Irwin Stelzer in the *Spectator* a few weeks ago, accused our government of taking the UK down a road of European and international cooperation that would lead to giving up Britain's permanent seat on the Security Council: the Murdoch press demands that Britain maintain an 'independent' foreign policy, closely aligned with that of the USA. But if the UK *is* still committed to an independent foreign policy with a global reach, then there's a strong argument that it still needs a global network of overseas posts. There are now 20 states in Africa in which the UK has no resident representation, including Burkino Fasso, newly-elected to the UN Security Council, and Chad, to which the EU is despatching a peacekeeping force; in Latin America we are present in four states fewer than France, two fewer than Germany. Overall, the UK is now represented in fewer UN member states than France, Germany or Italy – our most obvious states for comparison. I think the FCO has been right in judging that a concentration of limited resources in China,

India, and other rising economic powers is a higher priority; though resources have also been strained by the exceptional demands for representation in Iraq and Afghanistan. There's an uncomfortable parallel here with the situation of Britain's military forces, where the pretensions to global reach and all-round capability are publicly maintained, but the gap between those pretensions and the budgetary resources provided is widening dangerously. Either the financial resources provided have to rise, or the declared ambitions have to be lowered.

Perhaps the most contentious proposal from the Berrill team was to merge the Diplomatic Service into a wider 'Overseas Cadre'. This was intended to draw from officials dealing with international issues in a wider number of Whitehall Departments, and to enable career patterns to move from a 2:1 ratio in time abroad to time at home to a 50:50 balance. Bitterly resisted as this was 30 years ago, I want to argue that it is now time to accept it – for several reasons. The FCO itself is slimming down in numbers, and in particular in senior posts: the phrase 'More foreign, less office' supports the idea that the balance of the diplomatic service should be out in the field, not duplicating the work of overseas posts or other departments in London. That has, however, the consequence of narrowing openings for senior diplomats to serve in London – unless it becomes a normal part of their career paths to spend time in other Departments. One recently-retired ambassador who gave evidence to the Commons Foreign Affairs committee this year remarked that he had spent most of the past 20 years outside Britain – which must have left him at an increasing disadvantage both in representing Britain, as a political system, economy and society, and in understanding the changing cultures of Westminster and Whitehall, however well he followed the Emails and telegrams over the years.

I suggest, as a matter of policy, that no-one should be appointed to head a bilateral mission in any one of our major partner states who had not spent the previous 3-4 years in Britain. That means that such appointments will have to be drawn from a wider base within Whitehall, and that officials with expectations of overseas postings should more often serve outside the FCO and the Cabinet Office – as our new Ambassador to Ankara has done in his previous Home Office post. In some cases it may be appropriate for heads of mission to be drawn from a wider pool beyond Whitehall, as at present in South

Africa and Australia, Anglophone countries in which foreign language skills are not essential to the job.

The impact of globalization on government suggests that such a broadening of the base for overseas service would also help to internationalise what used to be called the 'home departments'. Now that energy security, climate change, migration and transnational crime are priorities for British foreign policy and national security, we need officials in the responsible ministries who have direct experience of how such issues look from the perspectives of other countries. Since senior officials in domestic ministries increasingly find themselves engaged in multilateral negotiations, wider foreign language skills and better understanding of other societies and political systems are needed across much more of Whitehall than the FCO alone.

Over the past 30 years, we have in practice moved some way in this direction. The majority of home-based staff in some of our key bilateral posts, as well as in the UK permanent representation to the EU, is drawn from outside the FCO, either on secondment or in posts paid for by their sponsoring departments. The number of secondments and transfers into and out of the Diplomatic Service has been slowly rising; though friends in the FCO tell me that it is easier to attract someone into a senior FCO position than to persuade home departments to accept diplomats in exchange. There are some impressive foreign language skills across Whitehall – though wider skills are needed. The Treasury is about to second a Japanese-speaker to the Ministry of Finance in Tokyo, and a Portuguese-speaker to Brazil. I'm sure that the Treasury official at the G20 in Cape Town the other week who greeted her Chinese opposite number in Mandarin gained credibility in the negotiations. But the rise of sovereign wealth funds and Middle East financial centres suggests that the Treasury needs more Arabic-speakers, with an understanding of that region, too. We now have some foreign language specialists – not enough – within the police, with a rising number of secondments from SOCA posted abroad; and the pursuit of financial fraud by HM Revenue and Customs requires familiarity with exotic cultures and languages. The move from separate services to an overseas cadre would therefore formalise developments which are already under way, but so far slowly and disjointedly.

The relationship between overseas posts and London has been transformed by easier travel, open (and encrypted) telephone lines, secure Email, and video-conferencing. It should be brought even closer. I know that ambassadors now travel back to London twice a year or more for collective meetings, mostly with others in the FCO network. I suggest that this should be a much more regular practice, for a larger number of people in overseas posts, particularly for posts within the OECD world, with home departments directly involved, or even in the lead: to ensure that people in posts abroad understand what domestic concerns are driving Whitehall policy in different fields, and that people in Whitehall understand better the international constraints on British policy. As we move towards a greater reliance on locally-engaged staff in posts abroad, it would be sensible to include more of them also in such exchanges. Personal contacts build closer working relationships; senior and junior officials within domestic ministries need every encouragement to regard overseas posts as a natural and valuable extension of Whitehall. And it would help to promote domestic consensus if parliamentarians, even from opposition parties, were from time to time encouraged to sit in.

Instant and secure communications now enable posts to participate in Whitehall policy discussions in real time, rather than depending on intermediaries within the FCO; that is the rationale for shrinking the size of the FCO. If the outcome of this reduction is not, however, to be a further marginalization of the FCO in our government's globalized policy-making, this slimmer FCO must be more closely associated with the Cabinet Office; it must be self-evidently part of the core of government. The move towards a 'National Security Council', to rebuild the capacity for strategic thinking across the whole range of international policies which – the Conservative Party document brutally asserts – the FCO 'lost control of...some time ago', should bring together the FCO and the Cabinet Office across the street, not deepen their institutional rivalry. Similarly, if the Minister for Europe is to remain within the FCO, and the coordination of European policy within the Cabinet Office, a similar degree of deliberate integration should help to promote strategic thinking. There is a limit to what can be achieved through such reforms, of course, without a return to a more collegiate form of government, or without more coherent European and international strategies spelled out by political leaders at the top. But that is a topic for a different occasion.

Some difficult budgetary questions follow from this. I strongly favour an integrated external budget, from which defence, conflict prevention, political diplomacy, cultural diplomacy, development aid and subscriptions to international organizations would all be drawn; though I acknowledge the immense resistance to such a shift, most sharply from within the Ministry of Defence. The Conservative paper attempts this. It argues that ‘the policy instruments which deliver soft power [diplomacy, external broadcasting, cultural relations, all of which fall under the FCO budget] have...been comparatively under-funded’; though it does not go on to call for net transfers from defence or overseas aid, or for an increase in overall external spending. It rightly points out that the enormous costs of Iraq and Afghanistan have dragged down other programmes; they form, after all, the immediate context in which the FCO is redirecting staff and pruning activities. Experiments with cross-departmental pools – the Conflict Prevention Pool, for example – suggest the way forward, particularly in integrating DfID priorities more closely with those of the FCO and the MoD. I’m not sufficiently expert to judge whether distributing subscriptions to international organizations to each responsible home department, or charging out more posts and services abroad to the home departments they service, would help or hinder further integration of external policy.

The further away from London, the more distinctive the role of British overseas posts. In Tokyo and Beijing, we need fluent linguists with a grasp of the whole range of Whitehall concerns, necessarily operating without as large or continuous a flow of visitors to and from London. In third-world Africa and parts of Asia, DfID in many ways now plays a more important part in the bilateral relationship than the FCO – which raises questions about the appropriate links between DfID and the FCO which I won’t enter into here. In some distant capitals that I have visited I have been struck by the close cooperation between the small staff in the British Embassy and their colleagues in other European embassies – which suggests both that there is more room for pooling efforts and resources in remote states, and that the development of the EU External Action Service offers an opportunity as well as a problem. I note the expansion of consular work, to service the 15 million UK passport holders resident abroad and the millions who travel abroad from Britain every year; the FCO Annual Report notes that over 3 million British nationals asked for help from UK posts in 2005-6. I suggest that we need to promote a public debate on how much support and protection British citizens can expect to receive,

under differing circumstances, in different countries, to moderate the explosion of demand and to protect overseas posts from media attack after each foreign crisis.

Above all, we need a more open debate, which links resources, structures and staffing to objectives and priorities. The FCO is to be commended for its efforts to rebalance its resources, and to stretch out to the rest of Whitehall to reconsider the services it provides. But this should be a broader and more political exercise, posing more explicit challenges to other Departments, and forcing politicians of all parties to discuss what resources we should commit in future years, in support of preferred international objectives. That is a better way to ensure that the Foreign Office has a future.