

# **An Unquiet World**

## Submission to the Shadow Cabinet

National and International Security Policy Group  
Chairman, Pauline Neville-Jones  
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# An Unquiet World

Report of the policy group on national and international security

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## 1. Remit

The Policy Group was given the following remit:

‘The Policy Group will examine all aspects of the UK’s national security, from both a domestic and an international perspective. The Group will investigate the structure of policing in the UK, including reform to bring local policing closer to local populations and to provide a fully effective force or forces to deal with regional, national, and international policing challenges, including international terrorism. In addition, the Group will analyse the effectiveness of border control, the intelligence services and administrative structures in Whitehall to deal with the threat of terrorist attack.

As part of its work on security, the Group will consider issues relating to social cohesion - including questions of community relations, immigration policy and their linkages with the UK’s foreign policy.

The Group will examine the UK’s geo-political positioning vis a vis the EU, NATO, relations with the USA and relations with Commonwealth Countries, as well as with less-developed countries and the emerging giants - taking into account central issues of international relations, including human rights, the spread of democracy and the rule of law, and Islamic fundamentalism.’

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## 2. Scope of the Report

The Policy Group has been charged with developing policy proposals in areas that affect the security of the United Kingdom including foreign policy, defence policy, domestic security policy and national cohesion. We have considered the security-related aspects of the EU (CFSP and ESDP but not institutional or domestic policy related issues), international security and NATO, the armed services, the security service, and policing in so far as it relates to security. Given the security focus of our remit, we have not attempted a full survey of British foreign policy, but concentrated on those aspects which most affect our national security.

After the Group was set up, the Conservative Party Leadership decided to create separate task forces on certain aspects and we have not duplicated their work. Nick Herbert's Police Reform Task Force has already reported on the structure of policing in the UK and local accountability. Damian Green has led a separate working group on immigration policy. Their reports are available on the Party's website. A further task force led by Lord Stevens is advising on the creation of a dedicated border force and will report in the autumn. The Globalisation and Global Poverty Group, chaired by Peter Lilley, has considered in depth relations with less developed countries, governance, aid effectiveness and trade policy. Climate Change is being studied by the Quality of Life Group under the chairmanship of John Gummer. The nuclear deterrent was excluded from our remit.

We quickly established in the early stages of our work that the international context in which the UK was operating had changed fundamentally since the arrival in office of the present Government in 1997. Work has focused on the nature of the changes in those areas where the problems with the Government's policies are most serious and where we recommend either major modification to objectives of policy or to the ways in which those objectives are pursued, or both. The choice of subjects that we have looked at in depth reflects this. Thus we have conducted our examination of defence in detail. As the growing weight of Asian countries in the international balance of power will have important and permanent effects on the management of international policy we have studied China and India in particular extensively. We have done similarly detailed work on national cohesion because this is an area central to security questions but which has been poorly studied and is ill understood.

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### 3. Working Method

The work of the Group was led by a steering committee, consisting of:

- Dame Pauline Neville-Jones (Chairman)
- Lord King of Bridgwater (Deputy Chairman)
- Lord Waldegrave
- Lord Trimble
- Sir John Boyd
- Sir Stephen Sherbourne
- James Gray MP
- Ali Miraj
- Garvan Walshe (Secretary)

In addition to consulting published sources, we took evidence from over 120 witnesses from 19 countries across the areas of our remit. Witnesses were drawn from government, British and foreign, the armed forces, the police, non-governmental organizations, academics, journalists, religious leaders, voluntary organizations, community groups and private individuals.

Evidence was taken on the understanding that their remarks would not be attributed without permission. We would like to thank all those who gave us their time and expertise from which we have greatly benefited. We take full responsibility for our conclusions.

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## 4. Foreword: The Country We Are

The United Kingdom is a medium sized industrialised power with world wide interests and a tradition of active involvement in foreign affairs which the country shall continue. We have considerable assets – an educated population with very good universities, a global financial centre and thriving international trade, a robust parliamentary democracy, first class armed forces and historic links with many parts of the globe. Today, we are not powerful enough – were we to be so inclined – to pursue our interests on our own across the world. We need allies friends and functioning institutions.

Our strengths persist, but at a time of uncertainty. The relative rigidity of the bipolar world of the cold war has been swept away by secular change on a vast scale. Alongside the opportunities presented by scientific and technological advance we face some daunting challenges to human welfare and to our values which we do not yet fully understand nor have complete answers to. Internationally, the task is to contribute to the construction of a new – and better – world order.

At home it is to reset our national compass. As a country, we are proud of our achievements and heritage. We know we stand for the values of the open society – democracy, civil liberties and the rule of law and that our commitment to them is being tested by the terrorist threat. With good leadership, our capacity to meet this challenge is not in doubt, but it has fuelled uncertainty about our identity as Britons. Our genius historically as a people has been to redefine ourselves without revolution and we must do this again.

In a world of borderless communication where betrayal of values is immediately uncovered, we have to strive to attain a single – high – standard of behaviour at home and abroad. Meeting the requirements round the world of security and stability alongside reform and modernisation throw up acute practical dilemmas for policy makers to which there are no perfect solutions. We discuss these and the principles that should guide us.

This is a testing time for Britain – because of Iraq, consensus at home over security policy has been endangered; our reputation abroad has been damaged, friendships have been strained and enemies encouraged. We have to climb out of the hole we are now in. It can be done. If we are to succeed however there have to be policy changes. Those relating to security we set out in this report.

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## 5. Key Conclusions and Recommendations

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1. **A shift in power to Asia.** Following a decade of unprecedentedly rapid growth there has been a shift of economic power to Asia that is laying the foundations of future political power in the Asia Pacific region. **Asian claims to be seated at the Western dominated top table of international governance institutions and involved in international consultation on issues of global significance are becoming irresistible** (see pp 12 -15) as well as separate Studies on India and China). International institutions have to catch up with this. As European economies become relatively smaller and populations older, our continent's claim to a share in political power will be decreasingly self evident and will have to be sustained by the quality of our ideas and a diplomacy of global grasp. **The UK has not made enough of its natural advantages in developing a close relationship with India.**
2. **The apparently threatless world of the last decade of the twentieth century has vanished. The UK faces a significant threat to national security** from international networked terrorism and we should and can achieve greater security than we have now. In overcoming the enemies of freedom, we must not destroy it ourselves. **Our civil liberties at home and our human rights record abroad matter and must be upheld in a consistent manner.**
3. **The broader Middle East is a region in turmoil.** The problems there are difficult and urgent. Seemingly intractable internal and international conflicts combine with revolutionary Islamist ideology to generate instability and violence in a region where peaceful political change appears out of reach to many. It is getting worse. UK policy response and that of our allies' has so far been unable to ameliorate the situation. Iraq has made some aspects worse. **New policy is needed combining continuation of vital counterterrorist cooperation against Al-Qaeda and its associated network; active diplomacy aimed at conflict resolution; regional security cooperation and long term political and social reform –‘the Partnership for Open Societies’ – calculated to win hearts and minds** (see pp 19 - 20).
4. **The risk and danger of the proliferation of weapons of mass destruction have been increased by the situation in the broader Middle East. It is a high priority effectively to control access to nuclear technology and nuclear proliferation at the state level** which will also be the surest way of preventing acquisition by non-state actors. A successful non-proliferation treaty review conference in 2010 is a high priority.

### Key Relationships and Institutions

5. **The continuing importance of the transatlantic Alliance.** In our interim report of last year (extracts of which are included in the compilation of Studies published with this report) we set out the key importance to the UK of a strong transatlantic relationship and, within this, a strong bilateral relationship between Britain and the United States. **Effective American leadership in the world is indispensable to us. We should use our influence in Washington to foster a multilateral approach to global governance. The bilateral ties, which are deep, remain central to our security generally and to our national military effectiveness in particular. NATO remains the only multilateral combat-capable military organisation. The implications of this are set out in Study 6.**
6. **The vital need for functioning US European relations.** It is when these break down that the importance of this relationship becomes apparent. The UK has more to lose than others from its fragmentation. **The split over Iraq has had significant if unadmitted consequences for the success of the intervention. We have all, however, been losers and the challenge we face collectively as**

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**the result of turmoil in the Muslim world should bring us together to overcome it collectively. The allies need to get their act together again.**

7. **UK security involves close partnership in Europe.** The very success of an enlarged European Union leaves us confronted with instability and threats to our security round the perimeter of the Union. **The United States can be relied upon to help, but will not forever carry the security load which Europeans together must increasingly assume. Many European states also have sizeable Muslim minorities in which the ideology behind terrorism is promoted by those with an interest in doing so (see the accompanying Study ‘Uniting the Country’ for details). The shared interest clearing promoting reform and stability abroad and integration at home is clear.**
8. **Functioning international law and invigorated international institutions protect and promote our interests.** Despite recent efforts at reform the slow decline of the UN system continues and will not be reversed without Security Council enlargement better to reflect changes in the distribution of power round the world. **Emerging powers must become stakeholders in and not free riders on the obligations of global governance. International leadership must be earned and based on ability and willingness to contribute to security and a rules-based international order. The UK should put effort into UN reform generally and Security Council enlargement in particular. The retention on the existing basis of the UK seat on the UN Security Council is important to the realisation of all these goals.**

### **Our Security at Home**

9. **UK borders are important and need strengthening but cannot provide complete security against transnational threats.** UK policies abroad directly affect our security at home (and vice versa). The intervention in Iraq has aggravated the domestic security threat. **Effective counterterrorism is essential** and the intelligence agencies and police must be financed and organised to achieve this. **The approach to collective security must preserve, not curtail, the liberties and way of life being protected.** Displays of competitive toughness by Ministers demean government and **a Conservative government should strive to pursue a bipartisan approach to legislation on sensitive issues involving the rights of the citizen before the law.**
10. **As an open and liberal society and with a highly geared and interdependent economy, the UK is vulnerable to disruption.** It is a top priority for government to ensure the ability of the population to carry on daily life with confidence. Securing the homeland against attack and resilience in the event of attack is a government’s first responsibility. **Civil contingencies provided for in legislation must be adequately funded.**
11. **Security is also a matter of trust between government and public and the loyalty citizens feel towards each other.** The UK has suffered an erosion of confidence in both. Intercommunity relations have been strained and British Muslims are disquieted. **Restoring trust in the integrity of government and consensus behind security policy are essential. The identity of the British people needs to be rebuilt to include minority communities on the basis of shared values and active equal citizenship.**

### **Our Wider Security**

12. **Energy is the lifeblood of a modern society and security of supply fundamental to economic and social welfare. It is part of national security.** The UK has become an importer of fossil fuels at a time of rising demand, when supply is increasingly controlled by state owned companies and subject to politics. Gazprom, a market maker and significant supplier to Western Europe, may not be able to supply contracted amounts. The UK is without arrangements in place for guaranteed supply or a strategic reserve available for emergencies. **Our vulnerability requires government action to**

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reduce it but the Labour government's policy lacks direction and drive. A dedicated department for energy policy is needed as well as urgent action to increase domestic resilience and bring about a functioning single European market in energy.

13. **Policies being pursued by European governments towards Russia and the countries on the EU's borders in the Mediterranean and Eastern Europe do not serve the political and security interest of member states as well as they could and should.** Under Putin Moscow is behaving more aggressively externally and Russian energy suppliers aim to make consumers dependent on them. **European governments are showing weakness by competing with each other instead of dealing with Russia on the basis of a shared long term strategy to protect their collective interests.**
14. **Many of the states round the rim of the enlarged European Union in the Mediterranean and Eastern Europe are either weak or unstable. The European Neighbourhood Policy needs much stronger political input from European governments.** The process of accession of Turkey to the European Union, which affects the political stability and orientation of that strategically important country, is drifting. **It is urgent for EU leaders to agree with Turkey a way forward on the accession negotiations.**

### **Our Assets and Instruments of Policy**

15. **Our armed forces which serve the nation with great professionalism round the world are overstretched and there is no reserve available for emergency. This is unsafe.** The ability to recruit and retain is in jeopardy. **Their mission no longer corresponds to the real security requirements of the nation.** They should make a bigger contribution than at present to homeland defence and resilience while retaining the capacity to project power to deter threats arising outside the UK. After the UK's direct security requirements have been met, the will and ability of the UK, as a member of the United Nations Security Council, to intervene abroad on humanitarian grounds and in support of international security remains important. **Capability also needs to be reassessed. An incoming Conservative government should conduct a Defence review not with the aim of inflicting further cuts, but of ensuring that our armed forces have been asked to do the right job, are properly equipped and trained and are employed on the right terms and conditions.**
16. **An incoming Conservative government should establish a dedicated force with a permanent command headquarters to provide assistance as and when requested to the civil authorities in the event of a major terrorist incident or other national emergency.**
17. After the UK's direct security requirements have been met, the will and ability of the UK, as a member of the United Nations Security Council, to intervene abroad on humanitarian grounds and in support of international security remains important. **Capability also needs to be reassessed. An incoming Conservative government should conduct a Defence Review not with the aim of inflicting further cuts, but of ensuring that our armed forces have been asked to do the right job, are properly equipped and trained and are employed on the right terms and conditions.**
18. **The UK should maximise the influence of its considerable range of soft power assets. British diplomacy, an asset neglected by the Labour Government, should be revitalised. The British Council and the BBC World Service are highly relevant to the ability of the UK to meet the ideological challenge to our values. The high quality British university system attracts large numbers of foreign students. Setting up campuses abroad, as some universities are now doing, would increase the value of this particularly powerful instrument of influence.**

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## The Machinery of Government, Resources and Spending Priorities.

19. **Our response to complex issues must be consistent, coherent, competent and complete across policy at home and abroad and formulated in the round.** The machinery of government is not currently well organised to achieve this. Foreign policy, defence policy, internal security policy and its effects on national cohesion should not be treated in separate policy and budgetary stove pipes but as parts of a single national security policy. **The Policy Group draws attention to its recommendation of last year that a National Security Council should be created in the Cabinet Office. The FCO should be brought back from the sidelines. The FCO and DfID should develop a dedicated civil expeditionary capability.**
  
20. **The method of budgeting for spending on the external aspects of national security by relevant departments (FCO, MOD, DfID) including cross departmental spending pools should be adapted to support a national security approach and spending patterns altered to fund more adequately reform and nation building programmes relevant to the establishment of open societies.** As and when the combined cost of military operations in Iraq and Afghanistan wind down, a portion of the monies currently being spent there should be devoted to key targets like Pakistan within the long term approach and civilian programmes set out in this report – notably in the context of the Partnership for Open Societies.

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## 6. Our General Approach

We live in a world where it is no longer enough to have secure borders in order to guarantee security. A global economy and normal movement of peoples combined with such things as organised crime and terrorism mean that we are vulnerable to transnational security threats. What the UK does abroad affects our security at home and vice versa. Our response to complex issues must be consistent, coherent, competent and complete across policy at home and abroad and formulated in the round. We must have a national security approach. How the UK acts abroad matters too. Pursuit of the national interest abroad by prominent use of hard power is very expensive and ultimately unlikely to be successful. The UK in any case does not have enough of it. We need to maximise the instruments of soft power available to us. We must approach foreign policy with humility and patience.

This means we must work within, and strengthen, the framework of international governance. Its revitalization is needed. A key element of this is adapting the framework to take changes in the distribution of global power into account. No one body is sufficient on its own. Each of the elements that make up this system – the set includes the UN political institutions and the agencies, the G8, NATO, the EU, the international courts, as well as the international economic and financial institutions – has a role. They all need to work together with compatible strategies. The UN lies at the core of international governance. A period of international political management in which the United Nations has been largely sidelined has not produced encouraging results. The use of power by governments requires political and, often, legal legitimacy. The universality of UN membership helps confer the first and the international law-making role of the Security Council, based on a Charter embodying Western concepts of the rule of law, uniquely confers the second. But while the UN can bring broad coalitions together and provide legitimacy to their actions, the motor power, purpose and priorities have to come from member state leadership which have a duty to provide it.

The way in which that leadership is exercised matters. Concrete national interests cannot be disregarded. They must be defended and promoted. But excessive ‘realism’ is also a mistake. For the UK, reputation as a nation is vital. Given porous borders, we need to understand that it is not possible to conduct the UK’s domestic and foreign policies by different standards. Other countries and peoples will not compartmentalise in this way and neither should we. The UK will be judged both by how we treat our own people, and also by the standards that prevail in our external behaviour. Inconsistency will be spotted. Our human rights record, at home as well as abroad, is probably the single most important aspect of our soft power, a term that we use, following Professor Joseph Nye, to mean: ‘the ability to attract and persuade rather than coerce.’<sup>1</sup> Exactly where to draw the line between individual liberty and collective security is difficult at the best of times and made harder by current circumstances. While the British Government’s primary duty is to its own citizens, indifference to the fate of foreign men and women is indefensible morally and inadvisable politically. Our desire to protect our own civil liberties should be matched by concern for the human rights of others and the Conservative Party has recognised this by setting up its own Human Rights Commission.

Our values stand on their merits. They have benefits too. They help contribute by example to international peace and security. Countries where the institutions of the open society thrive not only eschew internal repression, but are also less likely to resort to aggressive war. Furthermore, our policy should reward compliance with international human rights standards. This is in our long term interest even though it may make some short term goals more difficult to achieve. The willingness to incur such costs is demonstration of our commitment to our values. The West has lost ground in recent years because it has cut corners. We must not let it fall back further.

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<sup>1</sup>Joseph Nye, ‘US Power and Strategy After Iraq,’ *Foreign Affairs*, July 2003

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Finally, belief in the rightness, universality and effectiveness of the principles of the open society and their upholding in practice is of paramount importance now that our security is most immediately threatened locally and internationally by an ideological movement that claims it has a better model of state and society than liberal democracy. In that ideological struggle we need to practise as well as preach attractive principles and demonstrate that it is possible to protect security while limiting ourselves to principled methods. Resort to repressive security measures fosters extremism.

This consistency can be difficult to achieve: two cases stand out – in our relationships with authoritarian countries with which it is nonetheless in Britain’s interest to have good relations, and in the case of military humanitarian intervention. The first dilemma is most acute in the broader Middle East. There political reform in many countries would not only be a good thing, but is necessary for our security as well. We have proposed a ‘Partnership for Open Societies’ (see pp 19 - 20) to assist such countries in making the changes necessary. Uncritical support, regardless of how they treat their own people, damages our moral authority.

As for humanitarian intervention, the Policy Group considers that this country should not give the impression abroad that the creation of civil society is chiefly a matter of the use of the sword. Nevertheless we believe that the development of the concept of the international community’s ‘responsibility to protect’ civilians from grave crimes against humanity committed by their own governments has been an important step forward in the progress towards more humane international order. Fulfilling this responsibility may sometimes require military intervention. Humanitarian intervention should in future be undertaken provided it passes the tests that apply to any use of force by the UK. These are: the potential operation is assessed as being compatible with the protection of UK security; that the likely benefits to the UK and the international community will outweigh the risks to our servicemen and women; the realisation of an operation’s objectives lies within the capabilities of our armed forces; and that there is sufficient reserve to surmount the unexpected.

We now turn to the main topics of our Report and the conclusions we draw for policy.

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## 7. Global Power Shift to Asia

The opening of the world economy following the collapse of the Soviet Bloc has brought almost unprecedented economic gains for hundreds of millions of people across the world. Despite a serious Asian financial crisis in 1998 and the collapse of the 'dot-com' bubble, global economic growth has been sustained for the past decade. The result has been a huge increase in wealth in Asia, which is beginning to translate into greater political power for Asian countries. India and China stand to become global powers. Competition between these new countries as well as more established powers in Asia – Japan, the United States and Russia – is to be expected. The huge increase in economic activity has led to a secular increase in the demand for energy and other natural resource commodities. Demand will increase further as China develops, as it must if its economy is to continue to grow at the rates it has been; and as India, whose growth has so far been based mainly on services, industrialises. The new powers' continued growth has become dependent on the security of ever greater amounts of resources.

The United States is an Asian power and will remain so, though probably more off shore. One of the challenges for the United States is whether China is treated as a hostile power to be contained or one with which they can cooperate. The outcome depends too on how China evolves domestically and the approach she takes to the region.

### 7.1. China

Deng Xiaoping's economic reforms have given China the economic base to become a great power. Depending on her ability to overcome some big internal problems, she is likely to achieve this status in the second third of this century. At present, she has a GDP roughly the size of that of the UK and hers is expected to rival that of the United States by the middle of the century. Only India is likely to be in the same league.

This economic potential however will not immediately or automatically translate into great power. China's domestic challenges are formidable. Thanks to the one child policy, her population will grow old before it grows rich and significant wealth will have to be diverted to pensions and health care. GDP per head will remain modest for the vast bulk of Chinese for a long time. The industrialisation of the eastern seaboard has left the interior behind and the stresses of social change have begun to show. Unofficial estimates have put the number of disturbances in 2006 at 87,000. So far the authorities have prevented these local complaints coalescing into organised opposition and, so long as the economy booms and social consumption can expand sufficiently as well, they have a reasonable chance of keeping the situation under control. Continuing economic growth is now the key to the government's legitimacy and therefore political stability. The Party is likely to evolve further but there is still no sign that it is willing to loosen its grip. If economic times get hard it could resort to nationalism as a way out.

The United States is the military power in the Asia Pacific region to which China is challenger. She contends with several other major powers –Japan, India and also Russia. There are certain important alliances in the region of which that between the US and Japan is the most significant, but there is no regional security regime in North East Asia, nor any prospect of one in the foreseeable future. Conflict cannot be ruled out. There are several flashpoints of which the most sensitive for China is Taiwan (the next Taiwanese elections, which usually lead to increased tension, may well coincide with ours). China's doctrine of 'peaceful development' aims to avoid confronting US power directly, but we can expect Chinese assertiveness and rivalry in the region to grow.

China's contribution to the global economy and its demand for energy already ensure that the country's interests are global. It seeks to protect them militarily and politically. At \$45 billion, her official defence budget, though growing rapidly, is still less than Britain's. Personnel costs, much lower per head in China, currently account for 70 per cent of defence expenditure. Military spending is set to grow – the

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Rand Corporation's mid-range prediction for the Chinese defence budget in 2025 is \$185 billion. That will still not take her anywhere near the American league but is indicative of her determination to become a regional military power. She hopes to be able to dominate Taiwan and the South China Sea, but further afield – the Indian Ocean and the Malacca Straits, through which much of her trade and oil pass – and where she will be up against India – is more problematic. Politically, as an authoritarian state herself she is unembarrassed about pursuing advantageous economic relationships with autocratic and disreputable primary resource producers in ways which undercut Western global governance aims. Her own political and social values are hardly attractive to other countries, but the terms on which she does deals round the developing world, are.

## 7.2. India

India's recently accelerating development has been unusual, concentrated in high-skilled, high value areas of the economy rather than the conventional industrialisation through reliance on skilled labour. Indian firms are still held back by major bottlenecks: intrusive regulation (the infamous 'licence raj'), continuing constraints on capital investment (in particular the limits on foreign direct investment) and weak infrastructure that is still in development. Provided India's political system can free up its economy, the prospects of India being able to create jobs for its fast-growing population, due to overtake China's by the middle of the century in industry and construction, and thus for industrialisation and wealth creation, are good.

Although India's politics are complex, the main parties, the Congress and the BJP, share a basic consensus about the need for economic reform and greater assertiveness in foreign policy. Indians have a growing awareness of their own wealth and their nation's strength. The era of the 'Non-Aligned Movement', when India defined itself as not being allied to either superpower has been replaced by an age where India dreams of becoming one. For the first time since Asoka's empire two thousand years ago an independent India is politically unified, and able not only to resist foreign powers, but to begin to imprint its own vision on the world. This should not cause alarm. India is a leading Asian democracy with enormous reserves of soft power. It will pursue its own path and interests yet do so as an open society whose government's policies must pass the test of public opinion. Any remaining resentment of colonial exploitation exists alongside affection for Britain and English-speaking culture, which is strengthened by the large Indian diaspora in the UK. This affinity is an immense resource for our two countries and a sound foundation for the development of closer relations between them.

Apart from the United States India is the only global power that is deeply involved in the two likely major theatres of political conflict and rivalry of the next few decades – Asia and the broader Middle East. Her relationship with China is subtle – suspicious and ambivalent rather than hostile. Islamist terrorism directly threatens India, which is exacerbated, though not caused by, Kashmir and other rivalry with Pakistan. Hence India's deep involvement in Afghanistan and an increasing worry that Indian workers in the Persian Gulf are becoming radicalised.

As India has emerged onto the international stage she has begun to seek broader relationships. She will not allow herself to be used by the United States merely as a device to contain Beijing but the Indo-American rapprochement is nonetheless based on important mutual interests and underpinned by shared democratic values and an immensely successful Indian diaspora in the United States.

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### 7.3. Japan

Japan is an inner tier ally, an asset for the UK in a dangerous world. Her contribution to Western purposes is often underrated and should be acknowledged and fostered. Tokyo depends on the US for her fundamental security but is perennially anxious about fluctuations in US strategy (Nixon's reversal of China policy being quoted to this day in Tokyo) and the strains which spring from periodic renegotiation of the US military presence. She needs the UK as a trusted second voice, explicitly streets ahead of the European competition, and reliable policy partner. This gives us leverage.

Japan needs a framework of stability. She has contributed more to this framework, step by step, but the Abe premiership marks a distinct acceleration. Abe has made moves, generally applauded in Japan, to improve relations with China. But Japanese policy in this area has always been contradictory. Economically the rise of China has done much to revive Japan's steel, aviation and automobile industries. Strategically Japan's history teaches her to respect China's culture but deplore her lack of internal organisation and fear her strength - and in this context to care deeply about the alignment of Korea. Environmentally, the addition of two coal-fired power stations a week to China's energy inventory will place a particular burden on Japan.

Japan is 80% dependent on imported energy. Protection of her trade routes remains a core task. This determines in large measure her view of Taiwan (under Japanese administration, generally benign, from 1895 – 1945). With Asian neighbours, who can find her difficult to understand, Japan's standing is ambiguous. She needs allies to work alongside. The UK should be a firm one.

#### Recommendations

- For the UK, China is an important market and the country's insertion into the top tier of power should not be treated as an inimical event. At the same time we should be vigilant about collective Western security interests. China's involvement in developing a solution to climate change and in relation to the future of North Korea is essential. The UK should join with others in order to manage, not impede, Beijing's rise.
- We believe that it is in the UK's interest to foster the closest possible relationship with India, a rising Asian democracy. Political, economic and military cooperation should be intensified. Delhi should be a central player in security dialogue held at the highest level. For all our assets there is a danger that the UK is going to get left behind.
- Japan has a strong shared interest with the UK in maintaining US engagement in our respective regions. The habit and range of political consultation has grown greatly and should include high level security dialogue. She has emerging aspirations to be more than a regional player which we should encourage.
- While the UK's direct political and security interests and responsibilities may lie nearer to home in the Middle East and Eurasia, they will not be successfully pursued without active diplomacy where power lies, which means in Asia. Secondly, international decision making forums have to take account of the changing distribution of power and their reform must reflect it. It is in our own interests and that of Western governments generally that big powers accept that they have a stake in a stable and law abiding world and do not take free rides on the system.
- India and China should join the G8 as full members. Though without legal status, G8 is capable of providing a broad sense of direction on global issues which can serve to inform the work of governments and international agencies. In recent years, however, it has lost its sense of identity and purpose. This is due in part to the Americans and Europeans not getting on. It is also partly

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because it is now neither a small club of Western powers, nor one that includes the most important economies. The G8 must adapt to the emerging distribution of economic power if it is to retain relevance as a steering group.

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## 8. Conflict and Ideological Struggle in the World's Muslim Communities

The broader Middle East is in the throes of an extended political crisis. Many governments in the region cannot satisfy the aspirations of their people. They struggle to generate the economic growth needed to keep their burgeoning populations in work. Some lucky ones have oil but most do not. They increasingly rely on their security services to stay in power, while allowing their people to vent anti-Western feeling as a safety-valve.

A revolutionary politicised Sunni Islam has thrust itself into this mix. It is virtually the only indigenous political force that holds out a vision of change in local and international political conditions (the authorities allow it breathing space they deny to secular opposition groups). The political Islamists<sup>2</sup> advocate a domestic political order run according to a puritanical interpretation of Islam. They falsely link the imposition of a political system to enforce their puritanical Islam to material geopolitical success for the world's Muslims.

The world's Muslims face a choice. Will they, like Turks and Indonesians, mostly choose to move in the direction of openness to and integration with the rest of the world; or will they choose confrontation and separation? Confrontation is increasingly popular. At its most extreme end – Al-Qaeda – the programmatic ideology demands the immediate and violent overthrow of all other political systems. The more realistic Islamists adapt their methods to the situation in which they find themselves.

In European countries with large Muslim populations, a fringe of fanatics with links to Al-Qaeda plan terrorist attacks. They are surrounded by a much larger number of fellow travellers who propagate a narrative of Muslim victimhood and promote a cultural separation of Muslim Europeans from their fellow citizens which increases their isolation from European society. This sub-culture acts as a kind of pressure cooker for anger and alienation.

British policy has to counter both the external and internal aspects of the terrorist threat. Moreover, counter terrorism, to be effective, has also to be accompanied by policies which ameliorate the political and social conditions which give rise to extremism and sympathy for extremism. We analyse the situation and set out the right policy response, at home and abroad.

### 8.1. Turmoil in the Broader Middle East

At the root of the turmoil are a domestic and an international crisis of legitimacy. The two crises reinforce each other because many of the regimes which suffer from the first are important allies of the West. We frequently overlook in these allies' sins which we excoriate in our enemies, opening us up to charges of hypocrisy. The combination of this with domestic underperformance in the region, allows the development of a powerful narrative: that the West, together with its allies in the region, is conspiring to repress the Muslims of the world. This account has fuelled both Sunni and Shia Islamic fundamentalist revolutionary movements. The history is familiar and we shall not detail it here.

Political reform has mostly been too slow and often cosmetic. Kuwait and also Morocco are honourable exceptions. Economic reform in Egypt and some of the emirates has progressed as well. The vast oil revenues accruing to some of the states in the region have helped some, particularly the Gulf monarchies, mitigate the domestic crisis. But they have also allowed unaccountable governments to be insulated from popular pressure until it builds up to intolerable proportions, and helps to fund both Sunni and Shia fundamentalism, thus strengthening forces exploiting the crisis. Moreover some of our more important

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<sup>2</sup>'Islamism' is the generally accepted academic term to describe these movements. We quite understand how such a term can be twisted to suggest that all Muslims are or ought to be Islamists. We emphatically reject this. In our interim report *Uniting the Country*, we describe other venerable Muslim traditions that are much more compatible with liberal democracy than that advocated by Islamist ideologues. The majority of the world's Muslims who do not favour a theocratic Islamist state are traduced when this distinction is not made. Perhaps an alternative term could be devised, but we do not believe the Policy Group is in a position to reinvent the English language successfully.

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regional allies have been as yet unable to disentangle themselves from the ties they established with Islamists, admittedly with Western connivance, in order to fight the Soviet Union in Afghanistan.

Four major forces acting upon the underlying social and political fabric have shaped the region: Iran, Sunni Islamism and two types of Western intervention – the military interventions in Afghanistan and Iraq, intended to change the prevailing status quo; and the staunch diplomatic and security support of the regimes allied to us, intended to preserve the status quo.

- The main Sunni Islamist movements (the Muslim Brotherhood, the Jemaat-e-Islami and Al-Qaeda), are each different in attitude to violence and political tactics but they share the aim of bringing about Islamic theocratic government in the Muslim world which should then assert itself against all other political systems, which they consider inferior. They oppose both individual Muslim-majority states and the international system as a whole. We have described the ideology in our interim report, *Uniting the Country*, attached to this report as Study 3. The movements are far from monolithic: division and rivalry between them is rife and the aim should be to divide them further. Although these movements do, of course, react to and exploit Western actions they are primarily driven by, in the words of one former jihadist, ‘a sense that we were fighting for the creation of a revolutionary state that would eventually bring Islamic justice to the world’<sup>3</sup>. Our response to them has so far been excessively reliant on force. Their struggle is *au fond* political, and requires a political reply. The Policy Group believes that we must not rule out force, but its use must be calculated to harm, rather than assist, the enemy.
- Our difficulties in Iraq have also emboldened Iran. Tehran, despite suffering from domestic troubles, sees an opportunity for ascendancy against her Sunni Muslim rivals in countries to the west of her. She has established considerable influence over the Iraqi Shia parties that can be used as needed. Hezbollah, her Lebanese client, showed itself able to fight Israel at least to a draw last summer. Meanwhile, the transatlantic alliance may not be able to summon the international consensus to arrest her nuclear programme by means short of a war it is understandably extremely reluctant to fight. Failure to prevent Iran from acquiring nuclear weapons, however, may well lead other countries in the region to follow suit.
- Since 9/11, the West’s political attention has correctly been focused on the broader Middle East. Although it was recognised that change was needed, bringing it about has proved much more difficult than anticipated. The transition in Afghanistan to a stable security situation in which state building and economic development could take place unhindered has proved elusive while in Iraq the early stages of the post-combat phase were attended by so many important mistakes as to prejudice the entire operation. Coalition forces, with a mission to provide security for rebuilding the country, have been unable to prevail against terrorism and counterinsurgency waged by brutal enemies.
- Following the difficulties experienced in pursuing reform following military intervention, there are signs that the UK and US have all but abandoned efforts at reform. Instead, the help of countries allied to us is being enlisted against terrorism and to put pressure on Iran. Both these threats are very real but it is a mistake to conflate, under the general heading ‘extremism’, the threat from Iran with the separate threat from Al-Qaeda. The two have different agenda (e.g. in Iraq). Conflating them can have the effect of driving them to act together against us. More important, the policy ignores the deep underlying political crises of the region and provides cover for our allies to suppress discontent with force, leaving their populations with no option for peaceful change. This poses dilemmas for Western policy makers which we discuss later. Abandoning reform while conflating the threats from Iran and Al-Qaeda would compound the error.

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<sup>3</sup>Hassan Butt, *The Observer*, 1 July 2007.

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## 8.2. Policy Approach

The Policy Group has not sought to cover short term issues except in so far as they are relevant to discussion of a long term approach. Thus, we do not discuss in detail what should happen next in Iraq or the Middle East Peace Process though we recognise that developments in these situations will affect the starting point for our recommendations. As regards the long term, the Group believes that the policy in the region adopted by the democratic nations needs thorough reassessment. In future, military intervention, which is not easily sustainable except over the short term, should be used much more sparingly and not without a thorough assessment of the risks involved and planning to mitigate them. The continuing conflict in Iraq, the barely perceptible diplomatic activity in the Middle East Peace Process, the uncontrolled worsening of the situation in Gaza and the stalemate in Lebanon all combine not only to aggravate short term difficulties but also to make it much harder to tackle longer term issues. Policy at present is dangerously short termist and erratic. Long term objectives should be identified from which action programmes flow. The aims are twofold: effective counterterrorist cooperation which over time contains and then overcomes the terrorist threat; and, secondly, the emergence of governments which are legitimate in the eyes of their populations, which behave internally in a manner consistent with universal standards of human rights and externally in a manner consistent with international law, and which are capable of creating the conditions that will lead to much needed economic growth. It may be argued that this combination of effective counterterrorist cooperation, and reform is unattainable and that we must choose. The Policy Group recognises the difficulties and that progress may be very slow and the goal may take generations to reach. This should not put us off. The important thing is to start since in reality terrorism will never be overcome in the absence of amelioration of the causes which give rise to it. Uncritical support for authoritarian regimes is not merely wrong but also undermines our moral authority and confirms the conspiracy theories of Islamist revolutionaries.

### Recommendations

Strategy therefore needs to address:

- the terrorist threat;
- the conflicts in which non-state actors are involved;
- the regional security environment and the inter-state security system; and
- the long-term crisis of legitimacy from which most states in the region suffer.

Accordingly, the Policy Group propose the following combination of policies:

- **Continuation of the vital counterterrorist campaign against Al Qaeda and its associated networks.** This is crucial. Alongside the close interagency cooperation however, governments have to pursue policies which do not undermine the common objective. Toleration by the Saudi and Pakistan governments of the support that elements of the ISI and the Saudi religious establishment continue to give our and their enemies falls in this category. While Saudi Arabia does appear to have cracked down on its export of jihadist fanaticism, the government has not yet stopped its religious establishment from exporting extremism, intolerance and Wahhabi ideology across the world. It turns up in the UK. Ceasing such export is an important part of anti-terrorist cooperation among allies.
- **Conflict management and resolution.** Active diplomacy based on a coordinated multilateral strategy is needed to manage the internal and international violent or potentially violent conflicts in the region. This will be extremely difficult but that is no excuse not to try. The various conflicts need to be addressed, at the same time bearing in mind that the potential for each to exacerbate the other is greater than the benefit that will be achieved from tackling them one at a time. Each conflict will need to be taken on its merits, starting with moving the parties towards disengagement from violence and then moving to more substantive negotiation. The United States has to play a leading role for such a strategy to have a chance of success, though it is clear that the

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help of many other governments will be necessary. The US is not a welcome visitor everywhere. The Europeans will be important: on their own not powerful enough but able to act where decline in trust in the United States debars America from influence. In the process of conflict resolution the following important underlying issues need to be addressed: the need to keep Iraq as a single country; the need to remove Syrian influence from Lebanon; the honouring of the two-state solution to the Israeli-Palestinian conflict; the prevention of Iran's nuclear ambitions; the curbing of Iran's power and influence among Shia Muslims; the consolidation of an elected government in Afghanistan and effective denial of sanctuary to Al-Qaeda.

- **Regional security cooperation.** Political relationships between countries in the Middle East have seldom been more fragile. It is highly undesirable for regional security to depend either on the presence of Western forces or on the threat of the use of force. This may prevent conflict breaking out, but it does nothing to relieve underlying tensions and tends either to prevent governments of the region taking responsibility themselves or relieves them of it. As international agreements are put in place to guarantee the security of Iraq, a wider framework of cooperative security agreements needs to be created backed by guarantees from outside the region – the key area being the Persian Gulf. This will demand the active participation of local governments. Dissuading Iran from her nuclear ambitions is also essential (see section on nuclear proliferation). There is useful experience to draw on from European models of regional security arrangements and British diplomacy has a role to play here. So do British armed forces in defence diplomacy and training.
- **Long term political and social reform.** This is an essential element. We have to get away from the twin dilemmas of being accused either of doing nothing and accommodating authoritarian regimes or of seeking to impose our institutions and precepts from outside with little understanding of cultural context. In our interim report of January 2007, we spelt out the aims and modalities of a proposal which we called *'The Partnership for Open Societies'*. This espouses a sustained reform agenda but executed on a cooperative basis with the countries of the region and in a gradual and evolutionary manner. Western critics may think this too slow and/or liable to be derailed by opponents parading the need to preserve local custom. Leaders in the region may not want to participate precisely because they understand the risks to their own positions involved in distributing power. We fully realise the difficulties. The alternative of the West continuing to support governments heading closed systems which are increasingly suffering crises of legitimacy will be to breed the pressures which foster extremism and prevent the emergence of moderate alternatives to political Islam as vehicles of political change. That way lies violence and revolution. The programme's main features are:
  - regionally driven reform programmes tailor made to the conditions of different countries with outside help and participation from democracies, including non Western ones with much relevant experience from which to draw;
  - institutionally based rather than ballot box driven development of the prerequisites of an open society – especially education; and
  - development of civil society including fostering political pluralism.
- **Funding.** The Middle East is not a poor area and the cost of civilian reform should to an extent be capable of being funded locally. 90 per cent of current UK expenditure, in the region amounting to more than £1.2 billion in 2005/06, is military. Once the military drawdown from Iraq has taken place, active diplomacy in the region will be important and a proportion of the funding now being spent through the MOD needs to go to other British programmes there.
- The relationship with Pakistan is particularly important to Britain. Pursuit of this policy approach should take the highest priority in diplomacy with Islamabad, and Pakistan should be the focus of bilateral assistance in the Partnership for Open Societies.
- Having suffered setbacks in the region, the last thing that Western countries should do is abandon it to its own devices. They must have the courage to start again. An incoming Conservative

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government would be well-placed to inject energy and drive into reactivating the agenda through establishment of the Partnership for Open Societies. To be successful, this must involve a wide swathe of international opinion, including non-Western democracies. However the UK, using her extensive and historic contacts, is in a very good position to get the process going through active diplomacy. In this region personal diplomacy is extremely important. An incoming Conservative Administration should already have appointed personal envoys to develop key relationships.

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## 9. Security in Britain

The main threat to the UK's internal security derives from terrorism, and overwhelmingly from Islamist inspired terrorism. It has found fertile soil here in which to grow, the following four factors being significant:

- A large section of Britain's immigrant Muslim population came originally from Pakistan. As the Crevice trial has shown, it is easy for British citizens of Pakistani origin to travel there, make contact with terrorist networks operating there and then return to Britain. Radicalisation can occur in either place. There is also growing evidence of radicalisation among Britain's more recently arrived Somali community.
- Islamist political organisations, such as the Jemaat-e-Islami and the Muslim Brotherhood, have established a significant presence among British Muslims and are crowding out the less militant beliefs of first generation migrants. Opinion research has repeatedly demonstrated the growing influence of their doctrines on young British Muslims.
- Asylum policy in the 1990s allowed Britain to be used as an intellectual centre of the international jihadist movement. The prevailing attitude of the 1990s – they can preach hate as long as they only foment violence abroad – has proved very short sighted.
- The form British multiculturalism has taken – of emphasising difference and cultural exceptionalism at the expense of a common multi-ethnic British identity – together with a tendency to treat religious leaders as the primary means of government engagement with the Pakistani and Bangladeshi communities which has increased the power of cultural separatists at the expense of those Muslims who want a more secular and more integrated British identity.

These four elements combine against a background where Britain is involved in two wars very unpopular with Muslims and where Britain is an ally of authoritarian states that are, together with the United States, Europe and Israel, the targets of Islamist ire.

The net result is a grave, largely home grown threat (in which the perpetrators of terrorism are British citizens or residents) that poses dangers both for the economy and for normal daily life and causes our civil liberties to be put at risk.

### 9.1. Counter-Terrorism Policy

In these circumstances, the Government has chosen to deal with the criminal acts to which terrorism gives rise through the application of the civil law and, so far as possible, the normal operation of the courts and judicial processes. The main agencies for countering the threat are the intelligence agencies and the police. We think the overall approach in CONTEST is right but note that there are weaknesses of implementation and we have considerable reservations about the willingness of government to abridge liberties without giving adequate justification. We also think that the armed forces have an important role in two respects: in the protection of our airspace, territorial and near waters, our coast line, ports and shipping lanes – which should be part of their primary mission - and in contributing, in a subordinate capacity as aid to the civil power when called upon, to support national resilience and the ability to recover from attack. We consider these functions to be inadequately recognised in the current definition of the armed forces' mission and under provided for in their capability. This should be rectified. As regards current policy, which is discussed in fuller detail in the accompanying Study 4:

- Robust security measures to thwart attacks, disrupt terrorist networks and arrest those responsible are essential. The intelligence services need the resources and organisation, the police the resources, the organisation and the powers, to do this effectively. They deserve considerable credit

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for the record so far — so good that the level of threat is widely underestimated. Some targets have however been missed and 7/7 showed that the extent and geographical spread of radicalisation had not been grasped up to that point. The necessary police and intelligence network across the country is now being put in place. The development of community policing will be an important part of establishing trust with Muslim communities.

- There has been prolific activity in relation to the statute book which has been contaminated by some badly-drafted anti-terrorist legislation that in some cases abridges our liberties without demonstrated need. The Labour Government has given to itself powers without the safeguards, including time-limits, which traditionally apply to emergency laws. Where the old Prevention of Terrorism Act had to be renewed periodically, the Terrorism Act (2000) and the Anti-Terrorism Crime and Security Act do not. This attitude has also included draconian legislation that has led to the arrest of peaceful protesters outside Parliament in a manner not compatible with the freedoms of a democratic society. The Government has paid lip service to achieving ‘cross-party consensus’ but has used this less as a device to reach genuine agreement than as a method of intimidating opposition parties by threatening to paint them as soft on terror if they do not fall in line (Prime Minister Gordon Brown has promised a more consensual approach; he should be judged by his actions.) There is therefore a case for a review and consolidation of anti-terrorism legislation, conducted in ordinary parliamentary time and without the political pressure generated in the immediate aftermath of an attack.
- We should aim for suspects to be tried in and the guilty convicted through the normal legal system without resort to extra legal measures (such as control orders). While the admission of intercept evidence in court may not be a complete or perfect answer, the time has come to accept that the balance of advantage lies in permitting the use of intercept evidence in court under appropriate safeguards. The Group endorses this way forward.
- Detention should be sufficiently rigorously implemented so that people subject to it are not able to abscond in the way that is happening under the current implementation of control orders. The long term solution is to be more careful about allowing such people in.
- Policy making and the analytical functions of intelligence should be kept separate in order to safeguard the independence and integrity of the analytical function. When these have been mixed as in the case of Iraq, the results have been damaging to the quality of intelligence analysis and confidence in it. JTAC should not be given a direct operational role in counter-terrorism.
- In view of the work of Nick Herbert’s Police Reform Task Force we are not reporting on the entire range of policing issues. The Policy Group concluded that the time had come for an overhaul of the mission of the police and the way it is executed. Mr Herbert’s report contains important proposals which could well meet the requirement. If those proposals do not cover all the ground the Policy Group recommends, then the call by the current President of ACPO, Mr Ken Jones, that a Royal Commission be created to examine the role of police in society should be given serious consideration.
- As this report was being written, but after the Group had completed its evidence-taking phase, disturbing evidence emerged that terrorist groups are carrying out violence against women who are held to have betrayed their family honour. Their victims are primarily British Muslim women. Unlike domestic violence, so-called honour-based violence, which often involves murder, is organised with criminal gangs, bounty hunters and international terrorists. The Group believes that the Serious and Organised Crime Agency should be tasked with bringing those responsible to justice.
- We have concluded that the ISC should become a conventional parliamentary committee with powers as well as structure analogous to those of the Public Accounts Committee (PAC). The experience of the functioning of the JIC in the run up to the intervention in Iraq suggests that it is no longer appropriate for the Prime Minister to have the last word on what is published by the ISC. The Committee should be chaired by a parliamentarian of real seniority and stature who is

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also a Privy Councillor. We recommend this person should, on the model of the PAC, be drawn from the Opposition benches and that the Committee should have a parliamentary staff, appropriately vetted and large and experienced enough to enable the Committee to conduct its own investigations.

## 9.2. Resilience

A modern industrial society, in which the various segments of the economy and the national infrastructure are highly interdependent and the level of redundancy low, is extremely vulnerable to disruption. Public attention is on the terrorist threat and in the UK it offers the greatest likelihood of causing disruption. But increasingly attention needs to be paid to vulnerability to other causes of disruption to essential infrastructure (e.g. the fuel strikers) and natural disasters. Many national assets vital to the economy are in private hands. Assessment of risk and vulnerability needs to be a cooperative exercise and, to increase our resilience and ability to recover from incidents, the trusted circle has to extend beyond government. It needs to share relevant information more willingly and extensively on a timely need to know basis which actually reaches the right people. In this there is a considerable way to go.

- Assessments of the performance of government and the blue light services after 7/7 indicate that while they performed well in general, there were some notable shortcomings, not least in the clarity of central command and communications. Resilience to disruption and attack of the critical infrastructure of the country is inadequate and resources need to be devoted to developing capability outside London. It appears that unfunded civil contingency obligations have been laid upon local government and overstretched armed forces have been given an (inadequate) role in homeland security for which there is neither proper funding nor training (we discuss this more detail in the defence section pp 40 - 44 and in the accompanying Study 6). This is a potentially serious gap, and symptomatic of this government's lack of follow-through.
- The Policy Group believes that there is a case for the UK's coordinating machinery in the Civil Contingencies secretariat to become a fully fledged executive agency responsible for driving forward policy nationally.

## 9.3. Building a Stronger Society

The vast majority of Muslims in Britain want to be loyal law abiding citizens but considerable pressures are being exerted on them. Propagators in the UK of political Islam, which exploits a contested version of belief for political ends, are active and influential in Muslim communities. A few seek to overthrow the institutions of democracy to institute a state governed by Sharia law. More campaign to obtain changes in, and special exemptions from, British law for all Muslims in this country irrespective of whether individuals want this and regardless of the principle that the law should apply equally to all British citizens. Though a few of these people are violent, a much greater number are willing to use the processes of democracy to change its character in fundamental ways. They are active in some mosques, though not exclusively there. Combined with the resentment most Muslims in this country feel about events in the Middle East, and Islamophobia from the white far right, the conflict of loyalties which competing pressures can set up for ordinary Muslims makes it significantly harder than it would otherwise be for them to integrate.

- At the same time, and independently, centrifugal forces, resulting from successive and rapid social changes at home, are rendering the majority community in this country less sure of its identity and less able to articulate and defend its values. Against this background, multiculturalism, which should allow diversity to flourish within an overall framework of unity, is tending to foster difference for its own sake and demands for special treatment. This prevents integration.

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- There are a number of factors that combine to set Muslim communities apart from the rest of society in ways which are unhelpful to the advancement of individuals and of Muslims generally. Muslim community organisations, of which there are many, do important social work, but are nevertheless not offering the leadership they should at the top level. They act more as lobbies. Too many are concerned with promoting a particular brand of Islam, with conciliating internal differences or with protecting their own status, allowing reactionary forces to retain control. As a result they do not effectively advance the declared aim of promoting inter-communal understanding.
  - Many Muslims suffer a handicap in obtaining good life chances because of their impoverished immigrant background and poor schools in inner city neighbourhoods. They are pessimistic that they will get special help such as an Academy in their area which they assume will go to others. When given the chance of a good education for their children, Muslim parents are as ambitious as any others for academic attainment. Among those who can afford it, some Muslim parents send their children to faith schools as a matter of active choice. Others do so because it is the only route available locally to a decent school even if the price, of which they may well be conscious, is greater separation from other communities.
  - The inferior status of women as compared with their men folk (as exemplified by the continuance of forced marriage and so-called ‘honour killings’ – the latter often linked to organised crime) in some major Muslim communities in Britain is a significant factor in the slower upward mobility of Muslims as compared with similar immigrant groups from the subcontinent. See the attached Study 3, *Uniting the Country*, for details.
  - We need also to pay attention to the propagation in the UK of pernicious ideas by any group which avails itself of democratic freedoms in order to subvert democracy, as Soviet-backed Communism once did. There is no doubt that the principal such groups are made up of Muslim radicals who adopt this technique and, in the name of their version of their religion, seek also to deny the extension of democratic liberties to other Muslims in Britain. Like the white racist far right, these people do not necessarily advocate violence as a way of gaining their ends. But they are enemies of the values this society stands for and which are shared by all other British Muslims.

Great and swift damage can be done to inter-communal relations by the single issue of terrorism and the fear of it. Bringing integration, which we regard as the right goal (not just ‘harmony’ or improved inter-communal relations, important as these are), squarely back on track however takes time and demands action on a broad front of policy.

### **Policy Recommendations**

Much of the existing policy base is valid and should be built on. That relating, for instance, to non-discrimination and equal opportunity is sound and relevant. It does not need change but application. But there are other aspects where change is undoubtedly needed. Above all though, while the state needs to set the rules of the game, it is societies that integrate and it is in society that the will to integrate has to be manifest. It will be the many millions of individual acts on the part of private citizens over time which will determine our success. The government should not be the sole or even the main actor. We all have a stake in the unity of our country and none of us can afford to be inert in defence of values we want to see upheld. Detailed recommendations to address this are found in the attached Study, *Uniting The Country*. We concluded that:

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- There is a need to combat extremist voices from different parts of the political spectrum, including the white racist far right that are preying on different communities with the aim of driving people apart if the bonds of society are not to loosen further.
  - We need to strike a new bargain whereby British identity is explicitly extended to include people of diverse ethnic origin and religious affiliation and all individuals uphold the liberal democratic values of this country on the basis of equality.
  - Muslim community organizations should espouse integration and work vigorously for it. Government should use its patronage, including public monies, exclusively to foster this goal. A Conservative Administration should seek to establish direct relations with individual Muslim voters on the same basis as all other citizens.
  - Improving the quality of schooling in the maintained sector would do more for integration than almost all other measures the Government could take.
  - The inferior status that women still have in many Muslim communities in Britain derives from traditional patterns of behaviour but is exacerbated by ideologues is a barrier to integration. Equality is necessary. Change in attitudes on the part of Muslim men towards women's rights would considerably ease the path towards integration. See the attached Study 3, *Uniting the Country*, for fuller details and recommendations.
  - As with Soviet-backed Communism, the anti-democratic ideas of the ideology of 'Political Islam' (which must not be conflated with the religion of Islam) have to be combated without destroying our freedoms in the process. The views of the small number of British citizens, of whatever political stripe or creed, who disseminate racially-based hatred against other groups including minorities and immigrants, must also be overcome: they too betray the freedoms they exploit.

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## 10. Nuclear Weapons and Non-Proliferation

Proliferation of nuclear weapons and technology leading to development of nuclear weapons by states or non-state actors is one of the great menaces of our age. Iran's evident desire to acquire nuclear weapons is at the centre of major international tension. This is against the background of relatively little progress having been made in recent years in the efforts to maintain, let alone strengthen, the non-proliferation regime. A Conservative government should give the issue high priority.

### 10.1. Background

Since 1970 the focal point of international efforts to prevent the spread of nuclear weapons has been the Nuclear Non-Proliferation Treaty (NPT). 189 countries belong to it and only four (Israel, Pakistan, India and North Korea) do not. Since the NPT's creation more states have given up nuclear programmes than have initiated them. Japan, Germany, Canada, Argentina, Brazil, South Korea, Sweden, Taiwan and Libya have all renounced their ambitions. Belarus, Kazakhstan, Ukraine and South Africa have all surrendered weapons in their possession.

A great deal has been achieved in the fight against nuclear proliferation. The nuclear states' arsenals have been reduced and although there are over 20,000 warheads still in existence, 95 per cent of them are in the hands of either Russia or the United States.

However, the NPT is far from perfect. The success so far has induced complacency and helped conceal the sheep and goats problem to which the NPT gives rise - from its inception it created a division between nuclear 'haves' and 'have nots'. By setting a deadline of 1 January 1967 after which no state which tested an explosive device could become a nuclear weapon state for the purposes of the treaty, it divided the international community. This inequality has often strained anti-proliferation cooperation between states.

For all its achievements, the non-proliferation regime is today under strain. Serious challenges have greatly undermined both its integrity and perceived utility. The 2005 Review Conference failed to agree a single substantive recommendation. The treaty is next under review in 2010. Much is at stake. A further failure to renew the treaty may be fatal to the viability of the current international framework for controlling nuclear weapons and their proliferation.

### 10.2. States Outside the NPT

**Israel.** Since 1949 Israel has covertly sought nuclear weapons. Today it is believed to possess up to 200 warheads. Importantly, though, Israel never signed the NPT. Since Mordechai Vanunu publicly revealed her programme, Israel has operated under a policy of 'opacity' – refusing to admit her possession of weapons, yet never openly denying their existence. She has also declared her intent not to be the first state to introduce nuclear weapons into the Middle East (i.e. by using them). Nevertheless, Israel's weapons programme has created tension in the region. It has blocked efforts to create a nuclear weapon free zone and other Middle Eastern countries raise the issue at every Review Conference. She has responded at Review Conferences by stating that acceptance of the NPT is dependent upon the achievement of a comprehensive regional peace and the renunciation of weapons of mass destruction by all Middle Eastern states. The Group does not believe this to be a credible scenario in the short to medium term. It is therefore unlikely that Israel could be persuaded to admit to its weapons programme, let alone enter into disarmament talks.

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**India and Pakistan.** In May 1998 both India and Pakistan tested nuclear weapons, declaring themselves nuclear ‘powers’. Neither state was party to the NPT yet, having not tested weapons before 1 January 1967, neither can join the treaty as a nuclear weapon state. Thus, without disarming, they will remain outside the treaty – unless it is revised. The situation is further complicated by the February 2004 revelation that Pakistani nuclear scientist Abdul Qadeer Khan had transferred nuclear technology to Iran, Libya and North Korea. This showed worrying inadequacies in Pakistan's nuclear export control laws. In September 2004, a bill was passed by the Pakistani Parliament, strengthening existing export control laws by instituting harsh penalties for violations. This is a welcome development. However, the risk of nuclear technology or weapons falling into dangerous hands remains serious. India’s reaction to such a development is difficult to predict. Encouraging disarmament must therefore include an approach to both states – each argues that their weapons are necessary to deter the other and, despite the Lahore Declaration, tensions are exacerbated by the Kashmir dispute. Though sanctions imposed in 1998 were lifted in 2002, and despite the fact that in 2005 the US struck an agreement with India for technology transfer, disarmament in South Asia is unlikely to occur so long as both states are kept outside of the NPT.

### 10.3. Challenges to the NPT

The greatest challenge to the non-proliferation regime comes from two states which have withdrawn, or may withdraw from the NPT.

**North Korea.** On 10 January 2003 North Korea announced its withdrawal from the NPT. Under Article X of the treaty this came into force on 10 April 2003. In October 2006, North Korea tested a nuclear device. This was the first time a state had built weapons after withdrawing from the treaty and it sets a dangerous precedent. Nevertheless, using a combination of diplomacy and financial incentives, the United States (through the Six-Party talks) has since managed tentatively to persuade Pyongyang to shut down its reactor and – less certain – renounce its programme. It is still to be seen whether North Korea will uphold its obligations and Pyongyang has still to comply with IAEA safeguard obligations. The deal with the United States may yet unravel before the weapons are relinquished and the programme shut down. North Korea’s motivation in its break from the treaty was not however simply to become stronger militarily. It also had political motives including gaining leverage with the United States in order to obtain diplomatic engagement and financial assistance. It is therefore conceivable that North Korea could be brought back into the NPT.

**Iran.** A comparison may be drawn between North Korea’s status post-withdrawal from the NPT and Iran’s current position on the possible verge of doing so. Talks by several European states have had limited success, yet Iran remains determined to retain its nuclear technology. Though purportedly for civilian purposes, Iran’s attempts to master the full fuel cycle, combined with a rejection of IAEA safeguards, have led to a deep-seated suspicion that its true motivation is to obtain weapons. Were Tehran to take the same path as Pyongyang, one could withdraw from the NPT before declaring her nuclear weapons. Combined with her *Shahaab* generation of missile technology, this possibility is extremely concerning. Iran’s motivation though differs from North Korea. Her intention, part of wider regional ambitions, is almost certainly to become a nuclear power. Unless Tehran can be prevented from acquiring nuclear weapons in the first place, it may become impossible to convince her later to renounce them once developed. This would have extensive repercussions on the balance of power in the Middle East, potentially leading to Arab powers trying to match the Iranian bomb.

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## 10.4. Lessons and Considerations

These challenges to the NPT have greatly undermined both its integrity and perceived utility. The following lessons must be learnt and considerations taken into account:

**The Problem of Breakout.** Article IV of the treaty presents a dilemma. By giving states an ‘inalienable right’ to develop peaceful nuclear technology, it has provided many with a justification for engaging in almost limitless technological development. The ability and willingness of states to master the fuel enrichment cycle to the point of weaponization has increased dramatically in the past 40 years. As a result, some states have used Article IV’s guarantee to develop weapons technology before withdrawing from the treaty and making weapons outside of the NPT. Such nuclear ‘breakouts’ are the central challenge to the status and efficacy of the treaty.

**The Flawed Bargain.** In 1970 non-weapon states agreed not to develop weapons in exchange for access to peaceful nuclear technology. In coming years, nuclear power will become increasingly important as energy demand outstrips easily available and affordable supplies: the International Energy Agency predicts that total global energy demand will rise by two thirds by 2030. The vast majority of this demand will come from countries with few domestic energy sources except coal. In an era where non-carbon based energy will become increasingly important, is likely to be counter-productive to deny NPT member states the alternative of nuclear power. States will therefore increasingly expect greater access to nuclear facilities in order to meet their energy needs. Finding a way of allowing this, that does not simultaneously increase the risk of proliferation, is crucial to the future of the non-proliferation regime.

**Enforcement of the NPT.** The International Atomic Energy Agency (IAEA) operates on a budget of merely \$120 million and employs just 650 inspectors. They are expected to monitor 900 nuclear facilities around the world. This is inadequate. Moreover, the Additional Protocol to enforcement, which allows IAEA inspectors access to all sites where nuclear material is located, has not been universally adopted. Nor have all states negotiated Comprehensive Safeguards Agreements with the IAEA. Similarly, UN resolutions on the issue are often not universally implemented.

### Conclusions

The issues outlined above are live, not academic. The international community does not have limitless time in which to resolve them and, if the non-proliferation regime in its current state is not to collapse into irrelevance, it must act. Even if the NPT is not perfect, it provides the common ground on which states can be persuaded to talk and work towards nuclear non-proliferation. Renewal of the NPT is therefore important, but will require a serious and sustained political drive.

In brief, the challenges which must be addressed are:

- the need to revise and renew the NPT;
- the weaknesses of the IAEA and its need for greater powers;
- the ability and willingness of states to undertake nuclear breakout;
- the need to provide civil nuclear power whilst preventing proliferation;
- the perceived division between nuclear haves and have nots;
- states currently outside the NPT; and
- Iran’s nuclear ambitions.

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## Recommendations on Non-Proliferation

- **Revision and Renewal of the NPT.** This should be a high priority for an incoming Conservative Government. It will require energetic and careful preparation to ensure success. Repeating the failure of the 2005 Review to make any substantive agreements could prove fatal to the non-proliferation regime. The first Preparatory Committee for the 2010 Conference took place in April/May 2007 and an agenda has been set. The UK should seek extensive international consultation with her European partners, Japan and the other nuclear weapon states during the remainder of the preparatory process to secure prior agreement to the UK's approach. This should include a number of important accompanying measures.
- **Strengthening the IAEA.** This is crucial. As the sole enforcer of the NPT, it must possess adequate resources and genuine powers to do so. This means making the Additional Protocols and Comprehensive Safeguards Agreements mandatory and universal. It must also include a substantial increase in the organisation's budget. This will allow for both larger numbers of inspectors and better facilities for the retention of peaceful nuclear fuel and technology.
- **Enforcing United Nations Security Council Resolution 1540.** A future Conservative Government should make this a key issue for the UK at the Security Council. States must comply with UNSCR 1540 to criminalize proliferation, establish strict domestic export controls and secure all sensitive materials within their borders. This should be a condition of receiving nuclear technology and fuel from the IAEA (see below).
- **Placing access to peaceful nuclear technology under multilateral control.** In order to limit the risks involved with the nuclear fuel cycle, the procedure should be placed under the sole control of the IAEA. However the right of states, under Articles IV and V, to peaceful technology should not be denied. Indeed, the weapon states must fulfil their Article IV obligation to engage in the exchange of peaceful nuclear technology (see below).
- **Committing the weapon states to sharing peaceful nuclear technology and fuel with non weapon states.** The 2005 Review Conference showed that non-weapon states remained reluctant to accept greater controls over their peaceful nuclear programmes. A serious attempt should now be made to persuade them to do so in return for the guarantee of open access to fuel and technology. This will need to be conducted in an organised and structured manner under the control of the IAEA (see below).
- **Creation of an international fuel bank.** A structured system of fuel bank networks and technological expertise should be created under the supervision of the IAEA. This should be kept within the territory of the weapon states, but monitored by the IAEA with guaranteed free access for non-weapon states. Such free access should be used as the incentive for non-weapon states to allow multilateral control to reside solely with the weapon states. This is a practical way of both allowing access to nuclear power, and preventing unauthorised use of the materials and technology involved. Assistance by the IAEA should be given to both weapon and non-weapon states in decommissioning nuclear facilities and recycling spent fuel.
- **Continuing diplomatic support for the non-proliferation regime.** Active diplomacy, based on a co-ordinated multilateral strategy, is an essential non-proliferation tool. International influence is invaluable in both supporting the IAEA and applying pressure to states flouting the NPT's provisions. The use of punitive measures (including economic sanctions) through the Security Council should remain an option.
- **Engaging India and Pakistan with the NPT.** While it may once have been justified, the Group believes that the 1967 deadline for accession to the NPT as a nuclear weapon state now works

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against the effectiveness and integrity of the treaty. The benefits of regularising India's and Pakistan's position and their submission to the NPT regime on such matters as technology and material sharing outweigh the risk that allowing them to join the NPT as weapon states may act as an encouragement to others to become weapon states. This would help prevent a recurrence of incidents such as AQ Khan's proliferation whilst giving authority to legitimate agreements for transfer between states, such as the 2005 deal between the US and India. The net effect would be to increase the credibility of the non-proliferation regime. A future Conservative Government should therefore make revising the 1967 deadline a key UK aim at the 2010 Review Conference.

- **Re-engaging North Korea with the NPT.** Since North Korea has declared in February 2007 that it will surrender its nuclear weapons programme, Pyongyang should now be persuaded to re-join the treaty as a non-weapon state. This would confirm the good faith in her declared intentions, give greater credibility to the NPT and allow the IAEA to enforce controls and prevent a further breakout. Precedent exists. Although South Africa was not an NPT signatory when it created at least six nuclear weapons, it renounced them and in 1991 acceded to the treaty.
- **Dissuading Iran from her nuclear ambitions.** Although the Group has not sought to cover short term issues, the implications of Iran's nuclear ambitions affect the long term success of the NPT and non-proliferation regime. It is essential to regional and global security and the integrity of the NPT that Iran be dissuaded from breaking out of the treaty.

### **Disarmament and Accompanying Measures**

Central to the NPT is the principle that disarmament must be the partner of non-proliferation. Despite perceptions within the international community that nothing much has been done by weapons states, they have in fact made some real progress. The United States has reduced its stockpile of warheads by 80 per cent since the Cold War and the UK has reduced hers by 70 per cent. Russia, China and France have made similar efforts, but there is still room for further reductions. Britain is unique in having reduced her capability to a single weapons system – Trident. Yet these successes have been overshadowed by some high profile failures. Notable have been the inability to agree a Fissile Material Cut Off Treaty (FMCT) and to enforce the Comprehensive Test Ban Treaty (CTBT). Amongst non-weapon states there is a certain lack of confidence in the commitment of weapon states to their NPT obligations. This must be repaired.

The Group does not believe, however, that general and complete disarmament is currently viable as an objective. The Group's analysis of the global security situation does not inspire confidence that conditions will emerge within the foreseeable future which would allow this to happen. The unilateral surrender of Trident would not cause proliferators to abandon their nuclear programmes. Nevertheless, although total disarmament may not yet be within reach, it remains extremely important to the credibility of the non-proliferation regime that weapon states continue the process of weapons reductions.

### **Recommendations on Disarmament**

Consequently, the Group recommends that in the run up to the 2010 Review Conference an incoming Conservative Government should:

- **Create an FMCT and seek stronger enforcement of the CTBT.** Over time this would have the effect of limiting the production of weapons-grade nuclear material and new weapons.
- **Continue the process of negotiating towards further nuclear disarmament.** Real progress here would act as a demonstration to non-weapon states of genuine concern on the part of

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weapon-states about the dangers of nuclear weapons and so could help gain the acceptance by non-weapon states of multilateral control of nuclear material and technology under the IAEA.

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## 11. Europe's Near Abroad

### 11.1. Russia

Under President Putin, Russia has become more prosperous and authoritarian at home and more active and assertive abroad. A certain amount of Russian weight is being thrown around on the international stage. The emergence of Russia as a major producer of oil (second after Saudi Arabia), and especially of gas (top), has been accompanied by a reassertion of state power, politically and economically. Opposition to the Kremlin has been marginalised or suppressed; the oligarchs have been brought in line; the Duma is pliant and the media have been brought under control. The FSB is powerful. The Chechen war has been largely contained on Russian terms. Economically, the ownership of Russia's primary natural resources – especially oil, gas and mining – is largely back in state hands, reacquisitions having been made through transparent and extensive manipulation of the law, even at the risk of casting doubt in the minds of foreign investors on the reliability of property rights in Russia. Petro-income has fuelled an economy in which a Russian middle class is beginning to emerge with real purchasing power, for the first time ever enjoying a Western consumer lifestyle. This unaccustomed comfort is recompense for the loss of freedoms and lessens the clout of the political losers. It also masks Russia's long term ills: rampant Aids and alcoholism and a rapidly declining Russian ethnic population. In thirty years Russians will become a minority in Russia.

Putin's popularity with Russian voters is high and he will be able to ensure that his chosen candidate succeeds him as President next year. A Russian state with cash in the bank is not likely to liberalise soon at home or back down abroad. Backed by close associates who come from the same background as himself, Putin has increasingly assumed a strong man pose, which goes down well domestically, demanding 'respect' for Russia as a great power. This means not only acknowledging that she has spheres of influence over which she has preferential rights but also that efforts must be made by third countries to meet her wishes. This attitude manifests itself most obviously in her dealings with former Warsaw Pact and Soviet Union countries, which Moscow thinks it perfectly acceptable to pressurise and harass to get her way. The fact that some of these countries, like Ukraine and Georgia, have leaders with ambitions to get closer to the West increases Putin's determination to bend them to Moscow's will. The consultation and cooperation machinery between Moscow and NATO set up under President Yeltsin still exists but has not by any means overcome the suspicion harboured by Moscow and the Russian armed forces of NATO which they see as encroaching on Russian rights.

Relations with the United States, never easy under Presidents Bush and Putin, are cool and, though business is being conducted over such matters as Iranian nuclear ambitions, where Russian and Western strategic interests ultimately coincide, little of the partnership exhibited after 9/11 remains. American policy has not always been consistent, swaying between wanting Russian help and wishing to limit Moscow's influence. The US proposal to erect a missile shield against Iran in central Europe has stirred Russian hostility and has seen a reversion by Russia to the old game of playing on European divisions. The EU is by far Russia's largest trading partner and the energy links now rank as strategically important for both sides. This has not made for easy cooperation however – with Russia refusing to sign the Energy Charter which would allow third party access to pipelines she controls and the chances of the signing of a new Cooperation and Partnership Agreement fading fast. The countries of Eastern Europe, the Caucasus and the Black Sea region, instead of being a region of European/Russian cooperation, are becoming a zone of strategic competition.

With the other Russian primary producer companies, Gazprom is effectively the economic arm of the Kremlin. Its policy is threefold. First, it aims to retain (or regain) control of ownership of exploitation and development rights over hydrocarbons and other minerals even if this reduces the interest of foreign investors. Foreign partners are now being taken on board for their technology and willingness to put up finance on Russian terms. Second, Gazprom is plugging the supply gap which may well arise in the next

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decade by buying up or otherwise controlling the production of other producers in the vicinity – especially in the Black Sea and Caucasus area – thereby increasing its control of the market and limiting the possibility for non-Russian consumers of diversification of supply. This policy is having some success. It is combined with seeking exploitation and cartelising agreements with other significant state-owned producers companies outside the region. Typical agreements were signed recently with Algeria and Saudi Arabia. Talk surfaces from time to time about a Gas OPEC. The aim of this policy is to keep supply controlled and prices up.

Third, Gazprom wants to become a downstream owner. The company argues that to justify investment in future production (some fields will be very inhospitable to exploit) it needs certainty as to markets. This argument sits oddly with Russian refusal to permit reciprocity, while some of Gazprom's tactics are likely precisely to have the effect of encouraging consumers, for security as well as climate change reasons, to diversify from oil and gas to other energy sources. That said, it is estimated that fossil fuels will still provide the bulk of power generation among consumers well into mid-century. For the UK, sitting at the far end of the European gas pipeline system, security issues arise which are discussed in the section on energy security.

Private sector activity between British and Russian companies is active and profitable for both, difficult as some aspects of operating in Russia are for foreign investors. At the governmental level, UK/Russia relations, which have not been warm for sometime, dogged by arguments over the activities of non-governmental organisations in Russia and by the presence in London of prominent exiled oligarchs some of whom have been given asylum, took a nose dive earlier in 2007 following the assassination in London of Alexander Litvinenko and the proceedings served by British authorities on Andrei Lugovoi. There is currently no meeting of minds and, against the background of foreign-directed dangerous and lawless behaviour on the streets of London, it is difficult to see the circumstances in which bilateral relations will improve in the short term.

The promise of a more cooperative world which the fall of the Berlin wall seemed to hold out in 1989 has thus fallen victim to the recrudescence of power rivalry. Early cooperation was never fully consolidated and it has declined fast recently. For Europeans, the re-emergence of tension on our own continent is a negative development, the implications of which are discussed in the succeeding section and accompanying Studies 5 and 6.

### **Recommendations**

- In bilateral relations with Russia, the aim must be to work for good relations whilst upholding our values. By the time a Conservative government comes to office, a new Russian President is likely to be in office, though Kremlin policy may well not change much.
- Competition among continental European governments to get preferential energy agreements with Russian suppliers has aggravated division among Europeans over policy towards Russia, playing into the Kremlin's hands. Combined with the absence of a European energy grid which would help ensure supply to the UK during a shortage, the UK could find itself particularly vulnerable to pressure tactics from Moscow. A Conservative government should take a lead in bringing about a long term agreed European strategy towards Russia.

## **11.2. The Mediterranean, the Balkans and Eastern Europe**

Europe, whole and free was the ambition proclaimed for this continent by President George Bush in 1989. Europe in 2007 is indeed a much better place than the continent divided by a wall across the middle of Germany. There has been extraordinary progress in less than twenty years in which democracy and wealth have spread east. But if the continent is by and large free of tyranny and the threat of war, it is not whole in the sense of being united in its ambitions nor is it stable. The enlargement of the European Union, which has taken it from 15 to 27 member states, means that this zone of 500 million people now

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borders on Russia and also has as neighbours or near-neighbours states of the former Soviet Union in Eastern Europe, the Black Sea and Southern Caucasus regions (Ukraine, Georgia, Moldova, Belarus, Armenia, Azerbaijan). To the south, the countries of the southern and eastern littorals of the Mediterranean – North Africa, the Levant, Turkey and the Western Balkans – are only a border crossing or ferry journey away from the EU.

These regions present different challenges. Round the Mediterranean there are many countries where states and governments are fragile, lacking the legitimacy of genuinely popular mandates; where corruption is widespread and where the masses are poor even if the country is not. The turmoil of the Middle East disturbs Mediterranean politics and increases tensions. Islamic fundamentalism challenges local authority and its ideology spreads north and westwards, reaching the UK. The capacity of these societies to modernise and to satisfy the aspirations of their burgeoning populations while escaping revolution is in question. North Africa, especially Algeria but also Libya, are major sources of gas and oil for Western Europe. Trade, tourism, labour migration and family contact are so extensive across the Mediterranean that it is not feasible to seek to protect Europe's security by obstructing these links or locking the doors. As with the Middle East, the approach has to be one of reforming partnership.

The countries of Eastern Europe lack well rooted institutions and in some cases, like Ukraine, are politically divided; but with help they are capable over time of bringing about stability, good government and rising standards of living for their people. Their challenge is to form a national identity and obtain from Russia sufficient freedom of political manoeuvre to be able to make external political alignments of their choice. So called 'frozen' conflicts and other disputes, many of them residues of the Soviet past, could turn hot as the result of being stoked by external meddling and lead to military intervention. They are sources of tension internal to these countries and between Russia and the West. To Russian displeasure, the United States and the EU have both – rightly – given moral and material support to the 'colour' revolutions of Ukraine and Georgia. As relations with Russia have cooled, the prospects are for somewhat antagonistic EU-US/Russia competition over the future of the whole region, in which originate, and through which pass, energy supplies vital to Western Europe.

In the Balkans, with the exception of Croatia (which stands a reasonable chance of joining the EU in the next decade) the countries of former Yugoslavia are stalled, not fighting, but not at real peace within or between each other. Kosovo remains an international dispute and a territory capable generating renewed ethnic conflict. Bosnia is still under EU led supervision. Albania is a hub of international organised crime. Overall, centrifugal forces are still more powerful than the desire to cooperate regionally. A question mark – and the criminal residue of war – hangs over the relationship of the Western Balkans with the outside world. The introverted and bitter nationalism of Serbia, which is losing her middle class to migration, holds the country and the whole region back. Most states are still a long way from fulfilling the criteria of EU membership and as the prospect wanes into an indefinite future, the incentive to make the effort declines. The spiral is downwards and the leadership to reverse it does not seem to be available.

The way forward is neither easy nor especially clear in any of these areas. Why should it matter to the UK? These regions are quite distant and, on the face of it, the damage they can do to us relatively limited. Some reasons are moral – spreading the benefits of the prosperity and personal fulfilment we enjoy. But the UK's material interests are at stake too. We need to be able to trade and move freely and safely across our continent and to the Middle East. As our own energy supplies run out, we need the oil and gas. And, as we know all too well in respect of the Middle East, the UK is not secure against the spread of extremist ideology which brings about revolution, radicalises individuals, and inflames them to terrorism.

The case for the UK having a strong interest in the greater stability of the EU's periphery is clear. By ourselves however, we do not have the diplomatic let alone the military muscle to safeguard or promote our interests. British Embassies in most of the countries concerned are small and in a number of cases non-existent. Our capacity for independent action is relatively small. To gain effect, we need to operate with allies in NATO and through the EU. To date, the strategies of the two have been aligned and

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cooperative. The enlargement of NATO to include nearly all the new members of the EU has preceded them joining, while in Eastern Europe, NATO has established Cooperation Councils for the discussion of security related issues. In the Mediterranean, NATO has its only active Article 5 counterterrorist operation. The right framework is in place: can the EU and member states build on this to increase peripheral security which has been declared the main external priority?

In 2007, the so called European Neighbourhood Policy (ENP) came into effect, which covers the Mediterranean and Eastern European countries as far as the Black Sea. It is not designed to lead to EU membership but to deepen contacts across the board between societies, help build institutions and promote economic development. There is cooperation with other organisations like the Council of Europe and the OSCE. There are individual action plans for each of the signed up countries and the many policy instruments of the EU, and considerable funds are involved. The conception is a variant of the well tried techniques of integration which, when made attractive to both parties by the goal of successful admission to the EU, have proved very powerful as a tool for reform and for raising standards of performance. This driver is lacking in the case of the ENP which, while having perfectly sensible aims, has a commoditised quality about its execution. And its bilateral structure – EU agreements with each participating country – does not make it well equipped to foster regional cooperation which, though admittedly hard, should be a main aim of the ENP. Originally conceived to be a vehicle of cooperation with the states of Eastern Europe, the Mediterranean countries were brought in not because their inclusion was likely to be an improvement on the Euro-Med dialogue (the ‘Barcelona’ process) in which they had been participating for twenty years, but because EU member states bordering the Mediterranean feared that a new programme of cooperation with Eastern Europe would steal a march on that with ‘their’ area. The effect of standardisation is deadening.

These programmes are valid in their own – technocratic – terms but lack the essential ingredient of political drive. In the case of the Mediterranean branch of the ENP for example, the member states’ dialogue on such matters as extremism, terrorism and the politics of the Middle East which preoccupy leaderships on both shores, and which should accompany the ENP, does not feature in the prominent way it should. In the case of Eastern Europe, where the most prominent issues are essentially political in nature, EU policy has had an uncertain touch, sometimes showing robust defence of Western interests and values and sometimes backing off. This leaves countries like the Ukraine not knowing what to expect. At bottom is the shameful absence, after at least ten years of talking, of a shared and clear approach on the part of EU member states to Russia.

In 2003, the EU published a European Security Strategy. At the time it was much praised and attracted American support for its emphasis on the crucial importance for European security of the transatlantic relationship. This document has been the base of European security policy and ESDP since then but it needs much more comprehensive and thorough follow through than it is getting from member states, which should inject the political element, especially, though not exclusively, when it comes to the security of the part of the world – Europe and its environs – for which they should assume prime responsibility. This is not happening. Divisions over Iraq, the barely perceptible diplomatic activity in the Middle East Peace Process, the consequences of competitive approaches to the availability of energy supplies and the blight of the misbegotten enterprise of a European constitution have all contributed to a lack of drive and direction. As a consequence the external leadership given by the European Union is fuzzy and hard for countries which might wish to do so to follow.

All this may not seem especially serious now. But over time a preference for internal debate over external action will do cumulative damage. Policy in the Balkans is currently either going badly – as with Kosovo – or nowhere. The Turkish accession negotiations are running into difficulty. Self-doubt about European identity rather than self-confidence in it is in danger of governing the European approach to its role in the neighbourhood. Third parties, of course, pick this up. Member states cannot continue simply to compete with each other over their differing visions for the EU, standing by while train wrecks take place. The time has come for a serious discussion at the top level of neighbourhood and accession policies. The

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answer for an incoming Conservative government is leadership of a serious attempt with other capitals to set direction and give political momentum to the main lines of policy.

## **Recommendation**

- A festering neighbourhood will do material damage in Europe and reduce freedom of manoeuvre and influence in relation to the rest of the world. Effective global diplomacy needs to be underpinned by successful regional cooperation. The neighbourhood policy, while sound in its objectives, needs modification and above all the political drive of major capitals including London.

### 11.3. Turkey

Few decisions are more important to the European Union than those that member states take about policy towards Turkey. This country is by far the most important strategically recently to have applied for membership. History will judge harshly an organisation which could cope with the easy stuff but ducked the big issues. EU leaders appear not to understand that they are already players in Turkish domestic politics, that strategic interests are at stake and that their actions can become self-fulfilling prophecies. Just as the prospect of membership acts as a magnet drawing applicants towards EU policies and standards, so double dealing or the expectation of rejection repels, with potentially damaging consequences for both parties. With membership in view, the Turkish government have been able to push through significant reform in sensitive areas. It is not hard to see that the absence of such an incentive makes further reform much more difficult and that the vacuum created by the absence of such a longed for prize would be filled by politics polarised between nationalism and a possibly anti-Western Islamic identity. This would be a bad outcome for Turkey and a dangerous one for Europe.

Turkish accession has however become controversial inside the European Union. For reasons set out below, the Policy Group continues to think that accession is the right goal and should be worked for actively with due speed. Known disagreements in significant capitals are however beginning to vitiate current policy which fact is itself already having negative political effects. It is therefore becoming important for EU leaders to chart a course in relation to the negotiations which are described in the EU/Turkey negotiating framework document as an 'open ended process' that all can agree on. And it is important that this is done in a way that Turkey can accept and sign up to.

There are four groups of factors directly affecting the security of Europe which argue strongly in favour of Turkish membership. They are: first, the strategic anchoring of Turkey in Europe; second, showing the West that Turkey's secularity is able to rely on the willing consent of her citizens and is not dependent on the military being guarantors of that secularity – that she can move beyond the confines of the Kemalist legacy; third, showing the Muslim world that it is possible to have a Muslim state that is modern, secular and democratic accepted as an equal among Europeans – that we practice what we preach; and finally, that we understand the effect of any outcome on the 15 million Muslims living in Western Europe, the vast majority of whom are here on a long term basis and are citizens.

During the Cold War, Turkey was a front line country bordering the Soviet Union and the Warsaw Pact and she remains a frontier country today having borders with Iraq and Syria. The importance of Turkey's willingness to pursue policies which support European security interests in this volatile part of the world is obvious. Ankara's relations with Washington, soured by the US intervention in Iraq, have not been fully restored and Turkey apparently feels free to pursue cross-border activity in Northern Iraq against the PKK. The deterioration in this long standing and important relationship is worrying. This in turn adversely affects the second, security-related goal of European policy: a Turkey that sustains its secularity through democracy and the equal rights of all its citizens. Military action against Kurds brings the Turkish army directly back into politics and casts doubt on considerable progress that had been made in

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relation to the civil rights credentials of the government. Failure as a consequence by the EU to proceed with Turkish accession confirms the suspicion in the Middle East and Muslim world more broadly that the Western message of Muslim equality is a sham. The negative political impact of all of this within Europe would be considerable. Conversely, entry of a Muslim state into the EU – or the realistic prospect of such entry – demolishes the (untrue but insidious and compelling) argument that European Muslims, who are as yet imperfectly integrated into the societies they live in, cannot achieve acceptance because of the simple fact of their religion.

The stakes are thus high, both externally for Europe and within our own societies. The need for European leaders to grip and direct some key relationships, notably those with Russia and Turkey, directly affecting European security is urgent. This should be a priority for an incoming Conservative government.

### **Recommendation**

- A Conservative government should continue to give strong support to Turkish membership of the EU. But it should not just leave negotiations to drift against a background of continuing disagreement between member states and should take the initiative in seeking to unblock the way forward.

## 11.4. Energy Security

A full treatment of policy ensuring security of energy supply to British consumers requires nuclear energy and renewables to form part of the picture. This is beyond the remit of this Group which has focused on the implications of the UK's increasing energy dependency. The global market is changing in a number of important ways and the Policy Group feels that the Labour government's policy is liable to result in the country being left vulnerable to energy shortages.

The world supply of fossil fuels is not keeping pace with the secular rise in demand which results from the rapid global economic growth of recent years. Between now and 2030, global primary energy demand is expected to increase by another 50% over today's levels. Oil, gas and coal will remain the chief source of energy well into the second half of this century. Diversification to other sources, while necessary for climate change reasons also, cannot happen at a rate fast enough to fill all the gaps between supply and demand which may arise. The market will remain tight and prices high on an indefinite basis. Structurally, the world market in both oil and gas production is increasingly dominated by state owned companies subject to political influence.

Just as global supply becomes tight and prices high, the UK goes from being a net energy producer to being a net energy importer as our North Sea fields are depleted. The UK is well integrated into the international oil market which remains reasonably flexible and responsive to demand though subject to a considerable degree of political risk, the major fields being in some of the most politically unstable parts of the world: the Middle East, Africa and Eurasia. Conflict or prospect thereof in any of these regions can be expected to result in immediate and possibly steep spikes in global oil prices – which the gas market follows.

The gas market, in which Russia is currently the largest producer – over 20 per cent of world production – (followed by the US, which however is still a net consumer of gas) is much less flexible than the oil market and is much more regionally organised. As compared with oil, the UK is less well placed in the gas market which is also subject to political risk. Lack of market flexibility arises from two main causes: except in liquid form (which is growing but is still a small component of the market) gas requires much more fixed installation by way of pipelines to get it to customers and is increasingly being sold not on a spot basis but through long term price and volume contracts. This is the way Gazprom sells to her

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continental European consumers. Much has been made of the Russian tendency, having renationalised production, to use energy as a political weapon and there is evidence of this. The real issue however is the ability of Russian suppliers in the future to meet all demand contracted for. Investment in new Russian fields is slow and Gazprom is pursuing a policy of buying up production from other sources.

The UK gets a good portion of her gas from Norway at spot rates which are governed by the big producers. Some comes through the Belgian interconnector to continental pipelines. A fully functioning European grid does not exist however and, at times of supply shortage, there is no guarantee that supplies will flow to the UK even if available somewhere in the system and however high the price. A major crisis in the Middle East – no improbability – would be likely severely to disrupt the international oil market. The UK is thus exposed to the hazard of market failure in energy supply – most likely to happen, of course, in winter. The UK does not have extensive storage facilities, nor – unlike the US – any policy of strategic reserves. The effects on the economy of running dry were shown in the petrol tanker drivers' strike of 2000; a simultaneous shortage of supply in the gas market – were it to occur – would have considerably greater consequences.

The Labour Government has treated energy policy as if it were purely a market matter, for which the private sector could by itself provide solutions to problems. Moreover, the regulator's remit to ensure cheap energy has acted to reduce necessary investment in UK energy infrastructure. In reality, the international energy market has become increasingly politicised and is likely to become more so. The UK is so placed that it is vulnerable to becoming victim of market failure. It is the Government that needs to be much more active than it currently is in seeking at least to reduce, if it cannot eliminate, this danger. An active policy through an appropriate regulatory framework to reduce UK oil and gas dependency, increase certainty of supply and strengthen resilience in the event of incident or shortage is urgently needed.

The first of these objectives, involving energy saving and diversification as well as other aspects of energy security, lies beyond the remit of the Group. The third is a matter of national security and should form part of national protection and resilience planning. On the face of it, in current and likely future circumstances, there is a strong case for a strategic reserve. The second objective, increasing certainty of supply, involves a reappraisal of long term policy and more drive behind immediate objectives. In relation to the long term, it is open to question whether, in likely future markets, such a high level of dependence on the spot market serves the national interest. Should a portion of supply be via long term contract?

In the short term, increasing certainty of supply for the UK turns to a considerable extent on the success of the European Commission's energy policy proposals, which include the construction of pipelines to create a continental grid as well as the unbundling of continental European vertically integrated energy generator and distributor giants to allow the operation of a price-responsive market. Delay or, worse, failure, on either of these two fronts will increase significantly UK vulnerability to energy shortages. The ability of the European Commission to exercise its competition powers effectively is thus of fundamental importance to this important aspect of UK national security. In this respect the effect of the language on competition policy inserted at the European Council in Heiligendamm into the text of the constitutional treaty could be exceptionally unhelpful.

## **Recommendations**

- Creation of a fully fledged Department of Energy to tackle the following issues in relation to energy security:
  - reduction of dependency on imported fossil fuels through conservation and diversification (this must evidently be consistent with climate change objectives);

- 
- increase in resilience to withstand disruption of supply or attack on installations – in part a matter for the National Security Council;
  - increase in the reliability of gas supply through strong support for the construction of a European grid and the unbundling of energy generator/distributors; and
  - forward planning of UK participation in the international hydrocarbons market against the background of its changed structure and politicisation.

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## 12. Defence Policy

The strategic context for defence and security policy continues to evolve rapidly. New military powers are emerging in Asia, tipping the strategic balance towards the Asia- Pacific region. Weak, corrupt and failed states and uncontrolled territories are all actual or potential targets of extremist movements either to bring the local government down or to use as a sanctuary from which to launch terrorism against others. The UK is directly threatened. The proliferation of nuclear weapons by states or non state actors, by definition most likely to occur in tense and unstable regions, greatly increases the hazards involved in conflict and constitutes a potent and continuing threat to mankind requiring effective deterrence. Surrounding the European Union are a large number of countries which need help to develop economically and stabilize politically, in some cases with military help from the rest of Europe. In addition to a national security policy directed at meeting the contingencies to which this kaleidoscopic international scene can give rise, the UK continues to need well equipped and trained armed forces of adequate size to ensure the defence and security of the nation at home and of UK interests abroad.

As we argue in this report and demonstrate in Study 6, the United States remains core to British security. We also believe that the UK's military capability must remain advanced. Affordability however means that in the expeditionary context, the UK must set itself and stick to realistic ambitions and not try to do more than our capabilities permit. This contention governs what follows in our discussion of defence policies and the role of the Armed Forces.

### Recommendations

An incoming Conservative government should:

- continue its close military alignment with the United States, ensuring that the US remains open to technology transfer;
- retain forces which are militarily advanced and affordable probably through greater role specialisation, playing to UK strengths; and
- encourage European partners to develop capabilities which enable them to fight alongside the United States forces.

The Policy Group regards the British armed forces as one of the country's most important assets. They rightly claim to be among the best armed forces in the world. They have been worked very hard by the Labour government with inadequate equipment and insufficient regard to the negative effect on service personnel of the campaigns in which they have been engaged. If this situation persists, the damage will be long lasting.

The Conservative Party has always taken defence seriously. In today's world, that means recognising the interaction between domestic security and events abroad and formulating a strategy for national security which encompasses both. Our military have roles to play in both. In our attached Study 6, we conclude that the defence and security mission of our armed forces needs updating and that they must be provided with the right capabilities in adequate quantity. They should not be asked to undertake missions for which they have not been given the capacity.

Without access to accounts and contingency plans the Policy Group cannot make firm recommendations on major equipment programmes or defence spending. Rather, our report outlines the guidelines for a future approach to defence policy and the parameters for a Defence Review.

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## Recommendations

On entering office, a Conservative government should

- conduct a Defence Review the conclusions and recommendations of which must be fully funded; and
- against the background of an unpredictable strategic environment and rapid technological change, conduct a further Review under the auspices the National Security Council, once every Parliament.

### 12.1. Mission Requirement:

**Homeland defence.** In responding to the future strategic environment a better balance must be struck between the use of military force for the protection of British territory and for operations abroad. The future strategic context identified by the Policy Group indicates that, in addition to a capability for nuclear deterrence, the armed forces need to be in a position to assume an enhanced role in homeland security, while at the same time maintaining effective expeditionary and peace enforcement capabilities.

This proposition reflects a significant rethink of how the armed forces and their supporting infrastructure should be structured to face the current and future security environment. It stands in contrast to the approach of the current government which has pursued an interventionist policy abroad that has not allowed due regard for home security, and which is premised on a misunderstanding of the effective use of military force.

Homeland defence and security requirements are increasingly unpredictable. The military's ability to provide agile, resilient and innovative command and control in unforeseen circumstances, or in circumstances in which the implementation of planned civil responses is disrupted or prevented, is increasingly important. Current defence policy only provides occasional capabilities in support of civil authorities based on what is available after all other tasks have been met and crucially is not predictable. A far more structured contribution to homeland defence from the armed forces is necessary.

## Recommendations

The Policy Group recommends that an incoming Conservative government should:

- within a cross-government homeland security response policy (see separate section), develop the functions that the military would be expected to perform and the capability requirements for these functions;
- establish a permanent command/headquarters for homeland defence and security, with responsibility for the defence of the United Kingdom, its peripheral islands and adjacent waters (to the extent of the Exclusive Economic Zone);
- establish a predictable, rather than declaratory, regular force contribution to homeland defence, consisting of a rapid reaction spearhead force comprised of two rotational (possibly tri-service) battalion-sized units; and
- develop a homeland defence, security and resilience training requirement for all service personnel as part of annual training, with specialist training for those personnel earmarked to form the proposed rapid reaction units.

**Armed Forces' Expeditionary role.** This more structured military contribution to homeland defence and security will result in the further rationalisation of service command structures. This will have benefits for

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operations abroad, which must be based on a revised strategic concept.

The UK's armed forces currently conduct substantial military campaigns after initial interventions, which have strained finite defence resources, damaged their resilience for future contingent operations at home and abroad and undermined public support. While success must be achieved in ongoing operations in Afghanistan and our losses in Iraq minimised, neither should be taken as the preferred model for future military operations. A Conservative government will need to distinguish more clearly than has the present one between discretionary and non-discretionary military action.

The experience in Iraq in particular reflects inappropriate use of the military, lack of understanding of the facts and lack of preparation for post conflict security. As noted elsewhere in the report, in general the exercise of 'soft power' and civilian policy instruments, as well as the use of civilian actors with specialist expertise in areas such as governance, justice, and economic and social needs are of greater effectiveness and sustainability in the long term. When, however, state building in hostile security environments proves unavoidable, the availability of appropriately trained personnel becomes crucial. Specialist armed forces reserve personnel are one source but there are not enough on offer with the right range of skills and there needs to be a method of calling on appropriately trained civilian experts able and willing to work in such difficult conditions.

## **Recommendations**

The Policy Group recommends:

- that the FCO and DfID develop a dedicated civil expeditionary capability; and
- greater use of defence diplomacy, involving not only close cooperation between allies, but increasingly cooperative and strategic engagement with the defence establishments of a broader range of states in many regions.

### **12.1.1. Strategic Approach and Defence Planning Assumptions**

Either the existing defence policy must be fully funded with a substantial injection of money to avoid the strain of recent operational deployments, or a revised strategic approach must be adopted leading to revised defence assumptions. By themselves these will not wholly relieve the current severe operational strains as shown by the breach of the 'harmony guidelines' (meaning that servicemen and women are often being sent abroad to fight more frequently than they had been expected to) in all three services and especially the Army. The real change needed is an increase in the size of the Army. A proper approach to expeditionary operations needs to be re-established.

## **Recommendations**

An incoming Conservative government should:

- consider a reversal of the recent cuts in the Army (circa. 3-5,000);
- adopt a revised approach to operations abroad, which aims:
  - to disrupt threatening non-state actors at their source in a wide-range of geographic areas through the use of special forces, expanded rapid reaction units and strike capabilities. Such tasks would be 'high impact, low footprint', and aimed at avoiding the long-term, sustained deployment of our armed forces; and,
  - where possible to conduct interventions against states on a small-scale through early, preventative deployments. Where such preventative, small-scale interventions against

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states are not possible, the UK must have the ability to work within any coalition framework.

Such an approach would revise the Defence Planning Assumptions as follows:

- the ability to undertake small scale multiple global strike interventions which are not enduring along with;
- the ability to sustain one enduring medium scale operation that can be reconfigured to an enduring large-scale operation within a coalition; or
- the ability to undertake a new enduring large-scale operation within a coalition.

## 12.2. Equipment Programme and Capabilities

The ability to undertake expeditionary operations and provide a structured contribution to homeland defence requires specific capabilities: current platforms, readiness levels and skills-sets need to be maintained and the equipment programme must provide advanced platforms in appropriate time-frames. The current government's ability to maintain any of these current platforms, readiness levels and skills-sets is questionable, with readiness levels in the RAF and Royal Navy reduced in recent times to support the Army's operational commitments.

Major training exercises have also been cancelled at an unacceptable rate, which risks undermining the capability of the armed forces for the sort of operations they are currently engaged in. Similarly, the current government's ability to deal with the equipment programme (EP) is questionable. The recent *Defence Industrial Strategy* (DIS), which deals with the procurement process and its industrial implications, did not properly address the shortfall in the procurement budget which is likely to be compounded by current operational costs.

The relevance of some of the projects in the current equipment programme is also being increasingly questioned. The EP is platform-heavy, has a number of legacy projects and persists in requiring new technologies rather than off-the-shelf solutions. The drawbacks of this can be seen in the fiasco of the Army's Future Rapid Effects System (FRES).

### **Recommendations**

An incoming Conservative government should:

- appoint a senior military officer with financial responsibility for major training exercises; and
- review, in the context of a general Defence Review, current procurement projects and plans against future operational requirements.

## 12.3. Procurement Process

While the Policy Group broadly welcomes the DIS, it does represent a frank admission of how little the present government has managed to improve the defence procurement and logistics process since 1997 and how much still remains to be done. The DIS and related studies did not address the increasing need to fund defence research and technology, nor did it focus on specific improvements needed in the defence procurement process and structures.

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## Recommendations

An incoming Conservative government should:

- invest appropriately in defence research, technology and development;
- increase agility in the EP by making more use of off-the-shelf purchases;
- increase frontline involvement in the procurement process to make the EP responsive to operational requirements and lessons learned;
- adopt stricter financial and risk controls for managing the procurement process at Initial and Main Gate decision points;
- institute systems in conjunction with proposed partnering arrangements to ensure the MOD has sufficient independent advice concerning and oversight of the operation of big projects to protect the public interest; and
- appoint a 4 star Deputy Chief of Defence Staff (Procurement, Equipment Capabilities and Through Life Management) both to enable Service Chiefs better to understand the implications for their services of proposed procurement decisions and to ensure coherence between the EP, Short Term Plan and R&T spending.

### 12.4. Service Terms and Conditions

Members of the Armed Forces put their lives at risk and deserve the best treatment possible. Terms of service and welfare are however becoming seriously unattractive. The Conservative Party has already said it will develop a 'Forces' Families Manifesto' that will address issues such as health provision, accommodation, service education, duty of care and the relationship between the services and local authorities. There is scope here, both in and out of service, for welfare charities to take a greater role in assisting the MoD in the provision of adequate conditions for both serving and ex-service personnel.

#### Recommendation

An incoming Conservative government should update and extend the 'military covenant' to specify in writing for all three Services:

- the continuation of facilities to servicemen and women after retirement;
- a modern approach in such matters as health, education and housing;
- that service members and families should be declared 'key workers'; and
- that individual service chiefs be given direct responsibility and accountability for service terms and conditions as the 'stake holders' for these. (Currently there is no centralised oversight for the standards of all aspects of service terms and conditions, particularly for privatised accommodation.

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## 13. Machinery of Government, Resources and Instruments

### 13.1 Machinery of Government

The machinery of government in the field of national security is not working well. Observers of the present Government have been given the impression that the Home Office leads a contest for increased share of power. Despite, or possibly because of its 98,000 civilian staff, the Ministry of Defence has proved unable – and under funded – to deliver urgently needed equipment to the front line, while the influence of the FCO, which lost control of foreign policy strategy some time ago, has become so marginalised that its expertise is wasted. Policy on anything of importance is driven out of Number 10: ‘Four people at the top read *The Economist* and take a decision’ - as one observer has put it. A caricature perhaps, but like caricatures, recognisable as telling a truth: the formulation and conduct of foreign policy has been cut off from advice that might prevent errors and, because it is so centralised, has not been properly linked to other aspects of policy which go to make up national security policy. Mistakes occur as a result. What has been happening is the very antithesis of joined up government.

It has also resulted in the politicisation of policy making which in the British system of government is unconstitutional. Political interference in the analytical and policy advisory functions of the civil service had disastrous results in the case of Iraq for the substance of policy and the integrity of government. Unsurprisingly, public trust drained away with harmful long term effects on the institution of government itself.

An incoming Conservative government must do things differently. Ken Clarke’s Democracy Task Force is dealing with many of these issues in depth. Here the Policy Group focuses on the changes it thinks necessary in national security policy.

The Policy Group has concluded that even were the faults of the Labour Government in foreign policy making to be corrected, which they of course must be, the machinery of government in the field of national security is out of date. Change is needed. Evolution in government is natural and normal - provided it does not violate the constitution. Factors which lead to the conclusion that change is needed now are not all new. But the events of 9/11 have changed the national security landscape in one important respect noted elsewhere in this report: global network terrorism has extinguished the relevance of borders to national security and that policy must be formulated in the round. The four strands of CONTEST implicitly recognise this. But the Labour government has failed to draw the conclusions for policy making which flow from this recognition or implement the strategy properly.

### 13.2. National Security Council

In last year’s interim report on security issues, the Policy Group recommended that an incoming Conservative government create, as part of the Cabinet committee system, a National Security Council, a recommendation which we repeat. We set out our reasons there. Briefly, while we praised the general efficiency of operational coordination of government business at official level (Ministerial is another matter) which is a traditional British strength, we felt it was not based on policy made in the round as it needs to be. On the contrary, the post-combat phase in Iraq for instance, which has now lasted four years, is financed from a stove piped departmental budgetary allocation system that has to contort itself to produce ‘cross cutting’ pools of money from which departments can draw funds to pursue shared reconstruction objectives. The Policy Group takes the view that the time has come to reverse the order: the policy objective and the funding necessary for its successful attainment should be identified in a policy making process common to the relevant departments; thereafter each departmental Minister should

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be accountable for the implementation of that part of policy falling to the department. The primary function however of an NSC would be much more strategic.

Our vision draws on American practice, with important modifications. These are twofold and detailed below. The advantage of such a body which should sit in the centre of government in the Cabinet Office, is that it constitutes a permanent forum for long range strategic policy formulation in a context where it is easy to assemble the necessary expertise on an equal basis from the relevant departments. Policy issues are becoming ever more interdependent in character (climate change and energy security for instance) and government must adapt to enable itself to deal with all facets, long as well as short term. The UK has recently shown a marked lack of capacity to think strategically in the field of foreign affairs- as shown up by Iraq – and must recreate the habit. We think that a regular review process of identifying the main issues affecting national security and the policies to meet them, conducted at the centre as a broad framework for departmental activity is now essential. Such reviews would be conducted in the NSC, which should have a well qualified, but small, staff of its own, with the participation of officials from the relevant departments. The reviews would go to Cabinet for collective approval, thus ensuring the strengthening of collective Cabinet responsibility rather than the undermining of it or the authority of the Foreign Secretary. In this respect, the UK system would be different from the American system where the NSC works to the sole authority of the President. In the UK, while it is clear that the Prime Minister as Head of Government has a central role in foreign affairs and should be able to draw on the best advice available in Whitehall, it is not necessary or desirable for him to have a foreign affairs staff in Downing Street which sees its role as substituting for expertise elsewhere. The Prime Minister would be represented in the NSC which would serve him too.

In the US model, a Homeland Security Council exists alongside the National Security Council. This may suit American circumstances but would be a mistake in the UK, destroying what for this country would be a valuable purpose: bringing internal and external security issues together in the same place.

Commentators may worry that whatever the theory, the creation of such a powerful body at the centre of government would result in a further weakening of departments. Such a danger exists and it is true that under the current Government there has been a sham-like quality about departmental Ministerial responsibility. This is an argument for departments strengthening their own policy making capacity rather than reducing that of government as a whole. The MOD needs to strengthen its capacity for supporting the armed forces, an aspect we deal with elsewhere, and needs a full time Secretary of State. The newly divided Home Office is difficult to prescribe for since it is hard to know how well it will perform and whether it will become fitter for purpose. The fact that it now only has the responsibilities of an ‘Interior’ department may focus attention but also carries the risk that the current government’s tendency to take a hard line on internal security matters at the expense of civil liberties will be further reinforced and that necessary coordination will become more difficult.

The FCO has most to do to recover lost ground. It is important that it does so. It has much talent and has always been well regarded by its overseas counterparts. But foreign diplomats have not failed to spot the FCO’s decline. This is composed of several elements. The way foreign policy has been centralised in Downing Street on an excessively exclusive basis is one important factor. Another has been the current Government’s preference for the use of hard power and its neglect of the importance of soft power where the strengths of the FCO lie. The policy instruments which deliver soft power have in consequence been comparatively under funded: the figures in the next section show striking disparities between departments in the allocation of funds for operational purposes which do not in our view correctly reflect priorities. For the future there needs to be some rebalancing. Third, the FCO has let languish its capacity for hard thinking about long term issues and policy. This needs rebuilding if the department is not to relinquish yet further influence in Whitehall. Lastly, the FCO’s comparative advantage is its knowledge of the outside world and languages. It should continue to invest heavily in regional expertise.

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### 13.3. Assets of Soft Power

Outside Government control, the United Kingdom boasts assets invaluable to its reputation and therefore soft power that are particularly important given the ideological challenge to the UK and our way of life. The most important asset is higher education. Britain has very good universities: three in the top ten in the world, and eight in the top 50.<sup>4</sup> The number of foreign students educated here continues to increase. It should be matched by increased willingness of British universities to establish campuses abroad, supplying high quality teaching, particularly in the Middle East, where they are likely also to provide an additional source of income. Loughborough University, which has recently helped set up the British University in Egypt, is an example.

The BBC World Service, funded by a ring fenced grant of £208m a year, is highly valued, particularly because of its editorial independence but is not as generously funded as it should be. Demands on it have increased but resources have not. When it was decided to set up a BBC Arabic TV station, money had to be found within the stretched World Service budget by closing down other BBC World Service operations. The World Service plans a Farsi (spoken in Iran, portions of Afghanistan and elsewhere in central Asia) TV service. BBC Monitoring (of open source information round the world) which has taken on an important role in conjunction with the US agency FBIS, in tracking extremist propaganda needs an increased budget. Comparatively little extra money in such areas would yield disproportionate benefit to the national interest.

The British Council is also a strong asset, promoting the English language (from which it makes significant amount of money in addition to its £181m grant income) and British culture. Its funding must at least remain at present levels.

### 13.4. Government Spending

#### *Key Findings*

In 2005-2006, out of a total of some £4.4 billion spent on foreign programmes, excluding humanitarian assistance but including contributions to international agencies, the Government spent:

- £1.8 billion, or some 45 per cent of total expenditure, in bilateral aid for the alleviation of poverty; and
- £1.2 billion on military operations in Iraq, Afghanistan and Bosnia. The Iraq War was the second single biggest item. Last year the Government spent £958 million, or 22 per cent of its total foreign programmes budget, on it.

This distribution shows the distorting effect on expenditure of the intervention in Iraq which has led to under funding of the effort against the political and ideological challenge in the Muslim world.

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<sup>4</sup>Times Higher Educational Supplement Rankings.

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### 13.4.1. Departmental Spending

In order to discover for what purposes and how money has been spent under the Labour government, the Policy Group have had to aggregate spending across the departments on various overall foreign policy missions and in various regions. This was not a straightforward exercise. Information about the Government's foreign policy programmes is not always presented in a way that makes it easy to understand the distribution of funding by region or by purpose. Cross-departmental funding, through the Conflict Prevention Pools (CPPs), was notably obscurely presented. By contrast, information on DfID's bilateral aid programmes was relatively easy to understand.<sup>5</sup>

#### **FCO departmental spending, 2005/06**

	<b>Amount £m</b>
Delivering Foreign Policy/Administration	815
International Subscriptions	113
BBC World Service	208
British Council	181
Other FCO Programmes	199
<i>Total</i>	<i>1516</i>

*Foreign & Commonwealth Office Departmental Report, 2007*

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<sup>5</sup>Government spending on policy with foreign effect is spread across three different departments: the FCO, the MoD and DfID. In addition, the government has recognised the need to spend money in ways that do not fall within traditional departmental boundaries, and invented cross-departmental 'Conflict Prevention Pools' for that purpose. Formally, DfID holds the budget for the Africa pool and the Foreign Office for the global pool and the departments' initial expenditure limits include the initial totals for each pool. Transfers between departments and any adjustments to the total are made in the Estimates. British military operations in Afghanistan and Iraq are deemed to be 'peacekeeping' and appear to be funded through the pools rather than directly from the contingency reserve (the MoD accounts only refer to 'the UK's cross-cutting initiative on Conflict Prevention,' not the pools). The bulk of the funding for multilateral peacekeeping and nation-building missions is provided through the CPP, although some peacekeeping and nation-building activity is funded directly from departmental budgets as subscriptions to international organisations. Like all government departments, most other spending by the FCO, MoD and DfID is governed by the Comprehensive Spending Review, which plans spending over each three years. Items like pensions are accounted for separately as 'annually managed expenditure'. Unless otherwise specified all figures are for the 2005/2006 financial year, which is the most recent year for which the most complete figures are available.

The FCO's spending is provided in the FCO's *Departmental Report* provides detailed information about the FCO's spending on what the FCO describes as its own programmes, international subscriptions, the BBC World Service and the British Council. Figures for those are included in the analysis below. However, figures for 'Delivering Foreign Policy/Administration' which includes embassies, staff, etc. are less easily deciphered. The FCO breaks this part of the budget down by Public Service Agreement (PSA)<sup>6</sup> 'Strategic Priorities,' each of which is linked to a set of performance targets. Thus:

**'Delivering Foreign Policy/Administration' budget line 2005/06**

<b>'Strategic Priority'</b>	<b>Amount £m</b>
Making the world safer from terrorism and weapons of mass destruction	96
Protection of the UK from illegal immigration, drug trafficking and other international crime	40
An international system based on the rule of law, which is better able to resolve disputes and prevent conflicts	143
An effective EU in a more secure neighbourhood	149
Promotion of UK economic interests in an open and expanding global economy	236
Sustainable development underpinned by democracy, good governance and human rights	102
Security of UK and global energy supplies	15
Security and good governance for the UK's overseas territories	34
<i>Total</i>	<i>815</i>

It is far from clear, however, what the money actually does, especially as most of this money is spent on overheads, which are often used for more than one purpose. It is hardly possible to say how much of the time of the Ambassador to Kuwait, for example, goes on 'making the world safer from terrorism...' and how much to 'security of UK and global energy supplies...' Even were he to fill in time sheets the result would not be particularly enlightening. The Treasury's target culture has generated copious but incomprehensible data.

<sup>6</sup>Public Service Agreements are agreements negotiated with the Treasury as part of the Comprehensive Spending Review. A spending department agrees to deliver a particular service in exchange for money.

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## Ministry of Defence Departmental Resource Spending 2005/2006

PSA Objective	Net Outturn 2005/06 £billion
Achieving Success...	3.6
Being ready to respond...	26.6
Building for the future...	3.2
War Pensions	1.0
<i>Total</i>	<i>34.4</i>

*Source: Ministry of Defence Departmental Report, 2007*

The Ministry of Defence has divided its budget into three ‘objectives’ (apparently different from ‘strategic priorities’) which correspond to spending on operations, capabilities and R&D. These are named: ‘Achieve success in the Military Tasks we undertake at home and abroad’; ‘Be ready to respond to tasks that might arise’; and, ‘Build for the future’. The enormous figure of £26.6 billion for ‘Being ready to respond’ includes the equipment programme.<sup>7</sup>

The MoD has not attempted to break down its capability spending by the mission to which it is devoted — troops and *materiel* can, of course, be moved around. But the gap in resulting information is not helpful. The MoD’s assessment of achievement of ‘strategic priority’ leaves something to be desired: in the 2005/06 Annual Report Iraq is described as ‘on course’ to be ‘by end 2007-08: a stable, united and law abiding state, within its present borders, cooperating with the international community, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective, representative and inclusive government all its people’.<sup>8</sup> This form of target culture is actually damaging to the credibility of the government.

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<sup>7</sup>The £3.6 billion figure for ‘achieving success’ includes the additional cost of military operations in Iraq, Afghanistan and Bosnia which is actually met from the Conflict Prevention Pool rather than the departmental budget.

<sup>8</sup>Ministry of Defence *Annual Report 2005-2006*, Annex C.

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**Department for International Development Resource Spending 2005/2006**

<b>PSA Objective</b>	<b>Net Outturn 2005/06 £million</b>
Eliminating poverty in poorer countries	4,448.8
Conflict prevention	43.9
Overseas superannuation	76.7
<i>Total</i>	<i>4569.4</i>

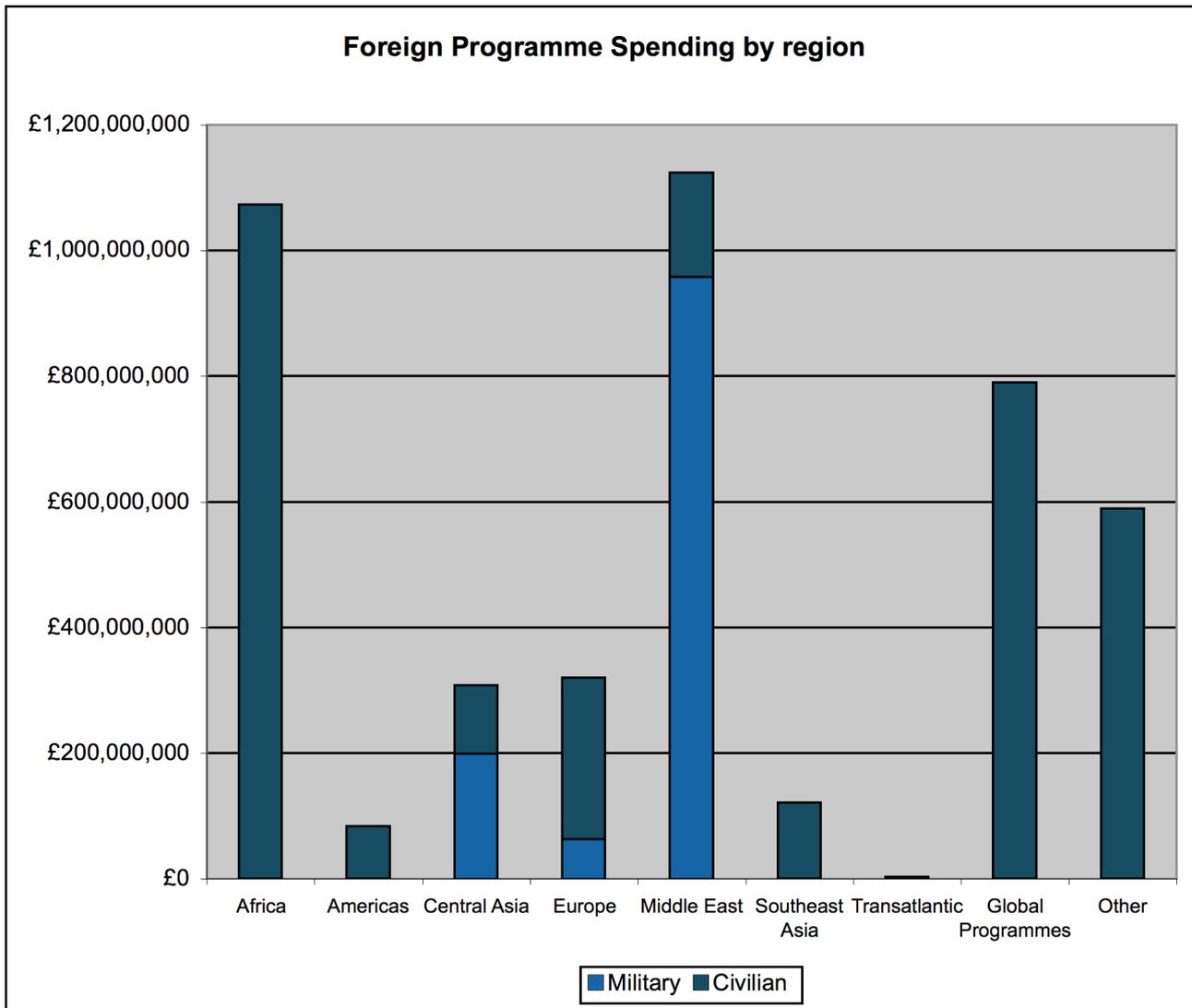
*Source: DfID Departmental Report, 2007*

DfID provides quite detailed information about its spending in different countries, which we used to compile our figures of spending by region. Virtually all DfID's money is intended to be used for 'poverty alleviation,' as befits the successor to what used to be the relevant departments of the FCO.

## 13.4.2. Programme Spending

### Spending by Region

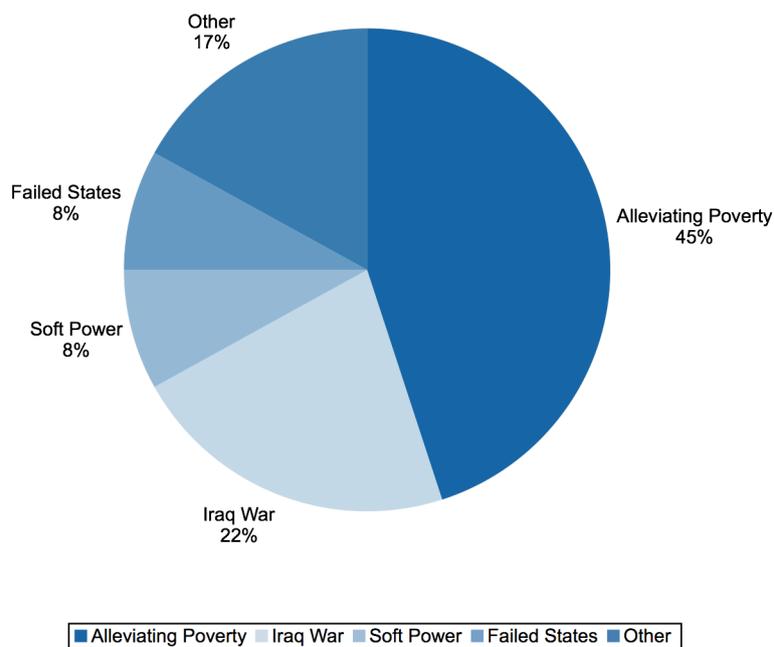
Unlike DfID, the FCO and MOD do not publish figures for spending by geographical region which makes it difficult to establish the weight and spread of spending by geography. The Group's analysis of the published spending figures of all three departments by geographic region including CPP money shows that by far the largest amount of civilian money is spent in Africa: £1.0 billion of the total of £3.4 billion excluding spending in Iraq. The figure for civilian spending in the Middle East on the other hand, which should be a target area for the UK, is lower than the figure in Europe.



### Spending By Region 2005/06<sup>9</sup> (£m)

Region	FCO		Conflict	Military	DfID	DfID	Total
	FCO	International Institutions	Prevention Pool	Operations	International Institutions	Bilateral Aid <sup>10</sup>	
Africa	18.5	149.6	35.5	-	-	869.3	1,072.8
Americas	10.3	19.1	-	-	-	54.1	83.5
Central Asia	2.3	-	0.3	199.0	-	106.0	307.6
Europe	43.4	29.0	144.2	63.0	-	40.4	320.0
Middle East	12.3	8.7	17.3	958.0	14.4	113.1	1,123.9
Southeast Asia	5.6	2.7	1.6	-	-	111.5	121.3
Transatlantic	2.6	-	-	-	-	-	2.6
Global	440.3	109.3	0.3	-	240.4	-	790.2
Other	60.0	-	-	-	0.3	528.9	589.2
<i>Total</i>	<i>595.3</i>	<i>318.3</i>	<i>199.2</i>	<i>1,220.0</i>	<i>535.8</i>	<i>1,823.3</i>	<i>4,411.1</i>

The Policy Group also analysed spending by category of activity. Again this had to be unearthed. (Categories are explained in the box on p. 56).



<sup>9</sup> Except for CPP and International Institutions funding for which an average of two years' funding was taken in order to smooth out irregularities resulting from one-off events.

<sup>10</sup> Excludes humanitarian assistance. This varies hugely from year to year as it is based on which natural calamities befall the world in any given year so does not provide a useful guide to policy.

**Spending By Category 2005/06 (£m).** Categories are explained in box on p. 56

Category	FCO		Conflict	Military	DfID	DfID	Total
	FCO	International Institutions	Prevention Pool	Operations	International Institutions	Bilateral Aid	
EU Neighbourhood	15.0	1.2	78.9	-	-	-	95.1
Education	36.3	-	-	-	-	-	36.3
Failed States	-	172.3	101.2	63.0	7.3	-	343.8
General Policy	-	58.6	-	-	-	-	58.6
Int. Institutions	69.8	37.5	-	-	57.0	-	164.3
Int. Courts	-	18.1	0.5	-	-	-	18.6
Islamism	66.9	8.7	18.6	199.0	14.4	-	307.6
Alleviating Poverty	23.3	4.7	-	-	176.3	1,823.3	2,027.5
Iraq War	-	-	-	958.0	-	-	958.0
Soft Power	335.5	0.3	-	-	-	-	335.8
Peacekeeping	-	15.0	-	-	-	-	15.0
Anti-proliferation	-	0.1	-	-	-	-	0.1
Other	48.6	1.8	-	-	-	-	50.4
<i>Total</i>	595.3	318.3	199.2	1,220.0	255.0	1,823.3	4,411.1

The following things stand out:

- in 2005-6 the UK spent some 47 per cent of all UK-controlled foreign programme spending on bilateral aid aimed at poverty alleviation, the absolute figures not being exceptional in that year;
- the next biggest item in 2005-6 was the Iraq War, on which the spending was £958 million (or 25 per cent) last year. Total military operations cost £1220 million in the same year; and
- this left £794 million for all other forms of foreign bilateral expenditure including the Conflict Prevention Pool of £199 million. And, of the £595 million remaining to the FCO after subtracting the Conflict Prevention Pool, £208 million and £181 million are ring fenced for the BBC World Service and British Council. The FCO thus had £206 million for all other programmes.

Even taking into account the fact that some forms of activity are cheaper to engage in than others, it is questionable whether, in current circumstances, the recent overseas operational spending pattern of the government reflects the right set of priorities for the UK. If the spending last year on Iraq were to be excluded, the discrepancy between the proportion of taxpayers' money spent on poverty alleviation in Africa and the small sums available for everything else in the rest of the world would be even starker. When the ring fenced monies for the BBC World Service and the British Council, borne by the FCO budget, are deducted, all other spending on diplomatic and civil society initiatives had to come out of the remaining £206 million.

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### 13.4.3 A National Security Approach to Spending

In the late 1990s, when the decision was made to establish DfID with its present central purpose of poverty alleviation, it did not appear that there was a major security threat to Britain and her allies. In those circumstances, devoting three fifths of non-military foreign spending to the alleviation of poverty worldwide represented a perfectly defensible set of priorities, enabling the UK to come much nearer than ever before to international goals for such expenditure. But circumstances have changed. It is now clear that we face a serious security threat from international Islamist terrorism of indefinite duration but financial priorities do not reflect this. The Policy Group is not arguing that DfID funding should be reduced though we do believe that it would be possible and justifiable to increase its current expenditure on 'fragile states' without distorting the department's main purpose.

Of greater concern to us is the following. As and when it proves possible to reduce operational expenditure in Iraq, it should not be assumed that it would be right to revert to the status quo ante pattern of expenditure. Recognition of the importance of effective action against the extreme and widespread ideological challenge this country and its allies face has to be more than rhetorical.

We conclude that:

- a national security approach calls for funding for programmes to be assessed across all departments engaged in national security spending. With the creation of expenditure pools, the government has recognised that some expenditure priorities cut across several departments. But their solution is an unsatisfactory half way house whereby a single department acts as formal budget holder for such cross-departmental expenditure. The Group believes that the allocations to departments should flow from the policy priorities set as the result of national security review and not function the other way round- funding found for new objectives from budget lines really directed at something else;
- in current circumstances, spending and policy priorities are out of line. As and when the military operations in Iraq and Afghanistan wind down, a portion of the monies currently being spent in there should be devoted to key targets like Pakistan within the long term approach and civilian programmes set out in this report – notably in the context of the Partnership for Open Societies;
- the Government's decision in 2006 to devote DfID funds to 'fragile states' as well as to those most in need of help is a good step forward and should be taken further. It is right to take governance considerations into account in assessing the likely effectiveness of expenditure, including in the context of poverty alleviation; and
- government accounting should be informative and easy to understand, not tied to incomprehensible targets of worthless generality which obscure what is happening to taxpayers' money.

**Categories of Spending.** We attempted to discover the broad distribution of programme spending across the three government departments by category and region. None of this can be easily derived from the published figures which are published in a way that does not make it straightforward to define categories of expenditure comparably across departments. We grouped programmes into categories based on the political motivations underlying them rather than by the Government's targets or strategic priorities.

**Strengthening ties with the EU neighbourhood.** Includes missions undertaken to stabilise states and improve contact in the 'gap' between the European Union and Russia as well as further east in the former Soviet Republics of Central Asia. These are mostly OSCE and ESDP missions.

**Educational programmes.** Chevening and Marshall scholarships, etc.

**Stabilising and Rebuilding Failed States.** The nation-building interventions that derived from the political pressure to stop massacres, ethnic cleansing and other crimes against humanity that built up following the slow reaction to the disintegration of Yugoslavia and the genocide in Rwanda. Includes programmes in Congo, Bosnia (in this section rather than in strengthening ties with the EU neighbourhood), Darfur and East Timor.

**General Policy.** Described as such in the Foreign Office accounts.

**Supporting International Institutions.** Funding that supports the functioning of international organisations and institutions that cannot be attributed to a specific function or region.

**Funding international courts.** Support for the International Criminal Court and support for war crimes tribunals.

**Iraq War.** Military operations in Iraq.

**Dealing with Islamic fundamentalism.** Missions undertaken as part of the struggle against Islamism maintained because of their effect on that struggle. Some British Council activity is also included in this figure, since it claims that improving relations between Muslims and Non-Muslims for the purpose of lessening the appeal of terrorism is one of its missions. Its impact on overall budgets however is small.

**Peacekeeping.** Conventional peacekeeping (e.g. Cyprus).

**Promoting Britain's Soft Power.** The World Service, much British Council activity and other public diplomacy.

**Alleviating Poverty.** Activity for which the alleviation of poverty is its primary motivation. Most of DfID's activity is in this category. The figures exclude humanitarian assistance because this is a response to natural disasters rather than planned expenditure so does not give an indication of where the government's policy priorities lie.

**Antiproliferation.** The figure is tiny because the main counter-proliferation initiative is the G8 Global Fund which the DTI pays for.

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# Study 1: China

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## Basic Data<sup>1</sup>

(2007)

External debt (per cent of GNI) **12.9**

GDP (current US\$ billions) **2,512**

Life expectancy at birth, total (years) **71**

Population, total **1,321,851,888**

Population growth (annual per cent) **0.6**

Literacy (per cent total population) **90.9**

Surface area (sq. km thousands) **9,598.1**

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<sup>1</sup> Country Overview, World Bank/ CIA World Factbook

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## 1. Executive Summary

In January 2007 the People's Republic of China (PRC) unveiled the first major triumph of its indigenous defence industry, the Jian-10 fighter jet developed by the Chengdu Aircraft Industry. State media reported that this model made China the fourth country in the world with the ability to develop its own aerospace defence capabilities.<sup>2</sup> Whatever the truth of that statement, the J-10's multi-role specification – allowing it to conduct both aerial combat and ground-attack missions – is an important addition to China's strike capability (particularly in Taiwan Strait contingencies).

A week later, the PRC successfully destroyed an ageing weather satellite with what is thought to have been a ground-based medium-range ballistic missile, fired from the Xichang Space Centre. The test was quickly condemned, particularly by Japan and Australia; however, Washington has recently opposed calls to end space intercept tests, and is known to be researching into such operations, which limited its ability to criticise the PRC's actions.<sup>3</sup>

China has also been flexing its credentials in the diplomatic sphere, joining with Russia – for the first time since 1972 – in vetoing a UN Security Council draft resolution calling for an end to human rights abuses in Myanmar.<sup>4</sup> The two countries' ambassadors cited that the resolution lay outside the remit of the Security Council, but foremost in the mind of the Chinese will have been negotiations with the military junta for a gas pipeline leading into southern China from Myanmar's prolific off shore natural-gas fields. China's attitude to human rights is also predicated on a desire to protect her own position and avoid international pressure being applied to her domestic circumstances.

While these three examples are not necessarily illustrative of the PRC's increasing assertiveness on the world stage, they are certainly demonstrations of its growing confidence. Twenty-five years of double-digit economic growth has leveraged her into the centre of the international system, as well as lending the Chinese Communist Party (CCP) legitimacy at home. Chinese leaders still talk of *peaceful development* and of China being at “the primary stage of socialism”<sup>5</sup>; such rhetoric will continue to be used in the years to come. In reality, China is already a major player in the international system, locked into economic interdependence with the United States and critical to the economic and political stability of the Asia Pacific region.

However, China faces some severely destabilising problems for its society: sizeable wealth inequality, corruption in all levels of government, inability to provide basic public services and environmental catastrophes. She is already physically constrained in the Pacific by the presence of the US 7<sup>th</sup> Fleet; social issues will also adversely affect the modernisation of her military. China's ruling elite maintains a defensive mindset and a paranoid obsession with internal stability, channelling resources towards stifling rather than harnessing the potential of her citizenry. She will face significant difficulties in deploying many of the tools (and weapons) of a great power state at least until the second third of this century.

China has made predictable moves towards securing energy resources and trade alliances across the Pacific, South and Central Asia, Africa, the Middle East, Europe and both Americas. In the last six years she has capitalised on Washington's ‘us and them’ counter-terrorism policy to expand influence into Western ‘no-go’ areas. By flying the flag of ‘development before democracy’ she has attracted a number of partners who are dissatisfied with the current international order, particularly with what is viewed as American unilateralism. But China has not directly challenged, nor expressed the wish directly to

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<sup>2</sup> “Chinese fighter makes first public appearance,” Xinhua Media, 05.01.2007

<sup>3</sup> “Concern over China's missile test”, BBC Online, 19.01.2007

<sup>4</sup> “Double veto for Burma resolution”, BBC Online, 12.01.2007

<sup>5</sup> “Our Historical Tasks at the Primary Stage of Socialism and Several Issues Concerning China's Foreign Policy”, speech by Wen Jiabao, 2003.

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challenge, the US, instead relying on American power to police her communication routes and provide security in her region.

China's sense of herself – her cultural cohesion – is growing. The Chinese feel that they are entering a historical moment of renewal. The pain of the 19<sup>th</sup> century, when ferocious external pressure led to the dismemberment of China by colonial powers, particularly in the wake of the humiliation of military defeat during the Opium Wars, remains a sensitive space within the national consciousness. Growing economic weight has refuelled Chinese confidence. This may not lead to a dramatic change in China's systems of government, however. In accordance with their vision of the universe (in which truth and power have one source)<sup>6</sup>, authority has always been exercised from the centre. A state-directed communist ideology is merely the most recent incarnation of strong, centralised government.

This paper looks at China's economy, science and technology, politics and civil society, security and the military, foreign policy and external relations. In these contexts it addresses a number of key questions to be asked about China's present and future standing in relation to world order. These might be summarised by the following:

- Will the CCP be able to maintain political and social stability and remain in control?
- How will China develop economically? What impact will this have on its domestic quality of life and defence capabilities?
- What effect will China's increased confidence have on the regional/ global balance?
- What part will China play in the challenge to US unilateralism?
- What role can the UK play?

China's predicted rise will have an immeasurable impact on the world and therefore on UK interests. The world needs China's constructive engagement on all of the main issues: climate change, energy, Asia Pacific security, Third World development and global health. Although bilateral relations between the UK and China are good and the Hong Kong settlement has largely worked, this country cannot hope to change the direction of Chinese policy on its own. The key to Beijing lies in Washington, the only capital that China regards as an equal. The UK's best chances of riding the dragon therefore would be to:

- revitalise political contact in the United States beyond the White House, and re-energizing cultural exchange between our two countries. A particular focus should be on regular bilateral dialogue on the management of China's rise;
- simultaneously play a larger role in the formation of key European strategies. In particular, an incoming Conservative government should aim to ensure that the UK leads Asia policy in Europe, particularly given the UK's traditional expertise in this area; and
- promote British expertise in financial and other service industries, higher education and English language teaching – assisting Chinese development to the UK's benefit. Chinese post-doctoral students have an unsentimental respect for the UK in certain areas, particularly in the life sciences (cell biology and genetics) and commercial law: this should be capitalised on.

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<sup>6</sup> Dr. Shiping Hua, Associate Professor of Political Science, Director, Center for Asian Democracy, the University of Louisville, evidence to the U.S.-China Economic and Security Review Commission, 02.02.2007

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## 2. China: Internal

### 2.1. Economy

China's economy has grown an average of 9.9 per cent every year since Deng Xiaoping introduced the market-oriented Open Door reforms in 1978. These have quadrupled China's GDP (now \$2.512 trillion) and significantly improved living standards, raising purchasing power parity GDP per capita to its current level of \$7,600.<sup>7</sup> Growth has been fuelled in part by substantial injections of foreign direct investment (FDI) into manufacturing industries and China's export platform. In the first 11 months of 2005, 58 per cent of China's exports were produced by foreign companies, with steady FDI flows of around \$50-\$60bn a year, a cumulative FDI total of \$623.8bn.<sup>8</sup> Consequently, exports have leapt from \$22bn in the early 1980s to \$249bn in 2000 and \$974bn in 2006, representing almost 40 per cent of China's GDP. By 2010 China is set to become the world's largest exporter.<sup>9</sup> Total trade in 2005 surpassed \$1.4 trillion, making it the third largest trading nation after the US and Germany. China is at the centre of all the major new trade corridors that are emerging from advanced globalisation. Mutual economic interdependence with the United States has led to much-publicised spats over intellectual property rights and other trading issues, but the benefits of China's economic strength – from development monies poured into Africa to the salvation of Japan's steel industry – currently outweigh the harm.

This rate of growth is no luxury. Fifteen million jobs a year need to be produced for the continual flow of new entrants into the labour market. Social stability is becoming increasingly difficult to maintain in the light of glaring inequalities between the booming urban hubs in the east and the rural interior. The current shortage of skilled labour in the cities will exacerbate the wage gap; internal migrants have none of the necessary skills and will drive up incomes of those who do possess them.<sup>10</sup> Due to the One Child policy, China has a large and poor ageing population that will require substantial state assistance over the next twenty years. Vast structural problems exist in the health, education, welfare, agricultural and banking sectors. And the price of environmental devastation (costing China approximately 7-10 per cent of GDP each year) will need to be factored into economic growth.

Few economists doubt that China will realise its potential to become the world's largest economy (predicted to overtake the US in 2041).<sup>11</sup> But there is awareness both inside and outside China that the seriously imbalanced economy must be urgently transformed. In 2004, State Development minister Ma Kai admitted: "If our growth model is not changed our growth cannot be sustained."<sup>12</sup> The 11<sup>th</sup> Five Year Plan (2005-10) has attempted to shift the emphasis towards developing a more consumer demand-driven economy (domestic demand is growing at approximately 9 per cent a year)<sup>13</sup>, but implementation of reforms are often made redundant by the staggering effect of corruption on the Chinese economy (and government apparatus).

The leadership has targeted corruption in a major drive to reduce the cost to China's economy, estimated to average an annual loss of 14.5 – 14.9 per cent of GDP.<sup>14</sup> In 2005, 115,000 CCP members were punished for bribery and other related offences. But corruption remains most corrosive outside the centre, among local officials and in the legal and banking sectors. It is made particularly problematic because

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<sup>7</sup> China, CIA World Factbook, 2006

<sup>8</sup> "China: Country Notes", US State Department (<http://www.state.gov/r/pa/ei/bgn/18902.htm>)

<sup>9</sup> *Select Committee Report: East Asia*, 2006

<sup>10</sup> "Domestic threats to China's rise", Adam Wolfe (Power & Interest News Report; 2005)

<sup>11</sup> As predicted by Goldman Sachs in their first BRICs report. "Dreaming with the BRICs: the path to 2050", (Global Economics Paper, No. 99; 2003)

<sup>12</sup> *The Beijing Consensus*, Joshua Cooper Ramo (Foreign Policy Centre; 2004)

<sup>13</sup> "A Survey of China and its Region", special report in the *Economist* (March 2007)

<sup>14</sup> Hu Angang, cited by Will Hutton in *The Writing on the Wall* (London; 2006)

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China has no tradition of the ‘rule of law’. The CCP is averse to establishing the kind of liberal democratic institutions normally associated with it, although President Hu has recently indicated his desire to situate economic development (and Party modernisation) within a rule of law context. Progress has been made particularly in commercial and property law, helped by the good influence that has trickled through to the mainland by the established practices of Hong Kong and British institutions. Despite this, the legal system remains heavily over-stretched. Although China’s courts hear approximately six million cases every year, Chinese government agencies – and the courts themselves – are inundated with about twelve million petitions from citizens requesting administrative assistance for resolving grievances, 30 per cent of which involve complaints about the legal system itself.<sup>15</sup>

## 2.2. Science and Technology

China has made enormous progress in science and technology (S&T), and is placing continued emphasis on this sector as key to the evolution of a modernised knowledge economy. Lord Powell of Bayswater, President of the China Britain Business Council has said that the notion of China as a “sweat shop economy” is “dated”: “Instead, [China] is a growing challenge to the previously comfortable technological lead of the Western countries”.<sup>16</sup> Successive prime ministers have made the development of independent, home-grown innovation a strategic priority for the state. It is a cornerstone of former President Jiang Zemin’s ‘Three Represents’, the core of Chinese policy making, as outlined in his farewell speech to the 16<sup>th</sup> National People’s Congress (NPC) in 2002: “[innovation] ... is an inexhaustible motive force for the prosperity of a country and the source of eternal vitality of a political party”.<sup>17</sup> China is moving, as it were, from analogue to digital as part of an evolution towards total national modernisation.

China has always prided herself on her historical strength in innovation and discovery, despite the fact that a different strategy emerged in the 19<sup>th</sup> century, when technology imports from more developed Western and Japanese sources were seen as the path to national survival. After the revolution in 1949, China procured sensitive technology via Moscow when bilateral relations with the Soviet Union were still strong. Since then China has also pursued a strategy which includes: a) technology transfer as part of trade packages; b) FDI and foreign partnerships with domestic companies, facilitating the technological upgrading of the Chinese firm; c) encouraging scientists and students to study abroad, particularly in America, to gain access to new technologies; and more explicitly d) industrial espionage. This model is sometimes referred to as “techno-nationalism”.

The CCP’s emphasis on ‘indigenous innovation’ seems to be paying off. Per capita, China is now (behind the US) the second largest investor in R&D in the world.<sup>18</sup> Moreover, the Chinese Government is nurturing a spirit of entrepreneurship that is leading to increasing amount of expenditure from privately-owned companies. In 2004 60 per cent of R&D funding originated from enterprises encouraged by a dual strategy of reducing financial aid and increasing tax relief.<sup>19</sup> Western laboratories have also been beneficiaries of intelligent and highly skilled Chinese scientists.

China has also focused on S&T education, in 2004 producing the highest number of IT graduates in the world: 350,000, above both India (300,000) and the US (50,000). However, these statistics are not indicators of quality; and students from flourishing democracies will have a better appreciation of the

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<sup>15</sup> “The Rule of Law in China: Incremental Progress”, Jamie P. Horsley (The China Balance Sheet: CSIS/ Peterson Institute; 2006)

<sup>16</sup> *China’s Secret Weapon: Science Policy and Global Power*, Christopher J Forster (preface by Lord Powell), (Foreign Policy Centre; 2005)

<sup>17</sup> Jiang Zemin. The ‘Three Represents’ are the fostering of: 1. The most advanced productive forces; 2. The most advanced culture; 3. The interests of the majority of the Chinese people.

<sup>18</sup> Statistics from the American Association of the Advancement of Science (AAAS)

<sup>19</sup> *China’s Secret Weapon*, Christopher J Forster

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value of ideas. China has not yet been awarded a Nobel Prize for home grown research. As one People's Liberation Army (PLA) general put it: "If we do not encourage people to think freely and bring on new opinions, our society will in fact stall completely, though it might seem to be calm and tranquil".<sup>20</sup> As a country with a long tradition of free speech and inquiry (embodied by the ideals of the Royal Society), the UK is in a position of natural advantage to exploit China's knowledge deficit and encourage Chinese students to study in Britain. Exposing intelligent and curious students to a wider set of values may eventually have a drip down effect on the wider Chinese society. Britain must focus, however, on the quality of the education that is offered rather than merely playing the numbers game. The global education market is ferociously competitive and potential students will be lost to Australia or the United States unless the highest standards are maintained.

China's own political leaders come largely from technical backgrounds, and with a shared passion for science. It is seen as a silver bullet for many of China's problems. It has the potential both to transform domestic quality of life and to serve as a foundation for Comprehensive National Power (CNP), the index by which China measures itself against international standards. Although the US remains the dominant leader in S&T, in recent years there has been a distinct bias to its funding: President Bush's 2006 budget announced an increase of \$2.2bn for federal R&D spending, but 97 per cent of this increase is channelled into defence and human space exploration.<sup>21</sup>

R&D expenditure alone cannot transform China's economy. As a World Bank study has noted, "innovation is more rapid when domestic capacity for knowledge absorption is high" and when R&D spending is translated into patents.<sup>22</sup> Although China's patent market is expanding, its political leadership will need to allow for a system of free thought, remove bureaucratic influence and corruption, and strengthen the rule of law. These are issues of governance, not economics – and reforms to China's political system will be much harder to achieve.

### 2.3. Government

Deng's opening up of China's economy has not been matched by a similar process of political reform. The mid- to late-1980s was the last time a loosening of socio-political structures was attempted. The failure to manage this led to the catastrophe of Tiananmen Square in 1989. The incident eviscerated the reformist agenda and crucially led to the temporary reestablishment of a conservative powerbase within the CCP. The re-appearance of Deng in 1992 enabled economic progress to continue on pre-Tiananmen terms. Chairman Mao's slogan of "war and revolution" was replaced with "peaceful development": a policy of autarky substituted by an acknowledgement that value can be extracted from the outside world. Today there are occasional indications that the Party leadership understands the need to distribute its power more evenly. In recent months, an extraordinary amount of debate on political reform has been permitted in academic journals. At the same time, Hu has also hinted at expanding "political participation" beyond the current limitations.<sup>23</sup> But this should not be taken to suggest a move towards accepting anything approaching a Western system of democracy. Hu is no liberal. Although he seems willing to resist the hardliners, he remains an authoritarian. As one China analyst stated: "Above all they want to keep the Party relevant – and by relevant, I mean so that it retains power". Nevertheless, in order to do this, the party will have to pursue some programme of modernisation, which may allow for a looser system of rule.

The legitimacy for that power is sustained above all by the CCP's economic performance and its ability to raise incomes. On this basis Party officials feel supremely confident. One member of China's political

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<sup>20</sup> Interview with Lieutenant General Liu, (*Military Science in the Air Force*; 2004)

<sup>21</sup> *China's Secret Weapon*, Christopher J Forster

<sup>22</sup> "An East Asian Renaissance: Ideas for Economic Growth", Dr Homi Kharas and Dr Indermit Gill (World Bank; 2006)

<sup>23</sup> "Democracy? Hu needs it", *Economist*, June 28<sup>th</sup> 2007

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leadership was quoted as saying: “We are often chastised about human rights or democracy. But [...] if we pull 1.3 billion people up out of poverty, that will be one of the greatest accomplishments in the history of mankind”.<sup>24</sup> This sentiment is echoed throughout official Party documents, speeches and propaganda. Additionally, the Party is selling itself both domestically and abroad as indispensable for maintaining China’s economic momentum, and has profited from regional and global fears of what an unstable and nuclear-armed China would look like.

The major change in the CCP over the last twenty years has been the exchange of ideology for pragmatism. Deng’s influence helped to introduce a technocratic element into the Party’s ranks, strengthened in 2001 when Jiang acknowledged capitalists as part of Chinese society and permitted entrepreneurs to become members. Under Mao, 83 per cent of CCP members came from the peasantry and workers; in 1994, this figure had diminished to 48 per cent. According to Professor Yongnian Zheng, Head of Research of the China Policy Institute at the University of Nottingham, the CCP, in aiming to boost effective governance, “has begun to loosen its grip on state appointments to give professionals more autonomy in the day-to-day running of the country”.<sup>25</sup>

This is evident in China’s tentative experiment with local elections in rural areas. Village elections have been held in over 90 per cent of China’s one million villages, with limited and varied success. In certain situations, corrupt or incompetent officials have been successfully ousted through the ballot box. But although this system was once credited with being a possible first step towards opening up the state, there is widespread interference in the electoral process and CCP members tend to retain power whatever the electoral result.

As a new generation of leaders emerges – potentially educated outside China - the Party is likely to engage with very gradual, incremental reforms. It is unclear whether these will be the release of safety-valve mechanisms (a standard CCP device since Mao) or represent a genuine move to more open governance. In 1987, Deng was quoted as predicting national elections by 2037. In 2007, it seems unlikely that the CCP’s hold on power will be successfully challenged in the next twenty years, though it will have to adapt.

## 2.4. Civil Society and Unrest

According to a UN report on China’s human development, the PRC has one of the most unequal societies in the world, “with a wealth gap that is potentially destabilising”.<sup>26</sup> While urban incomes have tripled in the last decade, rural incomes have risen by two thirds of that rate. During Mao’s reign, 80 per cent of the Chinese were tethered to the land. Nowadays, approximately half of China’s labour force is still bound to agriculture and yet agriculture only accounts for 13 per cent of China’s GDP.<sup>27</sup>

The result has been a continuing mass migration from the countryside to urban centres, with 1 per cent of China’s population making the move every year. It has been estimated that there are 150-200 million of these so-called ‘internal migrants’, a figure due to rise to 300 million by 2015.<sup>28</sup>

Local economic circumstances have led to much-publicised unrest in the interior. Unofficial figures from 2005 number these “mass incidents” at around 87,000 (official statistics estimate 26,000).<sup>29</sup> In March 2007, a stand off in Hunan province between more than 20,000 protestors and 1,500 police and paramilitaries ended in hundreds injured and a student allegedly beaten to death. The demonstration was

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<sup>24</sup> *The Beijing Consensus*, Ramo

<sup>25</sup> *Select Committee Report: East Asia*, 2006

<sup>26</sup> [http://www.undp.org.cn/downloads/nhdr2005/NHDR2005\\_complete.pdf](http://www.undp.org.cn/downloads/nhdr2005/NHDR2005_complete.pdf)

<sup>27</sup> EIU 2007

<sup>28</sup> <http://web.amnesty.org/library/index/engasa170082007>

<sup>29</sup> As reported to the Policy Group in the “Rise of Asia” seminar 2006

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said to have been sparked by a sudden doubling of bus fares – the disproportionate response from villagers indicate that underlying issues (such as illegal land seizures, police brutality and local corruption) were more to blame.<sup>30</sup>

This is unlikely to translate into anything more threatening for the CCP. Central government is rarely the target of rural anger (although historically local grievances have mutated into a threat to the centre, for instance during the Taiping Rebellion from 1851-64), which is more commonly directed at local officials' ineptitude or 'bread and butter' issues. Moreover, the current Five Year Plan is in part designed to address the challenge of creating a "harmonious society" and a "socialist countryside". This March, the Ministry of Finance announced major increases in spending on healthcare by 90 per cent and education by 40 per cent, while also unveiling a \$50.6bn fund for stimulating rural development.<sup>31</sup> Boosting the interior is clearly intended to rebalance the economy and repair the social damage of wealth inequality.

The Chinese Academy of Social Sciences estimates the middle class comprises only 15 per cent of the population, predictably clustered in the urban areas where the CCP have tighter control.<sup>32</sup> Rising per capita GDP may help foster a desire for change, but equally the new rich may look to the Party to protect their assets from the peasant majority. Over the past year there have been increased incidences of middle class-directed protests, catalysed by mobile phones and internet chat rooms. Party officials in Beijing are keeping a wary eye on such demonstrations. But these minor moments of civil disobedience (predominantly peaceful) are driven more by a desire to protect their quality of life rather than expressing ideological opposition. So prospects for a middle class-directed revolution are slight.

Perhaps the most fundamental question (for us) facing Chinese society is how China will fill the "moral vacuum" that lies at the heart of its own domestic life. Maoism has given way to a particularly voracious form of market capitalism (disguised as 'market socialism' by the CCP) without a coherent philosophical foundation. Use of communist rhetoric by Party officials well versed in self-enrichment is not sufficient to fill the gap. The Dalai Lama has sagely commented that "[President] Hu's constant emphasis on a 'harmonious society' suggests that something is missing". This assertion is seemingly supported by an increasing number of Chinese who are seeking some form of religion, not just Buddhism and the three monotheistic faiths, but also more traditional superstitions and rituals. In this reversion to 'ancient China', people appear to be finding an antidote to their society's relentless materialism. To an extent, the Party is tolerating this revival. There are plans in Beijing to loosen the requirement for Party members to be atheists. But the CCP does not license expression of religion when it is seen to be politically deviant, as with the Falun Gong movement, Islam from Xinjiang province or Tibetan Buddhism. China's ability to maintain its rising trajectory rests firmly on whether its political system manages its own transition coercively or democratically.

## 2.5. Human Rights

China's human rights record has always been bad – it is not necessarily a function of Communism. But under the administration of President Hu Jintao there are indications that abuses have again got worse, particularly in the autonomous regions such as Tibet. This has been attributed to a "more authoritarian, more communist-style ethos".<sup>33</sup> The US State Department's human rights report notes: "There [is] a trend towards increased harassment, detention, and imprisonment by government and security authorities of those perceived opposed to government authority" as well as tighter controls on print, broadcast and

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<sup>30</sup> "China: Overview", Economist Intelligence Unit (EIU, 2007)

<sup>31</sup> Ibid.

<sup>32</sup> *Select Committee Report: East Asia*, 2006

<sup>33</sup> Ibid.

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electronic media.<sup>34</sup> Despite a pledge to shelve the Re-education Through Labour (RTL) programme, a Soviet-style punishment often involving protracted detention without trial, reforms have not materialised.

Restriction of free speech runs contrary to China's national interest in creating a vibrant knowledge economy. Freedom is growing in areas such as sports, entertainment and business journalism, and investigative journalism is permitted in reporting minor corruption scandals and abuses of power.<sup>35</sup> News content remains a sensitive issue. Plans to loosen restrictions on foreign journalists in advance of the Olympics seem now to have been rescinded. This is a counter-intuitive move for some China observers, who have seen the Olympics as an ideal moment for the CCP to ease its control on civil society; others, however, are not surprised that the CCP has chosen to impose limitations before the glare of the world's media illuminates the more unsavoury aspects of Chinese society.

China's censorship of the Internet appears to have become more technologically capable (compounded by the collusion of Western technology firms such as Yahoo! and Google to self-censor their websites). According to US sources, Zimbabwe uses the same technology to block online content, suggesting that China is also exporting its censorship capabilities to other states.<sup>36</sup> At the same time the number of Internet users in China has risen by 30 per cent to 132 million.<sup>37</sup> Use of mobile phones has also seen a dramatic surge: there are currently 437 million mobiles in operation. These figures suggest that the authorities will face an uphill struggle in containing the opinions of their citizens. Either the sheer numbers of consumers demanding access to personal technologies will become overwhelming or the attempts to limit access will become too expensive.

## 2.6. Energy

A constant supply of energy is central to maintain China's long term programme of growth. According to the Foreign Office's special representative on climate change, John Ashton, China is opening two new power stations a week to meet rising demand.<sup>38</sup> (The concomitant effects of this are discussed in chapter VII, page 10). In 2003, China overtook Japan as the world's second largest consumer of oil, burning 6.6m barrels per day (b/d). Beijing estimates that by 2010, oil will account for about 52 per cent of its energy needs. Gas consumption has also risen fast, and will amount to 25 million cubic metres by the end of the decade.<sup>39</sup> In the last ten years, the Chinese have succumbed to the seduction of the automobile; with an estimated 100 million on the road by 2015 energy supply will need to increase exponentially.

Domestic production of oil has stalled, with oppressive regulations that limit the ability of foreign firms to invest leading to a stagnant industry. Overseas companies are forced into a 50-50 partnership with inefficient local enterprise and are only permitted access to supply a maximum of 50 filling stations. Sinopec has access to 30,000.<sup>40</sup>

Consequently, Chinese energy firms have pursued an unapologetically rapacious energy policy abroad. According to the International Energy Agency (IEA), China imports 32 per cent of its oil (currently 3 million b/d: a figure likely to double by 2010). Roughly 55 per cent of these imports originate in the Middle East.<sup>41</sup> The regional uncertainty created by the Iraq war has deeply unsettled Beijing, and necessitated a more global approach to the acquisition of energy assets. Chinese energy enterprises have

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<sup>34</sup> <http://www.state.gov/g/drl/rls/shrd/2006/80587.htm>

<sup>35</sup> Great Britain China Centre and China Media Centre

<sup>36</sup> "Web censorship spreading globally", *Financial Times*, 14.04.2007

<sup>37</sup> CIA World Factbook

<sup>38</sup> "China building more power plants", BBC Online, 19.06.2007

<sup>39</sup> Data from IEA

<sup>40</sup> "Meeting China's energy needs through liberalisation", (*McKinsey Quarterly*; 2006)

<sup>41</sup> Until five years ago, oil purchases from just three countries (Saudi Arabia, Iran and Oman) accounted for 43.3 per cent of the PRC's total oil imports.

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gone on to invest over \$15bn in exploratory rights and equity stakes in over 44 countries.<sup>42</sup> Anxious to avoid a dependence on Middle East oil, China has sought to diversify its overseas energy sources.

Imports from Africa are rising, reaching 30 per cent of the PRC's external oil dependence in 2006. The primary African supplier is Angola, but there are also energy deals in place in Sudan, Nigeria and Equatorial Guinea. The latter is of special interest to Chinese firms (and others) for its low-sulphur sweet crude. However, China will face stiff competition in the region due to the long-term presence of the US and the EU. While African oil imports to the PRC numbered 771,000 b/d in 2005, the US imports more from the continent than it does from the Middle East – around 2.5m b/d.<sup>43</sup>

Since many of the countries with which China has developed oil relationships are also beneficiaries of Chinese weapons, questions remain as to whether the PRC uses arms sales to leverage access to energy supplies (such as Sudan and Myanmar). But Chinese firms with overseas energy assets are not necessarily working from a CCP agenda. They may be responding more to turbulence in the Gulf than representing state strategy.<sup>44</sup> State-run Chinese firms may show more flexibility by ignoring the politics of individual nation states, but they also generally pay 10 per cent more than their multinational energy competitors.<sup>45</sup>

## 2.7. Environment

Environmental damage threatens China's economic growth, national health, global image and the survival of the rest of the world. According to one recent study China is the world's biggest carbon dioxide emitter, releasing 6,200 million tonnes in 2006 (the US produced 5,800 million).<sup>46</sup> The two most severe problems – air pollution and lack of/ contamination of water – appear to be the least soluble. Reforms remain difficult to implement due to lack of a fluent government process. The State Environmental Protection Administration (SEPA) was upgraded to a ministry-level agency in 1998, but calls to upgrade it further to cabinet-level, due to the perceived urgency of the situation, have so far gone unheeded.

**Air pollution.** According to the World Bank, of the 30 most air-polluted cities in the world, 20 are in China. About 70 per cent of China's energy consumption is generated from the 2.2 billion tonnes of coal produced in China every year.<sup>47</sup> Due to a number of nationwide power shortages in the winter of 2004-05, a large number of coal-fired power plants are planned, including unauthorised plants unlikely to meet internal environmental guidelines.<sup>48</sup>

**Water.** China only has access to 6.5 per cent of the world's renewable fresh-water resources yet has to support around a fifth of the world's population. Due to chemical contamination – often caused by industry, as in the Songhua River toxic spill in 2005 – SEPA has warned that the vast majority of China's rivers, lakes and reservoirs are unfit for human consumption. The management of water is likely to become a potential conflict flashpoint in the region, particularly as global warming speeds the rate of melting glaciers in the Himalayas. Waste water is often left untreated, and the rapid pace of urban development has left many of China's cities with no sewage treatment plants.<sup>49</sup>

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<sup>42</sup> Dr John Calabrese, testimony to the US-China Economic and Security Review Commission, 05.03.2007

<sup>43</sup> "China adjusts its approach in Africa", Adam Wolfe, (PINR; 2007)

<sup>44</sup> Dr. John Calabrese, 2007

<sup>45</sup> *The McKinsey Quarterly*, 2006

<sup>46</sup> Netherlands Environmental Assessment Agency

<sup>47</sup> "A Survey of China and its Region", special report in the *Economist* 2007

<sup>48</sup> EIU 2007

<sup>49</sup> EIU 2007

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The Three Gorges Dam, a major project designed both to control the water flow of the Yangtze River and open up access to a new trade hub in Chongqing, is either a brilliant feat of engineering or a potential environmental and human catastrophe. Although the proponents of the project have indicated that it can produce more than 18,000 MW of electricity (making it the largest hydroelectric scheme in the world),<sup>50</sup> critics have pointed out that the dam has been constructed near an earthquake fault line, and that some of China's most productive farmland will be lost, along with 13 cities, 140 towns, and 4,000 villages. Over one million people have been displaced by the project.<sup>51</sup>

Environmental issues could also threaten China's international standing, as damage to the ecosystem spills over into neighbouring territory. Acid rain spreading over the Korean peninsula to Japan has been blamed on Chinese smog and the atmosphere around Hong Kong has become noxious.

But the environment is swiftly moving into the sights of Chinese economic strategists, who will not wait for a US lead. The CCP has pledged \$61bn for water-related projects, aims to reduce pollutant emissions by 10 per cent, will cut energy consumption per capita by 20 per cent and has promised to increase its reliance on renewable energy sources. At the same time Beijing is ramping up its civil nuclear programme, and has laid the ground for 30 new reactors to be built by 2020.<sup>52</sup> China's S&T sector has a unique contribution to make to a global green strategy. The PRC is acknowledged to be a world leader in hydropower; in 2003 it held 75 per cent of the world market for solar power.

The environment, along with the ancillary subject of species survival, is also one area of Chinese life where there is free debate. Lobby groups and NGOs – known in China as Government Organised Non-Governmental Organisations, or GONGOs – have had success in influencing Beijing's decision-making process. In 2004 when, after GONGO and international pressure, Prime Minister Wen backtracked from the construction of a dam in Yunnan, an area declared a World Heritage Site by UNESCO the previous year.

## 2.8. Defence

In March 2007, China announced a 17.8 per cent hike in military spending to just under \$45bn, the biggest rise since 2002 (19.4 per cent). From 1990-2005, expenditure on defence has increased by an average of 15 per cent per year.<sup>53</sup> Because the PRC's defence budget does not include figures for overseas procurement (calculated by the US Defence Intelligence Agency to be \$3.4bn over the last two years<sup>54</sup>) or the People's Armed Police (a reserve force of 600,000), it is generally thought to be a fraction of overall military spending. Chinese spending on defence, a charged topic, must be seen within a shifting regional and global context. The United States is not the only nation transforming its military resources – China has also been monitoring the gradual shift in Japan's posture (including Prime Minister Shinzo Abe's recent upgrading of the Self-Defence Agency to Defence Ministry). But even given the concurrent annual expenditure increases, the Chinese military machine is still substantially behind the US. With the need for large-scale social spending in the next decades to meet the demands of its ageing populace, China may find it difficult to modernise as fully or rapidly as it wishes.

China has always maintained that it “pursues a road of peaceful development, and endeavours to build, together with other countries, a harmonious world of enduring peace and common prosperity”.<sup>55</sup> The most recent Defence White Paper re-emphasises this; but it also sets out a new timeline for the PLA: a) to lay a “solid foundation” by 2010; b) to make “major progress” by 2020; and c) to reach the strategic goal

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<sup>50</sup> International Hydropower Association, UK

<sup>51</sup> *China: Friend or Foe*, Hugo De Burgh (London, 2006)

<sup>52</sup> Statistics from the 11<sup>th</sup> Five Year Plan, <http://www.china.org.cn/english/features/guideline/156529.htm>

<sup>53</sup> “Beijing accelerates its defence spending”, *New York Times*, 05.03.2007

<sup>54</sup> <http://www.dia.mil/publicaffairs/Testimonies/statement24.html>

<sup>55</sup> <http://english.people.com.cn/whitepaper/defense2006/defense2006.html>

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“of building informationised armed forces and being capable of winning informationised wars by the mid-21<sup>st</sup> century”.

This last target highlights the PRC’s understanding of the importance of developing China’s S&T industry and transferring technologies across the civilian/ military divide. After a surge to \$2bn in 2006, China’s arms sales dropped to \$500m last year. In contrast to Russia, however, China is not a supplier of sophisticated weaponry. As defence specialist Paul Beaver has said: “[China] is the country of choice when you want to buy cheap and simple weapons – like Kalashnikovs, rocket-propelled grenades, and artillery shells”.<sup>56</sup>

Much of China’s military build up is focused on Taiwan Strait contingencies, including deterring American intervention. By late 2005, China had deployed approximately 800 short-range ballistic missiles (SRBMs) to garrisons opposite the Strait, and has more than 700 fighter aircraft based within operational range.<sup>57</sup> But China has also made advances in its navy modernisation programme, suggesting an increased focus on regional power projection and protection of its vital sea lines of communication. The programme has involved:

- upgrading its surface fleet, bringing in two Russian SOVREMNY-class destroyers;
- upgrading its subsurface fleet’s existing diesel-powered submarines;
- launching the YUAN-class diesel-powered submarine (2004);
- taking delivery of eight SS-N-27B-capable KILO-class submarines from Russia;
- developing the SHANG-class next generation nuclear submarine, ready to enter the service in 2008-2010, equipped with an indigenously produced 8000km range nuclear ballistic missile; and<sup>58</sup>
- the US Defence Intelligence Agency (DIA) has also suggested that China is the process of organising a combat air wing for a proposed aircraft carrier, likely to be developed on a Russian model.<sup>59</sup>

The PRC watched the Soviet Union military machine spending itself into implosion in the 1980s and acknowledges that it is unable to engage in a tit-for-tat arms race with the US. Certain China analysts maintain that Sun Zi’s dictum that “every battle is won or lost before it is ever fought” remains at the heart of Chinese military strategy.<sup>60</sup> This does not necessarily indicate a focus on diplomacy – rather on the science of stealth. In the PLA this is known as the “assassin’s mace”: the ability to channel China’s strengths and exploit vulnerabilities in the enemy. And again, the strategy is consistent. As one PLA general has said: “What was behind previous wars? Comprehensive national strength. What about modern wars? Science and technology”.<sup>61</sup> To this end, the PLA has directed funds towards constructing a strong Computer Network Operations (CNO) programme, including a refining of cyber attacks.

China continues to add to and upgrade its existing nuclear deterrent force, but officially reiterates its policy of “no first use”. Notwithstanding Taiwan, the PRC is very unlikely to change this posture, and will work alongside the US for a de-nuclearised Korean peninsula.

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<sup>56</sup> Paul Beaver, quoted on a BBC broadcast

<sup>57</sup> [http://www.defenselink.mil/pubs/pdfs/China per cent20Report per cent202006.pdf](http://www.defenselink.mil/pubs/pdfs/China%20per%20Report%20per%202006.pdf)

<sup>58</sup> “The enemy below: anti-submarine warfare in the ADF”, Andrew Davies (Australian Strategic Policy Institute, 2007)

<sup>59</sup> [http://www.defenselink.mil/pubs/pdfs/China per cent20Report per cent202006.pdf](http://www.defenselink.mil/pubs/pdfs/China%20per%20Report%20per%202006.pdf)

<sup>60</sup> *The Beijing Consensus*, Ramo

<sup>61</sup> Interview with Lieutenant General Liu

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## 3. China: External

### 3.1. Asia Pacific

After financial meltdown in 1997-98, Asia is now booming economically, as a response to the competitiveness generated by China's economic success. China's accession to the WTO has boosted the entire region. In 2005, the ten ASEAN states saw a record \$37bn of investment, as foreign investors prefer to hedge their bets around Asia, wary of risking all in China.<sup>62</sup> With a continuing strong US military presence, China has not yet succeeded in its (unstated) aim of becoming the dominant regional power. Nor does it need to be. The US has been busy forging a strategic security triangle between itself, Japan and Australia, as well as wooing India, but China is currently content to let the US police its natural resource access routes, while establishing regional alliances through deployment of a charm offensive or 'soft power' strategy.

Beijing's influence is growing. As part of its 'Good Neighbourliness' policy it is at the centre of over 40 regional economic and security forums. It particularly dominates the Association of South-East Asian Nations (ASEAN), impressing them by becoming the first non-member to sign up to their Treaty of Amity and Co-operation, which rules out the use of force amongst members for any reason. The PRC has also successfully proposed an ASEAN-China free trade area (FTA), to be implemented incrementally by 2015.<sup>63</sup> It is less cooperative with organisations it does not feel central to. It favours the unilateral prospects of the ASEAN Plus One (ASEAN-China) dialogue rather than risking diluting its influence in the ASEAN Plus Three (ASEAN-China-Japan-Republic of Korea) forum, which it has (broadly speaking) kicked into touch and refuses to view as a regional security architecture.<sup>64</sup>

While Washington enforces sanctions (enforced on more countries throughout South-East Asia than any other region<sup>65</sup>) and tightens restrictions on incoming visas, Beijing has opened up its coffers and its borders. By 2008, 120,000 foreign students, many of them Asian, will have matriculated in China's universities compared with just 8,000 in the early 1980s.<sup>66</sup> While Congress obsesses over the state of China's exports, the PRC is encouraging the view that it is a hub of opportunity. One Chinese diplomat has been quoted as saying: "Imports: that's real diplomacy, because it means you're attractive to others. It means other countries need you, not that you need them".<sup>67</sup>

The Sino-American tug-of-war plays out subtly throughout the entire region. Aside from Japan and Australia (both of which have highly developed economic ties with China), other countries side with China economically, but rely on US power to contain Chinese expansion. There is all to play for. Indonesia, for example, has maintained excellent relations with the Bush administration, leading to the abolition of all remaining post-Timor restrictions on US military assistance in November 2005. However, the presence in both US Houses of a Democrat majority, who will potentially seek to confront Indonesia with its human rights abuses, may create a nationalist backlash that will force President Yudhoyono to move closer to Beijing.<sup>68</sup> Already, in 2005, Indonesia entered into a cooperative missile-building programme with China.

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<sup>62</sup> "A Survey of China and its Region", *Economist* 2007

<sup>63</sup> "A Survey of China and its Region", *Economist* 2007

<sup>64</sup> *Select Committee Report: East Asia*, 2006

<sup>65</sup> "China's Charm: Implications of China's soft power", Joshua Kurlantzick (Carnegie Endowment for International Peace; 2006)

<sup>66</sup> *Ibid.* Academic interflows between the mainland and Hong Kong are also of crucial importance to China's knowledge economy.

<sup>67</sup> "A Survey of China and its Region", *Economist* 2007

<sup>68</sup> "A Yellow Light for Indonesia", Donald E. Weatherbee, PacNet #4 (CSIS; 2007)

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There are three major potential flashpoints in the region: Taiwan, Sino-Japanese relations, and continuing fragility of the Korean peninsular.

### 3.1.1. Taiwan

Taiwan is at the fault line of Asian Pacific politics. It is one of the region's only fully functioning democracies, it has an important role as global supplier of high technological goods, and it lies in crucial geostrategic territory in the South China Sea. To the Chinese, there is no question that the island will one day be subsumed back into a greater "One China". At present, the Party leadership can tolerate the current level of *de facto* independence (as well as finding its movements constrained by the presence of the US 7<sup>th</sup> Fleet). The more pertinent question is, how will it recover Taiwan in the future?

In 2005, China's National People's Council passed the Anti-Secession Law, which provided a legislative foundation for China to invade Taiwan if it officially advocated independence. Hypersensitivity on both sides was exacerbated in March 2007 by a supposed "declaration of independence" made by President Chen Shui-bian (designed to coincide with the opening session of China's annual NPC) and by reports that Taiwan had test-fired a Hsiungfeng 2E cruise missile capable of reaching Shanghai.<sup>69</sup>

At this stage, the political and economic repercussions of an invasion would be disastrous for China. The PRC does not yet possess the kind of strength which would enable it simultaneously to: a) overwhelm Taiwanese defence forces and any insurgency; b) to continue to protect its maritime lines of communication; and c) maintain internal security in mainland China. Also, it cannot afford to risk ruining its long-term relationship with the US. Moreover, Taiwan is China's largest source of FDI and international economic censure (as in the years post-Tiananmen) would threaten its growth curve.

The favoured tactic in Beijing as regards Taiwan is one of isolation and intimidation: continuing a threatening military build-up while blocking Taiwan's entrance to international institutions and persuading the PRC's new trade partners, particularly in Latin America, to adopt the "One China" policy. But Chen has also irritated Washington with what seems to be a gratuitously confrontational strategy. The 1979 Taiwan Relations Act still legally binds the US to provide defence aid to Taipei. Even in the event of frostier ties between the US and Taiwan, the Americans seem unlikely to sit back and watch military events unfold across the Strait without intervening.

The 2004 election was tight, and Chen's brinkmanship may be an attempt to see how much he and the Pan-Greens can get away with before the country goes to the polls in 2008. Beijing is currently calculating that the election will favour Ma Ying-jeou of the Kuomintang Party (KMT). This expectation could be deflated by Ma's indictment as mayor of Taipei on corruption charges. Ma's previous statements reveal that he is an advocate for retaining the status quo, rather than moves towards reunification.

### 3.1.2. Sino-Japanese Relations

Sino-Japanese economic ties have never been stronger. Japanese companies invested \$6bn in China in 2005, 20 per cent more than the previous year, despite the mass anti-Japan protests that swept China that April.<sup>70</sup> In 2006, Sino-Japanese trade topped \$200bn for the first time, and in 2007 mainland China – excluding Hong Kong – is expected to overtake the US as Japan's largest trading partner.

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<sup>69</sup> Taiwan 'tests new cruise missile', BBC Online 06.03.2007

<sup>70</sup> "Japan Inc yields to China's lure", *Financial Times* 05.04.2007

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Diplomatic relations have been mired in historical issues. Prime Minister Wen Jiabao's recent "ice-breaking" visit to Tokyo is a thawing in the political freeze that was the hallmark of former-Prime Minister Junichiro Koizumi's administration, but this is not yet an indication of a formal rapprochement. In his speech to the Japanese Diet (the first such by a Chinese leader for 20 years) Wen made reference to Japan's "deep soul-searching and apologies" for its wartime behaviour and thanked the Japanese for their role in the economic development of China. He emphasised, however, the need to see "concrete action" from Tokyo to back up their verbal apologies.

This has been interpreted as an indirect warning that further visits to the Yasukuni Shrine would damage the delicate balance of cultural and economic exchange. PM Shinzo Abe has handled Yasukuni with great delicacy, visiting in private during the spring. This follows the more confrontational style of Koizumi, whose high-profile visits stoked fury on the Chinese mainland. Both the public and the national press questioned the wisdom of these visits, including criticism from nationalists such as Tsuneo Watanabe who complained that Koizumi was "creating enemies out of Japan's neighbours".<sup>71</sup> But Abe's approval rating has been severely weakened in recent months, and Chinese analysts have speculated whether he will use a visit to the shrine as an opportunity to firm up support within his own party if he is damaged by upper house elections later this year.<sup>72</sup>

In the long term, both the CCP and Japan's ruling Liberal Democratic Party (LDP) face increasing challenges in aligning themselves with changing public opinion. Both parties have traditionally espoused nationalism to help preserve their respective identities. This approach will not assist in the creation of a true Sino-Japanese "strategic partnership". Nationalists in Japan view China's rise as a menace to Japanese interests in the region, particularly in the territorial dispute over the oil-rich Senkaku Islands in the East China Sea. Meanwhile, Japanese voices calling for a reinterpretation or abandonment of Article 9 of their constitution (the pacifist clause) and a decoupling from reliance on US power (with the parallel exploration of missile defence) is perceived in China as a step back towards the militarism and imperial ambitions of the early 20<sup>th</sup> century.

Both countries have much to gain from working together in areas such as energy efficiency, technology and trade. The force of the market can assist in establishing economic interdependency between China and Japan, but only with a resolution of these historical problems. To reach this, as Shunji Yanai, former Japanese ambassador to the US, has said: "Japan should study more history and China and South Korea [should] look more to the future".<sup>73</sup>

### 3.1.3. North Korea

Tensions on the Korean peninsula are likely to continue regardless of the outcome of the Six Party Talks. Although concern is focused on Kim Jong-il's nuclear programme and his role in nuclear proliferation, the peninsula is also a fulcrum in the regional balance of power. A key player in the 'axis of evil', North Korea once seemed at the centre of President Bush's interventionist foreign policy. But the dominant mind-set in Asia is that the regime needs to be contained rather than changed. The region is terrified by the idea of an internal collapse with nuclearised militants and absence of border control.

China has a particular interest in maintaining an anti-Western regime on its border as a buffer against the heavy American presence in the Republic of Korea (ROK). It has propped up the North Korean economy with around \$2bn of trade and investment a year, thereby dampening the impact of Western sanctions.<sup>74</sup> China's central participation in the Six Party Talks, however, indicates its displeasure with the high profile posturing of Kim Jong-il that could lead to a regional arms race, encourage Tokyo to go nuclear

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<sup>71</sup> "Japan and China: Reaching reconciliation or stuck in the past?", Haruko Satoh (Chatham House; 2006)

<sup>72</sup> "Warm words, old wounds: how China and Japan are starting to march in step", *Financial Times*, 09.04.2007

<sup>73</sup> Quoted by Sir John Boyd in an anniversary lecture to the Royal Society for Asian Affairs, 07.06.2005.

<sup>74</sup> *Select Committee Report: East Asia*, 2006

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and – worse still for China – trigger an American intervention and scupper Beijing’s efforts to intimidate Taiwan.

Much hinges on American involvement in the region. While North-South Korean relations have improved, the US-South Korean relationship is souring. The ROK is critical of Washington’s handling of the nuclear crisis, favouring the carrot more than the stick in dealing with its northern neighbour. As a result, it has been positioning itself ever closer to Beijing, including strong economic ties. Ultimately, however, many people on both sides of the Demilitarised Zone would like to see a reunified Korean peninsula – an ambition that is viewed with caution by both Beijing and Tokyo. A vigorous Korea would represent a major new dynamic in the region, especially if it led to the draw down of US forces in South Korea. In the short term, China is likely to favour continuation of the status quo than major change.

### 3.2. India and South Asia

In the next twenty years, a new multi-polar architecture will be constructed in Asia. Although China is likely to vie for dominance, it will knock up against the ambitions of India, another rising power that will be seeking to secure natural resources and expand its influence. Both nations are currently playing a complex geostrategic game, paying lip service to the rhetoric of friendship and cooperation but engaging in constant manoeuvres to out-negotiate the other. India views strong relations with China to be essential to its economic growth as gaining influence in Beijing is to constraining the development of Pakistan, but China views India as a strategic competitor, particularly given the growing interest with which Japan is viewing New Delhi.

Sino-Indian trade has now reached \$20bn. During President Hu’s visit to India in November 2006, a target of \$40bn for bilateral commercial relations was agreed upon, along with a pledge to diversify trade.<sup>75</sup> This will come as a relief to India, which was anxious that India was becoming a tributary nation of China, providing raw materials in exchange for value-added manufactured goods.

Despite interactions through the Shanghai Cooperation Organisation (in which India has become an observer), the East Asia Summit, trilateral dialogue with Russia and China, meetings at the G8 and talk of a “Strategic and Cooperative Partnership”, Sino-Indian relations are hampered by a fractious history, border disputes, and by cultural and ideological differences. India is beginning to sell itself to the outside world as a ‘safer’ venue for foreign investment than China because of its functioning democratic institutions; Beijing has set out its stall by demonstrating that democracy is unnecessary – and indeed a hindrance – to swift development.

China aims to capitalise on the difficult relationship that India has with its neighbours. While New Delhi has been concentrating its resources on cross-border and internal ethnic tensions, particularly with Pakistan, the PRC has entered a series of strategic partnerships that helps perpetuate the anti-Indian sentiment on its borders:

- **Pakistan.** China has sold arms, and has provided assistance with Pakistan’s nuclear technology in a calculated response to the Indian-American nuclear deal sealed in 2006. In 2005 the two countries agreed to collaborate on the joint production of a fighter jet, and Pakistan purchased 4 navy frigates. In 2005, Chinese investment in Pakistan totalled \$4bn (a rise of 30 per cent since 2003).<sup>76</sup>
- **Myanmar.** China has a long-standing arms relationship with the military junta, having just completed negotiations for a gas pipeline into southern China.

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<sup>75</sup> “India-East Asia and India-US Relations: Movin’ on Up?” Satu P. Limaye (Institute of Defence Analyses 2006)

<sup>76</sup> “Pakistan’s foreign policy under Musharraf”, Owen Bennett Jones and Farzana Shaikh (Chatham House, 2006)

- **Bhutan.** China is aiming at driving a wedge between India and Bhutan, with PLA incursions into the kingdom, and extensive road construction.
- **Bangladesh.** China is the leading supplier of arms to Bangladesh, sold at ‘friendship prices’; PLA academies in the PRC are the favoured destination for the training of Bangladeshi officers; and China has made overtures to purchase Dhaka’s large natural gas reserves. Beijing has also reportedly offered to assist Bangladesh with constructing a civilian nuclear programme, possibly attempting to duplicate the tri-focus military, nuclear and missile collaboration strategy that it has with Pakistan.<sup>77</sup>

China is also testing Indian resolve in its border disputes. According to defence analysts, the Chinese have been building a military presence on the Tibetan plateau, aided by a new 1,118km railway, and have made probing incursions across the Line of Actual Control.<sup>78</sup> Despite four rounds of bilateral talks between 2005 and 2006, there has been a stalemate, likely to continue given increased Chinese confidence in its South Asian relationships.

China’s quest for power in the Indian Ocean has led to its ‘string of pearls’ strategy, whereby it acquires and develops naval bases in key maritime areas including: the South China Sea (Cambodia); the Malacca Straits and the gas-rich Andaman Sea (Myanmar); the Indian Ocean (Bangladesh); and the Strait of Hormuz (Pakistan).

China’s willingness to work with unstable countries for geostrategic advantage does not always pay off. In Pakistan, for example, Baluch insurgents opposed to external involvement in their tribal region murdered three Chinese engineers in 2004, thereby undermining China’s enthusiasm for the Gwadar port project. China also abandoned the construction of the Gomal Zam dam in South Waziristan due to the abduction of Chinese workers by Islamic extremists protesting against the suppression of the Islamic insurgency in China’s Uighur province.<sup>79</sup>

Moreover, if India industrialises rapidly over the next decade and its influence in the region grows, it could choose to align itself closely with ASEAN. Malaysia’s Prime Minister Abdullah Badawi has stated that the principle of non-interference – seen as central to ASEAN’s stated mission – should be “updated”, while a new draft of the governing charter lays more emphasis on “the active strengthening of democratic values, good governance, and the rule of law”.<sup>80</sup> China would be likely to respond by leveraging its economic power, but it would not risk undermining the benign image that it has cultivated in Asia through direct confrontation.

### 3.3. Russia and the Shanghai Cooperation Organisation

An axis of authoritarianism – comprising Russia and China and supported by oil-rich Central Asian satellites – would be a worst-case scenario for the West. Economically, Moscow and Beijing have not been so cosy for a long time. Bilateral trade rose 20 per cent in the last quarter of 2006 to \$36bn.<sup>81</sup> In March 2007, Chinese and Russian companies reached accords of \$4.3bn during a visit by President Hu to Moscow. In late 2006, \$800m of agreements were signed off by Russian Foreign Minister Fradkov on a trip to Beijing.

This cooperative trade framework is underpinned by a purported philosophical understanding between Putin and Hu about the future of global power. A bilateral declaration on “Global Multipolarity and the Establishment of a New International Order” in 1997 was reiterated in 2005 in a joint statement on

<sup>77</sup> “China’s strategy of containing India”, Dr. Mohan Malik (PINR 2006)

<sup>78</sup> “East Asia and India-US Relations: Movin’ on Up?” Satu P. Limaye

<sup>79</sup> “Pakistan’s foreign policy under Musharraf”, Owen Bennett Jones and Farzana Shaikh

<sup>80</sup> “A Survey of China and the Region”, *Economist* 2007

<sup>81</sup> “China-Russia relations: What follows China’s ‘Russia Year’?” Yu Bin (Comparative Connections; 2006)

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“World Order in the 21<sup>st</sup> Century”. The familiar (Chinese) principles were emphasised: “mutual respect for each other’s sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality, mutual benefit, and peaceful coexistence”.

The most visible sign of the Sino-Russian accord is the Shanghai Cooperation Organisation (SCO), dubbed “the NATO of the East”.<sup>82</sup> While this overstates its current importance (its operating budget is just \$30m), its activities have begun to shape regional security architecture. Contained in Sino-Russian relations is a pronounced anti-American agenda, which became apparent when, under Sino-Russian pressure, Uzbekistan demanded the US leave the Karshi-Khanabad air base in July 2005. Most Central Asian states continue to maintain contacts with the US, however, in order to balance Russian and Chinese influence.

As with other regional and international institutions, both China and Russia are employing the SCO for their own interests. While Russia is hoping to undermine the post-9/11 American presence in Central Asia and regain its dominance of the Commonwealth of Independent States (CIS), China wants to leverage itself into energy fields, secure its restive western border and structure the SCO as a free-trade zone with Beijing at its centre. The PRC is currently emerging as the chief beneficiary, with energy deals in place with Kazakhstan (the Atasu-Alashankou pipeline) and, as a result of a \$600m loan, Uzbekistan.<sup>83</sup>

Nevertheless, short-term suspicions are intensifying on the Russian side of the border. The presence of approximately 200,000-500,000 Chinese with residence rights in the Vladivostok area has alerted Moscow to what the Russians suspect may be a potentially deliberate, Beijing-directed policy of gaining an economic foothold in this resources-rich region.<sup>84</sup> Commercially, Russia is losing its grip on the electronics market: while Chinese technology has been increasingly visible in Russia, similar exports to China have declined from 28.8 per cent of bilateral trade to just 2.1 per cent in 2005. Attempts to access China’s ever-expanding civilian nuclear programme is probably Russia’s best bet in China’s high-tech domestic market. The PRC’s decision to buy four reactors from the Japanese-owned Westinghouse firm will not have impressed Moscow. Anecdotal evidence suggests that Russia may be responding by turning down the energy taps to China. Not only has Putin blocked a proposed gas pipeline extension to China, but the long-awaited Russian oil pipeline to China is thought to have been shelved.<sup>85</sup>

China’s thirst for Russian energy, its continuing reliance on Russian-developed weapons platforms, its partnership with Russia on the SCO, and natural strategic common ground (underscored by Chinese approval for Putin’s recent anti-American outburst in Munich) suggest that, because of coincidence of interest, relations are likely to remain strong for the immediate future though not frictionless. The 2008 elections in Russia will determine whether it will lean to the West or the East in the following decade, and it is worth remembering that Sino-Soviet relations deteriorated in the aftermath of Mao’s ‘Great Leap Forward’ and in the subsequent territorial anxieties (including the Soviet invasion of Afghanistan in 1979). The present relationship is not built on a foundation of mutual trust.

### 3.4. Middle East

Against a backdrop of support for the Arab world’s anti-colonial struggles during the Cold War, China is now pursuing an intensive energy strategy across the Middle East. With oil imports from the region set to rise to 70 per cent of total Chinese oil imports by 2015, and with a Wuhhabi-fuelled domestic insurgency

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<sup>82</sup> “A New Bloc Emerges?” Frederick W Stakelbeck Jr (*American Thinker*; 2005) Neither China nor Russia are comfortable with this comparison, and make efforts to ensure that it is not seen as an eastern competitor to NATO.

<sup>83</sup> “The Dragon Looks West: China and the Shanghai Cooperation Organization”, Ariel Cohen (The Heritage Foundation; 2006)

<sup>84</sup> *Select Committee Report: East Asia*, 2006

<sup>85</sup> Source from Argus Media.

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of its own in its western province of Uighur, China will see the Middle East become more central to its foreign policy over the next twenty years. Sino-Arab trade saw a 36 per cent upsurge in 2005 (to \$36.7bn), with \$33.8bn coming from the Gulf Cooperation Council (GCC).<sup>86</sup> This is likely to grow due to efforts being made on both sides to increase tourism and cultural links. China is unlikely (and currently unable) to exercise military power in the region, but it has a presence in weapon supplies that could be used as a foothold to influence events.<sup>87</sup>

### 3.4.1. Saudi Arabia

China is now the primary consumer of Saudi oil, importing around 500,000 b/d. A new deal between Sinopec and Saudi oil giant Aramco will double this by 2010. Aramco's Abdullah Jum'ah has described the Sino-Saudi deal as marking "one of the most important energy relationships on the planet". Sinopec has also signed for exploratory rights in both Saudi Arabia's Empty Quarter (2004) and its Ghawur region (2005).<sup>88</sup>

This has been reciprocated with major inward investment projects in China, including a \$3bn scheme for a petrochemical complex in Fujian and a new refinery in the Guangzhou region, valued at \$8bn. Two-way trade also jumped 59 per cent in 2005 to a total \$14bn.<sup>89</sup>

However, Saudi Arabia has also been courted as a resources source by India. There may be competition.

### 3.4.2. Iran

China's relationship with Iran has become closer over recent years. Sinopec's contract to develop the Yadavaran oil fields and purchase 10 million tons of liquefied natural gas (LNG) per year from 2009 is said to be worth \$100bn.<sup>90</sup> Fuelled by inward investment from the PRC, bilateral trade has risen to \$9.5bn, although Tehran is beginning to complain of inexpensive Chinese products saturating the Iranian market.<sup>91</sup> Beijing has also expressed interest in an oil pipeline from Iran to China via Kazakhstan, which would simultaneously bypass an unstable Pakistan and 'wipe the eye' of New Delhi.

Iran's nuclear posture has strained relations with China. So far China has voted in favour of condemning Iran's nuclear activities in July 2006 (Resolution 1696) and of imposing sanctions on atomic and missile programmes in December 2006 (Resolution 1737). Moreover, Iran's increasingly aggressive strategy across the region, including its disruptive influence in Lebanon and Palestine, is at odds with the Chinese desire to play a softer game. Beijing has an arms-related relationship with Israel that it wants to foster if at all possible, giving it access to US-developed weapons platforms; it also supports a two state solution to Palestine and has sent an envoy to Israeli-Palestinian peace negotiations in the past. It is also unlikely to want to jeopardise its relations with Saudi Arabia, which is actively trying to check Iranian influence across the region. Chinese economic and political interests in relation to Iran are not aligned.

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<sup>86</sup> "China becomes increasingly involved in the Middle East", Chietigj Bajpae (PINR; 2006)

<sup>87</sup> John Calabrese, testimony to the US-China Economic and Security Review Commission

<sup>88</sup> *Select Committee Report: East Asia*, 2006

<sup>89</sup> "Saudi Arabia looks east: Woos China and India", Dr. Harsh V. Pant (PINR; 2006)

<sup>90</sup> "China and Iran strengthen their bilateral relationship", Dario Cristiani (PINR; 2006)

<sup>91</sup> *Ibid.*

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### 3.5. Africa

China approaches Africa, as it does the Middle East, from an anti-colonial, anti-moralising, anti-interference perspective. This sits well with much of Africa's current leadership, and occasionally reverberates well in the African street, but questions have been raised by the West and by Africans themselves about the motives behind widespread Chinese involvement.

Trade between the continent and China rose to \$55.5bn by the middle of 2006, up from just \$10bn in 2000, making Africa China's third largest trading region after the US and France.<sup>92</sup> As well as providing markets for its manufactured goods and tapping an important source of energy, China also revels in the political alliances that make it appear a rising global influence. China has hosted this year's African Development Bank meeting in Shanghai, and has established a diplomatic precedent that sees a major official visit to Africa at the beginning of each New Year.

The PRC has also been involved in big investment projects and debt relief, through Sino-African organisations such as the Forum of Chinese-African Cooperation (FOCAC). As of 2006, the total amount of loans from China's Export-Import Bank was \$12.3bn in infrastructure development alone, and China has provided approximately \$2bn since 2000 for debt cancellation.<sup>93</sup> The latest Sino-African 'action plan' has provided a war chest of \$5bn for supporting "reputable" Chinese firms across the continent, an agreement to double aid by 2009, and a pledge to establish hundreds of schools (including Chinese language Confucius Institutes), hospitals and anti-malarial clinics by the end of the decade.<sup>94</sup>

Beijing's relationship with Sudan has become increasingly complex due to the continuing atrocities in Darfur. Although the Chinese continue to cite their policy of non-intervention, President Hu has raised the issue with President Omar al-Bashir and – following international pressure – sent a special envoy to Sudan to oversee the Darfur brief. For the West, substantial moral issues remain. The PRC is a major supplier of weapons to Khartoum, some of which may have been used in the Darfur conflict. Hu has provided al-Bashir with funding for a new presidential palace; and there are reports from the Foreign and Commonwealth Office that Beijing is planning to use Sudanese prisoners to construct pipelines.<sup>95</sup> Conversely, however, China has 400 military personnel operating under a UN mandate in policing the North-South conflict in Sudan, and is keen to avoid a spat with the US.

China also has dubious relationships with Angola, Nigeria and Kenya, including development loans that Washington has criticised for plunging African states into the borrowing cycle that the G8 meeting at Gleneagles was attempting to address.

China's top-down approach to Africa – dealing directly with dictatorial governments rather than Africans on the ground – may be its Achilles heel, regardless of the muscular financial figures. A heavy American and European governmental presence is combined with increasingly influential NGOs, of which Beijing has shown little understanding. African countries are also deeply religious – the continent boasts a rapidly rising Christian population alongside 300 million Muslims – and could be alienated by the interventions of a secular, communist China. Finally, as Thabo Mbeki has said: "China cannot just come here and dig for raw materials and then go away and sell us manufactured goods – it's an unequal relationship". Despite this, Africa is likely to remain a central focus for the future of a Chinese foreign policy that will move quickly to quash fears both inside Africa and in the West.

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<sup>92</sup> "China's Expanding Role in Africa: Implications for the United States", Bates Gill, Chin-hao Huang, J. Stephen Morrison (CSIS; 2006)

<sup>93</sup> "China adjusts its approach to Africa", Adam Wolfe (PINR; 2007)

<sup>94</sup> "China's Expanding Role in Africa: Implications for the United States", Bates Gill, Chin-hao Huang, J. Stephen Morrison

<sup>95</sup> *Select Committee Report: East Asia*, 2006

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### 3.6. Latin America

China is investing more in Latin America than any other region except the Asia Pacific. In a 2004 “rock star” tour of the continent, President Hu pledged \$100bn in deals to be spread over a decade, including \$2bn directed to Argentina for infrastructure and the rights for energy exploration.<sup>96</sup> This seems to be a test of American power and patience, and an attempt to gain footholds in American-dominated markets.

President Bush’s recent “We Care” tour of Latin America was an attempt to claw back some of the trust that has ebbed away from Washington. Bush emphasised that US aid to the region has roughly doubled during his time in office, up to approximately \$8.6bn. However, the trip was overshadowed by angry protests in all of the states that Bush visited, and a rally by Hugo Chavez in which he taunted Bush with the phrase, “Gringo, go home!”

The PRC’s presence in the region should be seen in this context of a flux in US influence. China’s overall investment in Latin America will not overtake that of the US, partly due to the overwhelming cultural and ethnic ties between North and South America. Sino-Latin trade has increased to \$50bn – but US bilateral trade is approximately ten times greater.<sup>97</sup>

The CCP also shares ideological ground with leftist South American states including Venezuela and Cuba, and has capitalised on this with arms sales (including an air defence radar system purchased by Caracas) and two intelligence bases that have been operating at Castro’s invitation since 1999.<sup>98</sup> Uncertainty regarding Castro’s succession will put the brakes on any acceleration in Sino-Cuban ties for the moment.

Sao Paulo remains an obstacle to Beijing’s expansionism in the region. China now occupies second place to the US as an importer of raw materials from Brazil and is currently negotiating sales of uranium for China’s civilian nuclear programme in exchange for assistance with a joint satellite project.<sup>99</sup> However, President Lula da Silva has been distrustful of the ‘raw materials export/ cheap goods import’ Sino-Brazilian relationship, and the promises of a \$10bn Chinese investment which have not materialised. Moreover, Lula has been courting Washington to check Venezuela’s oil-fuelled rise in influence in the region under Chavez, and as a means of moving towards gaining a seat on the UN Security Council, which the US supports and China opposes.

### 3.7. Europe

The European Union (EU) is now China’s largest export market, and China is the EU’s second largest trading partner after the US.<sup>100</sup> But despite being a major economic player across Asia, the EU carries little political weight in the region. China’s engagement with Europe continues to be based on economic bilateral relations with individual member states, which are quite often in conflict. This approach suits China well: it benefits from Europe’s economic integration, but does not feel threatened by a common foreign policy framework and united European sentiment.

The one area in which the EU does have an impact on the PRC is the EU arms embargo which has been in place since the Tiananmen Square massacre. A French led attempt in 2005 to end it was defeated. The FCO notes that: “the embargo is politically, not legally, binding at the EU level and in practice member

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<sup>96</sup> “China’s growing involvement in Latin America”, Dr. Mohan Malik (PINR; 2006)

<sup>97</sup> Cynthia A. Watson, testimony to the US-China Economic and Security Review Commission, 03.07.2006

<sup>98</sup> China Reform Monitor No.201, 01.05.1999

<sup>99</sup> “China’s growing involvement in Latin America”, Dr. Mohan Malik

<sup>100</sup> Delegation of the European Commission ([http://www.delchn.cec.eu.int/en/eu\\_china\\_wto/11.2006.EU25.xls](http://www.delchn.cec.eu.int/en/eu_china_wto/11.2006.EU25.xls))

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states interpret it as covering only lethal weaponry”<sup>101</sup>. There are however technology transfer reasons for continuing the ban.

EU countries are falling behind in the growing global competition in science and technology. Janez Potocnik, the European Commissioner for Science and Research has said: “If current trends continue, Europe will lose the opportunity to become a leading global knowledge-based economy”<sup>102</sup>. This could have a negative effect on European exporters’ ability to access China’s markets, where there is likely to be a demand for high-tech solutions to China’s internal difficulties, particularly in the environmental sector (in which the EU currently has expertise). As Mark Leonard of the Centre for European Reform has stated: “The EU should get serious about its China policy while the Chinese government is open to influence... That opportunity may not last forever”<sup>103</sup>.

### 3.8. The United States

Relations between Washington and Beijing are currently volatile, but there is an underlying confluence of interest in strong international markets (given the degree of financial interdependence) and a stable Pacific region. The US continues to press China to become a “responsible stakeholder” in the world. It has welcomed China’s cooperation in the Six-Party Talks on North Korea, its condemnation of Iran’s nuclear programme and its participation in peacekeeping efforts in Lebanon. The Strategic Economic Dialogue led by Treasury Secretary Hank Paulson, the Senior Dialogue (a bilateral framework to discuss the global ‘big picture’ initiated in 2004), and increased joint military exchanges have been successful in warming Sino-American discourse.

After a post-Tiananmen freeze, two-way trade has grown into an economic interdependency of global economic significance from \$33bn in 1992 to \$285bn in 2005, making the US China’s second largest trading partner (behind the EU) and China the third largest partner for the US (after Canada and Mexico).<sup>104</sup>

Frictions remain over Taiwan; China’s financial relationship with “rogue regimes” (North Korea, Myanmar, Pakistan, Sudan, and Zimbabwe); China’s internal human rights record; lack of transparency in military spending and weapons proliferation; and bilateral issues such as serial breaches of intellectual property rights and the growing trade deficit. Washington’s recent decision to file two complaints with the WTO on China’s attitude to copyright piracy and counterfeiting, and Beijing’s unusually vehement response, attest to the potency of Sino-American relations. That China will become a crucial topic in the 2008 presidential elections was indicated by recent draft legislation designed to force Beijing to revalue the renminbi, co-sponsored by the Democratic front-runners Senators Hilary Clinton and Barack Obama.

Despite maturing bilateral relations, the two widely divergent ideological perspectives are indicators of a relationship that is likely to be more competitive politically while trying to remain cooperative economically. The question is whether this state of disequilibrium can survive indefinitely. The trade imbalance is an increasing source of tension. International governance is a big divide. The US is likely to continue to tie aid to political reform and to emphasise the necessity of encouraging states to pursue greater transparency, economic openness and ultimately democratisation. In contrast, one of the CCP’s central ideological pillars is the opposition to great power hegemony and to intervention in the sovereignty of nation states. Above all, they believe that the world should move towards a multi-polar and “more democratic” international system.

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<sup>101</sup> *Select Committee Report: East Asia*, 2006

<sup>102</sup> “Europe moving in ‘R&D slow lane’”, BBC Online, 20.07.2005

<sup>103</sup> “A New European Approach to China”, Mark Leonard CER Bulletin, Issue 47, (CER; 2006)

<sup>104</sup> Dr. Shiping Hua, testimony to the US-China Economic and Security Review Commission, 02.02.2007

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China appears to have adopted a two-pronged strategy to achieve their aims:

First, China has deployed a flexible global soft power strategy, investing big dollars and promoting the Chinese cultural brand, without insisting on any ethical or political conditions. This has been particularly successful in the Asia Pacific region, and with states that have traditionally fractious relationships with America. By establishing a series of alliances with developing nations, the PRC has built a reputation for looking after the priorities of the 'little state', helping to cement the image of a "peaceful rise". It also poses a probing philosophical question to the US: is the state an effective agent for the promotion of values abroad?

Second, China has learnt how to play the multilateral game to its own advantage. China's recent membership of the WTO has helped it to enact otherwise politically difficult economic reforms within China. It has worked equally hard in blocking investigations of whether it is adhering to its membership commitments. Equally, it has used its status as a P-5 member of the Security Council to enhance its prestige in bilateral relations. The PRC has played its part in the current stalemate in UN reform, lobbying for increased involvement for developing nations (particularly Africa, as a reward for African support for China's membership of the P-5), but unconditionally blocking the election of Japan and Brazil to permanent membership. Indian membership has been considered favourably by Beijing, but mostly as a means of ensuring that Japan's bid is prevented from being accepted.

China has profited from the American focus on the War on Terror since September 11<sup>th</sup>. But its global position is by no means entrenched. Political leaders of several states, particularly in Latin America and Africa, have 'played the China card'. But this has more to do with obtaining greater commitments from Washington than with displaying any permanent shift towards Beijing. The political tide has already turned in America and, with resurgent Democrats in both Houses, the US may wish to pressurise China more forcefully on issues such as human rights and freedom of speech. This would coincide with an increased scrutiny of China in the world's media during and after the Beijing Olympics. A more assertive China will want to avoid any direct confrontation, but is likely to try to firm up support from its global partners. This may lead to a negative atmosphere, particularly across international institutions.

America is seeking to strengthen other relationships in Asia to act as a balance to growing Chinese power. The most important partners are Japan (already an ally), India and Australia. The US sees these three countries as potentially forming a security triangle in the Pacific, with the US as guarantor, thus reducing the chances of a direct confrontation with the PRC. The relationship with India, a country with a long tradition of non alignment in foreign policy, is as yet too untested for it to be clear whether such a triangle will work.

China's economic growth is testimony to the vitality of the market economy. Her economic success combined with her authoritarian politics presents a challenge abroad to democratic ideals of governance. The test for China is whether she can continue to combine authoritarian politics and market economics in an increasingly information-led world. China will be on show to the world during the 2008 Olympics which may have consequences for the country which her rulers did not foresee and had not intended.

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# Study 2: India

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## Basic Data<sup>1</sup>

(2007)

External debt **\$132.1 billion**

GDP (current \$US) **\$804 billion**

Life expectancy at birth, total (years) **68**

Population, total **1,129,866,154**

Population growth (annual per cent) **1.6**

Literacy (per cent total population) **61**

Surface area (sq. km, thousands) **3,287**

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<sup>1</sup>Country Overview, World Bank/ CIA World Factbook

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## 1. Introduction

India is feeling its way into a new era of global politics. Self-consciously aware of the implications of its own rise, it is beginning to experiment with the instruments of its increasing economic and political power. Until recently, India remained virtually cocooned within its immediate neighbourhood. Its intimacy with the Soviets during the Cold War delayed its acceptance by the West. Now its footprint is visible in the Far East, Central Asia, West Africa and Latin America. Indians once measured their spiritual riches; now they are counting their material wealth.

But although India is moving again, it remains unclear what its destination is or how it intends to get there. This is a consequence of India's often bewildering democratic process and its exuberant tradition of free speech. The problem for an external observer lies (unlike China) not in the lack of transparency of its long term strategy. The problem is the opposite. It is the very fact that there are so many confusing voices to be heard. India is defined not by its subservience to one dominant concept, but by its heterogeneity, its wild diversity.<sup>2</sup> As one writer has put it: 'All the convergent influences of the world run through this society. There is not a thought that is being thought in the west or east that is not active in some Indian mind.'<sup>3</sup>

Another Indian characteristic is its fierce desire for independence. Nehru's introduction of the concept of 'intelligent self-interest' (along with a form of socialism that did much to constrict the country's development during the immediate aftermath of Independence) still serves as the foundation for how India views its relationships with external countries.<sup>4</sup> For years, India has pledged allegiance to the morality of the Non Aligned Movement. As the title hints, the primary method of expressing this non-alignment is negatively; it is a refusal to participate in treaties and markets that are weighed in favour of the powerful – as Nehru said in the mid-1950s: 'Asian strength exists in the negative sense of resisting'.<sup>5</sup>

There are indications that this posture may be changing along with the global model of which economic interdependence and strategic partnerships are the hallmarks. India understands it cannot resist this transformation. It will do all it can to maintain autonomy but there are more pressing concerns. It must pursue energy contracts. It must protect and feed its citizens. It must pursue a path of development that does not permanently corrode its own environment. It also faces the challenge of living with China, its increasingly confident neighbour with whom it shares a fractious history. And in order to do so, it will be forced to navigate close associations that may occasionally compromise its sovereignty.

Comparisons between India and China are almost irresistible. But they are currently in very different circumstances. There is a sense of 'make or break' with China. Either it will start using the power it has been accumulating to safeguard its position in the international system or it will be shattered by its internal frictions. India's rise has had less immediate impact on the world because it is not yet as economically significant. India's importance is cultural – not just the highly exportable Bollywood product but in its liberal democratic tradition.

This tradition could have a profoundly beneficial effect on the world. Democracy is not simply the ability to cast a vote. It is more the ability to have a conversation about what you are voting for. India's argumentative nature, to borrow the language of Amartya Sen, has the potential to demonstrate that these principles are a premium not merely a luxury. By re-energising our discourse, India can rescue democracy from the bitter associations of the War on Terror and use the political capital it earns to accelerate its own global ambitions.

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<sup>2</sup>Sometimes not all beneficial, as the occasional flaring of intercommunal tensions proves

<sup>3</sup>E. P. Thompson

<sup>4</sup>As seen in the Ministry of External Affairs annual report of 2006: 'in pursuit of enlightened national interest'

<sup>5</sup>Cited in 'India as a Bridging Power,' Sunil Khilnani in *India as a New Global Leader*, (Foreign Policy Centre, 2005)

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## 2. India: Internal

### 2.1. Economy

A balance of payments crisis in 1991 awoke India to the necessity of more urgent fiscal reform than had been pursued in the previous decade. Since then, India's economy has posted annual GDP growth rates of 6.2 per cent. In the last four years, growth has been even more impressive: 7.2 per cent in 2003, 8 per cent in 2004, 8.5 per cent in 2005 and the same in 2006.<sup>6</sup> Standing at \$804 billion, it is now the world's 12<sup>th</sup> largest economy, and the third largest in Asia.<sup>7</sup>

Despite the irresistible urge of commentators to compare India and China, their growth models have been widely different. Unlike China's aggressive trade and investment strategy, which has catapulted it into the centre of the global economy, India's impact on the world is yet to be as significant. It relies much more on domestic markets than on exports, and as such it has encouraged consumption more than investment.<sup>8</sup> In the 2005-06 financial year, although exports grew by 22 per cent to \$112 billion, imports surged by 33 per cent (to \$187.9 billion) to compensate for an expansion in domestic requirements. The trade deficit is now \$39.6 billion – in contrast to China's \$196.1 billion surplus.<sup>9</sup>

Instead of trade, India's growth has been driven by its concentration on specialist industries such as IT, biotechnology and space. It is the first major developing economy ever in which the service sector has grown faster than manufacturing: services accounted for 60 per cent of GDP in 2006, compared with agriculture (19.9 per cent) and industry (19.3 per cent).<sup>10</sup> Moreover, the sector is continuing its fierce development. Revenues from the IT industry reached almost \$24 billion in 2006, and IT and business process outsourcing (BPO) exports are estimated to increase by 30 per cent in 2007.<sup>11</sup>

A developing economy built on services presents a massive human dilemma. India's service sector employs only 28 per cent of an estimated workforce of 509.3 million workers. While industry is occupying an increasingly important status in the country, manufacturing employs just 12 per cent of the workforce.<sup>12</sup> The remaining 60 per cent of the country's workers are dependent on a stagnating agricultural sector. Between 2000 and 2004, farming grew by only 2 per cent and in the first three months of 2007 it has continued to expand at a snail's pace (3.8 per cent).<sup>13</sup>

The failure to transfer some of the success of the urban software sector to the desolate rural lives of the Indian masses cost the Bharatiya Janata Party (BJP) the general election in 2004. Since then, the ruling Congress party, despite the presence of a vocal left wing within its coalition, has attempted to redress the balance by initiating reforms designed to create a more muscular manufacturing sector as well as increasing levels of foreign direct investment (India attracts less than one-tenth of the FDI that flows to China each year).<sup>14</sup> The results have been positive – due to an almost 13 per cent leap in industrial productivity, India's economy grew by 9.1 per cent in the first three months of 2007.<sup>15</sup>

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<sup>6</sup>Select Committee Report – South Asia (2007)

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmcaff/55/5502.htm>

<sup>7</sup>CIA World Factbook

<sup>8</sup>Martin Wolf, oral evidence to the Select Committee Report – South Asia

<sup>9</sup>CIA World Factbook

<sup>10</sup>Ibid.

<sup>11</sup>*Strategic Review 2007*, National Association of Software and Service Companies (NASSCOM)

<http://www.nasscom.in/Nasscom/templates/NormalPage.aspx?id=50856>

<sup>12</sup>CIA World Factbook

<sup>13</sup><http://news.bbc.co.uk/1/hi/business/6706979.stm>

<sup>14</sup>Select Committee Report – South Asia. There are indications of change: between April and November 2006, FDI flows were up 117 per cent year on year

<sup>15</sup><http://news.bbc.co.uk/1/hi/business/6706979.stm>

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To sustain the shift from farming to industry and attract foreign investment India will have to continue to untangle regulation, reduce inflation (at 6.2 per cent in 2006<sup>16</sup>) and, crucially, improve its infrastructure. Although India has an excellent communications framework (it has one of the largest mobile networks in the world with almost 250 million users<sup>17</sup>), it lacks adequate transport and power facilities. Villages often have no access to all-weather road surfaces and cities are congested to the point of absurdity. Traffic at ports and airports has more than doubled since 1993.<sup>18</sup> Strains in capacity run through the whole system and are visible to the naked eye. More than half of India's villages and about 40 per cent of urban homes do not have electricity. One of the first purchases that a new business is forced to make is a generator – and both the initial overhead and the running costs are a significant drain on capital.<sup>19</sup> India currently devotes only 3.5 per cent of GDP to spending on infrastructure – an alarmingly low level compared to China (over 10 per cent).<sup>20</sup>

Economists view India's growth as sustainable in the medium term, albeit at a cooler rate, due to the continuing success of the technology sectors. Major improvements in healthcare and education will be needed but, in the long term, the outlook is good. India has a particular advantage in having a young population: 33 per cent of Indians are aged under 15 years.<sup>21</sup> The size of India's population will also continue to increase dramatically and is projected to overtake China's at some point after 2040. Moreover, India's political system is well suited to transitioning to a more developed state, especially given its comfort in communicating in English and its common law legal system.

## 2.2. Politics

India has had a fully functioning democracy almost without cessation since Independence in 1947. It is one of the first nations to have implemented universal suffrage (after the age of 18) before industrialisation. These are remarkable facts for such a large and populous country that was colonised for over a century. The nature of coalition government makes policy formation a tortuous process, often leading to instability at the centre and frustrating the pace of progress. Central government does not affect the lives of the many as much as state government and bad governance in individual states exacerbates the regional disparities in standards of living. But despite these incoherencies India is a democracy that works. As one economist puts it, 'It responds to the arrogance of politicians.'

The Indian National Congress is the dominant political party in India, and, except for two brief periods, enjoyed a parliamentary majority from 1950 until 1990. It prides itself on its secular, left-of-centre agenda and its powerful history, but its influence has now waned. Traditional supporters have been lost to the emergence of identity groups representing castes and ethnicities, such as the Bahujan Samaj Party (BSP) and the Samajwadi Party.

The second major party, the Bharatiya Janata Party (BJP), derives most of its support from the 'Hindu Belt' in the north and western regions. Traditionally viewed as the preserve of the upper caste and mercantile communities, with a right-wing economic programme, the BJP has also penetrated into the lower castes on a nationalist platform, for instance by supporting the construction of a Hindu temple on the disputed Ayodhya site. The BJP's coalition the National Democratic Alliance (NDA) led by Prime Minister Vajpayee in the late 1990s provided some much-needed reality as one of the first governments in years to serve a full term, but it failed to win the rural vote in 2004.

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<sup>16</sup>India: Country Briefing, Economist Intelligence Unit <http://www.economist.com/countries/India/>

<sup>17</sup>Select Committee Report – South Asia

<sup>18</sup>India Transport, [www.worldbank.org](http://www.worldbank.org)

<sup>19</sup>Ibid.

<sup>20</sup>It is sometimes forgotten that the dynamic coastal regions of China are in part a legacy of the occupation of Manchuria by Japan pre-Second World War

<sup>21</sup>India: Background Notes, US State Department <http://www.state.gov/r/pa/ei/bgn/3454.htm>

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The third most influential political group in India is a coalition of four Communist and Marxist parties, the Left Front, who currently rule the states of Kerala, Tripura and West Bengal. Although they have not joined the current Government, their support provides crucial seats necessary for Manmohan Singh's United Progressive Alliance (UPA) to retain power in New Delhi.<sup>22</sup> Ideologically, they are staunch opponents of many aspects of globalisation, often hindering Singh's attempts to push through economic liberalisation. They are also, as will be seen in more detail in the foreign policy section of this report, instinctively suspicious of the west (particularly America) and have attempted to promote closer ties with Beijing.

Although it is thought that Singh's Government will remain in power until the next general election in 2009, the UPA is reliant on the Left Front; and the coalition of social groups that once formed the bedrock of Congress's support has been won over by once marginal parties such as the BSP, which recently won an unexpected landslide victory in the politically influential state of Uttar Pradesh on May 11. Led by Mayawati Kumari, the impressive populist 'dalit' (ex-untouchable), the BSP's victory also gained ground from the BJP, indicating that neither of the conventional parties will gain enough ground before 2009 to obtain an overall majority.<sup>23</sup>

While those on the right are calling for a more assertive attitude to domestic liberalisation reforms, it is the left that has more powerfully caught the mood of the nation by focusing on the need for a 'social correction' to the human costs of globalisation. As one Marxist MP has stated: 'there is a growing hiatus between 'Shining India' and 'Suffering India''.<sup>24</sup> As inequalities become more visible and the lower castes find their political voice, this is likely to become a distinction that Indian politicians will not be able to ignore.

### 2.3. Society

Twenty years ago, 40 per cent of Indians were trapped below the poverty line; now it is 26 per cent. Reduction of poverty has been partially successful, but the percentages disguise the sheer scale of the remaining task: today, nearly 380 million Indians live on less than a dollar a day.<sup>25</sup> India ranks at 126 on the UNDP's human development index, behind China placed at 81.<sup>26</sup> National figures also obscure the regional differences. Some states are caught in a vicious cycle of slow growth and high illiteracy exacerbated by a high birth rate.

One of the key restraints on improvements is the lack of social mobility. Beyond the dynamic urban hubs, Indian society remains rigidly sectioned. Of those considered dalits up to 30 per cent are still disdained by their communities, facing poor education and jobs in sanitary or construction work.<sup>27</sup> The caste system has not been broken despite a central government-directed strategy of positive discrimination. 22.5 per cent of student places in state-funded universities are reserved for dalits and there are ambitious plans to expand this to 27 per cent and include more members of Other Backward Classes (OBCs).<sup>28</sup> This policy has not been received well by India's middle-class aspirants, who fear that better candidates are being squeezed out of the education system. As a result the language of caste hatred has shifted from the traditional ostracism of an impure group to a more politicised struggle for resources.<sup>29</sup>

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<sup>22</sup>India: Background Notes, US State Department

<sup>23</sup>Country Briefings: India, *Economist Intelligence Unit*,

<http://www.economist.com/countries/India/profile.cfm?folder=Profile-Forecast>

<sup>24</sup>Sitaram Yechury MP, Communist Party of India (Marxist) quoted by the BBC

[http://news.bbc.co.uk/1/hi/world/south\\_asia/6647073.stm](http://news.bbc.co.uk/1/hi/world/south_asia/6647073.stm)

<sup>25</sup><http://www.dfidindia.org/>

<sup>26</sup><http://hdr.undp.org/hdr2006/statistics/>

<sup>27</sup>Select Committee Report – South Asia

<sup>28</sup>India: Background Notes, US State Department

<sup>29</sup>Select Committee Report – South Asia

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Caste discrimination is religious in origin,<sup>30</sup> but social attitudes are reinforced by low-quality primary education. India's secondary and tertiary education systems are excellent, which helps to explain its achievements in knowledge-based industries. In 1995, the proportion of the population going to university was almost six times that of China, and although the gap has closed, the quality of further education still outstrips the Chinese.<sup>31</sup> Nevertheless, even in villages with a high level of poverty, 16 per cent of children are being sent to private primary schools due to the inadequacy of state teaching. This is often at a cost of between \$1-\$3 a month in fees which many families cannot afford to pay. Nationally, the literacy level is around 61 per cent (for women it is lower than 50 per cent). Although this may hide exceptions – Kerala has achieved almost 100 per cent literacy – the low average is sometimes given as a reason for India's inability to develop a mass-manufacturing base.<sup>32</sup> You need to be able to read in a factory.

AIDS is a pernicious and intractable scourge in India. An estimated 5.7 million adults and children are infected with HIV, one of the highest numbers of sufferers in any country, though proportionally low.<sup>33</sup> India's strategy has so far aimed at prevention. This has been largely unsuccessful because many aspects of the disease are taboo – particularly the form of transmission, which is mainly via the country's illicit network of prostitutes. The disease is very heavily focused in six of India's twenty-eight states, although the cities including New Delhi are being threatened by the presence of migrant labourers from infected areas.<sup>34</sup> South Africa provides the most potent example of how the virus can corrode the national economy and morale by affecting the performance of the economically active population and through the sluicing of money from savings to medical assistance. According to some estimates, India's economic growth will be reduced by 1 per cent in the next 14 years as a result of the epidemic.<sup>35</sup>

Despite mass poverty, poor education and HIV, parts of India are booming. The software revolution has helped to form a large middle class – there are an estimated 70 million Indians with an average annual income of over \$18,000 (the national average is \$500).<sup>36</sup> Confidence is growing among the young, successful entrepreneurial Indians. One economist has described the atmosphere in India as 'a can-do feeling'. The nouveau riche are looking west to America, and the success of the Indian diaspora, and are cultivating an atmosphere of individualism and aspiration. For the moment, this is helping to fuel India's growth. But although Indian society has always historically been elitist, Indian 'socialist' democracy has not previously witnessed this level of inequality – and with over 60 per cent of the population tied into an agrarian lifestyle, there is likely to be some political backlash.

## 2.4. Energy

Energy security has now become a central concern of the Indian Government. It is propelling the Government to engage with states outside of its immediate regional circle; it is driving foreign policy. If there is sustained economic growth, India will be the third largest consumer of energy by 2030,

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<sup>30</sup>To escape the identity of low caste, growing numbers of dalits are converting from Hinduism to Buddhism. BBC [http://news.bbc.co.uk/1/hi/world/south\\_asia/6695695.stm](http://news.bbc.co.uk/1/hi/world/south_asia/6695695.stm)

<sup>31</sup>'India and the Knowledge Economy: The 'Stealth Miracle' is Sustainable', Prasenjit K. Basu in *India as a New Global Leader* (Foreign Policy Centre, 2005)

<sup>32</sup>Martin Wolf, oral evidence to the Select Committee Report – South Asia

<sup>33</sup>The figure is conservative: the BMC Journal has argued that AIDS data collection is flawed and that this could be only 40 per cent of the total. *Report on the global AIDS epidemic 2006*, UNAIDS [http://www.unaids.org/en/HIV\\_data/2006GlobalReport/default.asp](http://www.unaids.org/en/HIV_data/2006GlobalReport/default.asp)

<sup>34</sup>'A Hard Battle: Few Victories to Cheer in India on World AIDS Day', Pramit Mitra, *South Asia Monitor* (Centre for Strategic and International Studies, Dec 2006)

<sup>35</sup>Ibid.

<sup>36</sup><http://news.bbc.co.uk/1/hi/business/4662642.stm>

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outstripping Russia and Japan.<sup>37</sup> It will also require a massive investment of \$800 billion to maintain the running of its domestic energy sector.<sup>38</sup>

India has the fourth largest reserves of coal in the world. Coal accounts for 70 per cent of its energy requirements.<sup>39</sup> However, oil (which forms the remaining 30 per cent of the fuel share) is becoming increasingly vital to the rapidly expanding transport industry. India has only 0.5 per cent of the world's share of crude reserves, unlikely to last longer than twenty years.<sup>40</sup> With current imports comprising 70 per cent of its oil needs, it is thought that India will be over 90 per cent dependent on foreign oil by 2020.<sup>41</sup>

Like most countries facing increased import dependency, India is seeking to diversify the sources of its overseas energy assets (65 per cent of its oil originates in the Persian Gulf). It should be well placed to do so. India has three major energy companies, often referred to as the 'crown jewels' of India's public sector: the Oil and Natural Gas Corporation (ONGC), the Gas Authority of India Ltd (GAIL), and the Indian Oil Corporation (IOC).<sup>42</sup>

Not including the joint stake in Iran's Jufier and Yadavaran oil and gas fields, India has invested just over \$10 billion in overseas oil fields including in Sudan, Nigeria and Syria. It is wooing Central Asia by providing a \$40m aid package to Tajikistan as well as making overtures to Turkmenistan and Kazakhstan. But in contrast to China's Sinopec, which has invested \$45 billion in global energy projects, ONGC has only invested \$3.5 billion.

India wants to diversify the type of fuel it uses as much as the countries of origin. Over 50 per cent of the world's oil will be shipped from OPEC countries by 2050, and New Delhi is concerned at being at the mercy of volatile oil prices. Natural gas is currently used for electricity generation, but LNG will become more important to transport. By 2012, compressed or liquid gas imports are projected to equal Japan's current level of 60 million tonnes a year.<sup>43</sup>

The most efficient and cheapest method of delivering gas to India would be through pipelines. Two options have been under long-term discussion: first, a pipe through Pakistan from Iran and second, from Tajikistan via Afghanistan. Neither offers bulletproof security. The Iran-Pak-Indo pipeline faces a series of issues, including the safety concerns of construction in restive Baluchistan and the inherent disapproval that the project would engender from Washington. Indian policymakers feel that if the status of Iran's nuclear capability were settled, they would attempt to convince the US of the positive benefits of an important confidence-building measure between themselves and Pakistan. Currently, however, American sensitivity over Iran is enough to dampen prospects. The second option is much more viable, not only because of the cordial ties between Afghanistan and India, but also because Gazprom has indicated interest in developing the pipeline.

Despite the importance to its national interest, India has not as yet mastered the art of energy deals. It has failed to match the aggressive strategy of China, which is willing to increase dramatically the scale of its bid at the eleventh hour. The PRC also adopts a holistic approach, often offering cash for infrastructure, aid, and discounted Chinese products in return for lucrative agreements. The two nations have cooperated at least four times on assets in Sudan, Syria, Colombia and (most recently) the joint purchase

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<sup>37</sup><http://www.worldenergyoutlook.org/2006.asp>

<sup>38</sup>Ibid.

<sup>39</sup>Select Committee Report – South Asia

<sup>40</sup>*Quantifying Energy: BP Statistical Review of World Energy* (June 2007)

<sup>41</sup>'US-India Defence Relations: Strategic Perspectives', Vibhuti N. Hate & Teresita C. Schaffer, *South Asia Monitor* (CSIS, Aug 2006)

<sup>42</sup>'India's Energy Dilemma', Vibhuti N. Hate, *South Asia Monitor* (CSIS, Sept 2006)

<sup>43</sup>Ibid.

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of Iran's Yadavaran oil field,<sup>44</sup> but whenever China and India have competed, China has won.<sup>45</sup> Indian companies have been forced to withdraw bids on two occasions due to concerns raised by the Government.

India's energy strategy was made to look amateur in January 2006 when the Indian Cabinet's Committee on Economic Affairs prevented ONGC's overseas branch from completing a \$2 billion stake in Nigeria's Akpo field; with estimated reserves of 600 million barrels of oil and 2.5 trillion cubic feet of gas, it would have been one of India's most important deals in Africa, and one of the first instances in which it would have outmaneuvered Chinese interest. However, the Government claimed that the deal was too 'risky', refused to rubber stamp the agreement, and left the Chinese once again to collect the spoils.<sup>46</sup>

## 2.5. Defence

India has boosted military expenditure by an average of 11 per cent over the last six years to a total of \$23 billion for 2007/08.<sup>47</sup> Aimed at modernising the services, this rise is commensurate with its economic growth and is likely to be sustained at this rate for the future. In terms of manpower, India has the second largest army in the world (1.1 million men; 34 divisions), as well as the most capable navy in the region and a highly sophisticated air force that ably proved its worth in 2006 by beating US fighter jets in Indo-American war games.

In the short term, Indian strategists are planning for two likely contingencies, referred to as 'Kargils' (a limited but sharp engagement on its restive borders, particularly with Pakistan) and 'Tsunamis' (major regional disaster relief as seen in 2004).<sup>48</sup> Beyond its own immediate circle, there are three other critical areas where India is focusing its resources, including: retaining dominance of the Indian Ocean to protect its energy and commercial sea lanes; reacting to the spillover of Islamic extremism from Afghanistan and Central Asia (which threatens its energy import routes as well as its citizens in the Persian Gulf); and developing a long term response to the rise of China.<sup>49</sup>

Since the Sino-Indian border war of 1962, India has concentrated on achieving self-sufficiency in defence, indigenously producing equipment and thereby controlling the supply chain and mastering the manufacturing process. India has recently leaned towards a more aggressive procurement programme. According to a US report to Congress, India has purchased \$7.9 billion worth of arms between 2001 and 2004, second only to China (\$10 billion).<sup>50</sup> India's Defence Ministry predicts that arms imports will value \$30 billion in the next five years, a figure which has attracted not only Russia (India's primary source of military hardware) but also interest from Swedish, French and American defence contractors.

India is as keen to diversify its imports of military technology, as it is its energy assets – one reason for the emphasis on a broader defence relationship with Israel. As well as the Phalcon radar system (a sale that was originally intended for China but which was denied by the US), Israel has also sold Barak antiship missile interceptors, surveillance systems, and unmanned aerial surveillance crafts.<sup>51</sup> However, non-Russian firms are likely to encounter stiff competition from Moscow, which is becoming more comfortable with satisfying India's demands for joint development projects after having collaborated on

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<sup>44</sup>In which Sinopec took the majority stake

<sup>45</sup>Examples of Chinese success include a 50 per cent stake in Sonangol, Angola (Nov 2004), PetroKazakhstan (August 2005), EnCana Corp, Ecuador (September 2005) and South Atlantic Petroleum, Nigeria (January 2006)

<sup>46</sup><http://news.bbc.co.uk/1/hi/business/4534412.stm>

<sup>47</sup>Indian Ministry of Defence, Annual Report 2006 <http://mod.nic.in/reports/welcome.html>

<sup>48</sup>'US-India Defence Relations: Strategic Perspectives', Vibhuti N. Hate & Teresita C. Schaffer

<sup>49</sup>Ibid.

<sup>50</sup>Conventional Arms Transfers to Developing Nations, 1998-2005, Richard F. Grimmett, Congressional Research Services, Oct 2006 <http://www.fas.org/sgp/crs/weapons/RL33696.pdf>

<sup>51</sup>'US-India Defence Relations: Strategic Perspectives', Vibhuti N. Hate & Teresita C. Schaffer

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the BrahMos missile system and with plans to cooperate on Sukhoi's fifth generation fighter jet. As Putin has said: 'the very specific feature of our interaction has to do with the fact that we have moved from the simple paradigm of seller-buyer relationship to work jointly on projects'.<sup>52</sup> Western companies are more reluctant to enter into joint ventures and are more likely to lose out to Russian adaptability.

The maintenance of Indian Ocean security is as central to the stability of the region as it is to ensuring India's steady development (India relies on the sea for almost all of its energy imports and foreign trade). New Delhi's relationship with Washington will strongly affect the way its maritime activities are viewed by other regional powers such as Australia. The Indian Navy is the most capable in South Asia. With fourteen diesel-engine attack submarines, fifteen large surface vessels, one carrier (and two more on order), the Indian Navy can operate across the Indian Ocean, the South China Sea, the Arabian Gulf, the Mediterranean and even across the South Atlantic. New Delhi has also constructed a sophisticated military hub – named Project Seabird – that will further embellish its power projection capacity. The \$8 billion scheme consists of a naval base at Karwar (able to berth a maximum of 42 sub and surface craft), and an air force base, alongside armament depots and missile silos.<sup>53</sup> Originally developed in the 1980s, the plan has taken on an additional significance now that the Chinese are establishing a naval presence along the route to the Gulf. Competition between the two powers could spark an arms race in these waters that would not only have economic repercussions if trade were disrupted but would also increase the influence of Russia, a major supplier of naval hardware to both India and China.

## 2.6. Environment

In 2004, India had one of the lowest per capita emissions of greenhouse gases in the world. This will not last. As noted in the energy section of this paper, India's energy use will increase exponentially and is heavily dependent on 'dirty' coal. The UK Government's expressed desire to see India 'leapfrog into a low carbon economy' is noble, but unrealistic. First, although India is a world leader in alternative sources of energy (it has the fifth largest installation of wind power in the world) fossil fuels will continue to be the dominant share in the fuel mix. Second, Indians have concluded that the burden of emissions reduction should lie with the developed world, which consumed extensive fossil fuels during the 19<sup>th</sup> century era of industrialization. Third, India will follow China's lead. The two rising powers have joined ranks on the issue as a counter to Western pressure, and one country is unlikely to make bold moves without the other.

Increased manufacturing output has already had an impact. The southern town of Ranipet has joined the roster of the world's most polluted areas.<sup>54</sup> Despite this, Indians are cool about the projected effects of climate change, with some voices still claiming that global warming is a myth designed to control the growth of developing countries. This is unwise. Even with fractional increases in temperature over the next 30 years, India's agrarian economy would be profoundly affected. A one metre rise in sea levels would threaten seven million people and potentially wipe out almost 5 per cent of Goa's tourist-rich land.<sup>55</sup>

The biggest problem facing India is the management of water. Cities are already undersupplied and fragile infrastructure further disrupts delivery. New Delhi's water demand is approximately 3,600 million litres of water per day, but the system is riddled with major leaks and can only supply 1,730 million litres.<sup>56</sup> Contamination of supply is widespread. According to environmental groups, only 5 per cent of

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<sup>52</sup>Ibid.

<sup>53</sup>'India's Project Seabird and the Indian Ocean's Balance of Power', Adam Wolfe, Yevgeny Bendersky, Dr. Federico Bordonaro, *Power & Interest News Report* (Aug 2005)

<sup>54</sup><http://www.blacksmithinstitute.org/top10/10worst1.pdf>

<sup>55</sup>Select Committee Report – South Asia

<sup>56</sup>'Running on Empty: India's Water Crisis Could Threaten Prosperity', Pramit Mitra, *South Asia Monitor* (CSIS, Feb 2007)

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the 950 million tonnes of sewage that is dumped in the Yamuna River is treated. The Yamuna supplies over three quarters of Delhi's drinking water.<sup>57</sup>

Water management is a politically difficult issue. Singh's government has campaigned vocally in rural areas against unrestricted irrigation for agriculture, but local officials are more wary of upsetting powerful farmers and impeding India's massive programme of food production. Large water redistribution projects have also encountered turbulence, both inside and outside the parliament. The most ambitious – the \$112 billion Interlinking of Rivers (ILR) project designed to sluice water from the eastern basins to the arid areas to the west and south – has been criticised for being politically driven but scientifically flawed. The project is due to be finished in 2015, but the construction remains on controversial territory.

We now turn to India's external relationships, taking them in order of importance to India as she sees them.

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<sup>57</sup>'Running on Empty: India's Water Crisis Could Threaten Prosperity', Pramit Mitra

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## 3. India: External

### 3.1. Pakistan and Kashmir

The enmity between India and Pakistan is a substantial drain on both of their financial and human resources, fuels ethnic divisions and terrorism, disrupts regional affairs and represents a lost opportunity to capitalise on the rapid economic growth of both countries. Bilateral trade has increased at a fairly high rate since the Kargil conflict in 1999, climbing from \$157m to \$343m by 2004, a statistic likely to bother Pakistan more than its booming neighbour. This expansion is commensurate with a number of confidence building measures that have been designed to promote people-to-people connections, including the running of two train lines between India and Pakistan. However, despite the progress made on Kashmir since 2001, the current political situation is not conducive to rapprochement. Neither Musharraf nor Singh currently has the ability to drive forward a resolution. Nuclear conflict has loomed over the region ever since India and then Pakistan conducted a series of underground nuclear tests in the spring of 1998; the two countries came close to war as recently as 2002. Although unlikely, the relationship is volatile enough to provoke an atomic strike.

India has long argued that the accession of Kashmir in 1947 was legal and has rejected the need for a plebiscite, instead emphasizing that Kashmir qualifies as a constitutionally autonomous region under Indian law. Officials have also made it clear that they are looking to validate the Line of Control (LoC) as the formal international boundary. But India has seemed slow and reluctant to respond to the five-point action plan offered by Musharraf. This includes: 1) no changes to Kashmiri territory; 2) transforming the LoC into a 'soft border'; 3) introducing self-government; 4) establishing a joint management mechanism with Pakistanis, Indians and Kashmiris to oversee greater autonomy; 5) demilitarization of the region in step with the cessation of hostilities. Pakistani diplomats are said to have been deeply upset that the impetus gained during bilateral talks has failed to extend beyond the meetings between the two premiers.<sup>58</sup> In particular, there is a suspicion that Kashmir has become a victim of internal squabbling in New Delhi. Congress has been accused of refusing to debrief opposition parties comprehensively, while it has been suggested that the BJP are attempting to stall the deal in order to sign it themselves should they come to power after elections in 2009. This is not a good backdrop for mediation.

An added complication of especial importance to the UK is the role of terrorist groups operating in Kashmir. These organisations – including the Jammu and Kashmir Liberation Front (JKLF), Lashkar-e-Toiba (LeT) and Jaish-e-Mohammed (JeM) – took advantage of indigenous anti-Indian sentiment to adopt a more aggressive stance against New Delhi, mobilizing particularly after the disputed elections of 1989. Although Musharraf now has claimed to have ceased financial support for militants in Indian-occupied Kashmir, the likelihood is (as one analyst has put it): 'Pakistan's support for insurgency in Kashmir is like a tap that is sometimes turned on full blast and at other times is reduced to a trickle'.<sup>59</sup> The more marginalised jihadi organisations feel, the more aggressive they may become. This will not only affect India; it could also lead to further inflammation of the region.<sup>60</sup>

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<sup>58</sup>'Political wrangles dim the prospect of a deal with India', Farhan Bokhari & Jo Johnson, *Financial Times*

<sup>59</sup>Professor Sumantra Bose, Professor of International and Comparative Politics, Government Department, London School of Economics, in oral evidence to the Select Committee Report – South Asia

<sup>60</sup>However, the majority of the Pakistan diaspora are not from Kashmir but from Mirpur. Because they are distanced from the realities on the ground (since 1988 the conflict has claimed the lives of more than 38,000 – more than 40 per cent of which are civilian casualties) they tend to have a more ideological connection to Kashmir, a point which is not lost on terrorist recruiters. [statistics from: South Asian Terrorism Portal -

[http://www.satp.org/satporgtp/countries/india/states/jandk/data\\_sheets/annual\\_casualties.htm](http://www.satp.org/satporgtp/countries/india/states/jandk/data_sheets/annual_casualties.htm)]

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### 3.2. Other Neighbours and SAARC

Aside from Afghanistan, India's relationship with its immediate neighbours is strained and complicated by an often-violent ethnic history.

**Afghanistan.** India and Pakistan have traditionally vied for influence in Afghanistan, each attempting to outmanoeuvre the other. While Pakistan searches for the 'strategic depth' it believes it requires should there be conflict with India, New Delhi is keen to consolidate its influence in Central Asia. Pak-Afghan relations are severely strained by the presence of foreign militants and pro-Taliban fighters who use the porous border of the North West Frontier Province to operate inside Afghanistan, thereby undermining the Kabul Government with the aim of re-establishing a theocratic state.

India, which supported the Northern Alliance against what they have described as 'five dark years of a reactionary, medieval and fundamentalist regime', is now pursuing greater engagement with Afghanistan. It is one of the leading benefactors of Afghanistan's reconstruction fund, recently extending the original \$500m (donated immediately following the fall of Kabul in 2001) by another \$50m.<sup>61</sup> Much of this assistance is unconditional and is directed towards infrastructure, agricultural development and police training along with the creation of electoral and democratic machinery.

India's involvement in Afghanistan has caused controversy. Whatever Pakistan's role has been in relation to the Taliban insurgency, it would be highly undesirable for Afghanistan to become a theatre for a proxy war between India and Pakistan. Some independent reports have supported Pakistani claims that the new Indian consulates at Herat, Mazar-e-Sharif, Kandahar and Jalalabad are being used as a cover for the surveillance of Pakistani positions.<sup>62</sup> While this is unsurprising within the environment of Central and Southern Asia, the United States has viewed Pak-Indian rivalry with concern. Washington has asked India to recognise Islamabad's concerns and has not invited Indian peacekeepers into Afghanistan, despite India's successful record in peacekeeping operations.<sup>63</sup>

**Sri Lanka.** The violence wreaked by the Liberation Tigers of Tamil Eelam (LTTE) has already claimed 320 civilian lives since the start of 2007 – and it is escalating. The LTTE are resorting to sensational tactics, as seen in the aerial bombings of the capital Colombo in April 2007.<sup>64</sup> This is almost certainly a response to the increasingly aggressive tactics of the Sri Lankan army, which was emboldened by the success of a number of counter-terrorism operations in 2006. The cost has been high and the feeling is of a return to civil war.

Since the assassination of Prime Minister Rajiv Gandhi in 1990, India has withdrawn its participation in the peace process. Leaving the management of the conflict resolution to Norway, India has worked on economic rather than political aspects of the bilateral relationship (two-way trade was estimated at \$2 billion for 2006).<sup>65</sup> But links between the two countries are deep rooted, not least because of the presence of 60 million ethnic Tamils in India and the blowback of refugees who have fled to the subcontinent.<sup>66</sup> India has no plans to be directly involved in Sri Lankan affairs, although the situation is unpredictable and explosive.

**Bangladesh.** The traditionally difficult relations between India and Bangladesh have been exacerbated in recent years by the emergence of an Islamic brand of nationalism in Dhaka. In 2001, the Bangladesh National Party (BNP) returned to power in coalition with Islamist parties with links to militants,

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<sup>61</sup>"Pakistan's Strategic Goals and the Deteriorating Situation in Afghanistan", Dr Harsh V. Pant, *Power & Interest News Report* (Mar 2007)

<sup>62</sup>Ibid

<sup>63</sup>Select Committee Report – South Asia

<sup>64</sup>[http://news.bbc.co.uk/1/hi/world/south\\_asia/6609041.stm](http://news.bbc.co.uk/1/hi/world/south_asia/6609041.stm)

<sup>65</sup>Indian Ministry of External Affairs <http://meaindia.nic.in/>

<sup>66</sup>Select Committee Report – South Asia

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seemingly confirming the spread of fundamentalism. In August 2005, in an audacious plot designed to display the might of the Jama'atul Mujahideen Bangladesh (JMB), almost 460 simultaneous explosions rocked Bangladesh. The current state of emergency triggered by the boycott of national elections by the Awami League (AL) is beginning to corrode the good economic growth of the last decade, which averaged at 5 per cent per annum. Power shortages have become commonplace, deterring business. The erosion of confidence in the state will increase support for the Islamist movements and further complicate relations with India.

New Delhi has long complained that terrorist activities in its northeastern region have received support from Bangladesh, including the United Liberation Front of Asom (ULFA). This outfit is said to foster links with Pakistan's ISI and is said to maintain training camps and income generating businesses (including media consultancies and soft drinks companies) in Dhaka.<sup>67</sup> India's irritation has been compounded by what it claims to be the presence of 20 million Bangladeshi illegal immigrants in its territory (the FCO estimates the figure is closer to 12 million).<sup>68</sup> An 8ft high security fence is currently being constructed along the 4,000km border in response. Nonetheless, India still views Bangladesh as a 'friendly nation' and has been making attempts to improve bilateral trade and commercial links, as well as strengthen its already close relationship with the AL.<sup>69</sup>

**Nepal.** More than 13,000 people have been killed since the Maoist insurgency began in 1996, but the situation has improved. Elections for the Constituent Assembly are due to be held in June 2007. India has been viewing the civil war and its aftermath with great concern. First, it is keen to separate any links between the Maoists and the Naxalite insurgency that Singh has described as India's 'single biggest internal security challenge.' Left-wing militants account for almost 30 per cent of terrorist attacks across the country. Second, criminal activity on the Nepalese-Indian border has substantially increased in the last decade, particularly the smuggling of narcotics and other materials such as red sandalwood from India to China. Third, India is keen to shore up its influence in Nepal to neutralise the Chinese presence – the Himalayan kingdom is a key location within the context of the strategic struggle between the two rising powers.

Originally supplying military and financial support to King Gyanendra during the worst of the war, India abruptly cut off supplies during the King's fatal decision to dissolve Parliament in February 2005, quickly realising that this action aligned the aims of the political parties with the rebels and presented a united opposition to the King. India switched its backing to the Seven Parties Alliance (SPA), which pledged to bring the Maoists into the Government, and dropped its opposition to the involvement of the UN.<sup>70</sup> New Delhi has since provided a substantial aid package and has offered its assistance in the formation of the democratic process. In doing so, it appears to have succeeded in securing its influence in the kingdom and in gaining a tacit agreement from the Maoists that they will give no financial or military support to insurgents in India.<sup>71</sup>

**SAARC.** SAARC was established in 1985 and has failed to make an economic or political impact in the region. The scheme was doomed to languish from the beginning. Conceived by Bangladeshi Prime Minister Ziaur Rahman, India was a reluctant participant from the start, suspicious that the organisation would become a conduit for anti-Indian sentiment from its smaller neighbours. Equally, New Delhi realised that it would be untenable to continue to campaign for global economic cooperation among developing countries without applying the same philosophy to South Asia.

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<sup>67</sup>South Asian Terrorism Portal [http://www.satp.org/satporgrp/countries/india/states/assam/terrorist\\_outfits/ulfa.htm](http://www.satp.org/satporgrp/countries/india/states/assam/terrorist_outfits/ulfa.htm)

<sup>68</sup>Select Committee Report – South Asia

<sup>69</sup>Bangladesh: Background Notes, US State Department <http://www.state.gov/r/pa/ei/bgn/3452.htm>

<sup>70</sup>'India Struggles to Negotiate a Settlement in Nepal', P.R. Kumaraswamy, Sreeradha Datta, *Power & Interest News Report* (May 2006)

<sup>71</sup>Select Committee Report – South Asia

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India's worst fears have not been realised, and the organisation has not been a success mainly because it has been a hostage to Pak-Indian frictions. Its share of world trade amounts to less than 5 per cent, as opposed to ASEAN (22 per cent share) and the EU (65 per cent share).<sup>72</sup> Internal trade between SAARC members is just as weak, roughly 30 per cent less than individual nations' global trade. In contrast 70 per cent of ASEAN states' total trade was within ASEAN.<sup>73</sup> Only one collaborative project has been created, the South Asian Free Trade Agreement (SAFTA), described by the FCO as 'not particularly ambitious'.<sup>74</sup> The deal took seven years to negotiate and will not fully materialise until 2015. Even now the agreement has stalled due to the competitive haggling over the small print of sensitive product lists and technical assistance.

Like the Asia Pacific, region South Asia desperately needs a successful multilateral forum in which to settle disputes and engineer a secure environment for the promotion of trade. Although SAARC has always been a consultative rather than operative organisation,<sup>75</sup> there are indications that it could be used as a framework for the necessary security architecture. Recently, external powers have been rapidly joining to become observers. Sparked by the inauguration of Japan, China swiftly signed up not only to oversee its lucrative South Asian assets but also to offer support to Pakistan. The United States, Republic of Korea and the EU have all followed.<sup>76</sup> With nearly all the major players represented (Russia will almost certainly consider observer status), there is an opportunity for the club to turn into something more effective.

### 3.3. China<sup>77</sup>

At first drawn together by the Cold War, the Sino-Indian relationship was eventually destroyed by it. Initially, Nehru's India and Mao's China claimed to share a vision of socialism at home and anti-colonialism abroad<sup>78</sup>, eschewing the power politics of the United States and the Soviet Union. But territorial tensions led to a swift depreciation of India's stock in China, culminating in the malicious rhetoric traded during the border war of 1962, when Beijing promised to 'teach India a lesson'. It is an education that Indian policymakers still take to heart. Defeat came as a national humiliation for India. A sense of betrayal has been nurtured in history books and the media.<sup>79</sup> In the immediate aftermath of the conflict, China allied itself with Pakistan to continue undermining India's influence in South Asia. New Delhi increasingly aligned itself with Moscow to exploit Sino-Soviet antipathy. Both actions successfully ensured that relations between the two countries were virtually non-existent until 1990.

Relations have improved dramatically since the Cold War and bilateral trade has flourished, rising 56 per cent in the first quarter of 2007 to \$25 billion.<sup>80</sup> The two countries have established a realistic target of \$40 billion by 2010. People-to-people contacts are increasing with the number of direct flights. The old disputes over territory remain a source of tension – but both countries are attempting to bridge that divide with cultural and economic cooperation. There is a hope among officials that this model of diplomatic interchange can lead to resolution or at least cooperation in the strategic sphere.<sup>81</sup>

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<sup>72</sup> 'S.A.A.R.C.: A Potential Playground for Power Politics', Sreeradha Datta, *Power & Interest News Report* (April 2006)

<sup>73</sup> Select Committee Report – South Asia

<sup>74</sup> Ibid.

<sup>75</sup> 'S.A.A.R.C.: A Potential Playground for Power Politics', Sreeradha Datta, *Power & Interest News Report*

<sup>76</sup> Ibid.

<sup>77</sup> This should be read in conjunction with the 'India and South Asia' chapter of the China paper.

<sup>78</sup> Although the Chinese remained more clear-eyed about the relationship than the Nehru government in Delhi

<sup>79</sup> 'China and India', Derek J. Mitchell & Chietigj Bajpae, *China Balance Sheet* (CSIS)

<http://www.chinabalancesheet.org/Publication.html>

<sup>80</sup> 'China raises tension in India dispute', *Financial Times*, 11 June 2007

<sup>81</sup> 'Chinese planners have been led by Deng Xiaoping on this; as he said: 'There is no Chinese threat towards India and vice versa. The problem is only about the boundary. The only solution is mutual compromise... In trade, economic and cultural fields we can do many things together.'

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This theory has been supported by the growth of military exchanges. In 2005 the two sides undertook a joint navy exercise in the East China Sea (China's second such bi-national exercise: the first was with Pakistan) followed by another naval exercise in the Indian Ocean. Later in 2007, the PLA and Indian Army will conduct their first joint training exercise.<sup>82</sup> A Memorandum of Understanding on defence cooperation signed in May 2006 during Indian Defence Minister Pranab Mukherjee's visit to Beijing has underlined these contacts.

But Indians are not as enthusiastic about their new 'strategic partnership' as their Chinese counterparts. According to polls conducted by the Chicago Council, 38 per cent of Indians view China as a rival (compared to 30 per cent of Chinese) and 46 per cent view it as a partner (in comparison with more than 56 per cent of Chinese).<sup>83</sup> New Delhi's political class is divided – while commercial and financial ministries are pushing for strengthened economic interdependence, the defence establishment remains suspicious. The 'China threat' was cited as a central reason for India's testing of nuclear weapons in 1998, a claim that shocked Beijing at the time.<sup>84</sup> Like others in the region, Indians do not yet feel they have a lever on Chinese intentions.

Security experts are particularly wary of Chinese attempts to encircle India by building partnerships with India's neighbours, especially the close ties to Pakistan. China's 'string of pearls' strategy, which aims to gain naval footholds along the maritime routes of the Indian Ocean, is being viewed as an attempt at encirclement. New Delhi has responded by establishing a Far Eastern Naval Command (FENC) off Port Blair on the Andaman Islands to focus its eyes and ears on Chinese activity on the Malacca Straits.<sup>85</sup> Sino-Indian competition in the Indian Ocean (a vital location for both nations' energy security) will develop into a symmetric arms race unless confidence continues to be built through defence exchanges.

With both countries requiring increasing amounts of fossil fuels to sustain the pace of their development, one of the key tests of whether this relationship can evolve into rapprochement is the quality of their cooperation on energy. This is discussed in more detail in the chapter on energy but it is an area in which the Indians will need to review their current policy: the Chinese are consistently bolder.

Whereas once the Sino-Indian relationship was defined on its own (bilateral) terms, the seismic development of the past year has been the US-Indian nuclear agreement. Beijing's official reaction to the proposed deal was muted, leaving Chinese media to score points by accusing the US of undermining the Non Proliferation Treaty. China has been testing possible responses to Washington's move, gauging correctly that New Delhi is equally weighing up the implications of the deal. One interesting example was a craftily phrased reference to the promotion of civilian nuclear technology between India and China following President Hu's visit to India in November 2006.<sup>86</sup> Recently the Chinese have pursued a more aggressive strategy. During bilateral meetings in Germany in June 2007, China brusquely reasserted its claim to Arunachal Pradesh. Indians were taken by surprise, considering that 'political parameters' for a settlement had been established in 2005. China's statements do not markedly change the landscape of the border dispute, but it does send a clear signal of displeasure with India's movement towards the United States.

The US nuclear deal has complicated an already sensitive and highly complex relationship. At present, there is no certainty as to how it will play out. Day-to-day contact is hesitant, tentatively exploring and

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<sup>82</sup><http://www.india-defence.com/reports-3253>

<sup>83</sup><http://www.thechicagocouncil.org/UserFiles/File/GlobalViews06Final.pdf>

<sup>84</sup>Select Committee Report – South Asia

<sup>85</sup>Data from 'China and India', Derek J. Mitchell & Chietigj Bajpae, *China Balance Sheet* (CSIS)

<http://www.chinabalancesheet.org/Publication.html>

<sup>86</sup>'Considering that for both India and China, expansion of civilian nuclear energy programme is an essential and important component of their national energy plans to ensure energy security, the two sides agree to promote cooperation in the field of nuclear energy, consistent with their respective international commitments.'

<http://meaindia.nic.in/declarestatement/2006/11/21jd01.htm>

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probing areas of anxiety or mutual confidence. This triptych of powers will be one of the most important over the next century, and no side wishes to unhinge what has already become a very delicate balance. The US shares India's ambivalence towards China, which partly explains its attitude towards India's nuclear development. Regardless of this, India will not be willing to sacrifice the independence of its foreign policy to the wishes of Washington (this is explored further below). Meanwhile Beijing remains wary of burgeoning Indo-American relations and is alert to being encircled by the US via Japan and India. This triangular jockeying, which is likely to increase as power continues to be distributed from West to East, could lead to an arms race in Asia.

### 3.4. United States

Some commentators have expressed surprise that the US 'woke up' to the strategic importance of India at such a late stage. With the possible exception of the Kennedy years, American policy has always been Pakistan-centric in South Asia (though by no means easy), a strategy that had to be rapidly adapted in 1998 to prevent a regional nuclear war. But economically, the US-Indian relationship has been thriving for years. America is the largest trading partner of India, with two-way trade of \$26.8 billion in 2005.<sup>87</sup> America is also India's largest investment partner, with a 13 per cent share of around \$5 billion in foreign direct investment.<sup>88</sup> People-to-people links are strong and well established, with a wealthy and settled Indian diaspora that comprises the wealthiest per capita ethnic group. Their median income (\$60,093) is around twice the national average and they command many specialist jobs: 38 per cent of American doctors are Indian, as well as 12 per cent of scientists, 36 per cent of NASA scientists and 34 per cent of Microsoft employees.<sup>89</sup>

This economic background, alongside the presence of a successful Indian diaspora, has helped give context to the developing political exchanges. During the 1990s, India was still an untested friend for Americans, especially given the way it leaned towards the Soviet Union in the Cold War. But as US priorities reconfigured in the aftermath of September 11<sup>th</sup>, India's vital position in this new front – bordering China and at the geographical centre of the world's Muslim population – was seen as an opportunity to engage with bilateral 'common strategic interests'.<sup>90</sup> The CIA has called India 'the most important swing state' internationally.<sup>91</sup>

While the nuclear deal is by far the most important signal of the new partnership, it was by no means the first. Sympathetic to the cost of 9/11, and a supporter of US intervention against the Taliban, India agreed in 2002 to escort vital American assets through the Straits of Malacca. This opened the way for a series of civilian and military exchanges. In April 2005, an 'open skies' agreement was ratified. The two countries inked a bilateral ten-year defence agreement (the New Framework for the US-India Defence Relationship) later in June. In March 2006, during Bush's visit to the subcontinent, the US-Indian nuclear agreement was signed. In return, India has carefully coordinated its response to this developing trust, vocally supporting Bush on the International Criminal Court and missile defence, continuing to provide security in the Indian Ocean and apparently even considering seriously sending troops to Iraq.

The nuclear deal went beyond any previous agreement. Under the terms, the US will provide fuel for reactors at Tarapur and consult on India's involvement in the International Thermonuclear Experimental Reactor (ITER) in return for: 1) separation of military and civilian nuclear facilities; 2) placement of civilian facilities under IAEA security; 3) creation of an Additional Protocol for civilian facilities; 4) continuance of test moratoriums; 5) bilateral establishment of a Fissile Material Cut-Off Treaty; 6) guarantees not to transfer technology to non-nuclear states; 7) adherence to the NSG and Missile

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<sup>87</sup>India: Background Notes, US State Department

<sup>88</sup>Ibid.

<sup>89</sup>Dr Gerard Lyons, evidence to the Policy Group

<sup>90</sup><http://www.whitehouse.gov/nsc/nss.html>

<sup>91</sup>'Gathering Steam: India and the United States Extend Military Ties', Prमित Mitra & John Ryan (CSIS, Oct 2006)

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Technology Control Regime.<sup>92</sup> The UK has accepted the deal and has agreed to amend its policy on the export of dual-use materials.

The agreement has divided the Government and public opinion in India which has caused a last minute hiccup; although both foreign ministries are optimistic about reaching a conclusion to the talks, the deal currently hangs in the balance. The official Indian reaction to the deal was initially positive. It has been responsive to non-proliferation issues, including the Proliferation Security Initiative (PSI) and the Container Security Initiative (CSI). This has gone some way to vindicating the Bush administration's rationale that the agreement would encourage India to become a more responsible nuclear power. But the deal was not universally well received. Left Front factions accused Singh of selling out to the US while New Delhi's nuclear establishment (in the form of the Ministry of Atomic Energy) has been adamant that India must reserve the right to test nuclear weapons.<sup>93</sup> This domestic pressure has contributed to an extraordinary impasse in finally ratifying the deal. American officials are exasperated that the energy expended in passing the bill through the Senate in December has been wasted due to India's intractable negotiating tactics. Further talks at the beginning of June also failed to resolve the differences.<sup>94</sup>

More progress has been made on expanding defence cooperation, another manifestation of the increasingly strategic dimension to the Indian-US relationship. The two militaries have undertaken 20 joint exercises since 2002, including a number of maritime projects. Most significant of all was the Indo-American synergetic relief operations in the wake of the tsunami in 2004, which highlighted the compatibility of the two navies. Pentagon planners view India's naval strength and experience in peacekeeping as an ideal fit with US firepower,<sup>95</sup> and view India as a vital component of their vision for a 'thousand ship navy.'<sup>96</sup>

India is trading carefully to ensure that it does not find itself ensnared in a commitment to the US that will compromise its independence. It is particularly wary of being seen as a bulwark against China. Popular sentiment is still divided over a greater engagement with America. Although Bush's popularity rating has been high among the young and the affluent, the repercussions of America's Middle East policy have radicalised some Indian Muslims.

### 3.5. United Kingdom

On a governmental level, India's relationship with the UK has emerged from the colonial era to a position of great potential. This has been underpinned by an unusually potent cultural exchange that predates the days of the Raj and has been strengthened in part by a successful and deep rooted Indian diaspora. Indians were present within the British political establishment decades before Independence (including Conservative MP Sir Mancherjee Bhawangree who sat between 1895 and 1906).<sup>97</sup> Moreover, many figures who were closely associated with the Independence movement were beneficiaries of the English liberal education system, including Mahatma Gandhi who was trained as a lawyer at University College London. This helped to ensure that the transition of power from Imperial London to New Delhi was conducted peacefully and that post-1947 bilateral relations remained important to both countries. India's decision to remain a member of the Commonwealth has helped to shape the heritage of that organisation as well as encouraging a few countries unconnected to Britain's colonial legacy to join. Bilateral defence

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<sup>92</sup>Select Committee Report – South Asia

<sup>93</sup>Some Indians are understood to be anxious that nuclear cooperation would be maintained in the event of a test in response to further tests from China or Pakistan. 'US-India nuclear fuel deal under threat', Edward Luce & Jo Johnson, *Financial Times* (18.04.2007)

<sup>94</sup>BBC [http://news.bbc.co.uk/1/hi/world/south\\_asia/6715887.stm](http://news.bbc.co.uk/1/hi/world/south_asia/6715887.stm)

<sup>95</sup>'Gathering Steam: India and the United States Extend Military Ties', Pramit Mitra & John Ryan

<sup>96</sup>Senior American naval officers have been discussing the options for creating a 'global maritime partnership', or assembling a collaborative, multilateral framework of civilian and military naval craft from countries across Asia. *Ibid.*

<sup>97</sup>Report of the High Level Committee on the Indian Diaspora

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ties were also greatly strengthened by the participation of a large number of Indian nationals in the British Army during the First and Second World Wars. The largest numbers of Victoria Cross recipients were Indians.<sup>98</sup>

1.05 million Indians now reside in Britain, the result of two main waves of immigration during the middle half of the last century. The first influx – people of primarily Punjabi origin – became a central pillar of Britain’s post-war reconstruction programme. The second group, many of whom were expelled from Uganda during Idi Amin’s ‘economic war’ against Asians and Europeans, arrived in the 1970s. These Indians (of mainly Gujarati origin) were highly educated and proficient in business, helping to buoy the UK economy and establishing them as an effective socio-economic force. Indians have now penetrated virtually all levels of British society, including medicine, technology, politics, education, engineering, business and of course culture. People-to-people contacts remain strong: 400,000 British people visit India every year (the highest number of tourists of any country), while 500,000 Indians visit Britain.<sup>99</sup>

As India’s international posture has shifted in the wake of the Cold War, the UK and Indian Governments have upgraded bilateral relations. In 2004 the two governments signed a strategic partnership, building on the success of the New Delhi Declaration of 2002. The Prime Minister’s Initiative established by Blair and Singh outlined five areas for collaboration including: 1) foreign and defence policy; 2) security challenges; 3) public diplomacy, such as an intensification of educational and research links; 4) trade and investment; 5) sustainable development.<sup>100</sup> India is a crucial strategic ally on security matters, with a shared interest in combating Islamist terrorism and a vital future role to play in the management of China. It is in the UK’s interest to foster the closest possible relationship with India, a rising Asian democracy. Political, economic and military co-operation should be intensified. Delhi should be a central player in security dialogue held at the highest level. For all our assets there is a danger that the UK is going to get left behind.

Over the last two years, there has been a particular focus on improving the links in education, with a £10m fund established for the UK-India Education and Research Initiative. Competition in this area is fierce, particularly with the US, Canada and Australia but there is a developing opportunity on which it is imperative to capitalise. US visas have become difficult to obtain as a result of the raised security approach since September 11<sup>th</sup>. Additionally, as positive caste discrimination in Indian universities is set to increase, Indian students denied places at their favoured universities in India might be looking abroad instead.<sup>120</sup> However, as has been already detailed by the Economic Competitiveness Policy Group’s report ‘India: An Opportunity not a Threat’, American universities have not only penetrated further into India than British universities (for instance Harvard Business School’s India Research Centre in Mumbai), but they also offer greater cohesion between study and career opportunities.

The UK trade position has been described by one economist as ‘poor’.<sup>101</sup> Two way trade with India between January and November 2006 was £5.4 billion, an approximately 5 per cent jump year on year. This masks the fact that India is not in the list of the UK’s fifteen closest trading partners.<sup>102</sup> Business is beginning to awake to opportunities in India in the same way as it has to China, although FDI is lagging badly behind the pace of India’s liberalisation of the FDI market, reaching just £269m in 2004 (as compared with British FDI to China – £517million – or British inward investment to the US - £13 billion). Businesses have been deterred by bad infrastructure (amongst other things) but given the history and the assets that Britain has, this risk aversion seems irrational. Today, India’s primary economic significance for the UK is as the largest recipient of bilateral aid. DfID’s India budget is set to rise to \$300m (from \$248 in 2005/06) in 2008,<sup>103</sup> in accordance with the FCO’s assertion that the ‘Millennium

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<sup>98</sup>Ibid.

<sup>99</sup>UK and India: Global Partners, Foreign Office

<sup>100</sup><http://www.hcilondon.net/bilateral-relations.html>

<sup>101</sup>Ibid.

<sup>102</sup>It is the 16<sup>th</sup> largest partner for exports and the 22<sup>nd</sup> largest partner for imports

<sup>103</sup><http://www.dfid.gov.uk/news/files/pressreleases/india-uk-support.asp>

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Development Goals will be won or lost on Indian soil'.<sup>104</sup> Government Ministers have consistently made it clear that India is a top priority for the UK in terms of development. But streamlining the various institutions that promote improved bilateral trade (which includes the Joint Economic and Trade Committee) needs to be an urgent priority for ensuring that Britain engages with India as an emerging first world country as well as a developing nation. The UK must take account of these two different Indias.

### 3.6. Russia

There are two central elements to the relationship between India and Russia: energy and defence. Despite being close allies during the latter half of the Cold War (a bilateral pact was signed in 1971, enabling Moscow to provide arms for war against Pakistan), since the demise of the Soviet Union ties between the two countries have lacked depth. Two-way trade stands at only \$2.8 billion. In contrast, Russia sold almost \$10 billion of conventional weaponry to India between 1997 and 2004, with annual sales presumed to be roughly \$1.5 billion. Approximately 80 per cent of India's defence machine originated in Russia.<sup>105</sup> Although Israel has replaced it as the primary supplier of military equipment to India, the recent visits of President Putin and Defence Minister Sergei Ivanov underscore Russia's attempts to reassume pole position. As previously noted, the willingness to cooperate on joint development projects is a significant attraction; Russia is likely to gain ground in this respect.

Even more important for New Delhi is Russia's role as an energy supplier. Prime Minister Singh emphasised this publicly in January when he declared: 'energy security is the most important of the emerging dimensions of our strategic partnership'.<sup>106</sup> India already has a considerable stake (estimated at \$3 billion) in the Sakhalin oil field, which could be extended in the forthcoming Sakhalin-3 oil and gas exploration blocks. But an equally significant development is the recent progress made on civilian nuclear facilities. Two Russian-designed reactors are already being constructed in Tamil Nadu (allegedly contrary to the regulations of the NSG) and a draft deal has been signed to provide India with four more.<sup>107</sup> Even if the US nuclear deal is finally ratified, Russia is still hoping to position itself as India's top atomic supplier; India aims to play both while asserting its own independence.

Recent exchanges have reaffirmed and sought to broaden the relationship. Both sides have pledged to increase trade to \$10 billion each way by 2010, expanding it beyond the traditional parameters to include space, science and technology, and culture. But although commercial ties will be strengthened, India may not go as far as Russia would wish. Putin's well-rehearsed desire to establish a strategic triangle with India and China has never materialised. Trilateral meetings have occurred at presidential and foreign ministerial level (the most recent in February 2007), but despite the hype India in particular has no desire to dispense so carelessly with its new relationship with the US.<sup>108</sup> This detachment was highlighted in June 2006 when India was the only nation not to send its head of state to the Shanghai summit of the SCO, in which it has observer status.

### 3.7. Japan

Indian ties with Japan are still nascent. Japan was one of the sharpest critics of India's nuclear tests, fearing that an atomic arms race would spread east. The nuclear question continues to vex Tokyo, not least by generating internal tensions within the Liberal Democrat Party (LDP), even though the US nuclear deal went some way to legitimise India's nuclear programme. During a visit by Singh to Japan in

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<sup>104</sup> [http://www.britainusa.com/sections/articles\\_show\\_nt1.asp?d=0&i=60063&L1=0&L2=0&a=40975](http://www.britainusa.com/sections/articles_show_nt1.asp?d=0&i=60063&L1=0&L2=0&a=40975)

<sup>105</sup> <http://www.heritage.org/Research/AsiaandthePacific/bg2008.cfm>

<sup>106</sup> 'India and Russia: Old Friends, New Friends', Jan Cartwright, *South Asia Monitor* (CSIS, Mar 2007)

<sup>107</sup> Ibid.

<sup>108</sup> 'Giants meet to counter US power', Jeremy Page, *The Times*, (15.02.2007)

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December 2006, talk of Indo-Japanese civilian nuclear cooperation was an indication that Japan will not seek to block India's access to civilian nuclear materials when it comes to ratification at the Nuclear Suppliers Group (NSG) in late 2007.<sup>109</sup> However, the extent of the damage caused by the 1998 nuclear tests is evident in the paucity of bilateral commercial ties. Indo-Japanese trade was just \$4.35 billion in 2006, with Japanese investment in India standing at around \$2 billion – far behind Japanese investment in China (\$57 billion).<sup>110</sup> Distrust is also symptomatic of mutual incomprehension. Both countries remain puzzled by each other.

Both countries are aware that the relationship has great potential. India is already a major recipient of Japanese assistance (receiving \$1.5 billion from 2004-06) but would stand to gain considerably from Japanese investment, particularly in the information technology sector, a shared area of expertise.<sup>111</sup> For the Japanese, the major issue is to nurture the ally that provides them with maritime security from Cape Comorin through the Malacca Straits and Singapore. More than 80 per cent of Japan's oil passes along this route, leaving it vulnerable to external interference. The adhesive cementing the relationship is the common desire to provide checks and balances to China's rise across Asia.

The willingness to improve ties will be quietly welcomed by the United States. But there is an opportunity for India to continue fashioning a global role while maintaining its independence from strategic alignments. Both Asian countries have complementary resources that could enhance each other's standing: Japan's economic weight matching India's military and cultural capability. In Myanmar and Central Asia, for instance, India and Japan are engaged with regimes that the West has long refused to deal with, enabling them to continue chasing trade opportunities while also suggesting reform. It remains to be seen how effective this policy is, particularly as China's pledges of unconditional aid frequently undermine the necessity for domestic changes.

### 3.8. Middle East

Indian interests in the Middle East are motivated by its growing energy requirements, the presence of over 3.6 million Indian nationals in the six GCC states<sup>112</sup> and an awareness of an opportunity to cultivate links to the Muslim world as a balance to its difficult relationship with Pakistan. In this there are similarities to China. Beijing's Middle East policy is equally focused around the potent mix of energy and Islam. But because of the large expatriate presence, India's cultural connections with the Middle East are much stronger. And New Delhi is forced to weigh public opinion among its other concerns.

Nothing better demonstrates the complexities of India's foreign policy in the Persian Gulf than its attitude to Iran. Forged in the aftermath of the Cold War, New Delhi's relationship with Tehran has been more than strictly strategic. The two countries coordinated strategies during the days of the Taliban.<sup>113</sup> There are obvious commercial opportunities in the energy sector. But their affiliation is as much to do with the great power ambitions of both countries as of the ancillary details of the bilateral agenda. For India, in particular, Iran is a gateway to Afghanistan and the resources of Central Asia, where it sees an opportunity to outflank Pakistan, chase lucrative energy contracts and compete for influence with Beijing.

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<sup>109</sup>India, China and Japan', Teresita Schaffer & Vibhuti Hate, South Asia Monitor (CSIS, Jan 2007)

<sup>110</sup>Ibid.

<sup>111</sup>Singh made this clear in a speech in Tokyo: 'Japan must regain its historic status as our most important business partner in Asia'. Japan-India Business Luncheon Meeting, Dec 2006

[www.embassyofindiajapan.org/word/2006primeminister/Business\\_Luncheon\\_Speech\\_eng.doc](http://www.embassyofindiajapan.org/word/2006primeminister/Business_Luncheon_Speech_eng.doc)

<sup>112</sup>'Challenges and change in Persian Gulf — Why India needs a 'Look West' policy', G. Parthasarathy, *Hindu Business Line* <http://www.blonnet.com/2005/09/09/stories/2005090901141000.htm>

<sup>113</sup>'India and Iran: New Delhi's Balancing Act', Christine Fair, *The Washington Quarterly* - Volume 30, Number 3, (Summer 2007)

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Iran's nuclear enterprise has become a thorny obstacle to the pursuit of these objectives. Having spent years campaigning for nuclear disarmament and complaining that the international community did not do enough to give developing countries access to civilian nuclear projects, India's own entrance into the atomic club in 1998 was hardly conventional. This has compromised New Delhi's negotiating ability. It does not have the political capital to give its blessings to Iranian aspirations; nor does it have the capacity to criticise. India wants to keep Iran on side – but it also understands that allowing it to develop its deterrent would spark a chain reaction across the region as well as place Indian territory within range of Iranian Shehab missiles.<sup>114</sup> India's support or even acquiescence in these circumstances would also place its fledgling alliance with Washington in serious jeopardy.

India has voted twice against Tehran at the IAEA in September 2005 and February 2006, finding it first in noncompliance of international regulations and secondly referring it to the UN Security Council. Both votes were cast with reluctance and have been explained to Iran in these terms. Indeed in March 2006, almost at the same time as Bush's visit to the Subcontinent, India undertook a joint naval exercise with Tehran in the Gulf, rattling some members of Congress.<sup>115</sup> India's defence relationship with Iran is murky and it is not clear how deep the cooperation goes, but rumours that India has provided assistance in the refitting of Iran's military equipment have gone down badly with Israel. Tel Aviv has elicited guarantees that none of its defence technologies will end up in Iranian hands.

The relationship with Iran is a crucial test of India's position in the world. So far, India's actions have served to demonstrate that its power is still limited. Despite widespread bipartisan support in India for maintaining healthy connections with Iran, New Delhi has not been able to pursue a strategy independent from Washington when it comes to the crunch decisions. Moreover, India is extending ties to other countries in the region with an equal interest in restraining Iran, including Saudi Arabia. The Saudi kingdom is India's largest provider of oil and is home to an estimated 1.5 million Indian nationals. As important, it is one of the few Islamic theocracies viewed favourably by the West, which has worked for a demilitarised Kashmir and has supported India's observership in the Organisation of the Islamic Conference.<sup>116</sup>

### 3.9. United Nations and Multilateral Organisations

As a result of its commitment to the principles of the Non Aligned Movement (NAM), much of India's experience in international affairs has been gathered through multilateral organisations (although India has always had highly capable bilateral embassies). As its influence spreads, this will be one of its strongest characteristics. American unilateralism will not last forever, and a multipolar global establishment will require strong international institutions.

India was a founding member of the UN and is a major contributor to peacekeeping forces. Over the last 60 years more than 55,000 military personnel have been deployed in UN missions.<sup>117</sup> It continues to play a key role in stabilisation and reconstruction, particularly in the Congo where over half of its 9,000 peacekeeping troops are currently stationed.<sup>118</sup> In recognition of this, India was elected to the inaugural UN Peacekeeping Commission in June 2006 alongside Pakistan, Bangladesh, Ghana and Nigeria. India is also active in UN work on human rights (and was elected to the UNHRC in May 2006) and is also a significant contributor to the UNDP, UN Population Fund (UNFPA), UNICEF and WFP. It has been the second largest donor to the UN Democracy Fund, pledging \$10m.<sup>119</sup>

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<sup>114</sup>"Saudi Arabia Looks East: Woos China and India", Dr Harsh V. Pant, *Power & Interest News Report* (Sept 2006)

<sup>115</sup>'India and Iran: New Delhi's Balancing Act', Christine Fair, *The Washington Quarterly*

<sup>116</sup>"Saudi Arabia Looks East: Woos China and India", Dr Harsh V. Pant, *Power & Interest News Report*

<sup>117</sup>[http://www.un.int/india/india\\_and\\_the\\_un\\_pkeeping.html](http://www.un.int/india/india_and_the_un_pkeeping.html)

<sup>118</sup>Ibid.

<sup>119</sup>Select Committee Report – South Asia

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Although Nehru is said to have declined an offer to accept a permanent seat on the United Nations Security Council, India has long since changed its mind. It currently argues that the P5 does not adequately reflect the participation of developing nations within the General Assembly. Three P5 members support this bid: the UK, France and Russia. China has not commented officially. The US has not specified any particular countries that it would be willing to see on the Security Council.<sup>120</sup>

### 3.10. The European Union

The institutions of the European Union have not had an impressive record of engagement with India. The reason for this stretches back to the Lome Convention (1975) of the European Community, which secured liberal trading rights between Europe and African, Caribbean and Pacific (ACP) states that had formerly been under colonial control. Once the UK committed to the European project, its former colony India was refused entry to the Lome agreement on the same terms as ACP countries despite the obvious needs and opportunities that it presented. Despite the creation of a new fund to deal specifically with India, it did not enjoy the privileged status of ACP in either trade or aid. Consequently, Indo-European relations have been largely defined through the UK.

India signed a strategic partnership with Brussels in 2005 and since then bilateral trade has increased by 20 per cent to reach \$53 billion.<sup>121</sup> India has also joined the Galileo satellite navigation programme, which will intensify coordination between the Indian and European high technology sectors.<sup>122</sup> However, as with much of the activity in the Union, communication is often dictated through bilateral rather than bloc lines. Although the 7<sup>th</sup> EU-India Summit in Helsinki endorsed a report by the High Level Trade Group arguing for bilateral trade and an investment agreement aiming to eliminate 90 per cent of tariffs between the two countries, there is a real danger that negotiations will break down as individual member states object to the specifics.<sup>123</sup>

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<sup>120</sup><http://www.state.gov/documents/organization/48439.pdf>

<sup>121</sup>[http://ec.europa.eu/trade/issues/bilateral/countries/india/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/countries/india/index_en.htm)

<sup>122</sup>Select Committee Report – South Asia

<sup>123</sup>[http://ec.europa.eu/trade/issues/bilateral/countries/india/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/countries/india/index_en.htm)

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# Study 3: Uniting the Country

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## 1. Executive Summary

The long term Policy Group on National and International Security is looking at issues relating to national cohesion because our collective safety cannot just depend upon our ability to take effective security measures against the enemies of our society, important as these are, but because ultimately it is our common loyalty and our shared desire to preserve our liberties which will keep us safe. Terrorism has made us conscious of our vulnerability and has frightened many. As the bombers intended, it has also undermined trust in fellow citizens. The Muslim communities, which are quite diverse in origin, have come under scrutiny as never before.

Considerable pressures are being exerted on Muslims in Britain. Propagators in the UK of political Islam, which exploits a contested version of belief for political ends, are active and influential in Muslim communities. In some instances they seek to overthrow the institutions of democracy to institute a state governed by Sharia law. More campaign to obtain changes in, and special exemptions from, British law for all Muslims here irrespective of whether individual Muslims want this and against the principle that the law should apply equally to all British citizens. Though a few of these people are violent, a much greater number are willing to use the processes of democracy to change its character in fundamental ways. They are active in some mosques, though not exclusively there. Combined with the resentment most Muslims in this country feel about events in the Middle East, the conflict of loyalties which competing pressures can set up for ordinary Muslims makes it significantly harder than it would otherwise be for them to integrate.

At the same time, and independently, centrifugal forces, resulting from successive and rapid changes at home, are rendering the majority community in this country less sure of its identity and less able to articulate and defend its values. Against this background, multiculturalism, which should allow diversity to flourish within an overall framework of unity, is tending to foster difference for its own sake and demands for special treatment. This prevents integration. Extremist voices from different parts of the political spectrum including the white racist far right are preying on different communities with the aim of driving people apart. Both must be combated if the bonds of society are not to loosen further. A new bargain must be struck whereby British identity is explicitly extended to include people of diverse ethnic origin and religious affiliation and all individuals uphold the liberal democratic values of this country on the basis of equality.

The report explores the position of Muslim communities in the UK; their leadership; and their social conditions, including in particular the position of women. The report assesses that a number of factors combine to set Muslim communities apart from the rest of society in ways which are unhelpful to the advancement of individuals and of Muslims generally. Muslim community organisations, of which there are many that do important social work, are nevertheless not offering the leadership they should at the top level. They act more as lobbies. Too many are concerned with promoting a particular brand of Islam, with conciliating internal differences or protecting their own status, allowing reactionary forces to retain control. As a result they do not effectively advance the declared aim of promoting inter-communal understanding. The Group takes the view that they should espouse integration and work vigorously for it. Government should use its patronage, including public monies, exclusively to foster this goal. A Conservative Administration should seek to establish direct relations with individual Muslim voters on the same basis as all other citizens.

Many Muslims suffer a handicap in obtaining good life chances because of the impoverished immigrant background of many of them and poor schools in their inner city neighbourhoods. They are pessimistic that they will get special help such as an Academy which they see as going to others. When given the chance of a good education, Muslim parents are as ambitious as any others for academic attainment.

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Among those who can afford it, some Muslim parents send their children to faith schools as a matter of active choice. Others do so because it is the only route available locally to a decent school even if the price, of which they may well be conscious, is greater separation from other communities. Improving the quality of schooling in the maintained sector would do more for integration than almost all other measures the Government could take.

Academic research shows that traditional habits such as arranging marriage to partners from rural backgrounds as well as traditional social structures and employment patterns, saddle Muslims with what has been termed an 'ethnic penalty'. The inferior status of women as compared with their men folk (as exemplified by continued, if declining, forced marriage) is a significant factor in the slower upward mobility of Muslims as compared with similar immigrant groups from the subcontinent. Muslim women are underrepresented in the workplace. The lot of those denied by their families the opportunity to work when they want to can be particularly unhappy. A change in attitudes on the part of Muslim men towards women's rights would considerably ease the path towards integration.

The section on the status of women in the report contains recommendations for action with three aims in mind:

- to counteract subversive activity and intercommunal tension;
- to promote intercommunal understanding and integration; and
- to promote a shared British agenda and identity.

Our recommendations are directed at three main actors: an incoming Conservative Administration and the bodies and agencies which go to make up the public sector; communal bodies, which the government would seek to influence by the policies it pursued and the way it spent public monies and, third, the voluntary sector and the wider public. Much needed action to combat misperceptions about the nature of Islam will become less difficult if the flow of propaganda hostile to democratic values is effectively impeded; understanding between communities will increase if common goals leading to integration are identified and actively worked for by everyone, especially by those in leadership positions, and this country would have more self belief and a greater chance of feeling united if we were better informed about our shared past and what we stand for now. In the end, it is society as a whole that has to want to stand together.

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## 2. Introduction

It may be asked why the National and International Security long term Policy Group should be the one asked to report on the issues relating to national cohesion. The subject contains many strands which link our work with that of other Conservative Party Policy Groups - Quality of Life for instance - and we have not attempted to deal with all the aspects in equal depth. There is however one overpowering reason why it makes sense for national cohesion to be treated in the context of national security. Following 9/11, an effective counter terrorist strategy has been shown to be vital to our security. Equally, if we wish to remain a liberal society, it cannot be the central element of policy indefinitely. Our security has to rest on our freedom, not on its curtailment. Rather than turning to the state to protect each of us against the possible malevolence of the other, citizens must be able to trust each other. The ends of our democracy are best protected through vigorous exercise of its processes.

To secure our freedoms we have to do more than prevent terrorists wreaking destruction and sowing dissension. We need also to pay attention to the propagation in the UK of pernicious ideas by any group which avails itself of democratic freedoms in order to subvert democracy, as Soviet backed Communism once did. At present, there is no doubt that the principal such group is made up of some Muslim radicals who adopt this technique and, in the name of their version of their religion, seek also to deny the extension of democratic liberties to other Muslims in Britain. These people do not necessarily advocate violence as a way of gaining their ends. But they are enemies of the values this society stands for and which are shared by all other British Muslims.

Within what has come to be known conventionally<sup>1</sup> as 'Islamism' or 'Political Islam', it is possible to discern two groups and two lines of argument. There are those who believe that the state should be governed by Sharia law and who actively oppose secular democracy. Many also discourage participation in its processes. Such people often also preach hatred of nonbelievers, in which they frequently include Muslims who do not subscribe to their view. Secondly there are those who share the aim of changing the laws of this country to conform to their interpretation of Islamic religious beliefs but who are prepared to use democratic freedoms in order to establish either a parallel system, (or in some cases, an overriding system), of religiously derived law. In this country they often argue that their political demands need to be met to prevent Muslims supporting more extreme people. The Group considers the last argument disingenuous and does not accept the implication that willingness to stay within the law legitimises goals which are destructive of a tolerant and liberal democracy and which are likely to increase general resentment of the very people in whose name the proponents purport to speak.

As with Soviet backed Communism, these ideas have to be combated without destroying our freedoms in the process. The views of the small number of British citizens, of whatever political stripe or creed, who disseminate racist based hatred against other groups including minorities and immigrants, must also be overcome: they too betray the freedoms they exploit. Our democracy is resilient. We should exhibit our confidence in the balance that has been struck between the civil liberty of the individual and collective security by keeping new restrictions to the minimum strictly necessary to achieve security. Over the centuries this country has shown both the will and the ability to absorb waves of immigrants and there is no reason to suppose that we cannot succeed now. That said, there is little doubt that in the year since the Group was asked to report on this subject, political relations between different communities, especially Muslim communities and others, have deteriorated. The 7/7 bombings and the videos made by the bombers justifying their resort to terrorism have had their intended effect of sowing distrust.

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<sup>1</sup>The term is in wide use, including by Muslim community leaders: 'They have united Muslim and Christian, Sunni and Shia, Islamist and secular,' Daoud Abdullah, Deputy Secretary General, Muslim Council of Britain, Socialist Worker, 5 August 2006

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In the wake of increased security measures, a growing number of Muslims feel increasingly picked on, while there is evidence of backlash in the majority community. The recent controversy unleashed in the media over the wearing of the veil has heightened the political temperature without resolving anything. Among Muslims it demonstrated that attitudes have been influenced by the growth in global Muslim consciousness and the identity politics to which this has given rise. In the majority community, it showed increased apprehensiveness about the extent to which values are shared across community lines. Some went a good deal further, considering the wearing of the veil to be a rejection of such values. Women displayed particular sensitivity, not just because they felt that the veil limited the prospects of individual Muslim women by isolating them, but also because some saw such practices as undermining the hard fought recent equality of women. Some people have argued that with the passage of time, and indigenisation of the generations, such sartorial issues will resolve themselves. Such comfortable predictions tend to ignore the radicalising influences being generated in this country as well as from abroad which show no signs of waning.

The Director General of the Security Service, Dame Eliza Manningham-Buller, has pointed to the recent rapid increase in radicalisation of Muslim youth in the UK, noting the need to understand what drives this phenomenon in order to be able to counter it. She is right - which is why the foreign policy issues which extremists exploit cannot be left out of account. By ruling out discussion of foreign policy as a legitimate motivator of dissent by Muslims the Government undoubtedly intensifies the anger which a great many of them feel about it, including those whose views on other issues are mainstream. Moreover in consequence, the Government is less well placed than it could and should be effectively to challenge those leaders of Muslim organisations who have come close in public statements to taking the unacceptable line of condoning terrorism as an instrument of policy, if not in the UK then certainly in the Middle East. Lack of dialogue over foreign policy is not neutral in its effects. It is damaging.

Great and swift damage can be done to intercommunal relations by the single issue of terrorism and the fear of it. Getting integration, which we regard as the right goal (not just 'harmony' or improved intercommunal relations, important as these are), squarely back on track however takes time and demands action on a broad front of policy. Much of the existing policy base is valid and should be built on. That relating, for instance, to non discrimination and equal opportunity is sound and relevant. It does not need change but application. But there are other aspects where change is undoubtedly needed, which we detail below. Above all though, while the state needs to set the rules of the game, it is societies that integrate and it is in society that the will to integrate has to be manifest. It will be the many millions of individual acts on the part of private citizens over time which will determine our success. The government should not be the sole or even the main actor. We all have a stake in the unity of our country and none of us can afford to be inert in defence of values we want to see upheld.

These are difficult and sensitive issues which test tolerance and trust. The dangers of a widening divide are real and current trends need checking if integration of communities is not seriously to be set back. Faltering integration would have effects going beyond relations between Muslims and others in our society striking at the heart of our self belief and freedoms.

## Evidence taken

The subject of national cohesion goes wider than the position of British Muslims. It concerns other ethnic minorities and migrants too. Indeed it is by definition important to all of us. But for obvious reasons, in this interim report we have given priority to investigation of issues especially affecting Muslims. Our

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recommendations reflect the point our thinking has reached which is likely to evolve further.

We have taken evidence from a wide range of individuals in different parts of the country. We were gratified by the welcome we received from Muslims to whom we talked and thank them for taking the trouble to do so. Our approach was as much to individuals as to organisations. Organisations certainly have their role in promoting the interests of those whom they claim to represent (provided they do) but they also develop agendas of their own and we wished to get past these in our discussions. Political inarticulacy among Muslims, some of whom feel traduced if not betrayed by statements made and actions undertaken in their name, is a problem. Traditional patterns of authority do not foster open debate and discussion and much dissent inside Muslim communities is unspoken. This needs to change as it handicaps Muslims from being seen, as they should be, as fellow citizens unattached from the single identifier of 'Muslim' which masks their individuality. Many, though not all, members of Muslim communities, understand that some patterns of behaviour – for instance the position of women – are legitimate matters of comment on the part of non Muslims and see the need for change. The current political climate however induces a defensiveness which makes this harder while current social problems – violence, drunkenness, promiscuity and poor educational standards in society as a whole makes reform easier for paternalists to repudiate. The street needs to bear traffic in both directions.

## Multiculturalism in Britain

This subject currently generates more argument than agreement. A disagreement has developed between those who hold, with Mayor Livingstone, that the essential thing society must recognise is the legitimacy of difference and the right to it and those who argue, with Trevor Phillips, now Chair of the Commission for Equality and Human Rights, that in practice this is leading to separation and is ultimately destructive of social cohesion. The Group agrees that dangers lie in elevating difference at the expense of cohesion. We do not think assimilation – the insistence on a single identity only for all citizens, on French lines – can be imported into the situation in the UK but do strongly hold to the view that there must be more to cohesion than different groups just rubbing along side by side. Integration need not be a zero sum game – more of my identity means less of yours. Nor in our view need it exclude multiple identities. This is already part of our life through membership of the European Union and devolution within the UK. But there is an important proviso: that, while cherishing distinctiveness, everyone is at the same time striving to create a united society based on a shared ethos. In Amartya Sen's phrase: the right involved is the right to be treated the same despite difference not differently because of it. The obligation is to contribute to creating and upholding common values.

This will not happen of its own accord and will need to be worked at. Nor will it happen if all the effort has to come from one part of the community. In an age of migration, the mental image of ourselves as a settled society to which incomers should conform without change or effort on our part is unhelpful. We do not need to see ourselves, as Americans do, as a nation made up of immigrants to accept that there is a new social bargain to be struck: a more explicit acceptance on the part of the majority community of the importance of helping minorities to integrate to be matched by minorities' willingness to equip themselves to be active participants in the general life of their new country. A part of this will be the development across the whole population of a shared understanding of what it is to be British.

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### 3. Our General Approach

The aim of policy should be to draw support away from the extremes by building a solid consensus at the political centre about our identity and values as British citizens. This involves us being clear about what these are, about how we will support and promote them as well as taking action against those who seek to subvert them.

Our policy recommendations fall into broadly three groups:

- those proposals which counteract subversive activity and intercommunal tension;
- those which promote intercommunal understanding and integration; and
- those which bind us together as British citizens.

The terrorist threat must be dealt with through robust and proportionate security measures. Some of these have been discussed in our interim security report issued on 18 December 2006. The willing cooperation of the Muslim population in the struggle against terrorists is vital – since the threat does not emerge *ex nihilo*. It rests on an ideology, defined in the Introduction, which requires all Muslims to reject many of the principles that underpin democratic life. We discuss this ideology in the next chapter. Since most Muslims, like most other people, have little time or inclination to take part in abstruse debate, ideological leaders aim to radicalise a wider audience through Islamic identity politics: by trying to persuade people that the way to protect their religion is to follow them. The arguments deployed are crude and shallow but nonetheless powerful. The same can be said of white racism though this lacks either the apparent sanction or rewards of religion or intellectual leadership. In each case the attractions of liberal democracy must appear sufficiently compelling to counteract extremism.

The Group does not believe that there is much motivational link between extremism and various forms of social deprivation. It is observable that the 7/7 bombers were not socially underprivileged. Promoting integration, and creating the context for worthwhile lives of opportunity and personal fulfilment however, is central to drawing support away from extremists. This means rejecting the approach of treating people differently or separately because of their difference. To take an example. We heard with dismay, from one Muslim witness, that whereas when he had been at school Muslim children had played in school teams alongside their schoolmates of other communities, there was now an increasing tendency for their children to form Muslim sporting teams to compete against teams made up of players from other groups. The parents disapproved. This is indeed the wrong way to be going. Gratuitous separation is not necessary to preserve identity and destroys the sense of shared destiny.

Integration is infinitely harder in the absence of social mobility especially upwards. We heard often during our evidence taking how much importance was attached by Muslim parents to the quality of their children's education. They rightly perceived this as the key to their children's future but there were frequent complaints about the quality of the education available in the public sector, especially in low income inner city areas where many Muslims live. While some parents preferred to send their children to faith schools, a significant number said that they had done so because it was the only way to obtain better education at affordable cost. Some said they had done so reluctantly. It was clear that a significant factor in reducing contact between Muslim and other children in their early years when patterns of behaviour are laid down was the lamentable educational standards obtained by so many maintained schools. Poor standards also reduce the children's life chances and upward mobility. Since minorities are likely to suffer

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disproportionately from this disadvantage, the effect is discriminatory. **By itself, improving the standards of education in state schools in deprived areas would make a significant contribution to the integration of individuals and communities.**

Since the publication of the Cattle Report in 2001, housing has often been regarded as a key issue limiting mobility and thus integration. Housing allocation by local authorities in some places has undoubtedly aggravated the tendency toward ghettoisation. We agree that this issue is important in certain parts of the country, notably in the North. Muslims we talked to pointed out to us however that taking action to counteract the effects of housing concentration is not easily done without creating other difficulties. Policies of deliberate dispersal would distance families from the very facilities which they had congregated together to create. We were not convinced that by itself this issue was as critical as some others in blocking integration. Many Muslims own their own homes, or rent them in the private sector and can move if they wish to. Lack of employment opportunities on the other hand can be a real bar to the natural process of movement that takes place over time in immigrant communities as they begin to create wealth. Here again, education is a key factor in improving the chances of individuals being able to take charge of their own futures.

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## 4. Political Islam: The International Background

For many of the world's Muslims, political Islam, which we define in paragraph 3 of the Introduction, is the most dynamic and successful political movement they know.

Quite evidently, not all Muslims follow this ideology, and even fewer espouse violence. But even those who eschew violence advocate concepts of political justice and a social order which are not compatible with modern western ideas of individual freedom, the equality of men and women, fundamental human rights and democratic government under the rule of law.

There have been two modern Sunni authorities of importance to the development of political Islam in the twentieth century: Syed Abul A'la Maudoodi, the Pakistani founder of the puritan Jemaat-e-Islami which has a following in the UK, and the Egyptian, Sayyed Qutb, principal ideologue of the Muslim Brotherhood. Maudoodi maintained that Western democracy was inferior to Islam because people, being unable to perceive their own true interests, should entrust government to God.<sup>2</sup> He advocated a totalitarian Islamic theocracy.<sup>3</sup> Maudoodi was not against Islamic revolution, but he thought it was possible to achieve his Islamic state in Pakistan through incremental political change. Qutb shared much of this theology: *'the basis of the Islamic message is that one should accept the Sharia without any question and reject all other laws, whatever their shape or form. This is Islam. There is no other meaning of Islam.'*<sup>4</sup>

In addition to positing a fundamentalist and theocratic state order, Qutb also issued the revolutionary message that Islam's political authority should be imposed by force.

The failure – and military defeat – of Arab nationalist regimes of the mid twentieth century tarnished the reputation of secular government in the Middle East. Support flowed towards fundamentalist alternatives. Brotherhood-linked organisations, led by Middle-Eastern Brotherhood activists, were created in many countries including the UK.<sup>5</sup> The ideology filled a need to explain failure and hold out a better prospect. Just as the Arab peoples had in the past established a great, powerful, virtuous and wealthy empire when they followed the Prophet's law so, Islamists argued, they could again do so provided they got rid of corrupt, weak, repressive secular governments and replaced them with a true Islamic polity. Like the Communist promise of the dictatorship of the proletariat, it is the prescription of Islamic revival which carries such emotional force. Anger and frustration act as powerful drivers among followers.

In the 1980's radical Muslims from across the world went to Afghanistan for the jihad against the Soviet occupiers. Funding came from many sources, especially Saudi Arabia and the United States. Returnees from the campaign had now mixed their radicalism with fighting – and defeating – a superpower. They held that Arab despots were sustained in power by the United States and identified the supposed 'Zionist-Crusader' alliance as the force that kept the Muslim world down. In the 1990's a number of them, led by Osama bin Laden and Ayman al-Zawahiri went underground and the bombings that ensued culminated in 9/11. They exploited longstanding Muslim grievances about current conflicts in the broader Middle East.

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<sup>2</sup>Maudoodi, Syed Abul A'la, *The Islamic Law and Constitution*, trans. Khurshid Ahmed, Lahore: 1969

<sup>3</sup>'[The Islamic State] cannot evidently restrict the scope of its activities. Its approach is universal and all-embracing. Its sphere of activity is coextensive with the whole of human life. It seeks to mould every aspect of life and activity in consonance with its moral norms and programme of social reform. In such a state no one can regard any field of his affairs as personal and private. Considered from this aspect the Islamic state bears a kind of resemblance to the Fascist and Communist states.'

Maudoodi, *The Islamic Law and Constitution*

<sup>4</sup>Qutb, *Milestones*, Indianapolis: American Trust Publications, 1990, p. 16.

<sup>5</sup>The Muslim Association of Britain was founded by, among others, Azzam Tamimi, once of the Jordanian Islamic Action Front, and Mohammed Sawalha, once of Hamas

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A potent instance is the charge of unequal treatment by Western governments of the Palestinians. This sharpens the edge of identity politics, is exploited to breed a sense of victimhood and used to convert genuine instances of Islamophobia into a continuous narrative of global Muslim subordination. Muslim consciousness is highly sensitised to perceptions of injustice to Muslims anywhere in the world and to indignity being offered to Islam. In the UK, even before the intervention in Iraq, a poll reported that 44 per cent of British Muslims agreed that ‘the attacks by Al Qaeda and associated organisations are justified on the grounds that Muslims are being killed by America and its allies using American weapons.’ The same poll showed that 17 per cent supported attacks on the United States and 8 per cent supported attacks on Britain.<sup>6</sup>

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<sup>6</sup>ICM Poll of British Muslims, December 2002

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## 5. Political Islam in the United Kingdom and Muslim Organisations

Over the last two decades in particular ideological influences have been and continue to be exerted on Muslims in the UK. An important instance is that of Yusuf al-Qaradawi, a modern follower of Qutb, who heads an organisation called the International Association of Muslim Scholars in Qatar and the European Council for Fatwa and Research based in Dublin. He was banned from entering Britain by Mr Michael Howard when Home Secretary but has been allowed to visit the UK subsequently at the insistence of Mayor Livingstone. He describes himself as ‘mufti of the Muslim Brotherhood’<sup>7</sup> and is described by the Muslim Council of Britain as a ‘greatly distinguished Muslim scholar’ and ‘a voice of reason and understanding’<sup>8</sup>. He is opposed to secularism; believes that all Muslims everywhere should live under Sharia law;<sup>9,10</sup> that relations between men and women should be restricted with wives subject to husbands;<sup>11</sup> that the penalty for homosexuality is death<sup>12</sup> and that no once Muslim territory should be relinquished.<sup>13</sup> He has issued a fatwa against Palestinian refugees accepting Israeli compensation for their land.<sup>14</sup> He is opposed to terrorism in Western countries, which he understands to be counterproductive. But he defends its use in Israel and Iraq.<sup>15</sup>

Many people date the inception in the UK of Islamic identity politics, which lumps Muslims together and expects them to take certain political positions because of their group identity, to 1989, after the threats to the life of Salman Rushdie which followed the publication of his book *The Satanic Verses* in 1988. The census of 2001, which for the first time asked a question about religious affiliation, has helped consolidate Islamic identity politics.

In the decades since Muslims began to live in Britain in appreciable numbers, a myriad of Islamic organisations has emerged, some religious, others welfare, and some primarily political in nature. Few have national reach. Among those which have, regardless of what their mission statements may say, three characteristics common to most of them emerge. First, they are more concerned with their own preservation, internal unity or with the promotion of the particular belief or practice that they profess than with the promotion of understanding between communities and faiths; secondly, a significant number

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<sup>7</sup>Muslim Brotherhood English Website, ([muslimbrotherhood.co.uk](http://muslimbrotherhood.co.uk)), 5 September 2006

<sup>8</sup>MCB Press Release, 7 July 2004

<sup>9</sup>‘It goes without saying that it is the responsibility of every Muslim to lead his life in an Islamic state governed by the Qur’an and Sunnah and in a society that is established on the Shari’ah. This involves that the law of the state be derived from the Islamic Shari’ah and all people there be judged according to the stipulations of Islam.’ (IslamOnline Fatwa Bank, 10 July 2004)

<sup>10</sup>‘As Islam has prohibited sex outside marriage, it has also prohibited anything which leads to it or makes it attractive, such as seductive clothing, private meetings and casual mixing between men and women, the depiction of nudity, pornographic literature, obscene songs, and so on.’ (Qaradawi, Yusuf, *The Lawful and Prohibited in Islam*)

<sup>11</sup>‘The man is the head of the house and of the family. He is entitled to the obedience and cooperation of his wife, and accordingly it is not permissible for her to rebel against his authority, causing disruption.’ (ibid.)

<sup>12</sup>‘I should stress here that Muslim jurists have held differing opinions concerning the punishment for this abominable practice. Should it be the same as the punishment for fornication, or should both the active and passive participants be put to death? While such punishments may seem cruel, they have been suggested to maintain the purity of the Islamic society and to keep it clean of perverted elements.’ (IslamOnline Fatwa Bank, 6 December 2003)

<sup>13</sup>‘No Muslim, be he in authority or not, is allowed to abandon any of the lands of Muslims. The land of the Islamic world is not the property of any president, prince, minister or group of people. It is not up to anyone therefore to relinquish it under any circumstances.’ (Qaradawi, Yusuf, *Defending Jerusalem: a Sacred Duty*, IslamOnline, 8 September 2004)

<sup>14</sup>‘we have issued a Fatwa indicating that it is unlawful for all homeless Palestinian refugees to accept damages in return for their lost land, even if they amount to billions. The land of Islam is not for sale.’ (ibid.)

<sup>15</sup>‘I consider this type of martyrdom operation as indication of justice of Allah almighty. Allah is just. Through his infinite wisdom he has given the weak what the strong do not possess and that is the ability to turn their bodies into bombs like the Palestinians do.’ (Newsnight, 8 July 2004) and ‘If the Iraqis can confront the enemy, there is no need for these acts of martyrdom. If they don’t have the means, acts of martyrdom are allowed. I didn’t say that the Iraqis cannot, it depends on their need.’ (ibid.)

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of them are keener to promote ideology than the totality of the communities they claim to represent and, thirdly, their political influence greatly exceeds the extent to which British Muslims feel represented by them. Their effect, if anything, is to drain energy from individuals. See Annex I at the end of this Study for a detailed discussion of a number of the prominent organisations.

There are exceptions. The late Sheikh Zaki Badawi's Muslim College made invaluable contributions to communal and interfaith understanding. The newly created (2006) Sufi Muslim Council opposes Islamism and eschews identity politics. It remains to be seen how the Council will develop over the longer term.

The leading umbrella organisation, the Muslim Council of Britain (MCB), which claims the allegiance of several hundred affiliates, was set up in the 1990's with government encouragement to represent the views of all Muslims – which, given the highly varied composition of the communities, is virtually impossible. Its hard line members, who promulgate the teachings of Maudoodi and Qutb, tend to dominate policy and crowd out more moderate and varied voices. As a result, The MCB's claim to 'foster good community relations and work for the good of society as a whole' is hard to reconcile with some of the positions it has taken. It has argued that the Government should 'change foreign policy' in a direction with which the terrorists would agree in order to deny them a cause,<sup>16</sup> and assisted by the Government, had a near success in its efforts significantly to curtail free speech in the context of the Racial and Religious Hatred bill. It lobbies rather than leads.

The Federation of Islamic Student Societies (FOSIS), which claims on its website to have 90,000 members, is directed by ideologues whose views they share and with whom they cooperate. On its website it claims that Muslims in Britain are persecuted, a manifest falsehood which can nonetheless exercise powerful influence over impressionable minds. In following its corporatist instincts to pursue a policy of seeking dialogue partners, sometimes on an exclusive basis, with such bodies as the MCB, the Government has not served the interests of either Muslims in this country or those of the wider community. Some real disadvantages are now beginning to emerge. The integration of Muslims in wider society is less far forward than it might have been while the impression given of special handling gives rise to backlash- and not just among whites. There is resentment among other minorities such as Sikhs and Hindus. As Muslim communities enter the third generation of settlement in this country and in circumstances where a rapidly rising proportion have been educated here, it is anomalous and patronising to individuals to treat them indirectly as members of a group and not directly as citizens in their own individual right on a par with other voters.

Political ghettoisation is the wrong route. We recommend that an incoming Conservative Government moves in the opposite direction: to bring as many Muslims as possible as rapidly as possible into the mainstream of British life on an individual basis equal with that of their fellow non Muslim citizens.

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<sup>16</sup>We urge the Prime Minister to redouble his efforts to tackle terror and extremism and change our foreign policy to show the world that we value the lives of civilians wherever they live and whatever their religion. Such a move would make us all safer.' MCB Open Letter, 12 August 2006

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## 6. The Battle for the Allegiance of British Muslims

Islam has ancient traditions which are much more compatible with democracy than the version preached by Islamists. Mohammed Ali Jinnah, founder of Pakistan, said: *'Islam and its idealism have taught democracy. Islam has taught equality, justice, and fair play for everybody. What reason is there for anyone to fear democracy, equality, freedom and the highest standard of integrity on the basis of fair play and justice for everybody.'*<sup>17</sup>

Jinnah is far from the only Muslim to have opposed this narrow ideological view of Islam. He stood for Islam's liberal, rationalistic traditions responsible for many of the most important advances in human knowledge that occurred during the height of the Muslim world's greatness and for preserving the learning of ancient Greece and Rome after it had been forgotten in Europe. In this tradition, Islam is understood as a spiritual and ethical religion but does not prescribe a particular political or legal system. It has a sound theological basis. According to Bassam Tibi, Professor of International Relations at the University of Goettingen, the concept of an Islamic political order, and the understanding of Sharia as legal system, were developed long after the Qur'an was revealed.

*'The sharia is a post-Qur'anic construction. The term occurs only once in the Qur'an.'* And *'On the basis of the Islamic doctrine of unity, contemporary Islamic fundamentalists construct a concept of an Islamic world order and they refer in this context to the city-state of Medina as the foundation stone of a universal political order to be ruled by Islam. To be sure, this is a modern construction, not an Islamic teaching.'*<sup>18</sup>

Mona Siddiqui, Professor of Islamic Law at Glasgow University supports this: *'the Koran may well speak of submission to God and life of faith but in no way draws out any description of theocracy, democracy or monarchy.'*<sup>19</sup>

The importance of the argument goes well beyond the classroom. It influences the ease with which Muslims feel able to integrate into British life. Many British Muslims practice a faith that is totally compatible with a liberal, democratic and multi-ethnic society. To the Group they expressed a strong desire to overcome communal divisions and ghettoisation, and were critical of the trend towards greater separation.

*'I don't think there is much mixing with other communities. In East London in Stepney Green Boys school they're all Bangladeshis (My husband was a school governor there) I don't know what could be done. It's dangerous to separate people. There's not a single white or even an Indian boy there. That is so wrong. There should be networks and schemes and mothers should be encouraged to use out-of-school hours.'*

They believed that it was important for Muslims to adapt to the surrounding society as well as for the surrounding society to accept Muslims. *'Integration is a two-way street. You've got to be careful when you get the Muslims to integrate, in case you get the backs of the other communities up'* And they thought it was important for Britain's children to learn about world civilisation and global cultures, of which Islamic civilisation was one but by no means the most superior. As one Muslim businesswoman told us: *'Yes there should be a wider choice of languages available. When I was growing up there was only French. It*

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<sup>17</sup>Speech to the Karachi Bar Association, 25 January 1948

<sup>18</sup>Tibi, Bassam, *Islam Between Culture and Politics*, London, 2005 (2nd.ed)

<sup>19</sup>Siddiqui, Mona, 'Islam — Pluralism and Political Authority' *Political Theology* Vol 7(3), 2006. 'If we look to the text of the Qur'an itself, the idea of political institutions and political authority in terms of administering peoples and resources and legislating a socio-political order, came not from the Qur'an as from the experience of the faithful in the early Medinan communities.' (ibid)

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*should include culture as well as language — belly dancing. We need to be able to respect cultures and traditions; African, Middle Eastern, Greek...'*

The strongest statement of the compatibility of British and Muslim beliefs and identity was from one young Muslim woman: *'Being British, for me, means having the freedom to choose what I do in my life, and being British allows me to combine being Muslim, being Pakistani and to have a balance. Being in this country has allowed me to do that. If I was in Pakistan, I would not have had the same opportunities.'*

Ministers have sought to argue that radical Islam is a perversion of the faith misleading Muslims down the road of challenging democratic values. While we agree that Islamist thinking is indeed hostile to democratic values, we do not pretend to judge the theological merits of different versions of the faith and in any case doubt this is a winning argument. What is observable is that extremist influences do at present find fertile ground on which to fall and that in the current political climate, their voices can receive high level Muslim endorsement. The radicals' claim to superior piety combined with Muslim resentment about foreign policy makes it harder for Muslims adhering to more liberal and tolerant versions of Islam to claim equal religious validity and prestige. These traditions find themselves pushed onto the defensive.

The effect on individuals is to make many of them feel divided within themselves. One and the same person will express a genuine desire to integrate into and be accepted by mainstream British society, but at the same time, irrespective of the tradition from which the family comes, find persuasive the combination of identity politics and the claim that Muslims deserve special treatment peddled by extremists. A battle is thus under way for the allegiance of British Muslims between an ideological movement which challenges democratic values and also tries to squeeze out more liberal Islamic traditions, and the values of broader British society which has shown itself to be unsure of how to express its own basic tenets.

The evidence we took illustrated how torn some witnesses felt. The views expressed and the claims made below were from people whose professions of desire to belong to British society were perfectly genuine. Their very wish made them more resentful than they might otherwise have been about the discrimination they felt they suffered as Muslims: *'If a Muslim says certain things, they become fundamentalists, but everyone else is simply expressing their views'*.

This anger was linked to a feeling of political impotence: *'Nick Griffin getting off — but Abu Hamza [being convicted] — it's that kind of double standard we see in an everyday world. Every time I see a mass arrest, I'd like to see how many were actually charged and how many apologised to.'* And *'the way the anti-terror laws have been applied is fuelling a lot of problems — stop and search. Muslims are reluctant to help the police. There has been a 300 per cent increase in the number of Pakistanis and Bangladeshis stopped and searched. You can't even complain to anyone. There are no checks and balances.'*<sup>20</sup>

The veil debate elicited similar comments like this one from a young bare headed woman: *'Its like telling a Goth how to dress — it shouldn't be an international news story'*.

The lack of dialogue with Muslims over foreign policy means that the Government gets less credit than it might otherwise for its actions. A reaction to a challenge from the Group went as follows: *'I didn't support the action in Kosovo. He (Blair) didn't do anything there. If he was trying to save Muslim lives, he would have done something in Lebanon.'*

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<sup>20</sup>According to the Guardian, 25 September 2005, stops and searches of Asians rose 12-fold while those of whites only rose five-fold in the month after 7/7

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A prominent business man said to us: *'The reality is that Osama bin Laden – a lot of his political ambitions we agree with. He says that Americans should get out of the Arabian Peninsula. Should there be foreign troops in Afghanistan? The Palestinian refugees – should they get their land back? A lot of Muslims would agree with what he wants – but it's the means we disagree with. Young Muslims think they don't understand the political process; [one of them] sees his friends stopped and searched; he sees images on television.'*

It is an environment in which distortion also finds ready, if unwitting, acceptance. The Group was told a story in two widely separated towns of the alleged suppression by mainstream media, on anti Islamic grounds, of the discovery of a BNP chemical weapons factory. This had been manufactured from four separate reports over the space of a month in different local newspapers. The story began with a report of a BNP member being charged with possession 'of chemical components which could be used to make explosives'.<sup>21</sup> It ended, despite there being no new facts, with the claim of the discovery of 'chemical weapons'.<sup>22</sup>

At play in this battle of ideas is a competition between different Islamic traditions and their respective relationships with democratic values as practised in the UK. The radicals have every interest in making the contrast between the two as sharp as possible and the incompatibility as clear as possible. They must not be allowed to win. Combating them is a joint task of Muslims and non Muslims alike.

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<sup>21</sup>Burnley Citizen, 4 October 2006

<sup>22</sup>IslamOnline, 2 November 2006

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## 7. Attitudes Among the Non-Muslim Majority

British non Muslims are extremely worried about Islamist terrorism which colours their attitude to Muslims in general. According to recent polls, 73 per cent agree that ‘we are in a world war against Islamic terrorists who threaten our way of life’<sup>23</sup> and more than half believe that the terrorists are fighting to spread an extremist version of Islam across the globe. This is twice as many as those who think that terrorists fight to right wrongs they perceive in the Middle East.<sup>24</sup> And in successive polls, the public has supported making foreign policy more aggressive in response.<sup>25</sup>

At the same time, polls of the whole population show that they believe they are, individually, tolerant of Muslims, with 63 per cent stating they hold a ‘favourable’ view of Muslims.<sup>26</sup> 60 per cent of them say however that they think their fellow citizens view Muslims with suspicion.<sup>27</sup> Individual belief in personal tolerance of Muslims in general also coexists with hostile attitudes towards Islam as a religion: with about half believing that it treats women as inferior to men,<sup>28</sup> and that ‘Islam’ (not Islamic fundamentalism) poses a threat to western democracy,<sup>29</sup> a widely held misconception which needs to be vigorously countered. Fear of terrorism heightens the atmosphere and generates genuine apprehension. This apprehension finds expression in three ways: fears about security; the perception that alien political ideas are being infiltrated into Britain by a religious minority; and that the country’s traditional liberties are being abridged in the name of certain group rights which they find abhorrent.

Large majorities (of about three quarters) think that Muslim women have the right to wear the veil, and even claim to understand why some Muslim women wear it. People support this right despite believing (though in smaller numbers) that it is a visible statement of separation and difference and will damage race relations. But three fifths oppose Muslim women wearing the veil in a public capacity (as teachers, newsreaders or policewomen), and just under half do so ‘strongly’.<sup>30</sup> There is support for the rights of Muslims to practice their religion as a private matter (despite disapproval of some its doctrines) but also strong opposition to any public role for the religion.

And the public does not think it reasonable for British Muslims to be angry with the Government. Only 9 per cent of Londoners (who are more pro-Muslim than people living outside the capital) think that the Government has treated Muslims unfairly. 57 per cent thought the Government treats them fairly, while 23 per cent think they get ‘better outcomes than they deserve.’<sup>31</sup>

The British National Party exploits anti-Muslim feeling that derives from the impression, which it sedulously fosters, that minorities succeed in being bought off with, for instance, improved housing, rather than being penalised for troublemaking. Since 9/11, its campaigning has taken on a specifically anti-Islamic hue. Internal BNP literature explains why the party has decided to campaign against Islam per se, rather than merely against extremist Islam.<sup>32</sup> Support for this attitude is not confined to the extreme right. One of our witnesses, who advised mainstream political parties in the past, explained: ‘*One of [the issues on which we focus] is the Muslim Problem. The terrorist problem in the UK is mainly a Muslim problem. It’s a fifth column.*’ ‘*If you believe [the surveys and polls] 20 per cent are sympathetic to the 7/7 bombings, that*

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<sup>23</sup>YouGov, July 2006

<sup>24</sup>YouGov, August 2006

<sup>25</sup>YouGov, July 2006, August 2006

<sup>26</sup>Pew Research Centre for the People and the Press, Spring 2006

<sup>27</sup>Populus, June 2006

<sup>28</sup>Populus, June 2006

<sup>29</sup>YouGov, July 2006

<sup>30</sup>Mori 17 October 2006

<sup>31</sup>Mori 20 October 2006

<sup>32</sup>The Nationalist [BNP Members’ Newsletter], October 2001

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*is 50,000 including females...and what is more those two communities are increasing, the Pakistani by 50 per cent and the Bangladeshis by 75 per cent every ten years.'*

Another group – quite widespread – fears that the liberal traditions of the country are being sacrificed. As one of our witnesses saw it: *'Sharia is developing. The running is being made by people who do want sharia law. The Inland Revenue is considering altering rules of inheritance tax. If you develop a parallel system of financial governance you create a separate system and segregations...I am told that if you teach religion you teach it in a secular context – you teach the bible in terms of the society that produced it but people who teach Islam are being intimidated into teaching Koran as a matter of fact. If they try and teach it objectively they are being held up by heads of department.'*

The desire to find a way out of the tension which people sense is increasing produces strange bedfellows. The anti war coalitions that emerge to demonstrate are one example. The radicals cleverly suggest that others do not need to accept their viewpoint (for instance to withdraw from Iraq) for them nevertheless to agree that because radicalism feeds off such an issue, policy should change for this reason, since changing policy would diminish radicalism. The sincerity of those advancing this insidious form of intellectual entryism is certainly open to doubt, but it has widespread appeal. Major conferences have been organised to promote this line of argument which is taken up, to serve their own agendas, by such figures as George Galloway and Respect as well as by Mayor Livingstone. It has found its way into MCB representations to government, endorsed by Members of Parliament (see Annex I at the end of this Study). Respectability is thus gained for the attack on democratic values.

As recent Dutch experience, and the surge of opinion following Mr Straw's remarks on the veil have shown, all this is potent stuff capable of uniting large numbers of people against third parties despite other significant differences of interest. Attitudes are not yet so set as to be irretrievable and answers to opinion polls suggest that ground of agreement can be found. Against the background however of fear generated by terrorist incidents, the anti-democratic aims of extremists, and misconceptions on the part of many non Muslims of the threatening nature of Islam, real effort will be required from all quarters to increase inter communal understanding and unquestioning acceptance of Muslims as people as entitled as any others to equal status as fellow citizens.

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## 8. The Social Condition of British Muslims

### 8.1. Demographics

In discussing the social status of, and the progress made by, Britain's Muslims it is important to recall that most Muslims come from families that have arrived relatively recently. As a Jewish community leader remarked: *'the sort of institutions that developed in the Jewish community developed over a very long time and we sometimes expect too much from other more recently arrived communities.'*

According to the 2001 census, there were 1.6 million Muslims in Britain (2.8 per cent of the population).<sup>33</sup> In April 2001, 34 per cent of Muslims were under fifteen (compared to 20 per cent of the population as a whole), and 71 per cent were under 34 (compared to 45 per cent of the population as a whole). 38 per cent of Muslims live in London, 13 per cent in the West Midlands, 12 per cent in Yorkshire and Humberside and 10 per cent in the North West.

The British Muslim population is not only younger than the UK average, it is also diverse and it is misleading to describe it as a single 'community.' 47 per cent of British Muslims were born in the UK, of whom 9 per cent originated in each of Bangladesh and Africa, 18 per cent in Pakistan and 3 per cent in India.<sup>34</sup> Most Pakistani immigrants to Britain have come from rural Mirpur in Kashmir, while most Bangladeshis are from rural Sylhet. Some African Muslims are ethnic Asians who arrived after being expelled by Idi Amin, while others are black Africans, many of whom have moved here more recently. Of these, Somalis are the largest group.

### 8.2. Patterns of Migration

In recent years the meaning of migration has changed. Thanks to modern communications it is possible for migrants to keep in much closer touch with their country of origin than in earlier eras. A migrant from Sylhet can now visit his village several times a year: *'This completely transforms your capacity to think of yourself as a visitor not as a settler. When Jews came here [from Russia] there was no going back – it was physically impossible and someone had moved onto your farm.'*

Much South Asian Muslim immigration into Britain has been for economic reasons. The Bangladeshi migration has created in Sylhet a class known as 'Londonis': families that have greatly increased their standard of living thanks to remittances. This, together with the practice of marrying first cousins has helped Pakistani and Bangladeshi families maintain deep ties across continents. Bringing a member of a family from 'back home' (perhaps by arranging for them to take a British husband or wife) is seen as doing a good deed for the family. It is possible to conclude as a witness who is senior in the race relations field told us: *'a spectrum between immigration and settlement is developing. There could be said to be four categories: visit, short stay, settlement, and citizenship, and we will have to make distinctions between four things. I think you will see quite a lot more settlement from the third world. There will be much more visit and short stay from closer to home.'*

### 8.3. Education

Overall, British Muslims' educational attainment is low. Although most religious minorities are better educated than the average, Muslims are not (see table 1). Some of the deficit is the result of the low level of education of Muslim immigrants to the UK. While 17 per cent of British born Muslims have a degree

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<sup>33</sup>8.6 million said they had no religion, while 4.4 million did not state a religion

<sup>34</sup>Office of National Statistics, Annual Population Survey, 2004

(the average for all British born people is also 17 per cent) only 10.5 per cent of foreign born Muslims have one (the average for all foreign born people is 21 per cent). Nonetheless, overall statistics can disguise regional variation. As a Muslim parent from Manchester told us: *‘My kids have all been through the Muslim prep school and on to Altrincham [Grammar] [and have had] no problems. There is a danger of taking general statistics and forgetting the details on the ground. Recent immigrants to Britain come from the most deprived areas of Pakistan and Bangladesh. The success stories come from Punjab. The majority of Manchester immigrants come from Punjab. ...When you look at the majority it looks bad – but when you look at the details, the picture is more complicated.’*

It has been suggested that there may be cultural explanations for Pakistanis’ and Bangladeshis’ poor attainment. A British Pakistani businessman told us: *‘The Indians have the backing of their parents; allow their kids to be educated, tell them to do their homework; while the Pakistani shops send their Pakistanis to help in the shop. I [though Pakistani] had the support of my family. And I don’t think this is changing for the better. The older generation are going back to Kashmir. A culture of ambition is not being developed.’*

**Table 1: Highest Qualification by Religion**

Great Britain (Percentages)						
	Degree or equivalent	Higher education <sup>2</sup>	GCE A or equivalent	GCE A-C equivalent	Other qualification	No qualification
<b>Christian</b>	16.3	9.0	24.2	23.2	12.0	15.3
<b>Buddhist</b>	29.8	8.6	15.1	9.5	20.0	17.0
<b>Hindu</b>	29.0	5.4	15.1	10.8	25.0	14.7
<b>Jewish</b>	43.7	7.5	20.0	12.4	9.1	7.3
<b>Muslim</b>	12.4	3.7	13.4	14.8	23.0	32.7
<b>Sikh</b>	19.9	5.6	18.2	16.0	19.8	20.5
<b>Any other religion</b>	23.2	9.4	20.5	19.7	14.3	12.9
<b>No religion</b>	22.3	7.4	22.9	22.4	10.9	14.1
<b>Total</b>	17.6	8.5	23.4	22.5	12.4	15.7

(Office of National Statistics Annual Population Survey, January-December 2004)

These effects can create a vicious circle because, as another witness said: *‘In terms of ethnic capital, what matters is not just your parents – nor what you alone achieve – but also what the other people in your group achieve, particularly if living patterns are tightly knit. This is peer pressure. If you’ve got a group with lower than average qualification levels that will have a negative impact.’*

It has also been suggested that poor command of English has frequently held children back. This thesis, if valid, should be generally true of all children born in non-English-speaking countries and should not affect those born here. In one or two cases we heard however that the school had not caught up with the fact that most of the Asian children in its classes had been born to English speaking parents in this country and was teaching on the basis of misinformed assumptions. One mother born in Birmingham recalled being told by her son’s teacher that he was being deliberately taught to ‘a lower attainment level’ on the mistaken premise that his first language was not English. The mother in question will have been more than able to sort the teacher out but teaching down evidently takes place and seems to be entirely the wrong approach.

It became clear in the course of taking evidence that the single biggest factor in low rates of attainment was quite simply the poor quality of state education provided in the less affluent inner-city areas where many Muslims live. One prominent Muslim businessman despaired at the collapse in the last quarter of a

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century of the educational standards of his school – leaving employees: *‘I employ about 100 people in the Muslim community. I recruit school leavers and there’s a clear distinction between people in the educational system in the 80’s compared with what’s happening now. I have to put in a lot of effort with literacy and speaking. In the inner city schools...they can hardly speak English. Mathematics? I can’t give people basic arithmetic [to do]. I see a real poor level of attainment as an employer. Whereas before I could take a school leaver: you could slot them in, now there’s so much pre-training that I have to do’*

Muslim parents we spoke to feel betrayed by this decline. One even said that: *‘The whole reason they came [to Britain] was to give their kids a better education.’* Another said that: *‘education is the key and in this area, state school education is regarded very poorly.’*

## 8.4. Faith Schools

In the majority community there is concern about and some opposition to Muslim faith schools. People worry that Muslim children are being indoctrinated with hardline forms of Islam that predispose them to hate the society in which they are being brought up. Given this fear, it is not surprising that our Muslim witnesses exhibited some defensiveness about faith schools. They were keen to point out that they were simply schools that happened to be Muslim, just like Jewish or Catholic faith schools, and that they were not religious seminaries. One, who ran a faith school, told us:

*‘When we talk about an Islamic faith school they’re not just teaching Islamic subjects. It’s the English curriculum plus the Islamic subjects and the Koran’.* Another said that: *‘somehow the media push the issue of faith schools whenever there is instability.’*

Many Muslims we spoke thought that Muslim faith schools ought to exist: *‘It’s about choice and equality – if there are Jewish or Catholic schools – if you do one thing there should be equality for all.’*

Even those who took this view did not necessarily want to send their children to a faith school. Most of the parents we spoke to were happy to educate their children in Islam at weekends or in the evening: *‘My children go to private school but I worry they won’t get a Muslim ethic, so I give them Saturday school and evening classes.’*

Some said in terms that they did not want to send their children to a faith school: *‘I’d like to see an improvement in the general state education rather than faith schools...there’s a place for faith schools, but you need to listen to the wider audience. I want my kids to integrate and go mainstream. It never did me any harm.’* For another: *‘it was very important to go to mixed schools,’* while even a mufti told us that: *‘the need for a faith school only arises when state schools fail to meet the requirements.’*

At one meeting we held, there was a universal desire to get their children into the local grammar school rather than a faith school. Not, granted, a scientific sample. The two striking characteristics about the evidence taken however were first, the importance attached to a good education (no parental indifference was shown on this score) and secondly, the extent to which the views expressed mirrored those of parents everywhere who take the education of their children seriously.

One father, of Pakistani origin, and a keen supporter of cultural mixing, explained the dilemma he had faced: *‘I’ve got four kids – I agree with everyone else about the general secondary schools – they’re absolutely atrocious. I made a decision that I don’t want to send my son to the state sector – but I’m lucky I could pay the fees. But he twisted my arm – we bowed to his pressure, and he was sent to the local school. It’s a predominantly Asian crowd that he tends to move with, and that’s not a good idea I don’t think. With*

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*my daughter, I chose to send her to a faith school. It teaches a predominantly national curricula bent, but with certain Islamic teaching. Girls always normally do better than boys, but my daughter is over-performing, more disciplined, whereas my son is the opposite. Discipline, order, organisation is all important for me. It's a higher plane. My son – I'd think about moving him, but was given advice to keep him there. Generally, I've got two other kids – there's no way I'd send them to the state school.'*

## 8.5. Madrassas and Religious Education

The topic of madrassas also elicited defensiveness from many of our Muslim witnesses. They were very keen to explain that they did not think they contributed to radicalisation. However, some witnesses criticised some madrassas for being too old-fashioned: *'You've got children at different levels mixed together – so there's no grading,'* but another said that: *'there isn't choice in a low income area, but equally you don't want them not to get the ethos of their religion.'*

A Muslim community worker in Manchester complained that there was not enough monitoring of madrassas for child protection purposes and that discipline could be harsh. One witness described how parents often had difficulty juggling the demands of practical and religious life, and how one girl had not been allowed to leave her religious classes to attend a dentist's appointment. Although her parents had wanted to send her to the dentist, they had not felt able to go against the wishes of the religious authorities in the local madrassa. Other witnesses, however, were less intimidated and thought the madrassas generally did a good job. The Group formed the view that practice varied across the country.

There was also fear that the majority community might try and control the madrassas too much: *'The last thing I'd want would be a PC version of Islam being taught to my kids. You might start off with the correct intentions, but 5/10 years down the line you'd end up with a very watered down version of Islam.'*

There was suspicion too of any proposals to increase Arabic teaching in schools. Some thought it would look too like special treatment, something which many of our Muslim witnesses were keen to avoid and to be seen to avoid: *'the media is going to jump on it – I'd be very cautious if that came from David Cameron,'* and *'I don't want it to be seen as a question of positive discrimination,'*

Others thought it made more sense to learn European languages.

## 8.6. Imams

Our Muslim witnesses shared the majority community's concern about imams, not so much because it was thought they were likely to be a dangerous influence as because they were too often incompetent and brought from abroad, unable to relate to their audience: *'Back home [Bangladesh] there is this thing that you have five sons, the one who is less academic – you make him an imam. The least clever child is becoming the imam. Now this imam comes to England and whatever he teaches is taken to be the Bible. I'm not against Islamic schools as long as they follow the curriculum because then we can train imams who understand religion but also understand the culture here.'*

This witness also thought it made sense to require sermons in mosques to be delivered in English. However, another witness, the trustee of a mosque, told us that it was almost impossible to find British imams, because few born in this country had an incentive to be one. Another Muslim witness said that there was a silver lining to be found in the excessive traditionalism of mosques in that this also prevented

extremists from taking more of them over: *'The mosque system is failing because we have very stubborn despots at the mosque who get involved in activities – but the flipside is that they're blocking extremists as well. A nice ripple. But then the students will simply go elsewhere, to the Islamic groups.'*

## 8.7. Life Chances

To produce successful outcomes, educational success needs to be converted into progress towards higher status and more remunerative employment. But the record of Pakistanis and Bangladeshis falls short in this respect– their rates of unemployment are high and their presence in the professional and managerial occupations less than should result from their educational qualifications. A researcher in this area told us that her work revealed: *'The Pakistani and the Bangladeshi groups show the opposite pattern [to the Indians]. They experience less social class success than even their heavy concentration in the working classes of the migrant generation might lead one to expect. Either their underlying class position is weaker than that of other minority groups, or they are subject to additional barriers or obstacles to progress... The effect for Pakistanis and Bangladeshis becomes stronger...once education is included [in the analysis] indicating that their chances of professional managerial success are substantially worse than their white non migrant peers at the same level of education.'*

The research further revealed that the ethnic penalty<sup>35</sup> for highly qualified and unskilled Pakistanis (the sample of Bangladeshis was too small to generate statistically significant results but the indicative results were similar) was lower than for those with intermediate levels of qualification. These results were derived from research of which the following table is a part. A model had been created which compared the chances of members of migrant groups getting a job in a social class higher than that of their parents with those of the white non-migrant majority. (A positive figure indicates they were likely to better themselves, a negative figure the opposite.). The model shows a large negative 'ethnic penalty' for Pakistanis (the one for Bangladeshis is also negative but not statistically significant). When the effects of education have been taken into account, the results demonstrate that most migrant groups' improvement of status relative to that of their parents is the result of improved education, but that education has a statistically negative effect on Pakistanis' and Bangladeshis' chances of improvement. This apparently perverse finding may be because, compared to white nonmigrants, Pakistanis and Bangladeshis suffer least disadvantage when they are either highly qualified (entering meritocratic professional occupations) or totally unqualified (going into traditional occupations in the restaurant or taxi trades). The disadvantage suffered by Pakistanis and Bangladeshis with intermediate qualifications would appear statistically to outweigh the advantage obtained by the relatively few well-educated.

**Table 2: Social Mobility and Ethnic Penalties<sup>36</sup>**

Ethnic Group	Mobility	Mobility once education has been taken into account
Caribbean	.306	-.037
Black African	.469	-.001
Indian	.460	.105
Pakistani	-.525	-.792
Bangladeshi	-.274	-.465
Chinese and other	.491	.078
White migrant	.318	.142

<sup>35</sup>The term 'ethnic penalty' is used to describe the adverse difference in social outcomes associated with different ethnic groups which cannot be explained by other factors

<sup>36</sup>Platt, Lucinda, Migration and Social Mobility: The life chances of Britain's minority ethnic communities, 2005. Only figures in bold print are statistically significant

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Academic sociological research has not yet been able to explain this anomaly but the Group's qualitative research may be able to shed some light. As might be expected, the life chances of first and even second generation immigrants seem to be quite dependent on the class origin, educational level and attitudes of their parents. Family support was (hardly surprisingly) held to be important. A woman doctor told us: *'My father has always been very easy with it all – I would play like the other kids, etc. And he always emphasised the importance of education. And gave me a drive to be the best, etc. I got prizes and distinctions at medical school, and they pushed me to do that'*

But, she said, her experience had been relatively rare:

*'There is a group who are immobile and quite stuck, and they're sort of living in Pakistan, and that's the extreme, and they don't get the level of education. Even amongst those who are educated, there are certain careers that are accepted and encouraged and there are those that are looked down on (law, accountancy, are seen as OK, but not the arts, geology, etc.) after you've set in your career, there's an expectation that you ought to get married before a certain age, although there's never been that case with me. My parents have seen the struggle in Pakistan, and seen the opportunities here.'*

## 8.8. Prejudice

There was a perception among a number of our Muslim witnesses of prejudice against Muslims in the job market. One witness described how:

*'one Muslim lady said that she went to 10 job interviews, 8 with a headscarf and two without. Without a headscarf she got the job.'* Another said that: *'Since 9/11 there is a perception that Muslims are having difficulties getting jobs, particularly with girls in hijabs'* A community worker said that: *'people think they'll be looked at badly because they're wearing the hijab etc. and we need to change their perception.'*

However, other Muslim witnesses said that Muslims were creating difficulties for themselves:

*'We overburden our employers with things that are not special needs, but special desires. Just before Ramadan, a special article was published about Muslim behaviour during Ramadan – for God's sake.'*

## 8.9. Incentives for Criminality

There was concern among our Muslim witnesses that a get-rich-quick attitude associated with the drugs trade has been developing in Muslim communities, but that community leadership was unwilling to confront it:

*'You were talking about role models – they just see drug dealers and their flashy cars. Muslim communities have made the issue worse by not talking about it. [There are] whole families becoming involved in drugs. The whole issue of shame is an issue.'*

A businessman agreed:

*'the role model thing: it's a get rich quick model. I get frustrated with new employees who want to earn big salaries immediately. If you have role models they look to see how you attain success, rather than the end product.'*

The desire to get rich quick through criminal activity is hardly confined to Muslims. Reliance on traditional communal leadership to solve such problems however shows the limitations of this approach.

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One witness, who works in Bethnal Green, told us about the way in which some young Bangladeshis were developing patterns of behaviour similar to those of some other underprivileged youth:

*'The second and third generation Bangladeshis are very like the second and third generation Caribbeans. The first generation took all the abuse but wanted to get ahead. The second generation said, "Hold on, I'm British, why do I take all this shit?" If they were afforded better life chances they wouldn't be so antagonistic.'*

Our evidence taking showed that British Muslims are particularly hard-hit by the weakness of the state-education system in inner cities in two ways. Many new Muslim immigrants come from a background where education is scarce. This means that parents may not be aware of the need to give their children extra support to offset poor schooling or may well not be able to afford to do so. The children can suffer life long disadvantage as a result. Some relatively better off Muslim families have begun to send their children to private Muslim schools because they get better results. The price they may pay, of which many of them are aware, is in lower integration with the rest of society. Longer term, this could lead, but need not necessarily do so if the right action is taken, to a situation in which some of the most intellectually capable young Muslims are also those who have grown up in an environment least connected to wider society.

Perceptions that the state education system had failed them fed into the feeling widespread among the parents to whom we talked, that the political system as a whole excluded them. The remark made by one witness to the effect that while others might get the benefit of improved standards through, for instance, a City Academy, this was unlikely to come their way, revealed their underlying pessimism about fairness in society.

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## 9. The Status of Women

While there are a considerable number of successful and independent Muslim women in Britain today, many Muslim women do not enjoy the rights and opportunities available to Muslim men and non-Muslim Women.

### 9.1. Summary of Findings from Officially Published Data<sup>37</sup>

- Similar numbers of Muslim women and men are educated to A-level, but lack of any qualifications at all was much more prevalent among women of Pakistani and Bangladeshi origin than among men of the same origin.
- Far more Muslim women are economically inactive than women from other religions. Women of Pakistani and Bangladeshi origin are ten times more likely than white women not to work once married (regardless of whether they have children).
- Almost two thirds of Pakistani and Bangladeshi immigrants have been admitted to Britain as spouses (husbands and wives) as compared with all nationalities, where just over a third come as spouses (about two thirds are wives). Last year almost no Bangladeshis and Pakistanis were admitted with work permits. Fewer Pakistanis and Bangladeshis came as children than the average for all nationalities.
- In total, from 2000 to 2005, some 83,650 Pakistanis and some 32,290 Bangladeshis have been granted settlement in Britain by marriage.

### 9.2. Traditional South Asian Family Structure

Traditional South Asian families are extended rather than nuclear. Family members have specific roles and it is considered very important that they complete their assigned duties. Men and women have very different roles. Women have status within their domain, but that domain is circumscribed. Marriage is an obligation on both men and women. On marriage, a woman joins her husband's extended family, which is led by her mother in law.<sup>38</sup> Obligations extend to older and younger generations. In many ways this arrangement, which is common among the Bangladeshi and Pakistani communities in Britain, is not very different from the family structure prevalent in the British working class of sixty years ago.

This social model, which has its strengths, nevertheless limits choice for women. Whereas men are permitted, indeed expected, to be active in the public sphere, women are not. The opportunities available for young women brought up in this way and who wish, as most people would, to remain close to their families are restricted as compared with those available to their brothers and other young women in British society. This was how one woman described her childhood:

*'Then I hit 13, and it was as if my gender had become something I should be ashamed of. My friends started organising social lives but my dad banned me from going to a single one of these events. I was not allowed out after school at all, not to the cinema, the youth club, and most definitely not to parties, where there would be a danger of me mixing with boys. So I never went to any of my friends' birthday parties, even though they were invariably overseen by their parents. Every time I was invited, my dad would rage about bad influences, boys, alcohol and permissive western ways ...*

*'For Asian families, as I understand it, the honour of the family resides in female purity. A hint of misconduct, like being caught talking to a boy, leads to the family feeling disgraced. My "purdah" did not*

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<sup>37</sup>Full figures in Annex 2 at the end of this Study

<sup>38</sup>See Young, Gavron and Dench et al, *The New East End*, London, 2005, for an exposition of this kind of family structure

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*make me feel special. Instead, I felt burdened with family expectation to be good and angered by the double standards which operated, as I saw young Pakistani men drinking alcohol and heard they took white girlfriends. I felt ashamed of my femaleness.*

*'My dad told me it was a matter of pride for him that I should not need to earn my own living. This notion of "izzat" – women not working so as to not bring shame on the family – made me feel powerless.*

*'Typically in Muslim families, with a strict ban on sex before marriage, girls still experience the patriarchal side of Islam, in ways their brothers do not'*

The same witness also said, that from what she had read *'there has been a bit of a backlash' from boys who don't like the progress that girls are now making.'*

Academic research backs up this picture:

*'Most South Asian communities maintain their traditional cultural identity and place great importance on academic and economic success, the stigma attached to failure, the overriding authority of elders and an unquestioning compliance from the younger members. Such cultural attitudes place hard-to-meet expectations on Asian youth leading to increased pressure and stress. As South Asian female adolescents grow older, the rates of self-harm increase; particularly the rates of self-harm for Asian females aged 18–24 are significantly higher. This suggests that they come under more stress. The stress may relate to gender role expectations, pressure for arranged marriage, individualisation and cultural conflict, which may precipitate attempts of self-harm. A qualitative study of South Asian women in Manchester found that issues such as racism, stereotyping of Asian women, Asian communities, and the concept of "izzat" (honour) in Asian family life all led to increased mental distress. The women in this study saw self-harm as a way to cope with their mental distress. The concept of izzat is a major influence in Asian family life. According to the women in the study, izzat was pervasive and internalised and it prevented other community members from listening and getting involved. The burden of izzat was unequally placed upon the women in Asian families and as a result this created hard-to-achieve high expectations of women as daughters, daughters-in-law, sisters, wives and mothers. Furthermore, many Asian families are critical about the behaviour of women and it is very important whether this is seen as 'good' behaviour according to the community since it is essential in gaining status and prestige for the family. The women in the study reported that a community grapevine often develops in Asian communities in the UK due to this. This grapevine then results in a lack of privacy and space for women. Many women in the study felt as though they had nobody to trust and thus could not speak to anyone in the community. This leads to an increasing sense of isolation for Asian women'.<sup>39</sup>*

### 9.3. Marriage

Patterns of marriage still prevalent in South Asian families living in the UK have direct and important consequences for Muslim women. When a woman gets married, she joins the larger collective enterprise of her husband's family rather than setting out with her husband to create a new unit. Indeed:

*'one of the reasons why some Bangladeshi girls in London are happy to marry someone from Bangladesh is that they can hope to get a husband without acquiring a co-resident mother in law.'<sup>40</sup>*

The duties involved often make it more difficult for her to continue her previous life unaltered. Even though she may not have children of her own, she will share in the care of other children in the extended

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<sup>39</sup>Husain MI, Wahid W and Nusrat Husain, 'Self-harm in British South Asian women: psychosocial correlates and strategies for prevention' *Annals of General Psychiatry*, May 2006

<sup>40</sup>Young, Gavron, and Dench et al, *The New East End*, London, 2005

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family. This may explain why fewer Pakistani and Bangladeshi women are economically active, even when they do not have children. Serious personal distress and isolation can occur when the marriage – usually arranged in this instance – takes place with a spouse from the subcontinent and where the extended family is extremely unlike the one from which the woman has come and imposes limitations on her not shared by male relatives or white friends. The agony of a university graduate in such a situation can be acute.

The public debate that is framed as a contrast between forced marriage (bad) and arranged marriage (protected cultural practice) is thus inadequate. While forced marriage is anathema – even to leaders in Saudi Arabia who, according to the Foreign Office ‘have recently issued statements condemning forced marriage,’<sup>41</sup> at issue are the social pressures exerted on women by the nature of the marriages they may enter into, whether arranged or otherwise, as well as their own expectations and those of the wider community as to how they will then conduct themselves in the context of that marriage.

Several of our female Muslim witnesses thought that late marriage was important to their success in life: ‘[Marriage] was never an issue to my parents. But for other parents it is always a problem. There is pressure for marriage from parents, brothers. Particularly on girls, but also on boys. Things are changing now. The reason it’s changing is because boys and girls are changing They see divorce rates going up and see that sons and daughters need to get married to the right person not the first person.’

One of our witnesses dismissed the suggestion that arranged marriages were acceptable to younger age men and women:

‘Going to get married back home is never the girl’s or boy’s idea. It is normally the ideal of the parent. But boys and girls don’t want to get divorced; they want to marry who they like. There are policies that have made it more difficult for people to come over once they have got married. Sometimes it takes three or four years for husband/wife to come over.’<sup>42</sup>

We were told that social change was beginning to make a difference. One witness, from London, told us that:

‘Arranged marriage and the bringing in of relatives will die a natural death, gradually, because children can see examples of failure and these marriages ending in divorce and hopefully the parents’ words will no longer be as strong as they used to be.’

## 9.4. Forced Marriage

Forced marriage remains a serious problem. About 200 new cases of forced marriage are reported every year in West Yorkshire alone. The FCO maintain a national database which deals with ‘between 250 and 300 cases a year, most of which involve girls of school age. A witness, who works with the police, described the staff in the Pakistani consulates round the country as ‘exceptionally helpful.’ Many of these problems, he said, arise in the Mirpuri community where the replication in Britain of traditional living patterns exacerbates the problem. One extended family per street can make it harder for people to escape from domestic violence.

One witness, from the West Yorkshire police, described a disturbing practice whereby girls are taken out of school at 14; the parents telling social services and the Education Authority that she is going to live in Pakistan. She is then brought back into Britain a few weeks later, and imprisoned in a cellar or attic. One case only came to the attention of the police when a girl’s family attempted to forge documents for a visa for a husband to come from Pakistan. This witness advocated the creation of a database of children

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<sup>41</sup>Foreign & Commonwealth Office and Home Office, Forced Marriage: A Wrong not a Right

<sup>42</sup>Though in many cases, the wait can be as little as six to eight months

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entering and leaving the country to prevent these girls being ‘disappeared’.

A study by Bradford City Council, ‘tracked 1,000 boys and 1,000 girls with Muslim names as they moved through school. At primary, for 1,000 boys on roll, there were 989 girls; by Secondary, the 1,000 boys were still around, but the number of girls had dwindled to 860. Across the report the analyst had written: “Where have all the girls gone?”’<sup>43</sup>

The following experience was typical of the cases brought to the attention of the police:  
*‘a woman who had been living in Britain for ten years, and had children but did not have legal residency, was never allowed out. The in-laws always took the children to school. If her child called her ‘Mum’ she got hit and the child got hit too.’*

One witness did not think that improvement in the social situation in Bradford was happening:  
*‘I once took a lady from a family in the area in which a sergeant worked, and the father of the girl went to see him, and ranted to the chief inspector – and they were exactly the same words that I’d heard 15 years before...it’s constant. No family will ever admit to forcing the daughter into marriage, they’ll say she’s a willing party’*

It is hard to frame public policy in such areas. The acts involved in forced marriage (rape, kidnap, assault, intimidation, etc.) are already illegal, should be prevented and, when cases come to light, those responsible for them or for aiding and abetting them should be prosecuted. The difficulty is discovery: the wife may well be subjected to intimidation and even violence to ensure she does not enforce her rights. The position as regards arranged marriage is more intricate. Some would consider it as lying entirely outside the legitimate authority of the state. Or that, as with one of our witnesses, since arranged marriage will in due course die of its own accord, it can and should be left to become moribund. Others would say that this will take too long, especially with spouses continuing to come in from the subcontinent, and that in any case, the results for several hundred thousand of our fellow citizens can be so limiting and in some cases so damaging that the state cannot simply ignore the effects of a custom so much at variance with the mores of the society in which it takes place.

The Group takes the view that while marriage custom is not an appropriate area for legislation, conditions surrounding it and consequences of it are legitimate matters of public interest and therefore of policy. Government is entitled to and should make clear that in the UK, women have rights in marriage equal to those of men. This is a matter of parental education and we would like to see the Equality and Human Rights Commission work with community leadership and influential individuals to foster practical acceptance of the equality of women.

For such equality to have meaning, those involved must be competent to operate in the society they live in. Bringing spouses in from the subcontinent, unable to communicate in English, additionally handicaps the resulting families in their ability to progress in British society. We agree with the Government’s announcement that adequate grasp of the English language should become a condition of long term settlement here. We consider that those families which can afford to pay for marriage partners to come to the United Kingdom, should also be able, and should want, to finance their ability to lead active lives in the UK. They should learn English to the required standard before coming to the UK.

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<sup>43</sup>The Guardian education supplement, 10 October 2006

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## 9.5. Unequal Access to the Labour Market

The limited access which young Muslim women often have to the labour market as the result of traditional family structures which can be oppressive curtails their personal life chances. Difficulties can be put in their way, such as unwillingness to facilitate the learning of English. 'Give them a bit of freedom and they will want more' is an attitude that is still all too prevalent. Conversely, the women's ability to deal effectively with their families and their chances of personal satisfaction and fulfilment are frequently strongly influenced by the extent to which they are able to gain experience in the market place and develop personal independence outside the family. The vast majority of women naturally want to be able to achieve this without a serious breach with their relatives.

This is not an easy area for governmental action. A blind eye policy however is not adequate. Autonomous change will take a very long time. Action can be taken in a number of ways, starting with career advice to girls at school. There has been recent improvement here among a younger generation of girls at mainstream schools, but there is still a tendency for them to get restrictive and unimaginative advice. The Equal Opportunities Commission told us:

*'We know that there's a new generation [of Bangladeshi and Pakistani women] who are coming in and who are skilled. But there are cases where career advisers tell them that they'll be getting married at the age of 18, so don't bother.'*

A Muslim Sixth Former to whom we spoke agreed that restrictive career advice was a problem.

Many Muslim women are still not fulfilling their career potential. This is the result of a combination of any of the following factors: limited education; or education, possibly to a high level including university followed however by a marriage which excludes either career development, or even any work at all. Sometimes it is simply a case of limited ambition on the part of the woman faced with family pressures to conform to traditional practice. An academic witness confirmed what another had told us – that a route taken out of the dilemma by some women was to postpone marriage:

*'One of the reasons [Muslim] girls postpone marriage is that they get to go to university but still the highly qualified woman is less likely to go into the labour market.'*

The Equal Opportunities Commission assesses that:

*'[Muslim] women are being employed at a lower level than they are qualified for. They're more likely to go into certain sectors. They may be training themselves as lawyers but they can't be absorbed into the labour market.'*

Several Muslim women from whom we took evidence were scathing about the unhelpful record of the male-dominated community leadership, which did not offer practical benefits to women. One Muslim woman told us:

*'The MCB has nothing for women. It is directed at youths. You can attend seminars on gender and development but there is no vocational training for Muslim women.'*

Women witnesses also said that some organised programmes, although probably well-intentioned, could have negative consequences. One witness expressed her worry that the MCB had begun to use Muslim doctors to provide health services to the Muslim communities thus obviating the need for the women to visit their NHS GP. This was important because, as another witness, herself a Muslim GP, told us: 'I have had Muslim women with mental health issues which they've been unable to talk about with their

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families. Within the framework of the doctor-patient relationship they've been able to say a lot more.'

Another woman said:

*'A lot of the times the man wants the woman to be in 'their place' at home looking after the children. And it's quite difficult for the woman. She will go into the kitchen and tell me (secretly) they want to get a job. These are women who have degrees and Masters.'*

We were told that in order to change this:

*'you need to target mosques, schools, media.'*

But also that:

*'A lot of Asian media is now getting the message across.'*

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## 10. The Shared British Agenda

This report argues that momentum has to be injected into policies which promote integration. But integration into what? What are the values about which much is said, how are they to be inculcated and what should we do about the gap that seems to exist sometimes between what we profess and what actually happens? A sense of common identity is evidently a key part of successful integration. Modern Britain is lacking in this department.

Compared with many countries, the UK does little consciously to inculcate a sense of national identity and shared values. We do not, for instance, salute the flag in school. We prefer to absorb our identity subconsciously and subliminally. That is fine provided there is unifying substance to imbibe. But in recent years, many centrifugal forces have been at work. These include increased mobility throughout society, social liberalisation, decline in religious observance, continuing immigration and the growth of multiple identity among our citizens. There has been little centripetal counteraction. We seem remarkably ill informed about our own society. The bonds decline as diversity grows.

Devolution, if it has not actually contributed to the erosion of common national identity, has certainly brought it into the open. The English, who for long barely distinguished between their Englishness and their British identity, are now reacting to the consequences of transfers of power within the United Kingdom. Perceptions of unfairness have powerful negative effects, something which we should recognise is true of minority and majority communities alike and which pulls people apart. The sense of being British is declining as an expression of common identity among the majority population at the very time that ethnic minorities are being urged to espouse it. This is hardly a winning formula. How can minorities be expected to take seriously something the majority at best neglects and at worst rejects?

This report is especially concerned with those aspects of the British agenda which will help increase unity across communities without crushing ethnic diversity. We do not deal with the broader national issues, which are not within our remit, but we are clear that action taken in relation to one aspect of shared identity has to support and be consistent with action in relation to any other. We need to rebuild Britishness, in ways which do not breed shallow nationalism but do allow us to understand the contributions which all traditions, whether primarily ethnic or national, have made and are making to our collective identity and shared destiny.

There is an emerging consensus among policy makers and their advisers, that British values and identity need to be taught in schools and that this instruction needs to include all children, irrespective of ethnic background. The Group strongly agrees.

A range of reasons is adduced by proponents. Some argue simply that we need to enunciate some democratic principles around which to adhere as a people such as the rule of law and free speech. Others are more preoccupied with the need to inculcate the idea of a common past underpinning a common future by laying emphasis on knowledge of our history and geography.

The Group considers that both aspects are important and both need attention. British children should understand better than they do what their society stands for as this is part of what will unite them as adults and citizens. Many of them also seem remarkably ignorant of British history and geography which weakens their ability to understand what is special about this country or special about being British.

We hear much at present about the defects of our past: for instance the – undoubted – blemishes in our colonial record and our participation in the slave trade. Past wrongs should not be hidden. They should be

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known about, discussed and lessons should be drawn for the future. But there is another side to our history which should get more attention than it does. Outside this country the symbolism of the Mother of Parliaments is well known and understood. It is less clear that at home this is the case or that many children know how the freedoms we enjoy today were won over the centuries. A skein running through British history from early times is attachment to the rights of the individual in relation to the power of the state. Indeed, British history itself has played a central role in the development of the principles by which modern democracies round the world now live. This ought to part of our collective understanding of ourselves.

Shared identity underpins and is underpinned by social harmony. A striking feature of our discussions with Muslims was the importance they rightly attached to respect in personal behaviour and dealings which their own behaviour exemplified. This is not to ignore some traditional cultural patterns of behaviour within the family which need to be changed.

We were told by local Councillors in a number of places that race and ethnic relations were generally good. Our Muslim interlocutors did not dispute this directly nor make claims of active discrimination but it was clear that they did feel that on a daily basis they always were regarded as belonging or were treated by others as equals. They remarked on the disparaging way non Muslims often behaved towards them or talked to them, for instance, in shops.

Such incivility matters. It is not trivial in its consequences as it acts as a barrier to integration. The teaching of tolerance in citizenship classes will have little meaning if it has no effect on daily manners. We may not wish to return to deference, but we do need to revive respect. This is something which in the past parents as well as institutions like churches would have instilled and it is hard to know where to start in the absence of the instinct that this is important being widespread. We need to focus, as part of the meaning of shared values on the role they play in improving the quality of daily discourse between communities and individuals.

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## 11. Policy Recommendations

### Counteracting Subversive Activity and Inter Communal Tension

In a separate paper on foreign policy issued in December, the Group advocated the promotion of open societies in the broader Middle East as a central aim of foreign policy. In pursuit of this, the Group took the view that while it was right for those conducting British diplomacy to inform themselves about and to monitor the activities of Islamist organisations like the Muslim Brotherhood, it was mistaken, and against the public interest of the UK, for them to conduct business or take such organisations or members of them as dialogue partners, the effect of this being to give them status while diminishing that of organisations and individuals sharing our values. The Group considered that the current policy of the FCO in this regard was wrong.

The situation in the United Kingdom, where organisations and individuals allied to the Brotherhood and Jemaat-e-Islami are seeking to undermine support for the main tenets of our democracy and separate Muslim communities from their fellow citizens, reinforces the wisdom of the approach we advocate. **The chances of creating the conditions in the UK for the relaxation of inter communal tension are much reduced while extremism is being promoted from abroad, propagated in this country and is stimulating backlash. We should arrest this pattern and need consistency across the board in foreign and domestic policy to combat extremism and promote the forces of moderation and tolerance.**

The Government has recently passed laws to prevent the spread of racial hatred and the glorification of terrorism. It has objectionable features but as it is on the statute book, it should be used actively to combat the instances of abuse of tolerance and free speech which are known to occur or else it should be removed from the statute book. Dead letter legislation induces contempt for the law.

Government should:

- combat the incorrect and damaging popular misconception, revealed in public opinion polls, that Islam as a religion per se is a threat to democracy;
- make clear its intention to protect the right of Muslims to freedom of worship on the same basis as other religions;
- show its determination to mobilise public policy to combat pernicious ideologies from whatever source which seek to undermine the democratic institutions of this country and the principles of equality and equal treatment they embody;
- be rather better informed than it appears to be about the activities or organisations to which it lends support: some which should not receive government patronage;
- not lend its support to organisations or individuals promoting or preaching extreme ideology, including ideology which condemns participation by Muslims in the institutions of a democratic state;
- pursue a consistent and rigorous policy as regards the non admission to the UK of foreign preachers and scholars advocating the rejection of the institutions and values of democracy and should use its visa policy to exclude such people;
- make clear to foreign governments which either themselves fund, or in which individuals or institutions fund, the export to the UK of extremist material calculated to subvert democracy (in

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whatever form –printed, visual or electronic) that such destabilising activity is not compatible with friendly relations nor conducive to effective anti terrorist cooperation and which, for these reasons, is not acceptable and should be actively prevented by them;

- declare illegal the import of subversive material which HM Customs and Revenue should seize at the point of attempted entry;
- ban and seize as necessary publications produced in this country promoting racial hatred;
- increase international cooperation to ban and remove from web sites material advocating violent anti democratic extremism; and
- initiate international cooperation to prevent the transmission by television of stations and programmes advocating violent anti democratic extremism.

### **Promotion of Inter Communal Understanding and Integration**

This is exceptionally important. By itself combating extremism is necessary but not sufficient. As noted at the beginning of this report, inter communal understanding is under threat and integration is slower than it should, and can, be. There are some very basic issues involved.

First, the Group's analysis reveals that many individuals within Muslim communities, and especially women, have yet to take full advantage of the rights they possess in the public sphere, in the work place and as citizens. Worse, their capacity to do so is in part being hindered by the Government's approach. The technique of giving status to community organisations, to speak to government in the name of Muslims on all matters, instead of it dealing directly, holds back the emergence of individual talent onto a wider stage.

- It should be the aim of a Conservative Administration to help bring about the right conditions for a move from a collective approach led through community organisations to one in which individuals take responsibility for their role in society and participate fully in it. This is a key aspect of full integration.

Secondly, we noted in our discussions with Muslims that many felt trapped between pressures generated on them and their own desire to be at ease with the norms and ethos of this country. The challenge to them is a challenge to the whole of society and the response has to be shared. The prevailing political culture of this country is quite passive as compared, for instance, with the United States. There is much that public bodies and private individuals in the majority community can and should do to help. Action from outside will only bring fruitful results however if welcomed from within. This is an occasion when we need to get active. The immense capacity for self help which Muslim communities have shown and which is a great strength needs to be directed, by all those Muslims who want to integrate, to promoting that objective. The example set by prominent Muslims is important in this regard as will be the leadership given by Muslim organisations.

The MCB does not have as one of its aims, the integration of members of Muslim communities into the wider society of the UK. The Group believes however that it should view its existing commitment 'to foster better community relations and work for the good of society as a whole' with integration as the end goal and should invest effort in achieving this objective. We believe that integration should also be the objective of other Muslim leaders and organisations which have the best interests of Muslims at heart.

- Public funding should as a matter of principle go to those bodies, and only those bodies, which actively commit themselves to fostering inter communal understanding with the aim of integration and should support only those projects which are directed at this end.

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- Giving recognition to equality of the sexes, and fostering the career ambitions of girls, which reflect British norms, should be part of Muslim organisations' objectives and programmes.

The preaching that takes place in mosques has become a matter of public concern as there is evidence of subversive - and illegal - teaching taking place in some mosques.

- Instead of mosques being monitored to ensure observance of the law, which would be highly intrusive, it will be preferable - but also important - for community and mosques leaders themselves to ensure that to avoid prosecutions or expulsion of non citizen preachers, the preached word remains within the law and is consistent with the values of this society.
- The MCB has undertaken an initiative to introduce best practice into British mosques which, among other things, should mean that preaching of sermons should be in English. The initiative should be pursued with urgency and transparency.

Building places of worship is a right of religious communities. Funding may come from many sources and the Group would not want to recommend that this is artificially restricted. It believes however that less reliance on overseas sources of finance is highly desirable, and should not be taken from sources espousing extremism.

- British Muslim communities should take advantage of the Islamic tradition of religious donation to raise funds to build mosques and other religious institutions from British resources, instead of accepting donations from foreign religious establishments which promote values antithetical to democracy.

The lack of sufficient facilities to train imams in the UK, which leads to the perpetuation of a situation in which religious teachers are brought in from societies very different from the UK and unfamiliar with conditions here, needs urgent remedy. Those imams coming from abroad should be admitted on the same criteria as other skilled workers. More should however train here as soon as possible. The Group believes that religious leaders should be capable of commanding respect as role models not only within but beyond their own believers and that they should have appropriate and good educational qualifications. Imams should be encouraged to pursue studies at one of the degree courses in Islamic studies available in the UK which should as needed be expanded to make it less necessary than it now is for imams to go abroad for training. Other universities should emulate the example of the joint venture between the Muslim College and Birkbeck College, London.

- The initiative to expand the training of imams in this country to high standards should lie with Muslims but we recommend that a Conservative government consider whether and how it might contribute matching funding from public sources for a temporary period, possibly in conjunction with an expansion of the teaching of Islamic studies at university level, to help such a programme get off the ground.

Progress in integration will depend to a great extent on action taken at the local and voluntary level. It is daily discourse and mixing which fosters understanding and is much more readily achieved if begun at an early age. During the course of evidence taking, education emerged as a key issue. Because of the poor quality of many state schools more Muslim parents than would otherwise be the case elect to send their children to faith schools. Poor schools thus act as a barrier not only to upward mobility but also to integration.

- The state could undertake no measure more important to advance easy and effective integration than to improve the quality of publicly funded education especially in inner cities where a high proportion

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of ethnic minority children live.

- Subject to the attainment of public education standards, the right of parents to choose the form of their children's education is a basic freedom. This includes, subject to the same condition, the right to send children to faith schools whether publicly or privately financed. The policy of the Conservative Party should be to ensure standards, not suppress choice.

The Group has no quarrel with single sex education but believes that it should not result in effective segregation between either communities or sexes. The aim rather should be to equip children to enter the mainstream of society irrespective of religious background or sex.

- Where schooling effectively separates children by community, religion or sex, local authorities and school Governors should ensure that sports, outdoor and other out of hours' activities are conducted in ways which enable children, of both sexes to meet and mix frequently with their peers, of the same and opposite sexes, in other communities.

We talked to many able and staunch Muslim women. Many of them had achieved their success against the odds and were all too aware of the obstacles that still lie in the path of other Muslim women of which they gave us graphic descriptions. The lack of independence and generally disadvantaged position of a significant number of women<sup>44</sup> tied to the home is probably the feature of British Muslim communities which most at variance with the norms of the rest of society. Quite apart from the loss to society which this curtailment of individual opportunity represents, it has two other negative effects. First, there is clear evidence of it leading in individual cases to serious mental depression. Secondly, patriarchal and enclosed group patterns of behaviour slow down the integration of Muslims in an avowedly equal opportunity society.

- Muslim community organisations should encourage women to join their leadership and should make it an aim which they pursue with vigour to advance the exercise by women of their equal rights.

Apart from forced marriage which is likely shortly to become an offence in its own right, and for which its perpetrators should be prosecuted, relatively few aspects of the social problems of Muslim women lend themselves to legal solutions. What is required is a change of attitude, especially on the part of the male members of the family. Prominent Muslims and Muslim organisations should give a lead and successful Muslim women use their influence as role models. The Group sympathised with some of the strictures passed by our witnesses on behaviour in contemporary British society, but does not consider them sufficient reason for denying the daughters and the wives of the family equal opportunity with the sons and husbands.

- The ability of women to enter and progress in the workforce is key to greater independence. This starts with good career counselling at school. Mentoring of Muslim women in the workplace, who may well be shy of putting themselves forward, could be helpful.
- Professional and employers' federations and other organisations in positions of influence in the market place can do much to encourage applications for posts from Muslim women and then ensure that deserved advancement takes place.
- Competitive training bursaries directed at Muslim women would be helpful.

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<sup>44</sup>See Annex II at the end of this Study for evidence of Muslim women's low labour force participation

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## The Shared British Agenda and British Identity

The Government needs to take the lead and set the framework. Children are a major target.

- In multi ethnic and multi national Britain, the fundamental principles of our democracy and of citizenship need to be restated and taught in school. A new syllabus, which should be compulsory and cover such issues as rule of law, free speech, liberty of the individual, sovereignty and the role of Parliament, accountability of the Executive and independence of the Judiciary, should be drawn up for the purpose.
- Children need also to learn about the nature of equality: (equality before the law, the right to equal protection of the law and to equal opportunity) as well as about such matters as freedom of worship and the obligations of citizens to each other and to society as a whole. (Those applying for citizenship should also be conversant with the fundamentals).
- To give these principles context, history needs to return to the classroom as a compulsory subject. Old style constitutional history focusing essentially on England is no longer enough. It should still form a part of what is taught but a new broader syllabus is needed which traces the history of the various peoples who now inhabit these islands and gives children a proper sense of how we came to be as we now are and what we have in common. They should also know rather more about the geography of this country than many children appear to.
- Schools should arrange exchanges with each other. This is especially important in areas where there is a high level of ethnic separation in the class room. More local authorities should follow the lead of those already doing this.
- Command of English is an essential element in competent citizenship. The Government's announcement of this becoming a requirement for settlement should be implemented as quickly as possible.

Beyond these formal and compulsory requirements, being British should be something we wish to rejoice in, celebrate and be proud of. We have few, if any, dates in the annual calendar when we can do this. We seem to depend upon the fortunate longevity of our monarch who has given us a number of jubilees to celebrate. We lack a National Day in the form celebrated by most countries. The nearest we get is The Queen's Birthday which is more celebrated by ordinary people abroad than in the UK itself.

- The Group proposes that The Queen's Birthday should become a formal holiday for the whole population (and not just, as now, civil servants) and that celebration of it, such as firework displays, should be encouraged.

Beyond the government, the Group thinks that leaders of all communities have an important role to play in showing the way forward on integration. This does not involve merging or abolishing identities but it does mean eradicating ignorance and prejudice and inculcating knowledge and respect.

Sports and the Arts seem to be two areas where our society can mix across community lines with ease and enjoyment.

- Sporting federations have a big opportunity to be in the van of promoting mixing and integration in the context of personal physical prowess and achievement as well as building team spirit.

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Arts at all levels from the popular to the highbrow have huge potential to spread knowledge and understanding in way that bring much enjoyment.

- The Notting Hill Carnival is an example of a festival which started as a minority ethnic event which has become a major interethnic occasion. There is room for variants of this, such as the Brick Lane festival, in other localities. This is a field for private enterprise, possibly with some seed corn local authority money.
- The British Council should give increased priority to developing ethnic cultural programmes in this country which would illustrate the diversity and openness of modern Britain.
- Community organisations in liaison, where appropriate, with organisations like the Young Adult Trust, can run inter community summer camps where children and teenagers from different faiths can mix and get to know about each other.
- Religious leaders, already active, can cooperate further with each other in reaching out to faiths other than their own to promote knowledge and understanding, especially among children of other faiths and the cultures.
- Conversely public authorities should cease downgrading the celebration of Christian festivals in the name of non discrimination. Depriving one community of the symbols of its identity is resented, does not increase the sense of identity of any other nor does it increase respect.
- The wearing of religiously based dress or symbols should be a matter for the individual provided in the public sphere individual practices do not interfere with the proper performance of functions. Decisions on such issues should be kept as local as possible. Maturity, common sense, good will and refraining so far as possible from recourse to the law, with the inevitable rise in political temperature that will accompany this, should be the guidelines.

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## Annex 1: Organisation of Political Islam in the United Kingdom

### Definition of ‘Political Islam’, or ‘Islamism’

There are two broad strategies and styles in this ideology, which is conventionally called ‘Islamism’ or ‘Political Islam’. First, there are those who believe in the establishment of a sharia law state and who are actively opposed to secular democracy and discourage participation by Muslims in it. Proponents of this view often preach hatred of non-believers, in which they often include Muslims who do not subscribe to this view. Second, there are those who believe that the laws of this country should be changed to conform to their interpretation of Islamic religious beliefs. These people use democratic freedoms to establish a parallel system, (or in some cases, an overriding system), of religiously derived law. They often argue that their political demands need to be met in order to prevent Muslims supporting more extreme people.

According to opinion polls, Muslims do not believe that any single organisation represents them. Although more Muslims believe the Muslim Council of Britain (MCB) represents them than does any other group, only 25 per cent thought it broadly representative of them,<sup>45</sup> while 27 per cent said they were ‘not at all aware’ of it.<sup>46</sup> Apathy is widespread: at least 40 per cent said they were ‘quite unaware’ or ‘not at all aware’ of the other community groups that purported to represent the community.<sup>47</sup> When asked which prominent Muslims made statements they ‘generally agreed with’, Yusuf Islam (Cat Stevens) was twice as popular as any British community leader.

Since arriving in Britain, British Muslims have set up myriad local organisations. Very few have national reach or political ambitions. Many of these organisations, some of them members of larger umbrella groups, such as the MCB, though not necessarily sharing its political line, do excellent work for the communities they serve. Some, such as the late Zaki Badawi’s Muslim College have made an invaluable contribution to British Islamic life and mutual understanding between Muslims and non-Muslims. This annex is concerned however primarily with those which promote political Islam in the UK.

The Pakistan-based Islamist party, the Jemaat-e-Islami, has been active in Britain for decades, notably through the Islamic Foundation, which is in Leicester.<sup>48</sup> Islamic identity politics began in Britain in response to Rushdie’s Satanic Verses in 1989. In the 1990s supporters of both strands of the ideology exploited the first Iraq war, the Chechen independence struggle, and the war in Bosnia to gain support. They helped create a climate in which the more radical positions held by the jihadi preachers who had made their exile in Britain in that decade seemed less outrageous.

In the 1990s the Government encouraged British Muslim community leaders to create a single body to represent their views to it. They responded by creating the Muslim Council of Britain, which now claims the allegiance of several hundred, mainly local, affiliates. Among the national organisations that follow Yusuf al-Qaradawi’s doctrines, the Muslim Association of Britain and the Islamic Society of Britain are also affiliated. Although there are organisations affiliated to the MCB that propound neither identity politics nor the establishment of parallel norms for Muslims, the ideologues dominate the organisation’s policy-making.

It is in the nature of non-political religious organisations that they rarely attract national attention, and there are hundreds of small, local Muslim organisations not affiliated to the MCB that are the backbone of

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<sup>45</sup>Poll by Populus, December 2005

<sup>46</sup>Poll by Populus, December 2005

<sup>47</sup>The Muslim Association of Britain, the Muslim Council of Britain, Tabligh Jemaat, the Islamic Society of Britain, the Muslim Public Affairs Committee, the Islamic Human Rights Committee, the British Muslim Forum. Since the poll was conducted, the MAB has spun its political activity off into the British Muslim Initiative

<sup>48</sup>Vali Nasr, *The Jemaat-e-Islami*, London, 1994

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their communities' life. Some national organisations that do not subscribe to an ideological approach to their faith include the British Muslim forum (a network of mosques), and the Sufi Muslim Council, which was set up in 2006. The SMC opposes the ideology and eschews identity politics. It remains to be seen how it develops.

## Origins of the ideology in Britain

Many of the first generation Pakistani and Bangladeshi immigrants to Britain, while religious, had a ritualistic faith rather than one that depended on familiarity with Islamic jurisprudence. The ideological organisations have taken advantage of this ignorance in order to propagate their ideology to the younger generation, which they claim is the 'True Islam.'

The ideological version of the faith is attractive because it offers definite answers to virtually any question or dilemma. Religion, in this view, is not a spiritual guide to help individuals make their own decisions, but a detailed code of rules promulgated from heaven, which the believer must obey.<sup>49</sup>

Although there is no official clerical hierarchy in Sunni Islam, most of the ideological organisations work according to a formalised network of religious authority centred on Yusuf al-Qaradawi.

Not exposed to an equivalent alternative, or to the rationalist, liberal tradition within Islam, a significant number of young Muslims swallow the ideologues' line, and become dependent on the organisations for guidance on how to live their daily lives. They rely on the rulings of ideologically-driven scholars for 'lines to take' not just on spiritual but also on political issues, and they are used as agents to project identity politics.

The British political Sunni movement is made up of a set of organisations that compete for adherents but share broad aims. They can be divided into three categories:

- Those linked with Jemaat-e-Islami and the Muslim Brotherhood. Their theological line is set by Yusuf al-Qaradawi. We shall call them 'Qaradawists'. They participate fully in politics and encourage their supporters to vote.
- Hizb-ut-Tahrir, which is still opposed to electoral politics, but has become involved in non-electoral political campaigning, particularly since the Government threatened to ban them.
- Jihadi fellow travellers (e.g. the Saviour Sect). The Tabligh Jemaat, although not political, advocates a similarly austere version of Islam. Many jihadists have passed through its ranks.

## The 'Qaradawist' Ideology

Both Ken Livingstone and George Galloway's Respect Party have sought to ally themselves with these groups to exploit Muslim identity politics to increase their political support.<sup>50</sup> The groups claim to

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<sup>49</sup>What is required of a Muslim is simply to say, "We have heard and we shall obey.", Yusuf al-Qaradawi, *The Lawful and Prohibited in Islam*

<sup>50</sup>Livingstone at a rally organised by the British Muslim Initiative on 20 November 2006: 'We have to say quite clearly that actually there's been a completely cynical whipping up of Islamophobia to divert attention from the way that the war on terror has been fuelling terrorism.' Galloway at the 'Global Peace and Unity Event': 'In truth, Mr Straw and all the other Labour ministers... who backed the Straw position were doing as they've been doing over these last few years: hey have been witch-

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represent the Muslim community as a whole, even though they represent only one point of view. They campaign to change foreign and domestic policy, and have pursued an entryist strategy of putting people who support them in key positions as Islamic affairs advisers in government departments. The most notable instance of this was Mockbul Ali, who was Jack Straw's Islamic Affairs adviser.<sup>51</sup>

The Muslim Council of Britain is an umbrella organisation. Despite the range of diverse opinions within the MCB, its hardline members, who promulgate the teachings of Maudoodi and Qutb, tend to dominate policy and crowd out more moderate voices. Although the MCB claims to 'foster good community relations and work for the good of society as a whole'<sup>52</sup> this is difficult to reconcile with its approval of Yusuf al-Qaradawi or its refusal to participate in Holocaust Memorial Day (although some of its more moderate figures attended). The MCB's previous head, Sir Iqbal Sacranie, refused to attend Holocaust Memorial Day whereas he did attend a memorial service for the Hamas leader Sheikh Ahmed Yassin.<sup>53</sup> His successor, Dr Mohammed Abdul Bari, also fosters identity politics.<sup>54</sup>

The MCB uses identity politics to pursue a domestic and international policy agenda sympathetic to that of their ideological authorities. Thus, it argued that the Government should 'change foreign policy' in a direction with which the terrorists would agree in order to deny them a cause,<sup>55</sup> and very nearly succeeded in significantly curtailing free speech using the Racial and Religious Hatred Bill. It asserts that if concessions to its agenda of special treatment for Muslims are not made, more young Muslims will be driven into the arms of its more extreme ideological cousins.

The MCB frequently accuses its opponents of fomenting religious hatred. For example, in defending itself against the claims made by John Ware,<sup>56</sup> it charged him with 'a witch-hunt against British Muslims'.<sup>57</sup> The Racial and Religious Hatred Bill, originally part of the Serious and Organised Crime Bill (which ran out of time before the 2005 general election), was reintroduced in 2005 to fulfil a promise Labour made in its election manifesto.<sup>58</sup> It would have banned speech that was 'likely to be' heard 'by any person in

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hunting scapegoating, kicking Muslims at home to justify the catastrophic failure of their war against Muslims abroad. Law after law, anti-immigration, anti-asylum, so-called counter-terrorism, ID cards, extradition treaties, over and over again. Kick the Muslims, pick on the Muslims use the Muslims as the whipping point as a means of garnering cheap propaganda points in the Sun, the Express and the Daily Mail.'

<sup>51</sup>Martin Bright, 'When Progressives Treat With Reactionaries', Policy Exchange 2006

<sup>52</sup>MCB Website

<sup>53</sup>John Ware, Panorama, 'A Question of Leadership,' 21 August 2005

<sup>54</sup>Speaking at a rally organised by the British Muslim Initiative on 20 November 2006, Dr Mohammed Abdul Bari said: 'There are [sic] a clique of Islamophobic journalists and columnists each with a sharp axe to grind who have desperately and repeatedly tried to malign mainstream Muslim organisations such as the MCB, MAB and other organisations. What they want is clearly to demonise the community and marginalise [it] so that Muslims remain in the political periphery.' The MCB also advertises training sessions given by MPAC

<sup>55</sup>'As British Muslims we urge you to do more to fight against all those who target civilians with violence, whenever and wherever that happens. It is our view that current British government policy risks putting civilians at increased risk both in the UK and abroad. To combat terror the government has focused extensively on domestic legislation. While some of this will have an impact, the government must not ignore the role of its foreign policy. The debacle of Iraq and now the failure to do more to secure an immediate end to the attacks on civilians in the Middle East not only increases the risk to ordinary people in that region, it is also ammunition to extremists who threaten us all. Attacking civilians is never justified. This message is a global one. We urge the Prime Minister to redouble his efforts to tackle terror and extremism and change our foreign policy to show the world that we value the lives of civilians wherever they live and whatever their religion. Such a move would make us all safer.' (12 August 2006)

<sup>56</sup>Panorama, 'A Question of Leadership,' 21 August 2005.

<sup>57</sup>MCB Press Release, 20 August 2005

<sup>58</sup>'It remains our firm and clear intention to give people of all faiths the same protection against incitement to hatred on the basis of their religion. We will legislate to outlaw it and will continue the dialogue we have had with faith groups from all backgrounds about how best to balance protection, tolerance and free speech.' (Labour Manifesto, 2005) The provisions had originally been part of the Anti-Terrorism Crime and Security Act (2001) but were withdrawn

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whom it was likely to stir up racial or religious hatred'<sup>59</sup> regardless of the speaker's intent. The prosecution would have had to prove only the likelihood that there might exist one person, however bigoted, who would be stirred up to hatred as a result for there to be a conviction. Anyone convicted would have been liable for up to seven years' imprisonment. Risk-averse broadcasting and newspaper lawyers would very quickly have imposed self-censorship which would have impeded critical examination of the political activities and programmes of religious and other community organisations. Writing in *Muslim Weekly*, the Government Minister Mike O'Brien admitted the Bill had been introduced in response to MCB lobbying.<sup>60</sup>

The House of Lords amended the Bill to require that the prosecution demonstrate intent to stir up religious hatred.<sup>61</sup> These amendments were carried, and though the Government tried to have them reversed in the Commons, it was defeated. The MCB said the Act 'perpetuated inequality.'<sup>62</sup>

**The Federation of Student Islamic Societies** is guided by the same religious ideology and has capitalised on identity politics. It argues that 'the persecution of Muslims in Britain began even before 9-11'<sup>63</sup> and that Islam is an inherently political religion which is now under attack.<sup>64</sup>

The **Muslim Association of Britain (MAB)** was founded by Middle-Eastern leaders of the Muslim brotherhood. Its more political activity has been hived off to another organisation, led by Anas al-Tikriti called the British Muslim Initiative. Both the MAB and BMI tend to be more strident than the MCB and the Islamic Society of Britain (ISB).

The **Islamic Society of Britain** is often described as a 'yuppie' organisation. Its leadership seeks to draw educated professionals into the ideological fold, and is less strident than, for example, the MAB. It runs children's camps and training courses to promote its version of the Muslim way of life. It describes Yusuf al-Qaradawi as 'possibly the foremost scholar of Islam today.'<sup>65</sup> Its youth wing is Young Muslims UK. Although several senior members of the MCB, including Inayat Bunglawala, began their political trajectory in the ISB, the majority of its members do not propound – whatever they may think – an ideologically driven agenda of Muslim exceptionalism.

The **Muslim Public Affairs Committee** puts pressure on Muslim community organisations (including the ones listed above) and Muslim politicians that deviate from the broader movement's ideological line. They deluge with emails those whom they wish to influence in standard pressure group manner. The

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<sup>59</sup>Incitement to religious hatred bill

<sup>60</sup>But this is not the first and only time that [the] Labour Party has delivered for Muslims. When I was a Home Office Minister in 1997, the MCB lobbied me to introduce not only a new law which would increase sentences for racial violence and harassment but also to recognise the particular problems faced by Muslims. As a result we were able to amend the law to make religion a factor in any violence and harassment. Today, [a] new Crime Bill, announced in the Queen's Speech is coming before Parliament to toughen the laws on incitement to religious hatred. 'The Muslim Council of Britain has been at the forefront of lobbying the Government on issues to help Muslims. Recently Iqbal Sacranie, the General Secretary of the Council, asked Tony Blair to declare that the Government would introduce a new law banning religious discrimination. Two weeks later, in the middle of his speech to the Labour Party Conference, Tony Blair promised that the next Labour Government would ban religious discrimination. It was a major victory for the Muslim Community in Britain. (10 December 2004)

<sup>61</sup>House of Lords Hansard, 25 October 2005, Col. 1104

<sup>62</sup>MCB Press Release, 1 February 2006 'the amendments made by the House of Lords and adopted by the House of Commons last night, will still continue to perpetuate the inequality that has persisted under the application of existing legislation.'

<sup>63</sup>FOSIS Website, (Justice Campaigns/Civil Liberties)

<sup>64</sup>Now the agenda to attack Islam, its principles and values as well as its political system of shariah and khilafah [unity of religion and state under the caliphate] are under attack'. FOSIS Website, (Justice Campaigns/Civil Liberties)

<sup>65</sup>Islamic Society of Britain, *Islam and Terrorism: exploding the myths* (available on ISB website)

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leader Asghar Bukhari has used his influence to get money donated to David Irving, the Holocaust denier.<sup>66</sup>

## Other Groups and Organisations

The **Islamic Human Rights Commission** claims to be a human rights pressure group raising awareness of human rights abuses committed against Muslims. It uses highly emotional language and imagery and makes no attempt to be impartial between Muslims and non-Muslims. It performs an important role in stimulating anger on 'Muslim identity' issues. It runs a competition for 'Islamophobia Awards' that has nominated for this award, among others, King Abdullah of Jordan and King Mohammed of Morocco.

**Hizb-ut-Tahrir** (HT) is an international pro-Caliphate organisation that was founded in Jerusalem and is strong in central Asia. It is relatively small but very media-savvy. Until recently it had refused to take part in democratic politics while also claiming that it eschewed violence. HT has now begun to participate in the non-electoral parts of politics, often through front organisations. For example, it signed a joint statement on the veil prepared at the instigation of the MCB.<sup>67</sup> Its representatives participate in media debates, have spoken at a meeting in the House of Commons organised by Clare Short,<sup>68</sup> and have begun to lobby politicians. Although banned by the National Union of Students from university campuses, HT recruits students clandestinely. HT is not the only body so engaged but it is one of the more important.

The **Tabligh Jemaat** is not a political organisation, but does indoctrinate its members into a very strict form of Islam. It is enormous. Its annual conference in Pakistan is the secondlargest gathering of Muslims in the world after the Hajj. Many violent jihadists have passed through Tabligh mosques during their process of indoctrination. Its British headquarters is currently in Dewsbury, but it is hoping to build a large mosque in East London on the Olympic village site.

Britain no longer offers sanctuary to violent jihadists in the way that it did during the 1990s. Organisations on the fringe of terrorism, such as the Saviour Sect, still exist but have been proscribed. Ad-hoc gatherings of this kind of extremists are now generally organised through the internet.

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<sup>66</sup>He 'sent money to Irving and urged Islamic websites to ask visitors to make donations to his fighting fund.' The Observer, 19 November 2006

<sup>67</sup>Imran Waheed, from HT signed the statement on the Jack straw's comments on the veil that was organised by the MCB, 17 October 2006

<sup>68</sup>1 March 2006

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## Annex 2: Demographic Data for Muslim Women and Families

Almost two fifths (39 per cent) of Muslims in Britain were born in Asia. 54 per cent of Muslims in Britain were born outside the UK (compared with 63 per cent of Hindus and 44 per cent of Sikhs).<sup>69</sup>

Similar numbers of Muslim women and men are educated to A-level, but lack of any qualifications at all was much more prevalent among women of Pakistani and Bangladeshi origin than among men of the same origin. According to the Annual Population Survey:

Whereas in the general working age population, 44 per cent of women have qualifications at A-level or higher only 27 per cent of Muslim women do.<sup>70</sup> 55 per cent of all men and 32 per cent of Muslim men are similarly qualified. Some of this could be because the Muslim population is younger, so Muslims have not had the time to acquire as many qualifications. This has been weighted by the proportion of Muslims aged between 16 and 64<sup>71</sup> to counteract this effect, which is small. If Muslims had the same age profile as the rest of the population, 33 per cent of men and 28 per cent of women would have A-levels or higher.

36 per cent of Muslim women and 30 per cent of Muslim men had no qualifications at all. However, Pakistani and Bangladeshi women are disproportionately poorly educated: 40 per cent of Pakistani women and 49 per cent of Bangladeshi women have no qualifications.<sup>72</sup>

Far more Muslim women are economically inactive than women from other religions. Pakistani and Bangladeshi women are ten times as likely not to work once married, (even though they have no children) as white women. Official data show: 69 per cent of Muslim women in Britain are economically inactive (compared to 30 per cent of Muslim men) and 27 per cent of all women.<sup>73</sup>

Many women from all backgrounds leave the labour force to look after children but far more Pakistanis and Bangladeshis do so when they get married even though they have no children. 42 per cent of Pakistani and Bangladeshi women under 35 who had a partner but no children are economically inactive. This compares to 18 per cent of Indian women, 9 per cent of Black African women, 4 per cent of white women and 2 per cent of black Caribbean women.<sup>74</sup>

Almost two thirds of Pakistani and Bangladeshi immigrants were admitted to Britain as spouses (both husbands and wives). Across all nationalities, just over a third come as spouses (about two thirds of these are wives). Hardly any Bangladeshis and Pakistanis were admitted with work permits last year. Fewer Pakistanis and Bangladeshis came as children than the average for all nationalities.

In total, 83 650 Pakistanis and 32 290 Bangladeshis have been granted settlement in Britain by marriage between 2000 and 2005.<sup>75</sup> Their characteristics vary markedly from those of other nationalities.

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<sup>69</sup>2001 Census

<sup>70</sup>The figures for Sikhs and Hindus are 44 per cent and 50 per cent respectively. All figures from the Annual Population Survey, ONS, 2004 published by the Office of National Statistics

<sup>71</sup>Data from the 2001 census. This assumes the age distribution of men and women is the same (although it is not quite). Figures of those aged 18-64 would be better but were not available

<sup>72</sup>Office of National Statistics, Annual Population Survey, 2004. ONS, 2004

<sup>73</sup>ibid. ONS Annual Population Survey 2004

<sup>74</sup>18 per cent of Indian, 9 per cent of black African and 4 per cent of white women with a partner but no children were economically inactive. Joanne Lindley and Angela Dale 'Ethnic differences in women's demographic family characteristics and economic activity profiles, 1992 to 2002', Labour Market Trends, April 2004

<sup>75</sup>Home Office, Control of Immigration Statistics 2000-2005

## 1. Work Permits.

- A substantial proportion (15 per cent in 2006) of legal immigrants of all nationalities are awarded settlement through work permits.
- 27 per cent of Indians who settled here last year had work permits, but it was very rare for a Pakistani or Bangladeshi to have come here with a work permit. Just 595 out of 9185 Pakistanis and only 55 Bangladeshis out of 3085 were allowed to settle for four years on a work permit in 2005.<sup>76</sup>

## 2. Children.

- Between 2000 and 2005 22 per cent of all immigrants granted settlement were children but only 16 per cent of Pakistanis and 17 per cent of Bangladeshis were children.
- However, The Pakistani average conceals a difference between an average of 12 per cent between 2000 and 2003, and an average of 24 per cent for 2004-2005.

## 3. Spouses.

	2000-2005	2000-2003	2003-2005
All Nationalities <sup>77</sup>	36	41	26
India	49	56	36
Pakistan	66	71	42
Bangladesh	61	71	42

Spouses granted settlement (per cent).<sup>78</sup>

- 36 per cent of all settlers were granted settlement through marriage. In the first period it was 41 per cent, but in the second it had fallen to 26 per cent.
- The sharpest drop between the two periods occurred in relation to Pakistanis, but it coincided with the sharp increase in the number of Pakistani children admitted for settlement. In the first period, 83 per cent were spouses or children, whereas in the second this had fallen to 66 per cent. Without the increase in the number of children, this figure should have fallen to 54 per cent. It may well be that people who in earlier times would have been admitted as spouses are now being admitted as children, but there is no direct evidence for this.

## 4. Husband/Wife ratio.

The average for all nationalities is that roughly twice as many wives as husbands are granted settlement. This has stayed relatively stable over the past five years. The proportion of husbands for Indians is slightly lower: an average of four husbands for every ten wives between 2000 and 2005. It has also been stable.

It is well known that British boys of Pakistani and Bangladeshi origin are often wedded through an arranged marriage to a bride from 'back home.' Less well known, but also prevalent, is the practice of obtaining husbands from 'back home' as well. In 2000, 2001 and 2002 nine Bangladeshi husbands had been admitted for every ten Bangladeshi wives. In 2005 this had fallen to just over seven, having declined steadily since 2002. The same is true of Pakistanis.

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<sup>76</sup>Ibid.

<sup>77</sup>Excluding EEA

<sup>78</sup>Ibid.

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This indicates that there has been a fall in the number of Bangladeshi and Pakistani girls who have been able successfully to obtain husbands from 'back home.' It is not possible to tell from the available information whether this is because fewer want such husbands, or fewer are getting married at all. Although it has clearly become more difficult to gain settlement as a spouse of either sex (because of a change in the qualifying period)<sup>79</sup> this cannot explain the faster decline in husbands admitted than wives.

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<sup>79</sup>Home Office, Control of Immigration Statistics 2003

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# Study 4: Internal Security and Homeland Resilience

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## 1. Internal Security and Homeland Resilience

This country does not face the threat of invasion nor, at least at present, of major nuclear attack. It does face significant threats and hazards to security which can be generated at home or at a considerable distance abroad but having direct impact here. Foremost is network terrorism, which is more politically and technologically sophisticated than any preceding terror movement. Terrorists have not so far achieved their goal of destabilising our institutions or causing us to abandon our freedoms and this must not happen. But they are at present well ahead in the ideological struggle and do not lack fresh recruits. Their attacks are capable of taking many forms from mass killing to destruction of physical installations. Attacks using CBRN (chemical biological radiological and nuclear) weapons cannot be ruled out and must be prepared against. It is the very variety of types of attack and number of attractive targets which is daunting for those called upon to prevent incidents and provide protection against them. Public confidence in the honesty and competence of government is crucial to the acceptance of risk.

Our borders are important and need to be strengthened. In our interim report of last year the Group said it favoured the creation of a dedicated border force and we are pleased that Lord Stevens is examining how this might best be done. We continue to think it necessary as is the closing of important gaps in border controls. But physical barriers, however tight, cannot provide complete protection against transnational threats, and modern communications know few barriers to the transmission of news and propaganda. Nor do borders provide solutions to the underlying conditions which breed terrorism. In proposing the creation within the Cabinet Office of a National Security Council in our interim report of last year, we made it clear that a primary advantage we saw in it was the ability to take issues in the round and to provide comprehensive, internally consistent policy responses. Under our proposal a UK National Security Council would be unlike the structure in the United States, where a separate Homeland Security Council has been created. We see no advantages to this in UK conditions.

In addition to terrorism the UK also faces hazards such as the possibility of pandemics which also need to be planned against. There is no national security requirement that indicates that this needs to be done confidentially and every advantage in it being done openly. But such hazards also affect our security insofar as they can severely inhibit our ability to conduct normal daily life and planning for them overlaps with other necessary protective measures. A comprehensive approach is necessary.

Meeting threats and hazards involves identifying vulnerabilities to them, and assessing risk. In the case of terrorism, some of the perceived vulnerabilities spring from the exercise of our traditional freedoms and civil liberties, which constitute the very fabric of our democracy. Too often the Labour Government plays an unattractive game of chicken with those who may disagree with it over the point at which it is right to draw the line between measures designed to increase collective security and the preservation of individual rights which all of us - not just terrorist suspects - wish to have as protection against the might of the state. This way of formulating policy insults the intelligence of the voters, demeans our public life and is liable to come up with answers which are both late and wrong. It has also set up avoidable and damaging tension between judiciary and executive. On such fundamental issues as liberty and security where national consensus should be the goal, so divisive an approach is entirely inadvisable. The Policy Group would like to see a Conservative government eschew exploitation of internal security issues for party political advantage and so far as possible take a bipartisan approach to them.

Blair's Government split the Home Office into two creating a new Justice Ministry. The manner of the split left a lot of unanswered questions. In our interim report, the Group recommended keeping a single department but charging a second minister of Cabinet rank within it with special responsibility for security. While responsibility for policy should be collective, its communication to the public, especially in a crisis, should be via a single authoritative voice – the opposite of practice under Blair. Confidence in government is maintained by the public when they understand what government is trying to achieve and appears to know how to do it.

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## 2. Counter-terrorism Strategy (CT)

The Government has put several laws on the statute book designed to curb the ability of fundamentalists to inflame opinion, and of suspected terrorists to cause harm, and to increase the chances of securing conviction of suspects. The maximum time allowable for pre-charge detention remains an issue on which the Conservative Party has offered Privy Council discussion. It is willing to support the use of wiretap sourced evidence under appropriate arrangements and safeguards. In general it is hard to see that the Executive does not now have enough powers at its disposal to deal with the terrorist threat effectively. Rather than piling more on to the statute book, the Government should focus on using the powers they have.

It is important to formulate and implement a security strategy which:

- spans counterterrorism at home and abroad;
- results in a single comprehensive strategy for countering the ideological challenge which is effective both at home and abroad;
- increases our level of domestic protection and resilience; and
- links the parts together in a coherent whole.

This complex set of issues does not yet have a body of received concepts and doctrine as, say, defence does, though these are gradually forming. The UK has made a considerable contribution but even among close allies there is not agreement. There are major differences in the approach adopted on the two sides of the Atlantic which are not completely compatible. The differences do not interfere with day to day cooperation on counterterrorism which by all accounts is effective, but reliance on war powers by the United States in what they term the War on Terror has damaged the ability of liberal societies to present a compelling alternative to fundamentalist Islamist ideology and the use of violence by terrorists. We look at that issue in another section of the report. In this section we examine the Government's approach to terrorism in Britain, its effectiveness and the related issue of homeland resilience.

The Policy Group endorses the counterterrorist model which the UK follows, as in Northern Ireland – that of treating terrorism as a criminal conspiracy and, so far as possible, subjecting suspects to the normal processes of the legal system. We also endorse the overall approach to counter terrorism and resilience embodied in government's CONTEST strategy. The framework is right but important weaknesses remain in implementation. Operationally gaps in coordination between different departments and services of government occur which hamper effectiveness and at the strategic level the various strands are not properly linked. To take one example: at the strategic level, the different parts of the Prevent strand still do not support each other as they should. Policies that have been pursued by the government in relation to national cohesion have fostered attitudes in Muslim communities which unnecessarily increase the risk of the police aggravating community relations when they have to carry out CT operations.

### 2.1. Allocation of Responsibilities and Cooperation between Agencies

Counter-terrorism is intelligence led. The quality and timeliness of the intelligence on which it is based is therefore vital. The scale of the threat has led to a considerable expansion of the intelligence services, especially the Security Service, which has recently set up offices outside London. This begins to meet what was previously a major weakness: the geographical mismatch between the location of potential threats and the resources needed to identify them. The Security Service now faces the challenge of simultaneously training an expanded recruitment and demonstrating a high level of effectiveness. External liaison with intelligence services abroad - and increasing their capacity in counterterrorism - in

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which the FCO and Secret Intelligence Service are in the lead are further essential elements in effective coverage. We recommend that a Conservative government on entering office should review the internal functioning of the intelligence agencies.

Within the UK, operational coordination between agencies is by and large willing and usually effective, especially at official level. Whitehall has shown a capacity to pool resources and share intelligence-based information in a way that seems impossible in many if not most other countries. This is a real strength. The JTAC model of rapid and operationally useful terrorism analysis has been copied elsewhere. The UK has also traditionally and rightly separated the policy making and analytical functions, to safeguard the integrity of the second. When these have been mixed, as the Labour Government has done, the results have been damaging to the quality of intelligence analysis and to confidence in it. Iraq is an egregious example.

The responsibility for formulating counterterrorism strategy to which many Whitehall departments have expertise to contribute and functions to perform, should remain centrally located and not be subordinated to any one single department - (though a single Ministerial voice is needed to communicate publicly in a crisis - see below). Certain other principles should be observed. Separation of functions between advisory and policy making and intelligence and law enforcement is important. JTAC, for instance, should not be given a direct operational role in counterterrorism as is being contemplated by some of those who emulate the UK. Nor does the Policy Group favour the creation of a British FBI as some advocate as a replacement for our model in which the Security Service and the police cooperate but where their responsibilities and accountabilities remain distinct.

## 2.2. Policing

Our witnesses on policing, who were very helpful, described the way in which they were developing those parts of CONTEST for which they had direct responsibility. We concluded that:

- Priorities between Prevent and Pursue strands of CONTEST have not been dictated strategically enough. While the urgent task has obviously been to pursue and remove malefactors from circulation, the strategic task of being informed about the causes and the process of radicalisation and recruitment of individuals to extremist belief or activity, and the numbers involved, was not tackled nearly soon enough. The result is a big catch up job to create an adequate information base and to take remedial action. The failure to prioritise accounts at least in part for the so-called intelligence gap which became publicly apparent in the aftermath of the 7 July bombings.
- The coverage of counterterrorism cooperatively by the Security Service and police outside London, which seems to be developing well nevertheless still has some way to go. The formation by the Metropolitan Police of a unified national counterterrorist command is a good, if somewhat belated development, as is the creation of regional police ‘hubs’ which work with the Security Service. But the police still lack some fundamental requirements for a successful long term CT campaign including:
  - development of local knowledge bases. This is partly a matter of time, though the difficulty internal to the concept of community policing which is the aim of simultaneously acquiring information about individuals in a locality while also gaining the trust of the community as a whole, will require skills of a high order to overcome;
  - greater locally based investigative capacity to link with the command structure based in London and more internal information sharing;
  - related to the previous point, greater dedicated leadership at local levels; and

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- greater capacity to bring together and analyse information which is handicapped by serious IT weaknesses.

The Group took evidence on a range of policing issues wider than counterterrorism in order to understand where it fitted into police priorities. In view of the work of Nick Herbert's Task Force, we are not reporting on this. We did however conclude that the time had come for an overhaul of the mission of the police and the way it is executed. While the public clearly expects the police to do rather more than just catch criminals, we doubt it is sensible to expect them to become engineers for the ills of society. And it is not fair for government to tinker with the remit without considering its effect on capability and without providing resources for change. Mr Herbert's report contains important proposals which could well meet the requirement. If those proposals do not cover all the ground, the Policy Group recommends that the recent call by the current President of ACPO, Mr Ken Jones, that a Royal Commission be created to examine the role of police in society should then be given serious consideration. Getting police officers out of the back office and into frontline jobs; setting up a staff college to train the ablest members of the force for leadership; and bringing about more powerful accountability than exists at present are, in our view, three high priorities.

### 2.3. Serious and Organised Crime Agency

Organised crime, national and international, is a scourge in its own right, flourishing inside and across borders of open mobile societies with excellent communications. There are links to terrorism via drug running and money laundering. The present Government set up the Serious and Organised Crime Agency (SOCA) as a separate service from the rest of the police with which it does not appear to maintain especially close links. It is too early to judge its effectiveness and information which might make this possible is too sparse. The agency gives off an unnecessary air of secrecy. For a service that has the right to bear arms, its accountability arrangements to a Board of non-executive individuals seem wholly inadequate. SOCA should come into line with revised accountability arrangements for the police generally.

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## 3. Accountability

### 3.1. Intelligence Agencies

There is a broader issue of accountability touching on all those involved in policing and counterterrorism. When both agencies and police are playing so central a role in national security and when risks are high, accountability becomes a hot issue. Its current inadequacy does not quell the desire for accounting. On the contrary. When things have gone wrong, the lack of adequate established procedure for examination and investigation has fuelled demands for special enquiry which the Government has refused to concede despite the damage thereby caused to their reputation. We cannot go on like this.

The accountability arrangements for the intelligence agencies (Security Service, Secret Intelligence Service and GCHQ) are of relatively recent origin, set up in 1994 under an Act which brought the Intelligence Services Committee (ISC) into existence. It has unusual features. The Prime Minister appoints the chairman and the committee reports pass through him before publication. He is able to and has excised parts of them before publication. Two issues arise: is this unusual chain of accountability still the right one to maintain trust and confidence, or should the Committee be a select committee of Parliament, albeit doing much of its work behind closed doors? And should the Committee members themselves have stronger powers and ability to undertake their own investigations?

The Policy Group has concluded that the ISC should become a conventional parliamentary committee. The centrality of their role and the way in which the execution of their responsibilities unavoidably touches on such sensitive issues as civil liberties, over which Parliament should stand guardian, mean that arrangements for accountability should be both strengthened and made independent of the executive. The experience of the Committee's inadequate assessment of the functioning of the JIC in the run up to the intervention in Iraq suggests that it is no longer appropriate for the Prime Minister to have the last word on what is published by the ISC, which should be a committee independent and powerful enough in its own right to ensure obedience to the rules without the need to resort to ex post facto special investigations on the model of the Franks and Butler investigations. These both followed failures of the system when tested in operational situations- the very moment when it most needs to command confidence.

It is very important that our intelligence services do not become political footballs and the procedures adopted by the Committee must reflect the need to afford appropriate protection to the good functioning and to the personnel of the services. The Committee should be chaired by a parliamentarian of real seniority and stature who is also a Privy Councillor. We recommend this person should, on the model of the Public Accounts Committee, be drawn from the Opposition benches and that the Committee should have a parliamentary staff, appropriately vetted, which is large and experienced enough to enable the Committee to conduct its own investigations.

Consideration should also be given to enlarging the mandate of the committee and amending its remit to enable it to become part of the accountability machinery for the police in respect of the discharge of their counterterrorist responsibilities (see below). Revision of the existing arrangements along these lines is likely to require primary legislation.

### 3.2. Police

The Metropolitan Police are accountable to the Mayor and London Assembly for the policing of London and for everything else to the Home Secretary, an inadequate arrangement in view of the need to safeguard the statutory independence of the police from the Executive. Constabularies round the country

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report to their respective police authorities. These arrangements, most of which are longstanding, do not conform to modern ideas of arms length, open accountability and need to be changed. Nick Herbert's Group has put forward proposals as regards Police Authorities.

In relation to counterterrorism, the police are the agency most visible to the public and with which it has most contact. In the view of the Policy Group, it would be actively helpful to the police as well as conducive to the public interest for there to be greater understanding, as background to the operations they mount, of their approach to counterterrorism and the challenges they face. In CT, the police are effectively acting in a national capacity and Parliament is therefore the right place for accounting for their actions. As with the intelligence services, it should be possible to devise rules and arrangements for evidence-taking from the appropriate officers consistent with the need for confidentiality over intelligence related matters.

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## 4. Protection and Resilience

### 4.1. Civilian Agencies

Protecting the physical plant of the country is barely less important than protecting people. A tightly interdependent economy with 'just in time' distribution and storage systems is liable to be less resilient than is desirable from the national security point of view. The increased competition which has come with globalisation has acted powerfully to reduce redundancy in company management and physical plant. The capacity of high value locations such as the City and of the infrastructure of the country (for instance the national utility grids), to withstand attack and to be able to recover fast in the event of attack is evidently of prime importance. There can be set backs so serious in their effects that complete recovery never takes place. The task of identifying vulnerabilities is potentially infinite and the private sector, owner of many of the assets, as well as supplier of many of the protective devices and technologies, has to be closely involved. Much work has been done in this area, though it is not clear how public procurement decisions are prioritised and complaints are still heard from industry about the failure of government to share information relevant to companies' ability to reduce their vulnerability in the public interest. The 'who pays?' question inevitably arises.

The present Government has put in place updated arrangements for national resilience in the Civil Contingencies Act of 2004 which places extensive responsibilities on local authorities to increase protection and in emergencies to provide an adequate response, primarily through the blue light emergency services which are designated 'first responders'. Following an incident, the police are in overall charge on the ground. The Civil Contingencies secretariat is in the Cabinet Office, responsible, inter alia, for coordination of risk assessment; for the training college in rural Yorkshire; for the development of capabilities to meet disruption or denial of service; and for the coordination of a national response (through the Cabinet Office Briefing Room (COBR)) in the event of an emergency. The Policy Group examined these arrangements and considered two aspects: whether, within their own terms, they were functioning as intended and whether, more broadly, they constituted an adequate response. Our conclusion was that, so far as they went, the current structures were on the right lines though with certain operative shortcomings, but that overall the system was insufficiently robust to withstand multiple crises of significant duration.

The Civil Contingencies Act is hitched to the existence of regional government on the ostensible grounds that it is a bridge between national and local government. It is more likely however to be a bridge leading nowhere as action has to take place in the units of government which exist in reality. Civil Contingencies are also under funded, aggravated by Treasury rules which require departments to pay a cash penalty for holding over inventory from one year to the next. Out of a budget for counterterrorism, intelligence and resilience which is forecast to reach £2 billion by 2008, double what was being spent before 9/11, local authorities in England and Wales outside London will have received an extra £40.7 million which is a 113 per cent increase on their (piffling) pre-9/11 budget. This is still a puny amount and must inevitably lead to short cuts. The system looks fine on paper. But the essential requirement for practice and joint exercising is largely missing which constitutes a major weakness. National command also needs to exercise much more regularly than it is doing- especially when Ministers change portfolio as frequently as they have done in Blair's Government.

The consequences of failure to exercise will, of course, only show up during an incident and could be very serious. The experience of 7 July showed that in Whitehall COBR did not invariably provide a single clear line of strategic guidance and that some of its interventions actually caused delay on the ground, compounded by failure on the part of some agencies always to adhere to a single line of command. There is also still a long way to go in ensuring the existence of interoperable and robust emergency communications between agencies. There is a case for the UK's coordinating machinery in the Civil

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Contingencies secretariat becoming a fully fledged executive agency responsible for driving forward policy nationally.

## 4.2. Assistance from the Armed Forces

The Policy Group concluded that current arrangements were unlikely to be robust enough to meet a prolonged or multiple crises - either geographically dispersed or involving complex damage or both. A more substantial contribution should be available from the armed forces. In civil contingencies planning, they are already relied upon to execute a number of essential protective functions including hostage recovery, explosive ordnance, and air and maritime protection. These are discussed in more detail in our defence report.

Despite the fact that when needed, such capabilities could be crucial, they are entirely contingent as things stand. MoD does not guarantee to make the personnel available and their training is not dedicated. Treasury rules and military overstretch increase the danger of the blue light services not receiving adequate support from the armed forces when they need it. We do not advocate the militarisation of domestic crisis management, and control must remain in civilian hands. Nor do we suggest a wholesale change in the mission of the armed forces. The Group does however consider that a properly funded and trained contribution from the armed forces to the security of the homeland is needed and appropriate and could be met by adjustment at the margin of the requirement placed upon them. They would provide much needed capability for which they in any case train: the ability to provide agile and robust command and control in unforeseen circumstances. We think it important for the armed forces to be seen by their fellow citizens to be directly involved in the security of the homeland.

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# Study 5: Energy Security

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## 1. Introduction

The United Kingdom does not have an energy security policy worth the name and needs one. This should be addressed as part of establishing the right regulatory framework for the energy market. The formulation of a complete and internally coherent long term policy for the UK concerning the domestic energy scene and the energy mix that will be needed in future simultaneously to ensure security of supply and climate change targets is however beyond the scope of the authors. This report deals solely with the degree of UK energy dependence, the factors influencing this and why there is cause for concern and recommends an approach that should be followed.

The Government's Energy Review of July 2006 states that fossil fuels, especially oil and gas, will constitute 'the majority' of the UK's energy mix for the foreseeable future, indicating that by 2010 the UK will be importing 40 per cent<sup>1</sup> of net total gas needs rising to 80 per cent - 90 per cent by 2020. Less specifically, it also says we will 'shortly' become net importers of oil and are already net importers of coal. The NIS Group have therefore focused this paper on the developing international situation for fossil fuels, notably oil and, especially, gas where the most important political and structural changes in the market are occurring, and have analysed the implications of these for the UK's increasing energy dependency. We do not deal with renewables or nuclear energy.

This is a big subject and we have not tried to give a complete picture of the global energy market which is in rapid evolution, not describing for instance the Asia Pacific energy scene. It, of course, has an effect on supply and demand, but we have focused in this paper on the aspects which affect more directly the UK's situation.

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<sup>1</sup>The statistics in this report are drawn from a variety of published sources including; BP Statistical Review; Digest of UK Energy Statistics (DTI); UK Energy in Brief 2006 (DTI); National Grid Ten Year Statement (Gas 2000); UK Energy Data (US Energy Information Administration); UK statistics on the IEA website

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## 2. The Evolution of the Global Market in Oil and Gas

Following the oil shocks of the 1970s, with the exception of the United States, which alone consumes almost a quarter of oil global production, most developed industrial consuming economies responded by increasing significantly energy efficiency through a combination of public policy - notably fiscal measures - and private sector led technological innovation. During the last two decades of the twentieth century, gas came on stream as a major source of energy. There followed a period of abundant supply of the three primary fossil fuels - oil, gas and coal - and of historically low real prices to the consumer. This was also the period of peak UK oil and gas production. The UK pumped from the North Sea with little regard to the consequences for depletion. UK production in both is now rapidly declining.

It is the recent situation of global energy abundance which changed dramatically in 1999 when oil prices abruptly rose and, contrary to initial industry forecasts, did not fall back. Instead, oil prices doubled, eventually reaching \$60 a barrel and, in 2006, over \$70 a barrel. In its Energy Review of 2006, the DTI noted that the price of gas and coal had both risen by over 50 per cent since 2003 coinciding with the UK becoming a significant net energy importer. Global oil and gas supply and demand are currently barely in balance.

A number of factors have led to this changed situation. First is significantly increased demand. China now consumes about 9 per cent of all oil production (and rising fast). Oil consumption in the industrialising developing world, like India, is also going up quickly. The United States import ratio continues to increase. According to the IEA, between now and 2030, global primary energy consumption is expected to increase by 17 trillion tonnes of oil equivalent - a two thirds increase over today - of which China is expected to take 30 per cent and developing countries collectively 70 per cent.

Consumption of gas is more concentrated in OECD countries and is also steadily rising (estimated to reach a quarter of total final energy consumption by 2030). But consumption increases are not being matched proportionately by supply. At the same time as Russia has emerged as the second biggest producer and exporter of oil after Saudi Arabia - about 12 per cent of global production (but only 6 per cent of global oil reserves) and, at over 20 per cent of global supply, the biggest producer of gas (followed by the United States at just under 20 per cent) - other sources of energy supply have begun to level off. Saudi Arabia is forecast to continue to increase production of crude, but production by some other important producers, including those in the Middle East, will stagnate or begin to decline.

Policy makers naturally want more certainty about the long term relationship between demand and supply. Both statistics and literature are hard to interpret on this point and the variables affecting reference forecasts are considerable. The factors affecting energy production include depletion policies, which can alter; technological advance (which has already lengthened the production life of some oil fields); rates of investment and politics, which can disrupt production. Oil as a fuel is probably somewhat more subject to political risk than gas - though it is not absent in that market either. A worldwide shortage of modern refining capacity constitutes another significant market bottle neck. On the consumption side, responses to price levels are evidently important and should extract greater efficiency of energy use by the market. The speed and extent of diversification of energy sources for security and climate change reasons is a major imponderable. Pointing in the other direction however and of much greater weight in forecasts is the projected growth in consumption noted above deriving from rapid global industrialisation.

High total levels of investment will be needed to bring on supply to meet increased demand. The IEA has calculated this as costing \$20 trillion, of which the power sector will need more than half. In its World Energy Outlook 2006, it commented worryingly that 'the ability and willingness of major oil and gas producers to step up investment in order to meet rising global demand are particularly uncertain.' There are however new investors however like China. The analysts argue about the date at which peak

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production may be reached. Some put the oil peak as early as 2007 (and the gas peak later). Others dispute the existence of a real energy production constraint, pointing out - as BP does - that on current rates of consumption the expected end of oil has already receded from the 2020s to the late 2040s. The continuing abundance of coal constitutes a big energy reserve, though it evidently has a big climatic downside. The 'peak' debate is probably the red herring. Much more than running out of supply, the issue is the cost and difficulty of exploitation at any given moment combined with the structure of the market and politics: intervention in Iran, for instance, would wreak havoc on markets and prices. What does not seem to be disputed among the analysts is that whatever the longevity of hydrocarbon reserves may be, the relationship between supply and demand is now sufficiently tight that two changes have taken place in the market which are of indefinite duration: high prices to the consumer with spot market spikes when - the second change - shortages leading to disruptions in supply occur, especially in the northern hemisphere winter. In relation to winter 2007, the OECD is already warning of tightness of oil supply and is urging OPEC countries to increase production.

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## 3. Structure of the Energy Market

### 3.1. Oil

The OPEC cartel has dominated the oil market since the 1970s and continues to do so. Since two thirds of proven oil reserves are in the Middle East, this seems likely to continue to be the case. Saudi Arabia, the world's largest single producer (13.5 per cent) and exporter of crude with by far the biggest reserves (22 per cent), has regulated the rate of its pumping over the years to smooth global production and thus prices. Russia has emerged as the second largest producer (about 12 per cent of global production) though on much smaller proven reserves. Africa (primarily Nigeria, Angola and Sudan) has become a major source of oil production, the United States now taking more from the Gulf of Guinea producers- about 20 per cent to 25 per cent of total US imports- than from Saudi Arabia and Kuwait combined. The US has declared West African oil a strategic interest and the US Navy patrols off shore. In North Africa, EU countries take about 60 per cent of all Algeria's energy.

The rush to take African oil reflects consumer need to find extra sources of supply as well as desire to diversify suppliers. Given the lack of indigenous exploitation skills, private sector international oil majors have an important part of the market. The fact that there is significant off shore oil in West Africa is attractive, reducing political risk. Attacks on onshore oil installations in Nigeria, for instance, resulted in the loss of about a quarter of possible production in 2006. Sudan and Angola are China's top suppliers. The Chinese technique of supplying technology and skills to compensate for lack of local know how is, however different, with potentially long range political consequences. She has negotiated supply deals with big unconditional and generous credit lines attached for the construction of the necessary fixed installations (and often more besides), in return for assured long term supply, which is attractive to many power elites of resource rich countries, Sudan being an example. The lack of conditionality helps undermine Western efforts to promote IMF/World Bank governance standards in the petroleum sector, while the tight economic relationships formed, owing nothing to Western finance, mean such countries will lie outside direct Western influence and are likely to prove resistant to Western pressure. China is now reaching into Central Asia for energy supplies, in competition with Russian, European and American energy companies. Such deals lay the base for a non-Western international economy which over time could prove extensive.

One of the main and considerable hazards of the oil market - which leads the price of gas - is its susceptibility to disruption by political crisis. The upside and an element in its ability to recover, is its flexibility (much greater than that of gas) its global integration (not a feature of gas) as well as the diversity of supply sources. For all the market risks, the well-developed transport links and the well-functioning spot market make it responsive to consumer needs. But it is becoming less flexible. There are increasing numbers of producers and consumers who are forming long term contractual relationships often on a quasi-governmental basis. This trend reduces further the one time dominance in oil of the Western private sector energy majors as well as their freedom of manoeuvre, tipping the balance of power further towards producer interest. What can be observed is a significant long term change in the international politics and economics of fossil fuel extraction and distribution

### 3.2. Gas

Gas, though not quite as subject to political risk as oil, is having an equally dramatic, albeit different, effect on the distribution of global economic power. Russia possesses 27 per cent of the world's known reserves, Iran 16 per cent and Qatar 15 per cent. (By comparison, Algeria possesses 2.6 per cent and

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Norway, an important supplier to the UK, has 1.6 per cent). All require investment. Here too, the Western world is moving from market maker to market taker and there is talk, much stimulated by Russian activity, of a gas cartel on OPEC lines. As a newer fuel, still requiring the development of new fixed pipelines to bring it to market, the cost of the development of gas fosters the emergence of both big consolidated producer companies and long term contractual links with consumers. When both ends have considerable state involvement - as is the case in much of Eurasia, for instance - this tendency is reinforced. The rapid development of LNG, often shipped by tanker, adds some flexibility to the gas market and helps bolster an otherwise thin spot market, but it is far from being a dominant element in the industry.

Global oil and gas production is increasingly dominated by large, consolidated, state-owned and frequently monopolistic exploitation companies, whether it be Aramco, Gazprom or Norway's Hydro. Even in the absence of formal cartelization, on the OPEC model, this gives such companies considerable market leverage which may on occasion be used for political ends. Gazprom and other Russian energy companies are almost all back under state control and are seen by the Kremlin as instruments of state power. Even more markedly than oil, the way the gas industry is developing represents a shift from private to public sector; it is witnessing heavy politicisation and a further move towards managed markets in which long term contracts between state entities soak up a significant portion of available supply. And as with oil, these structural changes have quite obviously shifted power against the consumer end.

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## 4. European Markets and Russia

With some notable exceptions such as Norway and Sweden, Europe is highly energy dependent. EU countries collectively are the largest importers in the world of oil, gas and coal. In their 2007 communication to the Council on Energy Policy, the European Commission stated that unless changes to current patterns of consumption took place, EU dependency on imported energy would rise from 50 per cent today to 65 per cent by 2030. Reliance on gas imports would rise from 57 per cent today to 84 per cent by 2030, and oil from 82 per cent to 93 per cent in the same period. These figures mask wide variation in levels and types of energy self-sufficiency among member states. The EU currently gets 51 per cent of its oil supply from the Middle East and North Africa (of which about 40 per cent is from OPEC producers), and about 25 per cent from Russia, rising to about 40 per cent in 2030. The gas picture is similar: 24 per cent of total needs come currently from Russia rising to 40 per cent of all imports rising in 2030, to 60 per cent and possibly still higher thereafter.

While over the very long haul, the Middle East's and North Africa's contribution to supplying the European energy market is projected to increase while that of Russia declines, Russia looms very large for at least the next two to three decades. Currently, 20 per cent of Russian gas comes across Belarus, mainly to Germany, Lithuania and Poland and 80 per cent across Ukraine. Austria, Hungary and Poland - two of them FSU countries - are very highly dependent on Russian gas. Germany is 45 per cent dependent on Russian gas, France 37 per cent and Italy 26 per cent. Much attention has been paid to the observed use by Russia of energy as a political weapon and this is a source of anxiety in relation especially to those longstanding FSU customers still without alternative suppliers and/or supplied at below market rates.

The opposite issue is however the one of real importance: the doubt that surrounds the ability of the Russian energy giants fully to meet the demand for which they are already contracted. The Russian state no longer permits the foreign ownership of extractive industries - and has cast doubt on the reliability of property rights by dispossessing Western partnering companies of their ownerships. This has made Western investors more cautious but has not eliminated their interest. Gazprom continues to want both foreign technology and energy development and is using its market leverage to insist that those companies that wish to have access to Russian production put up on its terms the money for exploitation and refining, of which there is a shortage. This appears to be the case with the vast and difficult far-North Shtokman field which remains to be developed. But many analysts think that the lack of domestic Russian investment in adequate and timely quantities will in any case result in shortages beginning some time in the second decade of the century onwards - and some think sooner. Temporary shortages are already occurring - met by turning down supplies to domestic Russian consumers. Whether this will be necessary - or possible - in the winter of 2007, during the pre-Presidential election period remains to be seen.

It is the fear of high fuel dependency unmet by secure supply and potentially leading to winter fuel shortages which has led to a competitive spate of energy diplomacy with Russia for preferential deals on the part of some Europeans, notably Germany, France, Italy, Austria and Turkey. The scramble for bilateral agreements assuring supply has had the effect of undermining the efforts of the European Commission either to develop a serious non-fossil fuel strategy or to get the Russians to sign up to the market principles of the European Energy Charter which, inter alia, contains provisions which would require Gazprom to permit third party access to its export pipelines - which it has shown it has no intention of granting. "The Energy Dialogue" conducted by the Commission with Russia is, as things stand, pretty ineffective, the Commission having no external trade competence in the matter of energy supply.

Gazprom and other Russian state owned energy companies are having considerable success on the other hand in pursuing a strategy of tightening their grip on the European market. This takes a number of forms.

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In negotiating oil and gas supply contracts they have been happy to take advantage of the anxiety of consumers in the fragmented European market to foster separate deals rather than physical connexion among them and play on old fears and antagonisms in the process. Community solidarity has been less than fully manifest in response. Instead of coming together externally, European governments have played into Russian hands to get preferred treatment. Aspects of the NordStream story - the Baltic Sea pipeline to Germany - exemplify this. On the back of such deals, Russian suppliers have reduced the possibility for consumers of diversifying away from Russian controlled supply. Thus, deals have recently been negotiated with Caspian and Central Asian producers such as oil rich Kazakhstan which has been pressurised (and elites appropriately incentivised?) to change policy to agree to production being routed through pipelines - some parts still to be constructed - which predominantly cross Russian soil. This gives Gazprom virtually complete control of the route to market; has the added advantage of helping Russian energy companies meet their contractual obligations on their price terms; and cuts out former troublesome transit partner countries. In this particular instance the deal almost certainly also makes a planned EU sponsored 'Nabucco' pipeline over a different non-Russian route uneconomic. Gazprom is similarly trying to ensure that it controls the export of the large deposits of gas in Turkmenistan and Uzbekistan, and is attempting to shut out direct contact with Western companies, including American and European ones. The outcome is in the balance.

Gazprom has also manipulated EU policies designed to increase resilience to shortages. Continental EU governments are already obliged to store 90 days worth of national consumption of oil and gas and are moving towards a policy of strategic reserves on a collective basis, competing with each other to become so called 'energy hub' states which host storage facilities fed by pipelines from the East from which subordinate lines radiate to EU neighbours. Russia has offered attractive terms to countries willing to link themselves to pipelines it controls. Thus, Turkey becomes a hub for the Russian Blue stream pipeline with Hungary as a hub for an EU extension from it, thereby effectively cutting out Austria which had hoped to perform this function fed by the non-Russian Caspian gas Nabucco pipeline. Latvia, lured by Gazprom following an intra Baltic state row about energy, will be a hub for the Russian NordStream pipeline going under the Baltic Sea direct to Germany, bypassing an anxious Poland, which is 87 per cent dependent on Russia for energy supplies and has poor relations with Moscow. Russia thus aims either to supply energy herself; to control the access to market of competing producers or, if this is not possible, to make swap and supply agreements with other producers which effectively limit the operation of the market and reduce consumer choice.

Russian production companies have also sought to enlarge their footing in the downstream market. Gazprom has already gone some way in this direction through swaps<sup>2</sup>. It has bought into Western pipelines and argues that to develop these further (eg to extend the NordStream pipeline to the UK) it needs ownership rights to have the assurance of continuing consumption. The liberalised UK market, where obstacles to the change of ownership are few, is especially open to ownership change and there have also been reports of interest being shown in the purchase of major distribution companies like Centrica<sup>3</sup>. There is of course no reason to suppose that customers will run away from their contractual obligations and the argument employed by the Russians is not one they have accepted reciprocally under Mr Putin in relation to foreign ownership of production assets in Russia.

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<sup>2</sup> An example of transfer of control of downstream assets affecting the UK market, the significance of which is not necessarily immediately apparent, is the following. Norsk Hydro, the Norwegian partner in a German based joint venture called Wingas GmbH in which BASF and Gazprom are the other parties, recently agreed (spring 2007) in the context of jockeying for access to the vast Shtokman gas field in the Barents Sea, to sell its 50 per cent stake, creating a situation in which it is believed that Gazprom will be able to increase its current 35 per cent stake in the company to roughly 50 per cent. If this happens, Gazprom de facto becomes supplier of more than 10 per cent of the UK downstream market

<sup>3</sup> Gazprom may gain a stake in Centrica as the result of sale of assets stemming from the merger in France between GdF and Suez where there has been close contact with Gazprom

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## 5. The United Kingdom

In recent decades, the United Kingdom has been an exporter of fuel and until roughly the turn of the Millennium more than self-sufficient. Energy policy has been seen as very largely a domestic matter and, since the privatisation of utilities under Lady Thatcher, essentially market led with unbundling, deconsolidation and regulation being directed primarily at keeping down prices to the consumer. Cheap energy through competitive markets has been the watchword accompanied by a good deal of asset sweating. Security of supply has not been a preoccupation and the indigenous gas and oil resources of the UK have been exploited at a fast rate with little regard to depletion or its consequences. 1999 represented the peak year of North Sea oil and gas production. As noted in the introduction, the UK now moves into indefinite and increasing net energy dependence. This country gets its oil on the open global market into which it is well integrated. A significant and growing proportion of its gas comes either via the Belgian interconnector or from Norwegian fields via the new Langeled pipeline. But, because of the nature of the dominant supplier and price maker- Norway is a follower-this is not an open market. In both cases UK consumers pay spot prices with good expectation but no guarantee of supply. They are sitting at the end of the European pipeline network.

So how has the government approached this situation? Despite the fact that the UK's own fossil fuel supply situation has become dependent in a tight market on external suppliers, the government does not seem to have taken much notice of the implications of the new politics of fossil fuel energy. Instead it has continued with a largely unaltered market driven approach assuming that unaided the market will supply the solutions. (Interestingly, this is in marked contrast with the policy pursued towards renewables in the name of climate change and nuclear energy, one of which is to be overtly subsidised and the other of which is to have its economics fudged.) The Government does not explicitly acknowledge that the main goal of earlier policy and the preoccupation of OFGEM - cheap energy - can no longer be delivered in any context and it also ignores the consequences for security of supply of the part played by the grand scale manipulative politics of powerful and ruthless producers. Indeed, even the last Energy White Paper published in May, which followed the Review of 2006 still had very little to say on the subject of energy security.

The Review recognises energy security as a relevant subject but does not define it let alone set goals for its attainment at the level set. Government statements suggest that it means no more than an ability to avoid complete breaks in supply and physical protection of infrastructure from attack or degradation. Both are essential but are they enough? Price spikes, deriving from demand pressure falling just short of supply, breakdown, which are far from improbable, do not necessarily result in spot supply which has been pre-empted by long term contracts, being forthcoming; and can have - as seen in the winter of 2005-6 - quite severe short term economic impact as well as bringing in their train longer term costs arising from uncertainty. Such episodes certainly create a strong sense of insecurity. But the Review does not discuss the effects of price volatility or the issue of reliability of supply to which it might be imagined consumers individually and the economy as a whole might attach importance. It appears to assume that the market will cover any 'capacity gap' that might in the future arise.

Indeed, despite the fact that the authors of the Review note the rapid and significant increase in UK energy dependency and the need to meet significantly expanded consumption in the future, it is impossible to divine how much importance they attach to energy security; whether they think it urgent; and what remedies if any they might have in mind. There is no critical examination of whether some of the main features of the UK market, which are unique to it - lack of infrastructure, especially storage capacity; the current NETA pricing mechanism and regulation narrowly focused on the UK market which reduce incentives to investment; reliance on the spot market to the exclusion of long term supply contracts - whether these features need modification in the new market conditions. It is not reassuring

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that the responsible departments in Whitehall did not foresee the shortages that occurred during the climatically fairly average winter of 2005-6.

The Review announced an initiative to provide in one place ‘forward looking energy market information and analysis relating to security of supply’ which suggests that government has not been compiling and does not have to hand, information fundamental to policy making in relation to an important aspect of the security of the nation. It is certainly remarkably unsystematic in its presentation of statistics. In the meantime, in relation to security, the department proposes a raft of industry and public policy consultations -and little more- on such issues as boosting investment in the UK continental shelf (in relation to which there is evidently departmental disagreement on tax policy); a Coal Forum to look at the future of coal fired power stations; streamlining the lumbering planning process for new energy infrastructure build and consulting with the industry and consumers on ‘the effectiveness of current gas security of supply arrangements’. The Review also states that when consulted, the energy industry did not think that the creation of a strategic reserve was necessary. But why should it? Why should it be in favour of a tool for government to smooth prices in extreme conditions and deprive companies of the profits that would arise from market failure? In the area of energy security (but not climate change) the Review reveals an unproved underlying assumption that the interests of the nation and of the industry at all times coincide.

The Review refers in several places to an economic model on which analytical conclusions are based, one of the most important being that the international market is unlikely to get tight until 2015 but that thereafter it might. The reader is not however told the assumptions on which the model is based or why this key conclusion flows from it. Nor is there any sensitivity analysis to give the reader a feel for the level of confidence that should be placed in it. There may well be good grounds for the Review’s assertion which broadly matches conclusions arrived at by independent analysts about Russian ability easily to meet contractual obligations. But is that the whole story? We do not know.

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## 6. Future UK Policy Options for Increasing Energy Security

### 6.1. UK Measures

The UK security of energy supply- and especially gas supply- seems to be too much at the mercy of others, too insecure for comfort and with not enough being done about it. There is also a gap between the lead given to EU policy by the UK at the Hampton Court Summit in 2005 and the preoccupations of the DTI which continue in the European context to put considerable emphasis on liberalisation of the European internal energy market without taking enough interest in the necessary accompanying measures. It is fine to have a liberalised market on paper, but if the national pipeline systems are not linked up and the oil and the gas are not able to flow round, even in an emergency, much of the point is academic. As last in line, the UK has a strong interest in this aspect.

- The UK needs a dedicated and higher powered agency or department to drive it better than the hesitant direction currently being given by the DBERR. It should incorporate OFGEM and other regulatory agencies, the remit of which may need review in the light of a requirement for higher investment and redundancy to be built into the system.
- For energy security, the UK needs a new policy framework which, without descending into detailed intervention (which would be highly undesirable) or leaving the industry to fend for the nation on its own in the global market place, nevertheless allows and obliges government and industry to work together in managing the new hazards, ensuring the long term viability of the UK energy industry and reliability of supply to the consumer.
- There needs to be explicit recognition of the importance to the UK of the way in which global markets are evolving, including the potential political and economic consequences for the country, focusing on the likely sources of disruption. Under a Conservative government this should be a matter for policy discussion and joint formulation by relevant departments (Energy; FCO; MOD and the industry) in the National Security Council (NSC) of necessary market as well as protective and emergency measures, which should involve allies (NATO) and partners (EU).
- The UK's strategic interests abroad in the energy field should be identified for the purposes of inclusion in the priorities of the FCO and armed forces.
- The Government needs to focus on the variety of vulnerabilities of the UK energy industry to increase resilience against or in the event of disruption, whether it be market disruption (for political reasons or because of weather induced shortage of supply in relation to demand), or because of physical, possibly terrorist, attack. Once again this would be a matter partly for discussion in the NSC with relevant departments to agree protective measures and ensure implementation.
- An incoming administration should do what is economically possible to increase and prolong UK sources of energy in a way consistent with climate change requirements (it is not clear to the Group that fossil fuel policy can be market based while other forms of energy generation are not), and to diversify (an issue which has to encompass climate change, which this paper does not cover).
- Government should set a capacity margin in the public interest which will govern the level of redundancy required. As this will go beyond individual corporate interests a method of financing will need to be agreed between government and industry.

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- The UK does not have, and in current circumstances needs, a nationally declared and executed strategic storage plan for fossil fuels which, if not the same as that of the United States, takes inspiration from it.

Some of these matters are within the sole control of the UK, though consultation about many of them with allies and partners would be essential. Adequate physical security and resilience should be Europe-wide. The extent of existing UK storage is not public, which does not inspire confidence. It may be argued that we have done without such redundancy in the past and that it is expensive. True, but this is not the past and shortages of primary fuels, as the petrol tanker strike of 2000 showed, shuts down an interdependent 'just in time' economy in three or four days.

## 6.2. European Policy

European policy in energy is exceptionally important to the UK. This country has three main requirements from it: the existence of a continental grid which allows energy to flow round it across national boundaries and thus to the UK without physical blockages; sufficient liberalisation of the market to permit choice of supplier; and competition in the market to make suppliers price sensitive and thus to keep prices to the consumer down. The UK has focused hard on the second but it is academic if the oil is blocked physically and cannot flow in response to a well functioning price mechanism.

The draft Energy policy for the European Union published by the European Commission in January 2007 showed awareness of the importance and urgency of reducing European vulnerability to disruption of energy supplies. It noted the market monitoring and early warning arrangements that are being put in place and made a number of important proposals to strengthen the resilience of European energy infrastructure against external shocks. These including identifying priority interconnector projects and also the need for common reliability and security standards; the strengthening of the coordination of strategic stocks; and an increase in efficiency and facilitation of mutual assistance between member states. 'A true single market promotes diversity'.

The Commission complains that the failure to create a properly functioning internal market is leading to price distortions and that such a market must come into effect in the next three years. It puts forward options for unbundling vertically integrated companies and harmonizing regulatory regimes, pointing out that the freer the market, the lighter the regulation is likely to be. Though liberalisation has largely been achieved, there is still a good way to go in dismantling national champions, separating generation from distribution and preventing protection of national markets. Key questions are how determined the Commission will be in using its competition powers to achieve the goals it sets out (and whether it is now hampered in this by the Government's failure at the European Council in Heiligendamm to prevent challenge to their exercise); how much support it will get from those member states seeking market reform; and how much opposition there will be from those which prefer the status quo. The UK has a strong interest in the early success of the Commission's plans. The construction of the interconnectors which will bring a proper European grid into existence is urgent and the UK should be willing to support the use of common funds for this. An energy grid is every bit as much part of European infrastructure as road and rail networks.

The communication also outlines priorities for an external energy policy: strengthening relations with the EU's energy-rich neighbours and suppliers like Algeria and the GCC states; establishing a long term partnership with Russia; deepening dialogue and relations with Caspian and Caucasus countries; promoting the strengthening of energy critical infrastructure on a global basis. All this makes eminent sense, but like the internal agenda, much of it is going to be difficult to implement against the background of the current tendency of member states to fend for themselves even at the expense of partners, and producer - for instance Russian - exploitation of this. In the case of Russia, the overall political climate between the EU and Moscow continues to cool and has reached the point where prospects of partnership in the foreseeable future are very poor and the signing of any Partnership and Cooperation Agreement

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(PCA) negligible. This situation should itself act as an incentive to greater EU solidarity: will it? This question is increasingly insistent. Meeting Gazprom's might requires a coherent and agreed policy for all European governments to follow. This broader foreign policy aspect is discussed elsewhere in the report.

Longer term there remains a nagging question: in a world increasingly run on the basis of long term contracts, should the UK persist in relying exclusively on spot markets with their inevitable price spikes and lack of supply guarantees? There are two aspects to this. Even when the European grid is in place, how sure can the UK be that without long term contracts of its own, there will always be sufficient oil and gas left over in the system to meet the UK's needs? This question applies with force to gas. And to what kind of potential political blackmail is the UK open in such an exposed position? Policies need careful review.

Second, while Gazprom's tactics in the market place are one-sided and ruthless, there is a point in the argument that the cost of developing difficult new fields is such that the supplier needs to know that there will be a market to take delivery when supply comes on stream. Consumer nations are proclaiming their intention to diversify away from fossil fuels - for good climate change as well as security reasons. This issue could quickly become extremely acrimonious- and there are already signs of apprehension and threatening noises being made by producers about the consequences for prices of reductions in fossil fuel consumption. While in reality reduced consumption is not going to occur to any significant degree for many decades because it is not possible, there is an overwhelming case for greater producer - consumer cooperation over the future shape of the hydrocarbons market - possibly under the aegis of the IEA - and over the rate and nature of the transition in the patterns of consumption that will be necessary for climate change reasons. This must unavoidably involve governments as well as industry and consumer interests in the future of hydrocarbons.

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# Study 6: Defence

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## Introduction

### **National Security Challenges and Current British Defence Policy**

The end of the Cold War changed the context of UK Defence Policy. Instead of an overwhelming threat mortal in nature and unambiguously directed at us, clearly identifiable, reasonably quantifiable and relatively unchanging in nature, we are now faced by a combination of potential threats. Among them are the consequences of uncontrolled nuclear proliferation, the real enough possibility in the future of renewed interstate conflict and a varied range of actual trans-national risks to our well being and security. None of these risks is likely by itself to be catastrophic (though very testing especially if in combination). All, however, are dangerous: relatively unpredictable in incidence and severity and therefore complex to plan for and prepare against. They require a variety of forms of deterrence and detection. Much of what needs to be done reaches out into unfamiliar ground for public policy and for those required to formulate and implement it. Restoring the confidence of public opinion in the integrity and competence of government in protecting them will be important. While people still feel reasonably secure, they do feel more vulnerable than before events such as 9/11 and 7/7.

The challenges and risks we now face range from pandemics to globally networked, externally and domestically generated terrorism. In its interim report on foreign policy published in December 2006, the Group recommended that given the varied nature of the threats and risks faced by the nation which render the distinction between foreign and domestic policy less and less relevant and which demand responses from a range of government departments going beyond those traditionally centrally concerned with security issues, a national security approach was now needed for policy making to be effective and efficient. The Group has advocated the creation of a National Security Council at the heart of government and new structures better to deliver security to the UK.

This report is concerned with the defence segment of national security policy which, as we shall show, overlaps with the traditional domains of internal security and foreign affairs. Without necessarily endorsing all the ways in which – and the extent to which – the present Government has deployed our Armed Forces abroad over the last decade, and for all the difficulties they have experienced, it is abundantly evident that now and for the foreseeable future it will be vital for the United Kingdom to retain capable and effective Armed Forces on a significant scale. The end of the Cold War has not made this any less the case. Rather the opposite. But it may be asked how well are we now doing? At the policy level there is increasing tension between the demands arising from the need to provide simultaneously for expeditionary capabilities, multinational commitments and home duties, with these last getting too short shrift.

Operationally, there is a pervasive and damaging sense of crisis among our service people which is revealed by things such as unprecedented public complaint from senior officers, the creation of an Armed Forces Federation and declining rates of retention among experienced NCOs. It will be serious if this persists. The armed services are an indispensable asset and one of the country's most under appreciated public services. The skills and experience of our service personnel and of the defence establishment which supports them are world class. They could be lost unless significant effort is made to preserve them. Doing so should be a high priority for an incoming Conservative government.

As a general proposition, it is clear that current levels of activity of the Armed Forces are causing overstretch, especially in the Army (and in key specialisms across all the services such as intelligence), with consequential risk arising for budgetary reasons to effective capability across all three services. This is not a sustainable situation long term. It is also clear that current procurement systems and funding are unlikely to result in the ambitious procurement programme running to time or budget. That said, there are real difficulties in reviewing defence while in opposition and it is open to question how useful a highly detailed examination of defence policy conducted in advance of assuming office is likely to be. This is for

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a variety of reasons. Detailed information about the true cost of defence capabilities is rarely released. Identifying the real cost of expeditionary operations with any accuracy is difficult - though one can be pretty certain it is greater than admitted. It is also apparent from our work that problems of varying degrees of gravity and complexity exist right across the MoD and the armed services. Some are financial in origin, others structural or organisational. The Group hesitates therefore either to try to reach firm conclusions about possible solutions without greater access to information held by the department but not published or to try to bring very detailed remedies to all issues without being in a position fully to assess their side effects.

This report therefore identifies the direction of desirable change in existing defence policy, and suggests how this might be brought about. But it does not seek to make firm detailed recommendations or to make cost estimates in which we could have little confidence. The Group recommends a Conservative government conduct a Defence Review immediately on entry into office to confirm or otherwise the conclusions of this report and to take consequential decisions.

Defence Reviews tend to strike dread into the hearts of those involved or affected. This is partly because, occurring rarely, they imply a need for drastic change and thus upheaval. They have usually resulted in cuts in capability. This is not a necessary outcome and not one this Policy Group would wish to see. The object of a review should not just be genuinely greater effectiveness for money efficiently spent, which is essential, but also to ensure that the Armed Forces are properly equipped and trained for the missions they are asked to carry out and that they are not tasked to undertake tasks which exceed capabilities. We believe that in future a regular review process should become part of normal policy making. Just as the United States conducts a defence review once a Presidency in its Quadrennial Defence Review (QDR), so HMG should in principle, as part of evolving national security policy, review defence policy once a Parliament i.e. every four to five years.

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## 1. Current State of the Armed Forces

Ideally the country's defence policy should reflect closely the wider objectives of its national security policy. During the Cold War this was largely the case. The frozen nature of relations between opposing nuclear armed blocs meant that there was little argument about the absolute requirement to contribute to the core task of NATO defence. Nor was there much scope for disagreement about the duty of successive governments to provide for the defence of dependent territories – though, as the operation to recover the Falkland Islands showed, by the 1970s/1980s the UK was very stretched to do this on its own. Out of area operations, such as so-called 'proxy wars' with Soviet client states, were the main areas of 'choice' in defence planning. HMG was involved in relatively few of these.

Post-Cold War, a strong sense of domestic security in an apparently threatless world had two effects. The first was the taking of so-called 'peace dividends' through significant cuts in defence expenditure by nearly all Western governments other than the United States and the second was a predisposition to see the Armed Forces largely as instruments of foreign policy available for interventionist expeditionary activity. In the 1990s, the key challenges facing the UK, as reflected in government White Papers, were seen as being the emergence of 'rogue states', ethnic conflict and sometimes associated regional terrorism and humanitarian disasters. Military operational commitments for the UK flowed from some of these instances. On the grounds that 'scaling down' was always possible, but the reverse was not, military capabilities continued to be structured for the largest scale high-intensity (and full spectrum) war fighting scenarios rather than for those to which forces were more frequently likely to be committed.

The so-called 'foreign policy-led' Strategic Defence Review of 1998 (SDR) was the first stage in the evolution of the current Government's thinking on defence policy. It laid emphasis on the need for the UK to have an effective expeditionary capability available and acknowledged the need - even if not completely delivering the means - to transform the Armed Forces to meet the radically different conditions of the post-Cold War world. There was a leap in the frequency of interventions in which the UK became involved; in countries as diverse as Kosovo, Sierra Leone, East Timor and Iraq. These operations, unlike that in Afghanistan, were not (or did not turn out to be, in the Iraqi case) directly connected to the defence of UK national security. They have proved increasingly controversial and have made defence policy more subject to the political pressures normal in other areas of public expenditure - a feature of the scene which is likely to continue.

Following 9/11, a 'New Chapter' was added to the SDR which recognised a new focus of attention in the threats posed directly to the UK by international terrorism and the proliferation of nuclear, chemical and biological weapons, though it did not draw the full conclusions for defence and security policy or for the mission of the armed services from this important statement.

The most recent vision of British defence policy was set out in the Defence White Papers of 2003 and 2004 which brought earlier reports together in *Delivering Security in a Changing World*. It identified the likely overseas threats that UK Armed Forces would face in the future as being:

- international terrorism;
- the proliferation of weapons of mass destruction (WMD);
- the consequences of weak and failing states; and
- the future implications of worldwide social and environmental pressures – world population growth, religious and ethnic tensions, and increased competition for scarce natural resources which could in future result in either intra-state or inter-state conflict.

The Government's defence policy statements have underlined the centrality of an expeditionary strategy to target non-state actors and rogue states at their source using forces equipped and configured for rapid

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and sustainable deployment. But the Government considered neither the consequences of these overseas phenomena for UK domestic security, nor the interaction which might take place between policies pursued abroad and their potential effects at home, nor strike an adequate balance between expeditionary operations and the increasingly necessary military contribution to homeland defence and security.

In *Delivering Security* the Government stated that the Armed Forces should be prepared to operate in more regions than before. Whereas the SDR had expected them to focus on Europe, the Middle East and the Persian Gulf, they are now also supposed to be prepared to operate in sub-Saharan Africa and South Asia while being ready to conduct small scale counter-terrorist operations world-wide. Implicit in the *Delivering Security* papers is the thesis that the Armed Forces would be employed in pursuit of a range of threats as well as in 'doing good' and that far from being the exception, campaigns such as those in Afghanistan and Iraq might be replicated in the future. But *Delivering Security* did not address three questions raised by its own thesis. Are the Armed Forces big enough for their enlarged responsibility? Do they have the correct capabilities? If they do not can the UK afford to pay for the right ones? As a result, *Delivering Security* demanded a quart from a pint pot.

The Government not only expanded the areas in which troops were expected to act, it also reduced the number and size of tasks it had said the military could perform simultaneously and continuously without wearing the Armed Forces down and putting troops at risk. This was because their old guidelines ('concurrency assumptions') ended up demanding too much of specialist personnel (e.g. intelligence, logistics, etc.) So whereas the SDR had stated that the military's planners should assume that the Armed Forces could sustain two simultaneous 'medium' operations (brigade-sized) plus a short 'small' (battalion-sized) operation, they would now be expected to manage only one medium and two small operations at the same time. A 'large' (division-sized) operation was still considered possible given six months' notice.<sup>1</sup>

This reduction was not matched by a proportionate cut in military activity. Overstretch is now so acute that in March 2007, the Chief of Defence Staff, Sir Jock Stirrup, stated that 6 months or more would be required before any new operation could be undertaken.<sup>2</sup>

Despite this reduction in expectations of how much the Armed Forces are supposed to be able to do our forces in the field suffer from shortages of equipment (e.g. body armour) and support capacity (e.g. close air support). This undermines confidence in their ability to defeat the enemy at acceptable levels of risk. Moreover, it is widely believed, not least among service families, that aspects of service people's terms and conditions are inadequate. Both shortcomings are frequently attributed to lack of money. Together they lower morale to an extent which could become critical if decline is not arrested.

Furthermore, recent operations in which the Armed Forces have been engaged – most particularly in Iraq – have also eroded public support for the Armed Forces. A return to a greater degree of political consensus on defence policy is highly desirable. This depends however upon greater agreement across the political spectrum on British foreign and security policy – most especially on expeditionary intervention and on the affordability of the capability that supports it. Such a consensus does not at present exist, while the public will be surprised to learn that the Government has all but omitted from its most recent defence White Paper any discussion of the Armed Forces' role in defending the homeland: Labour have very largely assigned that responsibility to the 'unfit for purpose' Home Office instead. Yet the suicide attacks of 7/7 on London illustrated the potential for mass disruption of society. Repetition in the form of simultaneous attacks using conventional or unconventional means could, as things stand, overwhelm existing civilian protection capability and the capacity for swift recovery on which public confidence

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<sup>1</sup>A battalion of infantry would typically consist of 650-700 troops. A brigade is a collection of different units such as infantry, cavalry and artillery grouped together for a particular purpose, often comprising up to 5,000 troops. A division is made up of three to four brigades, i.e. up to 20,000 troops

<sup>2</sup>Evidence to House of Commons Defence Committee, 6 March 2007, HC 381-i

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depends in the wake of an attack. At the minimum the Armed Forces need to be able to support the civilian response at 24 hours notice. But in White Papers since 9/11, relatively little has been done beyond the establishment of a lightly trained and unarmed volunteer reserve force of 500 troops per brigade district (there are 14 of these spread across the UK); the recruitment of some liaison officers to work with civil authorities; and the tasking of four fighter jets to protect the entire country against a 9/11-style hijacking. There is too little being done the better to secure our territorial waters- a part of our border control- or to monitor the sea lanes around the UK.

While some might argue that this is formally sufficient, in reality the Armed Forces must assemble men and women to support the civil authorities from those that happen not to be overseas or deployed elsewhere on training. There is no official requirement for them to have forces on standby for a national emergency. Existing arrangements whereby the Army's Land Command relies on the individual brigade districts to find what is available are hardly adequate to the task. There needs to be a much more purposive and structured approach.

This is against the background of the growing number of regions in which threats to UK security can arise, not just from non-state actors located in failed states or uncontrolled territories, but also from the emerging possibility of state-generated threats to regional stability some of which could involve key UK interests such as unimpeded access to oil supplies. The Conservative Party is committed to the continuation of the UK nuclear deterrent against potential threats to British vital interests (such as Iran) and those of allies. Mission and capability on the part of the Armed Forces to assist in the protection of the UK homeland and a continuing capacity to project effective power overseas should be key elements in any national security strategy of a Conservative government.

## 1.1. Suitability for Future Operations

### 1.1.1. Capabilities

For much of the time since 1998 and especially in the last six years or so, the Armed Forces have been asked to do more than the Defence Planning Assumptions (set out in the SDR and successor documents) allowed for. Simply put, the defence budget has been too small for what the UK has been doing – attempting to provide world class full-spectrum Armed Forces that are actively deployed conducting simultaneous operations. Attempts have therefore been made to save money on the equipment budget by delaying vital programmes (for example a new generation of medium-weight armoured vehicles for the Army, and unmanned aerial vehicles or UAVs); mothballing currently less used assets and by sending under equipped, inadequately supplied and under strength forces into dangerous situations. The Army clearly has several thousand fewer soldiers than it needs for what it is being asked to do while the RAF and Royal Navy still do not have the capacity to support properly our land forces in the missions they are currently undertaking.

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## Case Studies of recent reductions in readiness

### *Royal Navy*

- The MoD transferred a total of £310million of fleet support funds to the Army and parts of the RAF in 2004-2005 and 2005-2006. Those parts of the fleet not currently engaged in operations (e.g. those training) were denied the support they would normally have got because money was diverted to the Army.
- The shortfalls during these years are likely to lead to greater degradation in the material state of the fleet and, therefore, higher costs of remedial work over the long term. As a National Audit Office report stated, the MoD ‘anticipates that the material state of the fleet will degrade, along with its ability to undertake high readiness tasks, over a longer period’.<sup>3</sup> This is compounded by the fact that the MoD appears not to have adequately factored the risks of attrition (which includes losses in combat) into its calculations for a number of key maritime equipment programmes.

The effect of robbing Peter to pay Paul on the future operational capabilities of the fleet is uncertain at best. Given the volatile future security environment and the Policy Group’s recommendation that the Navy contribute to border control and do more global high seas patrolling and that it is likely to be needed for future expeditionary operations, the situation is not reassuring.

### *Royal Air Force*

- Labour have cut funding for training of fast jet aircrew. Their flying hours were reduced from 17.5 to 16.5 per month in 2005/06 (for one year). This has cut the RAF’s ability to generate crews with high-end war fighting skills, and over time risks a dilution in skills and experience.<sup>4</sup>

### *Major training exercises*

- Major training vital for ensuring operational readiness, such as joint air-land and urban warfare exercises, are under increasing pressure because of the tempo of operations and budget constraints. 14 per cent were cancelled during 2005-06, on top of 20 that were axed the previous year. Deploying troops on operations does not achieve the same result as training (which teaches new skills) and to try and use operations instead of training is risky. Neglecting training is likely to undermine seriously the standard of our Armed Forces.

There is a severe shortage of support helicopters and strategic transport such as C17 and Hercules aircraft and not enough light armoured vehicles. The Army’s Bowman communications system took so long to develop that it is out of date as it enters service. There is virtually no UAV capacity (none at all armed like the US Predator system). Meanwhile the Volunteer Reserves have been cut to below 40,000 even as they are being called upon to provide up to a tenth of the forces required for expeditionary operations

Equipment is being used up, worn out or destroyed more quickly than had been planned because the Armed Forces are fighting so much.

The extensive use of the Urgent Operational Requirements (UORs) process<sup>5</sup> confuses the budgetary picture still further. But the Treasury appears unwilling to accept that operations cost more than is currently provided for. Estimates of the shortfall vary. It is commonly asserted however that over the current 10 year period the equipment budget may well be under funded to the tune of £15 billion.<sup>6</sup> Under funding of this magnitude cannot be met by tighter cost control, efficiency savings, ‘smarter’ procurement

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<sup>3</sup>National Audit Office, *Assessing and Reporting Military Readiness*, HC72, Session 2005-06, 15 June 2005, para. 2.10

<sup>4</sup>*Ibid.*, para. 2.12

<sup>5</sup>UORs were initially intended as a means of obtaining specific pieces of equipment for given operations – for much more significant procurement and technology updates for forces lacking capabilities they ought already to have, inevitably puts UORs into competition with the funding of the main procurement programme. Or over the 10 year period almost half the current annual defence budget of £30bn

<sup>6</sup>£1.5bn short per year for the next ten years, excluding the existing estimated budget shortfall of £0.5-1.0bn

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or the elimination of waste, necessary and possible as these ways are of closing some of the gap. Less intense equipment use arising from less frequent resort to armed force would also help, but the affordability of the Armed Forces can hardly be posited indefinitely on the ability to avoid using them. The unpalatable choice lies between change in the shape and operational posture of the Armed Forces and accompanying equipment programme or the acceptance of the need for a significant increase in defence spending – as implied by Mr Blair in his speech on defence policy of 12 January 2007 aboard HMS Albion. The implications of this for the procurement programme are discussed in sections 6.1 and 7.1 of this report.

These examples show that compromises on training and readiness are being made which will have immediate and long term repercussions on the combat capability of our forces. At the end of this report we make recommendations that place budgetary responsibility for training and other matters at a level more senior than is the case at present.

### 1.1.2. Doctrine

Experience in Iraq and Afghanistan suggests that the nature of either expeditionary operations or future ‘asymmetric’ challenges to Western forces is not yet fully understood. The Group believes that certain characteristics are likely to be evident regardless of how long future operations take.

First, the assumption made in current military peace support and humanitarian intervention doctrine that missions could be divided into discernible combat, stabilisation, rehabilitation/reconstruction stages was wrong. All three types of activity are likely to be inter-linked and need to be conducted at the same time. Second, while the campaign in Iraq should not be considered typical in that conquest will not be a frequent aim, both there and in Afghanistan Armed Forces have to conduct and coordinate post-combat stabilisation, peace support, reconstruction and nation-building operations in the midst of poor, or even deteriorating, security environments. These may include insurgency, terrorism or even civil war. Therefore a proper understanding of ‘intensity’ is required: the initial combat phase may be less ‘intense’ than subsequent stabilisation and post stabilisation phases especially if one of the measures of ‘intensity’ is consumption of military kit and resources. Furthermore, the concept of a front line in such conflicts is virtually meaningless. Doctrine can no longer be compartmentalised into ‘peacekeeping’ and ‘war fighting’. Third, coordination between military, civilian and non-governmental agencies is a key challenge that will require a new style of cooperation between military, civilian, international and non-governmental agencies.

Fourth, training may not have adapted to the demands of these missions. There was, for example, a lack of pre-deployment training to hone skills for peace support operations in Iraq. This meant that the transition to peace stretched the UK’s capabilities. There has been discussion about earmarking part of the UK Armed Forces, or even creating a separate organisation, to be specially tasked with peace support. A final decision has not been made, but what appears clear is that the reserves have a vital and specialist role in these situations.

Expeditionary operations tend to run the risk of taking much longer than has up to now been planned for and should be regarded as having a significant impact on standing commitments and the ability of Armed Forces to respond to other situations that may arise. All of this also indicates that political reform through military intervention may well be significantly different from a reform process not preceded by military intervention and that it will be essential to assess beforehand the comparative advantages and drawbacks of each. For operational as well as political reasons, Ministers will need to be much more careful in the future about launching military intervention.

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## 2. Future Strategic Context

The National and International Security Policy Group's earlier *Interim Security Issues* paper (December 2006) indicated the need for a national security based approach within the following future strategic context:

- the threat posed by ideologically driven non-state actors with both a direct transmission belt to, and influence in, the United Kingdom. These actors will be spread and linked over a wide geographic area including the Middle East, Asia and, increasingly, North Africa, West Africa and the Horn of Africa. These non-state actors will exploit failed states and uncontrolled territories and resort to terrorism;
- the threat of nuclear proliferation (and the means to deliver it by missile technology proliferation), which will create regional centres of instability and power competition that exacerbate existing tensions arising from such issues as resource scarcity;
- Great Power competition, notably in Asia. While this is likely to be an important focus of US policy and of concern to the UK, it is less likely to be a direct threat to the UK or involve direct UK military participation;
- a more powerful security role for the UK in Europe's 'near abroad': the western and southern periphery of Russia is becoming a zone of strategic competition between Europe (with the US) and Russia;
- trans-national risks such as pandemics capable of jumping UK frontiers to cause severe disruption at home; and
- threats to global trade routes and sea lanes such as in the South China Sea.

The Group's earlier interim paper also asserted that while it remained essential for the United Kingdom to retain the option to threaten the use of force and thus to project it, experience had shown that resort to the use of force, which should be exceptional, for such goals as modernisation and political reform in the Middle East was by no means guaranteed to result in the desired outcome of stable democracy nor, because very expensive, to be sustainable financially for the UK. The interim report advocated using, as a general rule, more traditional diplomatic methods and proposed the institution in the broader Middle East of a Partnership for Open Societies.

It follows from this analysis that scarce and expensive resources such as our armed services should be available in the first instance for priority tasks: the defence of the homeland and the defence of allies. In today's conditions, this implies the need to be available simultaneously to assist in protecting the security of the UK and in deterring or defeating threats to UK security at a distance overseas. This is likely to be a substantial agenda in its own right. Deployment 'to do good' in pursuit of discretionary tasks such as humanitarian intervention which flow from the UK's responsibilities as a member of the UN Security Council should also be provided for - each instance on its merits - but not at the expense of higher priority tasks relating directly to UK security. Material resources are finite and they should not be squandered. Finally, when our Armed Forces are sent into combat the cause for which they fight should be self-evidently worth the sacrifice being demanded of them and they should be given the tools to do the job.

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### 3. Role of the USA in British Defence Policy

The implications of the future strategic context for the UK Armed Forces will be greatly affected by the role of the United States in British defence policy. The crucial choice is whether the UK should continue to align itself so closely with US forces and doctrine. Through successive governments, to gain influence over American policy, the UK has sought to shape its own defence policy with a view to what would be taken seriously by the United States, militarily and politically. This has had a determining effect on the structure of our forces. In its own terms, this policy has had considerable success.

Recently, the UK has pursued a policy of the fullest spectrum of capabilities possible within a relatively modest budget and has considered military platforms such as aircraft carriers, fast jets and armoured forces as being essential for this purpose. Budget constraints have meant however that the UK has already had to make choices about which capabilities to retain. What is less clear is the extent to which, if at all, the choices made by the UK have been crucial to retaining American military confidence and interest. Irrespective of the answer, it is the case that the UK has retained the most comprehensive and privileged military relationship with the United States bar none. It has for some time had, for example, permanently embedded staff officers attached to military command structures in the United States such as Central Command (Centcom) - which runs operations in both Iraq and Afghanistan - who have unparalleled access to American information compared with other nations' liaison officers. The UK also has a relationship of unique depth and breadth with US civil and military intelligence agencies which supports the conduct of foreign and defence policy and she has cooperated with the US on nuclear weapons development since the repeal of the McMahon Act in 1957.

This is a big investment on the part of the UK. To degrade it for example, by distancing UK policy systematically from positions taken by the White House – on specific issues is a quite different matter - would be to deliver a massive jolt to the UK policy making machine as well as to the relationship (since it sustains a set of American expectations about the UK too) and one would need to be very certain the gain was commensurate with the disturbance caused. This is especially the case at a time when our domestic security is so acutely dependent on the quality of our intelligence base which is the product of quite exceptional sharing. That said, the operation of the UK's privileged position over Iraq, in which our military were intimately involved in planning the invasion, has not on the face of it resulted in the effective exercise of customary influence over American policy and most certainly has not led to an outcome in the British interest. Indeed, since the damage to British interests has been very considerable, we need to ask what end is being served by the big investment.

There are three sets of questions to which giving the right answers are important and not at all easy. The first set is do we have special access or is the special relationship all an illusion? Because more important to us, this is more debated in the UK than the US. It is the easiest to answer. The Group does not doubt the reality of the access in Washington, which is very considerable and greater across a wide range of issues than that of any other foreign government, though we do well always to remember the asymmetry of size involved. The second set of issues concerns the nature and size of the UK investment in the relationship: is its very large military and intelligence component any longer affordable? Much as it may bring benefits, is this a lifestyle we can continue? This is harder to answer and it is at least partly dependent on the answer to the third set of questions: what kind of bang are we getting for our invested bucks? And, if we do not like the answer, how much is that a result of the sheer cost of capability and how much the result of either acquiring the wrong capability or doing the wrong things with it?

Certainty is not possible but there are useful pointers. First: can we keep up the lifestyle? The cost benefit of the intelligence relationship is impossible to assess from outside government. The secret vote (for intelligence capability) has increased considerably – and so has the threat - and it could well be that the value being derived today by the UK from UK-US intelligence cooperation is greater than ever and vital

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to us. This would not be the most obvious area for change. The military component is more open to critical examination but is also speculative.

Developments in military technology in the coming years are likely to accelerate the process by which the United States leaves all other militaries behind and unable to operate in tandem with their forces. Britain has kept up to date with the US better than any other country, but in the next decade or so, a significant additional effort will be required to retain even this position. It is unlikely that the UK Armed Forces will be able to plug into American systems unless they keep up continuously which has substantial financial and doctrinal implications for the UK military. General Sir Mike Jackson, when Chief of the General Staff, stated that to fight with the Americans the British Army did not have to fight like the Americans. If true now, it will rapidly become less so. This is because as US units become completely linked via digital networks the speed of decision making from a target being identified to the selection of the capability to destroy it will become so rapid that the US will not be prepared to slow down their operations to include allies who cannot operate at this speed or intensity. ('Blue on blue' incidents are one manifestation of imperfect digital linkages). The American preference for operating separately in combat situations is already quite marked.

This faces the UK with some potentially awkward issues. If we go with the Americans, we shall have to integrate more with them. If we do not, we shall rapidly be no more useful to them militarily than other allies already are. Since the US attaches value to having at least one capable coalition partner, this would be seen as a loss by the US and over time the perceived reduction in our value would be likely to sap wider aspects of the bilateral relationship. The first option therefore seems the obvious one. But what political and financial cost is acceptable?

The political cost is potentially in flexibility: Iraq has shown that it is not popular in the UK to be stuck in a corner with the Americans alone, and this would probably have been the case, if less so, even had the intervention been less unsuccessful. 'Close but not slavish' reflects the fact that the UK needs other political options and the capacity to act with other coalition partners. If the UK goes militarily the whole way with the US however, and unless more NATO and Western forces invest in modernisation than is the case at the moment, UK Armed Forces could begin to have problems in operating with other forces similar to those the Americans already experience. There are ways out of this dilemma, involving significant upgrading - and will to fight - on the part of other Western forces which, as Afghanistan already shows, would be strongly in UK interests. An incoming Conservative government would want to consider how much of an effort, and with which partners, it put into an initiative of this kind. Maintaining as much independence as possible and the capacity to choose allies is important.

The financial challenge of keeping up with the US is becoming formidable however. As later parts of this paper will show, the UK procurement budget is inadequate to cover the agreed programme. Savings, however rigorous - and they can certainly be made - will simply not do the trick. It is also open to question whether the programme contains the right items and whether it will not produce a repetition of past mistakes - of equipment finally coming into service when either outdated for new battlefield conditions or technologically overtaken, or both. The issue that needs examination, but which is not possible from outside government, and without being able to talk to the US Administration whose support would be vital, is whether and in what directions the UK Armed Forces should take further the existing trend towards force specialisation, playing to UK strengths such as our special forces but cutting out other capabilities. In the Group's view, it should be possible for the UK to retain forces which are advanced and affordable, but they would need to be structured somewhat differently from today. Whether the Americans perceived this as a degradation of the capability of the UK junior partner or a sensible adaptation and an acceptable contribution would depend on factors important for the UK and going well beyond UK/US relations, such as the degree of multilateralism to which the US were committed and their interest in fostering - by such things as technology transfer- the upgrading of allied forces in order to work with them. There are signs that things are already moving in that direction.

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The argument set out above takes the issues well beyond the question: what went wrong over Iraq? Why was UK influence not greater? The evidence seems to point to two factors: those running policy, not least Mr Blair himself, were so preoccupied with military preparations for a successful intervention and so exhausted by the high wire political act involved at the United Nations, that there was little energy or interest left over for post-combat planning, especially as those involved seem to have kidded themselves that it would not be necessary other than to deal with a possible humanitarian crisis. A big, but also a shared, mistake. The British were also unable to stop the post-combat phase being placed in the hands of the Pentagon, rather than the State Department. It does not seem wise to draw far-reaching and negative structural conclusions about the UK/US relationship from this episode. It does tell you a lot about the need for our own government machine to be properly functioning, fully involved in decision making and willing to disagree where necessary within a confident and close relationship. It also shows the need for there always to be sufficient detachment at the top of government for good decision making, which is quite the hardest thing in a highly charged situation.

The short answer to the question: should the UK continue its close alignment with the United States is yes. But there may need to be important variation in detail in the future. It is not possible to give detailed replies at this stage to some of the issues involved. The remainder of this report – particularly those sections considering our strategic approach to operations abroad and coalition operations – explores some of them in greater detail.

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## 4. Military Tasks and Missions

In addition to a capability for nuclear deterrence, discussion of which was excluded from our remit, our Armed Forces should assume an increased role in homeland defence and security as well as continuing to have effective expeditionary and peace enforcement capabilities. At a minimum this means forces capable of operations across a range of intensities at a single medium (brigade) level and multiple simultaneous operations at small (battalion) level. All need to be equipped, trained and supported sufficiently so that they are able to undertake enduring commitments without suffering the unremitting overstretch which characterises the situation today and is worst in the Army.

The ability of the United Kingdom adequately to perform these tasks is hampered by two main factors:

- the almost exclusive focus on expeditionary warfare in MoD planning, which has led to comparative neglect of the provision of a structured and defined contribution to the tasks of homeland security by the Armed Forces; and
- the need for our Armed Forces to conduct substantial military campaigns after initial interventions and, related to this, current British grand strategy which dictates that the UK must influence US choices in the use of its military instruments at the potential expense of also possessing the ability to operate in a broader range of coalitions.

The Policy Group therefore recommends revised military tasks and missions entailing a more structured contribution from the military to homeland defence and security and, in consultation with allies, a refined strategic approach to operations abroad.

### 4.1. Homeland Defence and Security

There is a need for a greater contribution from the Armed Forces to homeland defence. Traditionally, the military has provided occasional support which it would be uneconomic for the Government to provide using non-military agencies, or which are beyond the scope of non-military agencies. The present Government has maintained and enhanced those specialised military capabilities whose use is essential within the UK, including hostage recovery, counter-terrorism (usually assigned to Special Forces), explosive ordnance disposal outside London, air and maritime integrity and specialist scientific expertise (particularly with regard to CBRN).<sup>7</sup> In addition, the Armed Forces have a number of agreements with the civil authorities to provide support for various non-military or semi-military activities. These include fisheries protection, search and rescue, contraband interdiction operations, maritime surveying, underwater tasks, and dealing with renegade aircraft in civilian airspace.

These quite onerous responsibilities are in practice lightly provided for. The MoD does not guarantee that the Armed Forces will be available to respond to man-made or natural disasters within the UK. Treasury rules require government departments to pay a cash penalty for holding over inventory from one fiscal year to the next, which creates a strong disincentive for any department to maintain stocks for homeland security purposes. Therefore, current rules and military overstretch work together to prevent the resources of the Armed Forces from being available to assist in civil emergencies.

The military cannot and should not be kept on standby against any and every eventuality, but the terrorist threat to this country is of sufficient gravity, complexity and likely duration that it seems foolhardy not to use some of the resources and skills they uniquely possess to strengthen further the four strands of CONTEST: prevent, pursue, protect and prepare. It is not for the military to take over the proper

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<sup>7</sup>Chemical, biological, radiological and nuclear

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responsibilities of other agencies, notably the police, but we need to strengthen our ability to prevent crises arising or escalating. This is partly a matter of strengthening our defences and our capacity to manage disasters and to recover from them. It is clear that in certain terrorist related situations, the military have an important deterrent role against attack. We have so far been relatively lucky but the police, fire brigade and ambulance service need to be able to count on the Armed Forces in serious and complex emergency situations. That however is precisely what the forces are unable to offer at present. In current circumstances, hope that it will be ‘all right on the night’ is not good enough.

Therefore, the balance between the availability of military force for the protection of British territory and for operations abroad in support of British interests needs to be adjusted at the margin. The military alone can provide, under appropriate civil authority, agile, resilient and innovative command and control in unforeseen circumstances, including when planned civil responses are disrupted or prevented.

These elements do not need to cost a great deal and, coupled with service command rationalisation, could even save money. The Policy Group recommends:

- that an incoming Conservative government consider developing a cross-government homeland security response policy;
- a fixed and identifiable tri-service command headquarters for the military contribution to homeland defence and security;
- developing a small but predictable permanent regular force contribution to homeland defence, consisting of a rapid reaction spearhead force of two rotational and tri-service battalion-sized units; and
- putting in place a homeland defence, security and resilience training requirement for all military personnel as part of initial and annual training, with more specific training for units tasked as the rotational military force contribution to homeland defence.

These approaches will create one continuum for homeland security, resilience and risk assessment by integrating better military roles and activities with those of the relevant civil authorities and forces.

#### 4.1.1. Homeland Security Response Policy

The Policy Group recommends that an incoming Conservative government consider developing a cross-government homeland security response policy similar to the US ‘National Response Plan’ as an integral part of national security policy. In this, the MoD would outline the functions that the military would be expected to perform during catastrophic incidents such as major fire or floods and would develop the capabilities required. The following would need to be included:

- the use of reconnaissance capabilities to assess damage;
- the use of communications capabilities to facilitate support to civil authorities in prevent and pursuit;
- the integration of active components of Volunteer Reserve forces properly trained for the task;
- the use of search and rescue capabilities and the military’s role in this;
- the expected role of the military in logistics;
- the military’s role in establishing cordons around major population centres; and
- the military’s relationship to a unified border control force, particularly through maritime patrolling.

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## 4.1.2. Military Homeland Command

There is a need to restructure existing arrangements. Although Land Command has certain coordinating responsibilities for the military contribution to homeland defence, operational command of the military contribution to such tasks is placed with the Single Service operational Commanders-in-Chief of the contributing forces. A tri-service military command/headquarters for homeland defence and security should be established instead, possibly at a present Single Service Command. This command would have responsibility for the defence of the United Kingdom, its peripheral islands and adjacent water (including the 200 nautical mile Exclusive Economic Zone).<sup>8</sup> The Commander or Commander-in-Chief of this command would report directly to the Chief of the Defence Staff and have responsibility for:

- centrally coordinating plans, training and operations with similarly unified civilian law enforcement, emergency response, and intelligence agencies under the overall direction of a government minister and centralised government structure, unlike the current seemingly more ad hoc use of joint regional liaison officers (JRLOs) who have a limited role;
- acting as a permanent crisis management capability from a fixed headquarters, and devolving responsibilities to a formal structure of regional headquarters;
- the Air defence of the UK, including any future missile defence;
- current Military Aid to the Civil Authorities (MACA) tasks,<sup>9</sup> and,
- protection of offshore resources and the military contribution to border controls (through the Royal Navy's control of shipping, and units such as the Fleet Protection Group Royal Marines).

In establishing a separate command with specific responsibility for homeland defence and security there would be:

- a single focus for operational demands on forces for homeland roles;
- easier integration with both central government departments and local governments: the command could act as a point of focus for delivering a coherent response with the large number of individual emergency services in operation;
- a single focus for the development of command and control mechanisms at the operational and tactical levels; and
- clearer defence acquisition requirements for homeland defence and security.

Thus, the single services would no longer act as ad hoc 'semi-strategic commands' with only partial responsibility for homeland defence and security, but be force providers for two joint commands.<sup>10</sup> This would increase and make clearer the diminished responsibility and accountability of the service Chiefs of Staffs and senior officials/officers.

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<sup>8</sup>On proposals for a military home command, see, Michael Codner, 'A Purple Proposal: Organising and Integrating the Military Contribution to National Resiliency', *RUSI Newsbrief*, October 2005

<sup>9</sup>Military roles in homeland tasks are currently defined and practiced as Military Assistance to the Civil Authorities (MACA). Within British Defence Doctrine, MACA is subdivided into three categories (see Ministry of Defence, *British Defence Doctrine*, Joint Warfare Publication 2000-01):

- Military Aid to the Civil Power (MACP), which is the use of military personnel to aid the civil power in maintaining and enforcing law and order (e.g., drug interdiction, fishery protection, operations in Northern Ireland);
- Military Assistance to Government Departments (MAGD), which is the use of military personnel to ensure the continued provision of essential services (such as fire fighting); and
- Military Assistance to the Civil Community (MACC), which is the use of unarmed military personnel to provide assistance in the event of natural disasters, natural emergencies, search and rescue operations, explosive ordnance disposal and so on

<sup>10</sup>These proposals would, in other words, diminish the operational roles of the Single Service Commanders-in-Chief and rationalise the Single Service Commands (note that this rationalisation could provide a release of staff for the new homeland command). Eventually the Single Service Commanders-in-Chief might have no operational responsibilities, and the two Top-Level Budgets (TLBs) for each service (one for personnel and training, the other for operational readiness) might be combined

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### 4.1.3. Permanent Regular Force Contributions

Regular military contributions in the event of any crisis are currently only declaratory. The relatively recent formation of Civil Contingency Reaction Forces (CCRFs) of 500 Volunteer Reserve troops in each of the 14 brigade districts is no substitute for a predictable and reliable force element provided by regular forces: CCRFs deploy more slowly than regulars, are not intended to be armed and receive only five days additional training per year for these tasks.

The concept needs to change. Instead of depending on a supporting structure like the CCRF which assumes that homeland security has a lower priority for the Armed Forces than other tasks, today's conditions demand a predictable force element provided by the regular Armed Forces to support and augment the civil authorities in the event of any homeland crisis. A rapid reaction force comprised of two battalion-sized rotational and regionally based units that draw personnel from across the three services should lead this force element. These regular units would provide an immediate military contribution to the response to any homeland crises, allowing time for CCRF personnel to mobilise. These regular units and other civil agencies could then call on the support of CCRF personnel (who should be able and be trained to bear arms in homeland operations) to ensure resilience and manpower requirements for homeland operations are met.

### 4.1.4. Training Requirement

The Armed Forces currently do not, in general, carry out specific or coherent training to prepare troops for Military Aid to the Civil Authority (MACA) tasks. The only general training that does occur is in simpler tasks such as fire fighting and building clearance.

The Policy Group therefore recommends that, as part of initial and annual training, all personnel should receive a general training for homeland security and resilience tasks. Those units leading the support for the civilian authority would obviously also receive more specialised training in preparation for this rotational role, drawing on pooled equipment as required. The establishment of a tri-service homeland command would go some way towards meeting training requirements for homeland tasks by planning and executing military exercises and coordinating such planning and exercises with civil authorities.

## 4.2. Strategic Approach to Future Operations

Current Defence Planning Assumptions (DPAs) suggest that the Armed Forces should be capable, in addition to being able to undertake standing tasks and without causing overstretch, of sustaining three simultaneous and enduring operations of small to medium scale. Given time to prepare (six months or more), the UK should also be capable of undertaking a demanding large scale (division-size) intervention operation while still maintaining a commitment to a small scale peace support operation.

- ‘That as a norm, and without creating overstretch, we should be able to mount:
  - an enduring Medium Scale operation simultaneously with
  - an enduring Small Scale operation and
  - a one-off Small Scale intervention operation.
- That we should be able to reconfigure our forces rapidly to carry out:
  - an enduring Medium Scale operation and
  - an enduring Small Scale operation simultaneously with
  - a limited duration Medium Scale intervention operation.
- That, given time to prepare, we should be capable of undertaking:
  - a demanding one-off Large Scale operation while still maintaining a commitment to
  - a simple Small Scale peace support operation.
- Additionally, we must take account of the need to meet standing commitments with permanently committed forces, e.g. Quick Reaction Alert aircraft for integrity of UK Airspace’.

Annex to Ministry of Defence, *Delivering Security in a Changing World: Future Capabilities*, July 2004, Cm 6269.

The MoD would need considerable extra money to continue to maintain its current level of activity (a level that is greater than the DPAs allow)<sup>11</sup> while being ready to meet standing commitments and to assume home security duties. Because of the shortfall, significant strains are being placed on the Armed Forces as they continue to operate above the most demanding combination of operations envisaged. This situation looks like persisting for some time making it exceptionally difficult for the Armed Forces to take on, or generate, additional forces for any other contingent tasks that could arise. The lack of reserve means that future operations may not be adequately provided for.

An incoming Conservative government has a choice. It could keep to the current concurrency guidelines and fully fund the costs of contingent operations from the Treasury’s Special Reserve – current supplementary funding does not cover their full marginal cost.

Alternatively, the Policy Group believes that a more refined strategic approach to operations abroad would be preferable, in which:

- military force, which is of questionable use in bringing about fundamental societal transformation is used on a more discriminating basis, the primary purpose of which will be to deter and defend against threats to the United Kingdom;
- the development of the concept of the international community’s ‘responsibility to protect’ civilians from grave crimes against humanity committed by their own governments is considered an important step forward in the progress towards more humane international order, the fulfilling of which responsibility may sometimes require military intervention; and
- emphasis is placed on the preventative role played by the sustained use of adequately funded diplomatic and civilian policies and instruments directed at long term institutional reform (as outlined in the Policy Group’s concept of a Partnership for Open Societies, published in December 2006) drawing on the advice of the military, including the expanded use of defence

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<sup>11</sup>It would appear that the true impact of large scale operations is not properly considered in current planning assumptions. It was axiomatic, for example, that the commitment to war fighting tasks in Operation Telic (the invasion of Iraq) would have an impact on readiness levels. However, the likely cumulative impact of a large scale operation while concurrently meeting and maintaining other operational commitments (all above the most demanding combination of operations expected) was not properly assessed: we should ordinarily expect to achieve full readiness within 3 years of a large scale operation but, given the overall levels of current operational commitments, recuperation will take longer. Guidelines should be specified for the time taken to recuperate from large scale operations and the likely impact of large scale operations on generating forces for other operations of all scales

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diplomacy in security sector reform,<sup>12</sup> and in avoiding humanitarian crises and conflict. The Armed Forces should be held in reserve during these activities to manage or forestall any crises or conflicts that might nevertheless emerge in what will be volatile environments.

Against such a background, a preferable operational style of the UK Armed Forces would be to use our networked expeditionary capability, comprising expanded special forces, rapid reaction units, strike capabilities and using littoral and manoeuvre concepts, to disrupt non-state actors at their source in a wide variety of geographic regions rather than in the long-term, sustained deployment.

This is not to suggest that the UK's Armed Forces will always be in control of their style of fighting. When sustained operations involving nation building in very hostile and insecure environments are unavoidable, the Policy Group recommends a reformed approach which:

- recognises the military's enabling role in poor security environments and equips them to exercise leadership;
- sees an agreed and adequately provided-for role for the Volunteer Reserves, who should be trained and retained to assist in the provision of rehabilitation and early reconstruction in post-conflict conditions unsuitable for extensive use of civilian agencies and NGOs;
- includes a civil expeditionary capability on the part of the FCO, DFID and other agencies which is able to integrate effectively with the military and take full control when security conditions permit;
- involves coordination of conflict activities at all stages through mechanisms such as a National Security Council; and
- ensures the ability of the UK to work with a wide range of coalition partners, particularly in post-intervention activities, while still maintaining the closest relationship with the US.

This approach would allow a Conservative government to make Defence Planning Assumptions more realistic. These might be that, as a norm and without creating overstretch, the Armed Forces would be able to:

- undertake small scale short term multiple interventions world-wide, along with the ability to:
- sustain one enduring medium scale operation that could be reconfigured to an enduring large scale operation within a coalition **or** that would comprise the ability to:
- undertake a new enduring large scale operation within a coalition.

#### 4.2.1. Implications of Planning Assumptions for Manpower Levels

The level of activity envisaged within the Defence Planning Assumptions underpins the calculation of the overall manpower requirements for each of the three Services each year. These have not been adjusted to reflect the current levels of deployment. In July 2006 the trained strength of the Armed Forces was about 180,690 personnel, some 5,170 (2.8 per cent) fewer than the MoD's estimated requirement. Manning was not 'in balance' either. The figures masked shortages of specific and important categories of trained personnel across all three Services. The MoD claims that all three Services should be 'in manning balance' by April 2008 following force restructuring. This assertion is based however on the assumption that new technology will allow further reductions in manpower without degrading capabilities. The nature of current operations makes this questionable. Current manning levels and planning assumptions have resulted in many breaches of unit and individual 'harmony guidelines', meaning that servicemen and

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<sup>12</sup>Defence diplomacy involves not merely close cooperation between allies but increasingly cooperative and strategic engagement with the defence establishments of a broader range of states in many regions - including training and promoting democratic control of the Armed Forces; assistance with the techniques of conflict prevention; the creation of new multilateral security frameworks; encouragement of multilateral regional security cooperation and the development of capacities to contribute to peacekeeping and peace enforcement operations

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women are often being sent away from home much more frequently than they had expected to be the case and these breaches are likely to continue in the future.

There are two guidelines – an individual harmony guideline which stipulates the maximum amount of service away from home that individual personnel who deploy to fill gaps in other units should have to serve within any given period (‘separated service’), and a formed unit guideline defining tour intervals to determine the frequency with which units should deploy on operations. These measurements and definitions are not, however, standardised across the three Services. The Royal Navy and the Royal Air Force calculate harmony based on the time spent by an individual on deployment: e.g. the time spent by personnel away from a naval base or the time spent by personnel on deployed duties with their air force formation. The Army, on the other hand, measures harmony by unit, based on different levels of readiness. In addition, different counting rules apply in each service as a result of which meaningful statistics about a subject causing increasing grievance within service families are difficult to come by. The Policy Group recommends that definitions and measurements of harmony guidelines should be standardized across the three Services. A number of units - such as the helicopter command - are now joint, which reinforces the case for such standardization and increased transparency.

Rarer breaches of the harmony guidelines would be very popular, but, unless deployments also become less frequent, which is not on the cards, overstretch especially in the Army would not thereby be cured. The real change needed is an increase in the size of the Army. Consideration of a reversal of the last cuts in establishment (circa 3-5,000), which have made the Army too small to have any reserve against commitments – which is dangerous for the nation – should feature in any Conservative defence review.

#### 4.2.2. Coalition Operations

Government policy documents assert that the UK will not engage in major, large scale combat operations except in coalitions. *Delivering Security* stated that interventions against state adversaries were unlikely to be conducted without the United States. To have other political options however, at least for operations in less demanding environments or for ones in which the US may not want to be involved (one can imagine such operations in, say, Africa) or in cases when America is occupied elsewhere, the UK has a strong interest in maintaining so far as possible a capacity to work with other coalition partners.

Depending on circumstance, type of operation and geography, such coalitions might be composed of other NATO partners or selected non-NATO partners meeting NATO standards (such as non-NATO EU states like Sweden, Commonwealth countries such as Australia, New Zealand and India, and allies like Japan) – or a mixture.

The UK therefore needs to maintain full expeditionary capability for medium (brigade) and small (battalion) scale intervention operations and to increase its ability to integrate within other coalitions and/or multinational frameworks, and even to provide headquarters and planning capability for a coalition. This has important implications for NATO’s role in ensuring interoperability and standards among members and in developing the organisational framework it can offer for EU military capabilities. In this context the UK is an important player, being one of the few nations capable of providing the framework for command at brigade level and above. This implies having the troops to supply to such operations. The context for them will most often be either NATO or the EU’s European Defence and Security Policy (ESDP) or the two working together. Since the Cold War, the UK has taken part in a number of such operations and a certain experience of their effectiveness has been gained. The particular issues raised by NATO and the EU, and the relationship between these institutions, merit separate detailed analysis which can be found in Section 5.

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## 5. NATO and ESDP

Apart from being a leading member of a “coalition of the willing” in Iraq, the UK has since the end of the Cold War taken part in a number of military operations – normally under a UN mandate – either as a member of NATO or the European Union, the latter within the context of European Security and Defence Policy (ESDP). Since in the future these are the organisations within which our armed services are most likely to see action, it is worth examining how fit for purpose they currently are and the state of cooperation between them.

### 5.1. NATO

Since 1989, NATO has registered several successes. Operations, in which it never engaged in the Cold War, have however revealed weaknesses, some of which have been tackled but others of which remain to be acted upon. Some are important and are discussed below.

From outside, NATO still gives the impression to many of being a relic of the Cold War with an outdated defence mission. Beyond its own professional constituency it has failed to convince enough politicians or tax-paying publics in Alliance countries of its (undoubted) relevance to the security threats they now face – this is, ironically, clearly seen by leaders in countries that have recently joined or those which would like to join if only offered the opportunity. The mission remains central, but the message has not got through.

Compartmentalised policy making and budgeting in capitals between the traditional stove pipes of foreign policy, defence and security acts against recognition of the role now played by NATO in Europe’s wider security and the funding that should flow to support this. Lack of defence spending at the European end of the Alliance and the reduced capability that goes with this remains a source of internal tension as does the separate but related issue of NATO’s post 9/11 role: global or local to the European area. The fact is that there is instability on Europe’s periphery – in Eastern Europe, the Caucasus, the frontiers of Turkey and the Southern littoral of the Mediterranean and there are threats to European security emanating from well beyond the confines of what was once the NATO area, and some of them from many thousands of miles away. NATO has been active in both arenas.

Among the successes must be counted the role played by NATO as a regional security organisation in Europe. It is the reform of Armed Forces in former Warsaw Pact countries and in most of the states of former Yugoslavia along with the adoption of NATO standards under the Partnership for Peace which has underpinned the stable enlargement of the European Union and its freedom from security-related crises. This very success however has served to underline the lack of security and stability on the EU’s immediate periphery. Several former Soviet countries have shown a strong desire to have close affiliation with NATO, if not actual membership- a desire which is only strengthened by current Russian policies aimed at limiting their freedom of manoeuvre and which increases regional insecurity. NATO’s Euro-Atlantic Partnership Council has proved a useful forum for discussion and for securing contributions to coalitions of the willing from a number of them.<sup>13</sup> There is also the NATO-Ukraine Commission for developing this relationship. NATO and Ukraine actively cooperate in international peace-support operations and an ‘Intensified Dialogue’ is also underway on Ukraine's membership aspirations.

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<sup>13</sup>The Euro-Atlantic Partnership Council (EAPC) brings together 26 NATO and 23 Partner countries for dialogue and consultation on political and security-related issues. (Albania, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Finland, Georgia, Ireland, Kazakhstan, Kyrgyz Republic, Moldova, Montenegro, Russia, Serbia, Sweden, Switzerland, Macedonia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.) Meetings of the EAPC are held monthly at the level of ambassadors, annually at the level of foreign and defence ministers and chiefs of defence, as well as occasionally at summit level. As of 2005, a new high-level EAPC Security Forum meets to discuss important security issues

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The consultation process between Russia and NATO since the end of the Cold War has helped to keep Russian suspicion of NATO within bounds, without however dispelling it either among the military or politicians. Its fortunes have tended to follow broader east-west political trends. NATO-Russia relations began formally in 1991, when Russia joined the North Atlantic Cooperation Council (renamed the Euro-Atlantic Partnership Council in 1997) and in 1994 it joined NATO's Partnership for Peace, paving the way for more practical cooperation. The current NATO-Russia Council (NRC) grew out of the NATO-Russia Founding Act of 1997 which saw the establishment of a permanent Russian diplomatic and military presence at NATO. Russian participation alongside NATO-led operations occurred in IFOR in Bosnia and was followed by its involvement in KFOR in Kosovo. NATO helped Russia during the Kursk submarine disaster and has developed submarine emergency procedures with Russia for any future incidents. Following the attacks of 9/11 Russia opened its airspace for Operation Enduring Freedom in Afghanistan (though not technically a NATO operation) and shared intelligence. Most recently Russia has contributed a ship to NATO's continuing Article Five mission, Operation Active Endeavour and plans to send a second vessel.<sup>14</sup> Ukraine has recently also contributed a ship for the first time. There is a limping quality to NATO-Russia cooperation at present, but it has not ceased.

NATO also has a Mediterranean Dialogue which currently involves seven non-NATO countries of the Mediterranean region: Algeria, Egypt, Israel, Jordan, Mauritania, Morocco and Tunisia. It is primarily bilateral i.e. NATO+1, the parties not being keen to cooperate with each other. The Istanbul Cooperation Initiative of June 2004 sought to promote contact in the broader region of the Middle East, starting with the individual members of the Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.<sup>15</sup> Under Article 5, NATO also runs Operation Active Endeavour in the Mediterranean, which monitors shipping and supports counter-terrorism among the participating North African and Levant countries. It is an example of the ability of NATO to form the core of security operations in which other militarily less well endowed non-NATO and non-European nations with shared interests can join, though this one is under resourced to meet the challenge to European security posed by the political tensions of the Mediterranean area.

In all the cases listed above of structured dialogue or practical cooperation - Eastern Europe stretching into Central Asia, the Middle East and Gulf, the Maghreb and Mashraq countries- being conducted by NATO, there exists parallel activity on the part of the European Union. The EU acts through political and economic policy instruments, but the ends in view are much the same- to enhance stability and security. The case for close cooperation between the two is self-evident.

When it comes to transformation, NATO's achievements are considerably less impressive than they could and should be. At the operational level it unarguably remains the organisation of first choice for its member states' Armed Forces which value it greatly. NATO commonality in training standards and doctrine makes the creation of multinational force packages including with non member Armed Forces easy and virtually seamless. These strengths give it the capacity to be a combat-capable rapid response force: the only multilateral one in existence. As such, it is an immense asset to Western military power- and to Europe. It could however be so much more effective. There are a number of reasons.

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<sup>14</sup>Following 9/11 NATO invoked Article 5 and undertook two military missions in support of the USA: Operation Eagle Assist (deploying NATO AWACS over the continental USA during the invasion of Afghanistan) from October 2001 to May 2002 and Operation Active Endeavour (monitoring shipping in the Mediterranean) which began in October 2001 and has continued to date

<sup>15</sup>NATO states that the Initiative is open to all interested countries of the broader Middle East region which subscribe to its aims and content, including the fight against terrorism and the proliferation of weapons of mass destruction and that 'it is understood that the words "country" and "countries" in the document do not exclude participation, subject to the North Atlantic Council's approval, of the Palestinian Authority in cooperation under this initiative.'

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At root the problem is political rather than military and manifests itself in inadequate expenditure on capability by European governments. It seems unlikely as things stand that sufficient European militaries - the UK and possibly France apart - will transform themselves enough to be interoperable with the United States. The small EU defence agency, with an annual budget of only €22 million may over time make some headway over modernisation and opening up of defence markets in Europe, but it is slow going. In practice, operational experience has proved to be one of the better forcing grounds of transformation which would probably go further if some of the funding obstacles in the way of short notice operations could be removed and if national rules of engagement – i.e. military cultures – were harmonised.

The NATO Headquarters machine in Brussels is also largely unreformed from Cold War days and bureaucratic contortions abound. The plethora of committees accountable to different parts of member states governments (foreign offices, defence departments, finance ministries) mostly operating separately from each other, results in not always accidental blockages. Procrastination in the budget committee for instance can effectively vitiate an operational equipment rollout timetable decided in the North Atlantic Council (NAC). And the NAC itself, with twenty-six members round the table (with more to come), all with equal rights over operations irrespective of contribution or capability, is not designed to give clear and timely guidance to commanders of expeditionary operations in crisis areas like Afghanistan (national caveats being an added complication). So infuriated were the Americans over their experience of the way the NAC functioned during the Kosovo operation that they removed themselves from NATO in relation to any mission that they wanted to command themselves. Understandable as this may have been, it has had the effect of reducing further the likelihood of reform; and strengthens the unfortunate impression of NATO in practice being a largely European rather than - and this is fundamental - a transatlantic organisation. It also undercuts the justification for having the Transformation Command in Norfolk, Virginia, where it is rather isolated, rather than in Europe.

In recent years, the United States has used a range of ‘coalitions of the willing.’ That the Americans show signs of renewed interest in NATO is much to be welcomed. It needs political commitment from its leading members if it is to flourish. NATO last rewrote its Strategic Concept in 1999 and it is out of date, being both too broad in its vision and inadequately specific about practicalities. Since that time the threats to international security have become both clearer and more potent. Better understanding of trends would enable – and arguably requires – a revision of the Concept to produce a clearer definition on which member states could base their strategic and operational concepts which are in danger of diverging. The drafting of such documents is exceptionally difficult and it will be argued that to propose such a thing is to suggest opening Pandora’s box. But many of the day to day difficulties experienced in running NATO operations and in cooperating with other organisations are to be traced back to the transitional thinking which the 1999 Concept represents. It now needs revision.

Since 1989, NATO has been involved in eleven highly varied operations. Seven of these were either in the Balkans (Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia and Kosovo) or in the traditional NATO area (including provision of security to the Olympic Games in Athens; AWACS protection for Turkey during the intervention in Iraq; help with disaster relief to the United States following Hurricane Katrina, and Operation Endeavour involving counter-terrorist patrols in the Mediterranean). The remaining three were ‘out of area’. Afghanistan is by far the most testing and important, involving a 30-37,000 strong United Nations-mandated force to support the Afghan authorities in extending their writ. NATO is also training Iraqi military personnel, has conducted disaster relief operations in Pakistan following the earthquake, and is providing airlift and training for the African Union force in Darfur.

Only two operations, Kosovo and Afghanistan, have involved actual combat. A significant number of the operations, irrespective of location, have involved cooperation with the EU. These include Bosnia where, under the ‘Berlin Plus’ arrangements, EU forces have taken over the stabilisation role with NATO planning, logistics and command support; Macedonia, where the EU took over provision of internal

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security from NATO again with access to NATO assets; Darfur where the EU is already involved in humanitarian aid; and Afghanistan, where the EU is providing a police training mission, institutional rule of law assistance, and where aspects of the work by the Provincial Reconstruction Teams (PRTs) are EU financed (€10.6m was pledged in December 2006). As and when it proves possible to move on the final status of Kosovo, the EU will come in alongside the NATO-provided UNMIK, to run policing and take over provision of internal security from NATO.

## 5.2. ESDP

The origins of ESDP go back to 1992 when the so-called Petersberg tasks<sup>16</sup> were agreed by the then Western European Union (WEU), a treaty based organisation which had links to both NATO and the EU. The first concrete step to enhance European military capabilities as part of the newly created ESDP came in 1999 when EU member states signed the Helsinki Headline Goal, which included the creation of a European Rapid Reaction Force (ERRF) up to Corps level of 50,000-60,000 personnel – to be ready by 2003 – on 60-day notice to undertake for up to one year all missions coming under the Petersberg tasks, with or without recourse to NATO assets depending on the nature of the mission. The EU thereafter launched the European Capabilities Action Plan at the Laeken Summit in December of 2001. It subsequently became clear that the objectives outlined in the Helsinki Headline Goal were not achievable as planned and, in May 2004, EU defence ministers approved ‘Headline Goal 2010,’ extending the timelines. The goal is still not realistic as things stand, and many operations actually require the rapid deployment of smaller units. The Helsinki Headline Goal has therefore been overtaken by events. EU thinking has moved on as a result and the focus has turned to more realistically achievable targets.

This has led to the establishment of EU battlegroups, a concept largely conceived by the UK and supported and encouraged by HMG.<sup>17</sup> The idea is for two EU battlegroups (out of a total of 16, once all reach operating capability), each of about 1,500 combined arms troops,<sup>18</sup> to be available on standby at any time for rapid response deployments. The concept was initially tested in 2005 and 2006 and the first battlegroups reached operating capability at the start of 2007. The EU aims to be able to undertake two concurrent battlegroup operations within ten days of a notice to deploy.<sup>19</sup> The first two battlegroup rotations began in January 2007 and are being provided by Germany and France until June 2007, after which Italy and Greece will cover July to December 2007. In 2008, a Nordic battlegroup (led by Sweden) and Spain will provide the first six months’ cover after which the UK and Germany will complete cover for 2008. Operational headquarters for any deployments by EU battlegroups are met by member states with the appropriate HQ assets: London, Paris, Potsdam, Rome and Larissa. There is an unresolved issue of whether there should be a permanent EU Military HQ to manage operational deployments and to

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<sup>16</sup>In 1992, the Western European Union adopted the Petersberg tasks (at the Hotel Petersberg near Bonn), which included: humanitarian and rescue tasks; peacekeeping, and crisis management, including peacemaking. At the 1996 NATO summit in Berlin, it was agreed that the WEU would oversee the creation of a European Security and Defence Identity within NATO structures. The idea behind ESDI was to create a European ‘pillar’ within NATO, to allow European countries to act militarily where NATO did not wish to. The Berlin agreement allowed European countries to use NATO assets if they so wished (later amended to allow the European Union to conduct such missions, the so-called Berlin Plus arrangement). The EU incorporated the same Petersberg tasks under the Amsterdam Treaty. British reluctance to see such an EU capability changed into endorsement after the bilateral St. Malo declaration by President Chirac and Mr Blair, which stated that “the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises”. In June 1999, the Cologne European Council decided to incorporate the operational roles of the WEU within the EU, effectively shutting down the WEU (although the WEU Assembly continues to function). The Cologne Council also appointed Javier Solana as the High Representative of the CFSP to help progress both the CFSP and the ESDP

<sup>17</sup>The concept was originally tested by Operation Artemis, the EU deployment to the Congo in 2003, in which some 2,000 troops were deployed into theatre within 8 weeks of the original UN request

<sup>18</sup>2-3,000 personnel including combat support

<sup>19</sup>The concept calls for ‘nearly’ simultaneous missions

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further present planning capacities, and where it should be located. Down the road from Brussels in Mons there are excellent facilities available at NATO's SHAPE HQ.

A European Union Military Staff (EUMS) responsible for supervising battlegroup operations within ESDP has been established. It is directly attached to the private office of the CFSP High Representative, currently Javier Solana, and is formally part of the General Secretariat of the Council of Ministers (not the European Commission, as ESDP is an intergovernmental process). In addition to providing strategic advice to the High Representative, the EUMS reports to the European Union Military Committee, an intergovernmental council body made up of the member states' Chiefs of Defence. Its main task is to perform 'early warning, situation assessment and strategic planning for Petersberg tasks' and to implement ESDP missions. The EUMS consists of 200 or more military and civilian personnel and is currently headed by a British 3 star General, David Leakey. An EU Situation Centre, based in Brussels and currently British led, has been in operation since 2001 with a small analytical staff largely drawn from member state intelligence agencies. Working to the High Representative, it supports ESDP, producing papers based on shared intelligence material.

To date the EU has undertaken one purely military mission without NATO assistance when a largely French force provided internal security in the Congo until a UN force could deploy. Other autonomous EU missions, of which there have been 13 mandated under ESDP (some small in terms of numbers but others rather larger and enduring), have been mostly civil/military in nature. They include those concerned with police training or rule of law advice (Iraq; Palestine; Congo; Georgia; Macedonia), border monitoring or border monitoring training (Moldova/Ukraine; Georgia, Western Balkans; and Rafah, Gaza) or monitoring of a peace agreement (Aceh).

### 5.3. EU-NATO Cooperation

The emergence of the EU battlegroups is likely to bring into sharper focus the troublesome issue of whether the existence of capabilities under an EU banner constitutes extra military muscle or is merely a way of drawing off European contributions from NATO: are we in a virtuous state of adding capability or a vicious zero sum game?

EU battlegroups are rapid response forces that will be used as initial spearhead combat forces tasked with enabling entry into the theatre of larger forces such as NRF or UN mandated missions, and as such do not have the joined-up warfighting capability of NRF. These 'bridging operations' will be conducted in limited geographical locations for limited periods. Moreover, the battlegroups are also intended for use in scenarios where NATO is not available or is not the most appropriate organisation to deploy (for example, in Lebanon where a NATO led force would not have been acceptable locally for political reasons). They are likely to be used in the environs of the EU where the United States fairly expects Europeans to take increasing responsibility.

In terms of their respective functions, therefore, battlegroups and NATO forces are complementary. There do, however, remain unresolved questions about the way in which they relate to each other - especially as they both draw on the same Armed Forces (though on different cycles) - and about the priority to be accorded to each as and when simultaneous demands for both arise. Real life is likely to force decisions here.

A pattern of role specialisation and burden sharing in operations between NATO and the EU is emerging. This is not surprising since, as in the case of the 'structured dialogues', there is a common ground between NATO and the EU in the interests and policies their operations serve. The NATO operations have been conducted largely in support of security in Europe or of wider European security interests. ESDP has been closely linked to the goals of CFSP and the EU security strategy, which takes the transatlantic Alliance as its base. Second, while there has been a certain degree of overlap in the nature of the operations each has conducted, the more striking feature has been the compatibility and

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complementarity of capabilities and skills which the two organisations have so far brought to bear and the ability they have acquired with experience to lock together in civil/military missions. Multi-annual budgeting which enables the EU to bring several policy instruments together to act in combination over a number of years to produce ‘soft power’ (a capability not possessed by NATO) is an important strength in the stabilisation and reconstruction phases of operations.<sup>20</sup>

There is plenty of room for further cooperation under this head. NATO’s Assistant Secretary General for Operations, Ambassador Adam Kobieracki, recently noted publicly in June 2007 that NATO has found it difficult to adapt its own forces to the requirements of what it has recognised it needs- a so called ‘comprehensive approach’ to civil/military operations. The Alliance has therefore concluded that it cannot do everything alone and needs to work with others and broaden its coalitions. Ambassador Kobieracki noted in particular that NATO must work together with the EU to develop concepts and mechanisms for a successful comprehensive approach, using the battlegroups as a starting point.

Third, the battlegroup concept is driving the capability development and transformation of many of the Armed Forces of EU member states. Sweden is a foremost example and has ambitions to join the NRF. Since NATO will probably expand to include further EU member states it is helpful that the certification process for EU battlegroups is based on existing NATO NRF standards.

### **The Way Forward**

The UK is of course right to insist on the primacy of NATO - a consistent Conservative Party position- and to emphasise NATO’s relevance to European security which has never been so evident since 1989. The threats to the Atlantic area can arise and are arising well outside the traditional NATO area. NATO is the only organisation able to meet those threats involving high intensity or prolonged combat. It is important to the UK, as a country with a great deal invested in the continuing viability of the Alliance which is important to our ability to operate with a wide range of coalition partners, that other Europeans retain serious military capability and are able to contribute to coalition operations. Agreement on and political support for a relevant mission is vital to NATO’s future.

At the same time there are continuing challenges to security in Europe, for instance in the Balkans, in relation to which, within a transatlantic strategy, the Americans increasingly expect Europeans to shoulder the lion’s share of the burden. ESDP has a strength of growing significance to NATO: the ability of units composed within its framework to bring civil/military skills – such as policing - to enduring operations such as that being conducted by NATO/ISAF in Afghanistan where there is a requirement to conduct stabilisation and reconstruction operations in what remains a highly insecure environment. Under NATO overall leadership, the two are working together in the field. The EU has assets which NATO does not possess and cannot easily acquire. NATO commanders are interested in developing cooperation with it in ways which will strengthen the Alliance’s capacity to develop its comprehensive approach.

NATO and the ESDP have reached new stages of their existence. Three issues now present themselves: the increasing need for NATO to look again at how it defines its *raison d’être* in the Strategic Concept and how it takes forward transformation as a credible security organisation; how and how far ESDP should and can develop; and what should be the relationship between the two.

We have noted earlier that since 1999, when NATO last revised its strategic concept, the strategic environment has been transformed. It is more threatening and the military challenges to the Atlantic area more varied. NATO needs to recast its mission to meet them and this should include agreement on NATO’s ability to meet them globally. Within this, and provided it proves possible to agree on practical

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<sup>20</sup>The EU external budget is €49.5bn for the next seven years, with some €154m for CFSP in 2007, to rise to €300m pa by 2013)

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working relationships between NATO and ESDP that do not reduce NATO's capabilities, it should be possible and would be helpful to NATO to agree the role of ESDP. There is plenty for both to do. The principle should be what works best at getting effective forces, be they military or civilian, deployed swiftly where needed should take on the task.

On the question of the working relationship between NATO and ESDP, there is already at staff level a great deal of practical day to day cooperation which has worked quite well to date. It allowed agreement on the EU making funding available for NATO PRTs in Afghanistan, it is allowing coordination of activities in a post-status Kosovo, and it will allow extensive contact between NATO ISAF and the ESDP police mission taking part in the emerging 'comprehensive approach' in Afghanistan. The EU's 2003 Operation Artemis in the Democratic Republic of Congo on the other hand demonstrated that staff level contacts were not sufficient for coordinating planning at the outset of a deployment. Essential cooperation mechanisms between the two are lacking and need to be buttressed by more robust and permanent arrangements.

At the moment there are only ad hoc meetings between the North Atlantic Council (NAC) and the EU's Political and Security Committee (PSC). There are no established arrangements for information or intelligence sharing or for coordination of activity when forces from both organisations are deployed in the same theatre without Berlin Plus arrangements (Afghanistan is a current case in point). Since Malta and Cyprus joined the EU, neither with any direct relationship with NATO (and in Cyprus's case, actively prosecuting a quarrel with a NATO member) cooperation has become more difficult at the political level in Brussels. Proper planning is inhibited as is further long range systemic cooperation. Moreover the Berlin Plus arrangements have in reality outgrown their purpose which was to enable EU forces to draw on NATO assets. But now the two organisations are going on deployment together and it is damaging to both if they cannot plan properly. The NATO Assistant Secretary General for Operations has suggested in this respect that NATO's cooperation with the UN might serve as an example for NATO-EU relations.

The Policy Group therefore recommends:

- that an incoming Conservative government drive forward a strategic consultation within NATO to consider revising its outdated Strategic Concept. Developments in Europe must add to, not replace the capabilities of Nato; and
- consultation must deal with the respective roles of NATO and the EU's activities under ESDP and the relationship between them in order to ensure the two organisations play to their respective strengths and that there are sufficiently strong arrangements to ensure effective cooperation and coordination.

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## 6. Capability Implications

### 6.1. Force Structures

The Policy Group endorses the changes the MoD is making to enable troops to be deployed at shorter notice. This fits in well with the future strategic context. This shift needs, however, to be implemented more fully across all three services and mirrored in defence support structures.

Moreover, there is a mismatch between regular and reserve force structures. The former are rightly being optimised for small and medium scale operations but the volunteer reserves (and, as a result of the MoD's *Future Army Structure* proposals, the Territorial Army in particular) are being optimised for what are called Large Scale Deliberate Interventions. This does not allow effective integration of regular and reserve units in operations. It also does not correspond with the way in which the reserves are being deployed in current operations – reserve units (and, indeed, individual personnel) are treated as 'collections of spare parts' to augment shortages in regular units, rather than as having an integrity in their own. While we do not suggest that individuals should not be able to volunteer to augment regular units (particularly those with civilian expertise in post-conflict environments, and specialists such as medical personnel), the Group believes that reserve forces should be deployed in formed units and sub-units (and trained and resourced as such) to provide extra capacity in operations abroad, rather than in supporting roles.

We are also concerned about proposals, apparently circulating, to reduce still further man-training days for those volunteer reserve forces not currently engaged in supporting regular units in Iraq and Afghanistan. This short term thinking risks severely degrading the extra combat and specialist capacity that reserve units would be able to provide for future challenges at home and abroad.

### 6.2. Equipment Considerations

There is growing doubt among experts about the relevance of the Equipment Programme that emphasises 'platforms' at the expense of 'systems technology' to the way modern warfare - and especially American style warfare - is developing. The problem of the future procurement programme is compounded by the effect of past procurement decisions - some of them very long time past. Thus, the UK is at present acquiring a number of very expensive platforms it committed to many years ago.

Meanwhile, HMG:

- has not yet decided, despite urgent need, what medium weight armoured vehicle to supply to the Army;
- has under invested in network enabled capability;
- does not have adequate transport or logistics capability;
- does not have the capacity to undertake maritime security operations globally;
- does not have enough support helicopters to move forces about when they are on deployment; and
- has no armed UAV capability or any clear plans for such a capability.

At this distance from office and without more detailed information about current programmes it makes no sense for the Group to attempt to advise on the merits of individual proposed projects. In any case the present Government may well take decisions in the Comprehensive Spending Review which will change the picture so existing costings cannot be relied upon. Furthermore it is only possible to make sensible choices after assessing the extent to which technological development will offer acceptable and cheaper routes to effects based combat capability in 10 to 15 years' time. Any decisions will need to be taken in conjunction with a review of doctrine which can only sensibly be done in office when allies can be consulted. The UK needs to be clear how much interoperability with the US matters; how the UK will

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reconcile the cost of such a requirement with the ability to succeed with stabilisation missions conducted in poor security environments (where technology can only to a limited extent substitute for the many boots needed on the ground); and how far the UK wants to have assets enabling the Armed Forces to participate in coalition operations involving forces other than the US e.g. with other NATO or friendly partners.

All that said, it is probable that, unless the integrated ‘procurement-through-life’ budget can be increased by 25-30 per cent,<sup>21</sup> an incoming Conservative government would need to establish clear procurement priorities. Though such an exercise could throw up some very difficult choices, it might be no bad thing on its merits. The sober truth is that by focusing on the retention of a range of top quality, fully funded and supported key capabilities, the UK may become a more valued and effective coalition partner including in high intensity combat than if it tries to stick to the ambition represented by present procurement plans.

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<sup>21</sup>The budget charts in each of the DIS Sector Reports indicate that the total of all sector budgets combined over the next 12-15 years will require a 25-30% bigger acquisition budget to fund the Equipment Programme

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## 7. Supporting Capability

### 7.1. Defence Procurement

While the Policy Group broadly welcomes the *Defence Industrial Strategy* (DIS), it does represent a frank admission of both how little the present Government has achieved in improving the defence procurement and logistics process since 1997 and how much still remains to be done. The UK is currently in a position in which too little military equipment is being bought to sustain either the numbers of operations under way or an economic and capable defence industry, and in which through-life capability management (TLCM) is a very difficult concept to implement.

The DIS aims to meet these broad concerns by:

- planning fewer major procurement projects in the future and placing emphasis on TLCM,<sup>22</sup> and
- improving the relationship between the MoD and industry so that industry can make decisions about what capabilities and skills to maintain in consultation with the MoD. Long-term, multi-project ‘partnering’<sup>23</sup> arrangements with chosen UK-based contractors are to be established and new policies developed to retain within the UK the technological and industrial capabilities needed to give the UK ‘appropriate sovereignty’ over equipment.

The DIS failed to address either the current shortfall in the procurement budget that will emerge in the next few years (and which will continue to be compounded by operational costs), or the increasing need to focus defence research and technology expenditure. Finally, while the DIS is a welcome attempt to improve the procurement process, the Policy Group considers that more needs to be done.

#### 7.1.1. Procurement Budget

The Equipment Programme (EP) currently runs at about £6 billion a year. In March 2007 it was estimated that it could be under funded to the tune of £15 billion or more over its ten year lifetime (which is reviewed every two years on a rolling basis). This shortfall may swell further with equipment cost increases<sup>24</sup> and shorter equipment life caused by higher than planned use in Iraq and Afghanistan.

The large financial shortfall contributes directly to operational weaknesses. There is for instance a significant shortage of helicopters and strategic transport; an inadequate light armoured vehicle fleet; negligible progress in the development of UAVs and the increasing danger of delay or cancellation of other ‘transformational equipment’<sup>25</sup> because of commitments to replace traditional equipment - the MoD still tending to give priority to platforms and to buying custom-made rather than-off-the-shelf, technology. The DIS did not address fully the shortfall in the procurement budget, nor does it address the true affordability of major programmes.

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<sup>22</sup>To ensure coherence between initial acquisition and through-life costs, and to emphasise the second, the Defence Procurement Agency (DPA) and Defence Logistics Organisation (DLO) were merged to form the Defence Equipment and Support (D&ES) Organisation in April 2007

<sup>23</sup>A ‘partnering arrangement’ is not generally a legally binding form and it can be applied to any contractual relationship. It has explicit codes of practice and behaviour that are actively managed. It differs from a formal ‘Partnering Agreement’ in which the MoD and a supplier form a legally binding, collaborative entity. DIS places emphasis on the former

<sup>24</sup>The unit cost growth of major weapons systems (typically 10% per year in real terms, implying a tenfold increase between generations 24 years apart) is likely to continue to rise over the coming decades. Long-standing ideas that cost growth can be arrested by smarter procedures for defence equipment acquisition, eliminated by new production technology or new management arrangements, or mitigated by the economies of scale resulting from increased exports or international collaboration, have generally proved unfounded

<sup>25</sup>Technology designed to modernise warfare

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Solving the apparent funding gap in the EP would require either an increase in the acquisition budget of 25-30 per cent over ten years, or a change in the planned equipment programme with clear procurement priorities based on the capability requirements derived from a revised strategic concept. It is unlikely to be soluble by the traditional approach - continued 'salami slicing' and the postponement of programmes. A reassessment of procurement priorities would be the better approach since while the EP covers 10 years, the MoD's formal budgets only last three years at most. Beyond three years therefore, planning assumptions are internal to the MoD and are subject to reassessment. While the Treasury takes existing departmental plans into account when new budgets are set in the spending reviews, the MoD cannot safely assume that future settlements will continue past trends. Within any budget set by the Comprehensive Spending Review therefore, the MOD has to prioritise and decisions to allocate more resources to areas of high priority have to be offset by savings elsewhere. This in practice makes the equipment programme somewhat aspirational when it goes beyond contractual commitments.

### 7.1.2. Defence Research, Technology and Development

While the DIS represents the most compelling case for an increase in defence research, the decline in defence research spending over the past years has continued.<sup>26</sup> The Government's recent *Defence Technology Strategy* – beyond hoping that industry will invest more – did not address the issue of how much defence research, development and technology expenditure will be required to implement DIS. A failure to invest sufficiently in this area will damage the quality of future equipment for the Armed Forces.

The Policy Group believes that, notwithstanding the concept of TLCM, the UK R&D programme will remain important even if procurement levels are reduced, or eventual technology is bought outside the UK, since sufficient R&T expertise is often a pre-requisite for technology transfer and for sovereignty over operational use and maintenance of systems. While small by US standards, research is a UK strength, and it should be increased. The generation of its own intellectual property gives the UK potential leverage in transatlantic argument about technology access and transfer. Unlike the United States which downsizes the research budget last when cuts are occurring, the MoD takes the axe to research first because its effects, though damaging and the opportunity cost high, are not readily visible or quantifiable and are not understood, as they should be, by the services. This short-termism must be stopped.

### 7.1.3. Procurement Process

The history of British defence procurement is littered with projects abandoned mid course. Lead times – which are sometimes unavoidably long – can be lengthened further and costs increased by several factors including: short term unaffordability; partner activity in collaborative projects; mid-course changes of specification; and inadequate project management. When equipment finally comes into service it can be either unsuited to its intended role, or technologically outdated, or both. Legacy programmes (like the Typhoon combat aircraft) are not unique to the UK. But we should learn from them.

The DIS is a welcome step in looking to improve the procurement process. But more needs to be done and a number of overarching concepts need to be clarified, including 'partnering' and 'appropriate sovereignty' and their relationship with earlier innovations such as Towers of Excellence and Defence Technology Centres, introduced by the SDR.<sup>27</sup>

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<sup>26</sup>For example, spending on UK defence research and technology has reduced (both in real terms and as a proportion of the defence budget) since this Government came to power, from £900M in 1997 to £500M today

<sup>27</sup>The 1998 SDR introduced two innovative approaches to defence technology development: Towers of Excellence (ToEs), which are co-operative groupings with industry and academic establishments in six key areas (guided weapons, electro-optic sensors, synthetic environments, radar, underwater systems, electronic warfare) intended to develop detailed technology roadmaps (particularly at a sub-system-level) and exploitation plans able to deliver against DTS priorities; and four Defence

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The Policy Group believes that there needs to be increased agility in the EP and proper up-front assessment of project risk to prevent delays in procurement projects. These are not fully addressed by DIS, and measures of the following sort are needed:

- more use of off-the-shelf purchases to increase agility in the EP;
- managing the assignment of risk in partnering arrangements under DIS – the MoD must consider having oversight (but not direct control) of supply chains through formal arrangements with the prime contractors;
- adopting a variant of the American ‘Lead Systems Integrator’ project management. Contractors with no vested interest in any particular partnering/supply chain arrangements would provide the with MoD an independent assessment of the capabilities achievable (the introduction of this sort of objectivity is especially valuable in helping reduce risk in projects);
- better understanding on the part of MoD of the new Tier 0 team<sup>28</sup> concept and how it may work in the future. This commercial model changes the way the prime works;
- defining sufficiently large Resource Expenditure Limits early on in the life of programmes and creating fixed cost environments;
- allowing earlier initial investment (‘Initial Gate’) for assessment of project feasibility;
- locating ‘Main Gate’ (the point at which the main investment is committed) far enough along the process so that final costs are well established;
- cancelling projects with significant cost escalation at Main Gate, and any that escalate subsequently, to encourage both suppliers and customer (MoD) to be honest early on about cost calculations;
- cancelling projects at Main Gate when they fail to deliver useful capability within an agreed period; and
- increasing defence R&T expenditure.<sup>29</sup>

Finally, the procurement process must be made more responsive by increasing frontline involvement through the TLCM process.

## 7.2. Personnel

Terms of service and welfare are hampering retention and potentially recruitment too. Conditions of service in Iraq and Afghanistan have both played a part in reinforcing a growing climate of complaint inside the Armed Forces. Regimental reorganisation, of which the Army has just experienced another bout, also contributes to loss of morale, at least in the short term until new formations settle down and loyalties are re-established. The formation of the Armed Forces Federation is a sign of the times. Ubiquitous email and mobile telephones mean that grievances get quick and widespread airing, taken up in the tabloid press. Recent prosecutions for alleged front line offences have been much resented. The Service Chiefs are now becoming vocal though they cannot escape responsibility entirely for some of the problems that have arisen and there is quite a widespread feeling inside the Armed Forces that they have not always been frank enough with Ministers or fought the services’ corner adequately.

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Technology Centres (DTCs) – a partnering approach, jointly funded by MoD and industry consortia (including SMEs) to identify and develop innovative and critical technologies through early investment. Both ToEs and DTCs are means by which MoD-industry relationships can be developed according to the aims of the DIS, and there is much potential in their ability to help deliver TLCM

<sup>28</sup>Traditionally there is a vertical arrangement of Tier 1 companies (e.g. BAE Systems), Tier 2 companies (e.g. Thales) and so on. The ‘Tier 0 team’ concept attempts to bring the old prime contractor (Tier 1) and the principle Tier 2 suppliers together as single team at Tier 0 to get them to solve the problem together, and to then allow competition amongst suppliers. It may improve the speed and agility of the procurement process by harmonising research efforts under a single and collaborative control

<sup>29</sup>For example, while the total UK spend on research and development (R&D) is £2.3Bn, very little of this is used to control risks in equipment acquisition. To successfully de-risk equipment acquisition, the budget would have to be increased

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The MoD has shown signs of awareness of the problems, although the recent Treasury initiative whereby personnel were given operational bonuses for selected theatres while still having to pay such things as Council Tax even when on deployment, is the sort of thing that increases the jaundice. A Conservative government entering office must deal with terms of service and welfare and a well-structured welfare package would do much to re-cement the bond with the armed services and the Government and the nation, which is becoming unstuck. The Group recommends that this should be a priority of any defence review.

### 7.2.1 Service Terms and Conditions

The National Audit Office has noted that breaches of harmony guidelines have disrupted the lives of service families making it hard for them to plan ahead and that this is damaging retention. Other factors affecting retention include the availability of civilian employment for those trained by the Armed Forces in marketable skills; the feeling that the work of the Armed Forces is no longer valued; uncertainty over the future given current changes in force structures; and anxiety about the quality of equipment, accommodation, medical care - especially post-combat care - and welfare generally. The effect, especially among trained NCOs, of persistent poor retention will be increasingly serious. In the 2020s there will be a much smaller pool of 16-20 year olds than now from which to recruit.

The review of terms of service which the Group recommends could be informed by the front bench defence team's present work on a 'Forces Families Manifesto' which is looking at topics such as pay, health provision, accommodation, service education, duty of care and the relationship between the services and local authorities. Here, the 'military covenant'<sup>30</sup> should be updated and extended to cover, in writing, all three services and should:

- specify continuation of the provision of facilities to veterans after retirement;
- be modern in their approach in such matters as health, education and housing (this last is an increasing bugbear, as service families cannot afford to get onto the housing ladder. They could be declared 'key workers'); and
- give the Service Chiefs direct responsibility and accountability for service terms and conditions as the 'stake holders' for these. Currently there is no centralised oversight for the standards of all aspects of service terms and conditions, particularly for privatised accommodation.

There is scope here both in and out of service for welfare charities, especially the service charities which do uniquely beneficial work, to take a greater role in assisting the MoD in the provision of adequate conditions for both serving and ex-service personnel and for the MoD to give greater support to their work.

## 7.3 Defence Management

This section provides a summary of the command and organisational implications of the recommendations made above:

- The Policy Group considers that the central role of the Service Chiefs is fundamental. We therefore welcome, following the *Enabling Acquisition Change* report, the greater involvement of

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<sup>30</sup>The Army uses the term "military covenant" to describe the mutual obligation between the nation, the Army and each individual soldier: an expectation of personal sacrifice and the forgoing of some personal rights and freedoms on the one hand, and of fairness, respect and appropriate terms and conditions on the other. This mutual obligation is codified in the Army's doctrine publications. The Royal Navy and Royal Air Force do not use the term "military covenant", no such obligation is codified, and the MoD only notes that they "share the same understanding". There is also a significant argument for extending the military covenant to cover ex-service personnel as well as serving personnel

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the Defence Management Board – the MoD’s main executive body, of which the Service Chiefs are prominent members – in acquisition: this is a first step towards better involvement of the individual Chiefs, who are at present unduly detached from budgetary decisions – and the effects of these decisions on their services – and who are beginning to sound like critics of decisions which should be theirs.

- The Policy Group recommends that, to aid the Service Chiefs in their involvement in the acquisition process, a 4 star post of Deputy Chief of Defence Staff (Procurement, Equipment Capabilities and Through Life Management) should be created with oversight of the Equipment Programme, Science and Technology Programme and defence Research and Technology. This Deputy chief of Defence Staff (DCDS) should also act as a link between the Service Chiefs, the Defence Equipment and Support organisation and the DCDS (Capabilities) to provide the Service Chiefs with a better opportunity than exists at present for them to grasp the implications for their services of equipment and logistical options and to ensure greater coherence between the equipment, short term, and research and technology programmes.
- The Policy Group welcomes the formation of a single command for the Royal Navy, and the combined Commander-in-Chief and Second Sea Lord top level budgets (TLBs). This rationalisation should produce efficiency savings, and has many benefits for the force generation process. The Army’s Land Command and Adjutant General (AG) are similarly collocating, as has the RAF’s Strike Command and Personnel & Training Command. The Army is combining the Land Command and AG TLBs, which should be completed as a matter of urgency. The RAF is probably already considering this approach, and we suggest that it combine the TLBs also.
- The Policy Group recommends that a Top Level Budget holder with responsibility for major training exercises should be appointed to ensure the maintenance of proper force readiness levels.
- The Policy Group believes that its proposals for a tri-service military command for homeland security would further diminish the operational roles of the Single Service Commanders in Chief (Fleet, Land and Strike). It seems likely that, in the future, they would – and should in any case – have no operational responsibilities, but be akin to US ‘Supporting Commanders’ for force provision and generation. This evolution would provide a further rationale for combining the TLBs of each service, given that this would improve force generation for both expeditionary and home operations. Moreover, the rationalisation of the Single Service Commands would release staff for the new Homeland Command.
- The Policy Group recommends that Service Chiefs should be given direct responsibility and accountability for service terms and conditions.