

Vol. 777
No. 78



Thursday
8 December 2016

PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

ORDER OF BUSINESS

Questions	
Railways: East Coast Main Line	857
Short-term Holiday Lets	859
Sexual Abuse: Harassment of Suspects	862
Royal Navy: Frigates	864
Gender-based Violence	
<i>Private Notice Question</i>	866
Business of the House	
<i>Motion on Standing Orders</i>	869
Business of the House	
<i>Timing of Debates</i>	869
Brexit: Armed Forces and Diplomatic Service	
<i>Motion to Take Note</i>	870
Businesses: Rights and Responsibilities	
<i>Motion to Take Note</i>	915
Iran: Human Rights	
<i>Question for Short Debate</i>	943

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Thursday 8 December 2016

11 am

Prayers—read by the Lord Bishop of Bristol.

Railways: East Coast Main Line Question

11.06 am

Asked by **Baroness Randerson**

To ask Her Majesty's Government what are their plans for investment in the East Coast Main Line.

The Parliamentary Under-Secretary of State, Department for Transport (Lord Ahmad of Wimbledon) (Con): My Lords, the Government are investing in the east coast main line. The east coast connectivity fund, totalling £247 million over control periods 5 and 6, is delivering projects that specifically increase capacity and reduce journey times through better segregation of freight and passenger services.

Baroness Randerson (LD): My Lords, despite that level of investment, in the ORR's league table Virgin Trains East Coast lies at 19th out of 20 among the train operating companies. Problems are undoubtedly exacerbated by the fragile state of the overhead lines, but the Government have delayed and reduced the amount of money to be invested in improving the situation on the line. Can the Minister assure us that, following this week's announcement by the Secretary of State, there might be some improvement and more realistic funding for the line?

Lord Ahmad of Wimbledon: As I have already outlined, there is funding, and ensuring the prioritisation of the funding was part of the Hendy review. As I am sure the noble Baroness is also aware, customer experience—she has rightly alluded to the importance of what customers feel about the line—will be enhanced through the introduction of new rolling stock across the routes. There is a big investment in IEPs, as I am sure she is aware, while the east coast route study, which will detail the longer-term investment options from 2019, is currently in development by Network Rail.

Lord Rosser (Lab): My Lords, I ask for an assurance from the Minister that, in the light of what the Secretary of State had to say yesterday, investment will still take place on the east coast main line, even if there are some Labour mayors on the line of route. What steps are the Government taking to ensure that the necessary industry capability is there to deliver investment in the east coast main line, given the dismal performance on the Great Western electrification?

Lord Ahmad of Wimbledon: As the noble Lord knows, this is a line that runs from London, through Leeds and York, all the way to Edinburgh. It is important that, irrespective of what political affiliation may be held by people along the line, we work in a collaborative way to ensure improved services. I can reassure him

about the continued investment in this line. I shall run through some of the programmes: the Northallerton to Newcastle loops in 2019; the York north throat in 2020; and the Peterborough to Fletton Junction down slow extension in 2019. I also believe a new station is opening, or at least a new station platform, which will allow fast-running trains to run through more quickly on what is a heavily used line with many shared services.

Lord Cormack (Con): My Lords, my noble friend's recital of what is due is comforting to a degree, but can he assure me that there will be no back-tracking on the Lincoln improvements? We have only one direct train a day to London and only one back, so it is impossible for people in London to have a day in Lincoln, whereas in almost every one of the other great cities within reach of the capital they can do precisely that.

Lord Ahmad of Wimbledon: My noble friend is always a strong advocate for Lincoln, and I assure him that we will excuse him the unintended pun of "back-tracking". Let me also assure him that services will continue to expand. Indeed, as he may be aware, VTEC—Virgin Trains—will also be running additional services from 2019 on the link to Lincoln.

Lord Berkeley (Lab): Will the Minister confirm that the eastern arm of HS2 phase 2, when it is complete, is designed to take most of the capacity from the east coast main line? Can he tell us whether the rest of the line will be downgraded to a kind of regional line, maybe with lots more freight on it?

Lord Ahmad of Wimbledon: We have a range of specialist interests and, somewhat expectedly, the noble Lord rightly raises the important issue of freight. The strategic freight network has spent about £4 million particularly on the southern section of the east coast main line, but he is quite right that the HS2 line, once it is up and running, will free up extra capacity for both passenger services and, importantly, for freight services as well.

Lord Shipley (LD): My Lords, the east coast main line has fewer diversionary routes than other main lines, and is mostly worked by electric trains, which cannot be diverted. Failure of the overhead line equipment is a regular cause of delays, so will the Minister tell the House what plans there are to modernise this?

Lord Ahmad of Wimbledon: The noble Lord raises the important issue of electrification, but the new rolling stock will have the adaptability to ensure that challenges are met in that respect and can be headed off in the right way.

Lord Beecham (Lab): My Lords, the pleasure that your Lordships may derive from my occasional contributions to debate in this House is about to become more costly, because Virgin Trains is increasing prices, particularly on the north of the east coast main line, by as much as 7.3%. Do the Government have a view on the charges that this company is making, as

[LORD BEECHAM]

opposed to the rest of the rail system? Will the noble Lord kindly clarify when we can expect to see the most important improvement on the rail network—on the cross-Pennine route from Newcastle to the north-west?

Lord Ahmad of Wimbledon: That is part of the ongoing discussions, and the noble Lord will be aware of Transport for the North and its plans. It is right that as those plans take shape we are in discussions to ensure that the very routes that the noble Lord is talking about are prioritised in the right way. Regarding the charges made for the various services on the rail network, like everyone in your Lordships' House, we always look to the companies running them to ensure that they reflect the level and quality of service we want. As a regular user of train services, that point should be made to the operator of that particular line.

Lord Lexden (Con): Will my noble friend the Minister encourage my noble friend Lord Cormack to arrange an awayday visit for us all to historic Lincoln?

Lord Ahmad of Wimbledon: I am sure my noble friend has heard that loud and clear, and perhaps the ability to move your Lordships' Chamber for a day away is a challenge that my noble friend might well take up.

Lord Mackenzie of Framwellgate (Non-Afl): My Lords, is the Minister aware that, when I first came to this House 17 years ago, the franchise was held by GNER? I remember regularly dining for breakfast on Craster kippers from Northumbria. Could the Minister use his undoubted influence to bring that menu back?

Lord Ahmad of Wimbledon: I forever regard contributions from your Lordships' House as an education in history and in rail history in particular. I shall certainly take that back and suggest to my honourable friend the Rail Minister that he puts that on his to-do list.

Short-term Holiday Lets

Question

11.14 am

Asked by **Baroness Gardner of Parkes**

To ask Her Majesty's Government whether they intend to give powers to local authorities to prevent the further loss of long-term residential accommodation resulting from increases in short-term holiday lets.

Baroness Gardner of Parkes (Con): I beg leave to ask the Question in my name on the Order Paper and remind noble Lords that my interest is declared in the register.

Lord Young of Cookham (Con): My Lords, local planning authorities already have a range of ways to tackle any breaches of planning control, which should be used in a proportionate manner. Any enforcement action is discretionary and should be undertaken when the authority considers it to be expedient, having regard to any material considerations.

Baroness Gardner of Parkes: I thank the Minister for that Answer, but he does not seem to remember that last year we deregulated and took many powers away from local authorities, just at the time when New York and Paris were about to regulate. Right now, from all around the world—from Venice, Australia and Canada—we are hearing about a complete loss of long-term residential accommodation for those who want it. One country this week has announced in the press that it will not allow any of these short Airbnb-type holidays in blocks occupied by long-term residents. Does he not think there is a case to be made for that here?

Lord Young of Cookham: My noble friend should take some credit for the recent decision by Airbnb to stop homeowners letting properties for more than the 90 permitted days. Her tireless campaign in this House, supported by noble Lords on both sides, has led to that change of mind. It is greatly welcome and I hope that others in this market will follow suit.

On her question about problems in leasehold flats, quite extensive powers are already available. I shall quote briefly from a letter that I got. Like many other noble Lords, I am a leaseholder of a flat in London, which is not available for short-term letting. But one person in the block advertised their flat and, as a result, this is what all the leaseholders got:

"It has been brought to our attention that a leaseholder is currently subletting their flat on a short term basis via the website",

X. It goes on to say:

"The terms of the lease for",

X court,

"do not permit sub-lets for a period of less than six months and not without prior written consent from the Landlord. It is considered that this leaseholder is in breach of the terms of their lease. Furthermore, Westminster Council prohibit short term lets and can impose a fine of up to £20,000 to you for non-compliance. Please refrain from short-term letting your flat and arrange to have the advertisements removed immediately. Failure to do so could result in the local authority being notified and this matter being referred to solicitors for breach of your lease with further legal action being taken if the breach is not rectified".

That indicates that for many blocks of flats, the powers are already there to stop flats being let on this basis.

Lord Clark of Windermere (Lab): I am disappointed that the Minister has been so dismissive of the suggestion from the noble Baroness. This is happening not only in urban areas; in many rural areas such as national parks, including the Lake District National Park, and in certain villages, over 50%—sometimes over 70%—of local houses are now available only on holiday lets. We need to change this if we are going to keep a viable, living rural community.

Lord Young of Cookham: I respect what the noble Lord has said, and I hope that I was not complacent. Outside London, of course, the recent changes to which my noble friend referred do not apply; outside London, it has always been possible to let on a short-term basis for as long as you want without any control. It is in London that the 90-day limit applies.

I accept what the noble Lord says. We want to try to enable homeowners who are not using their properties—or, indeed, rooms in their properties—for a certain length

of time to let them on a short-term basis to those who want to move in. It helps the homeowner to increase their income and increases the range of accommodation available for tourists to this country. But I take on board the noble Lord's point and would like to reflect on it.

Baroness Pinnock (LD): Regarding Cornwall, will the Minister support the residents of St Ives who decided in a referendum, upheld by the High Court, that new homes would be solely for a person's main residence? Will he encourage other councils, such as those in the Lake District, to take similar action to ensure that local people can find and afford a new home?

Lord Young of Cookham: Again, that is a similar point to the one just made by the noble Lord. The Neighbourhood Planning Bill is on its way to your Lordships' House, and there will be an opportunity to consider amendments and discuss issues such as the ones that have been raised. I do understand the genuine concerns raised on all sides.

Lord Flight (Con): My Lords, is not the essence of the problem in London that local authorities are not using their powers? I understand that 61% of all the homes and apartments on Airbnb were listed as being available for more than 90 days. How can that be when 90 days is the limit? Clearly, local authorities are disregarding the breach of that rule.

Lord Young of Cookham: Of course, that particular abuse—if I can use that term—will be stopped next spring, when Airbnb apply the restriction to which I referred. It is also worth reminding my noble friend, and indeed my noble friend Lady Gardner, that it is possible for a local authority to remove the 90-day rule and apply for an exemption, either for particular properties or for residential properties situated in a specific area, if there is a "loss of amenity". If that is the case, the ability to short-let for up to 90 days does not apply.

The Lord Bishop of St Albans: My Lords, back in July the Minister kindly wrote to me to reassure me that the promised £60 million fund to enable rural and coastal communities to provide accommodation for local people was still on course, despite it having been delayed following the events in June. It is nearly 2017 and I do not think we have heard any more about that fund. Can the Minister assure your Lordships' House that the scheme is still on course? When will the money be made available for those communities suffering most from second-home ownership?

Lord Young of Cookham: I understand the concern that the right reverend Prelate has raised; may I write to him when I have further details about that? I hope to be able to give him the assurance that he has just sought.

Lord Kennedy of Southwark (Lab): First, I declare an interest as a councillor in the London Borough of Lewisham and as a vice-president of the Local Government Association. I welcome the announcement from Airbnb that it will ban people renting out properties

on its site for more than 90 days from next year. Notwithstanding the answer the Minister gave to the noble Baroness, Lady Gardner of Parkes, can he confirm that if anything comes to light whereby this company—or any other company or organisation involved in this process—is not fulfilling its obligation to ensure that landlords live up to theirs, and that they are offering proper assured shorthold tenancies for more than 90 days, the Government will work with the Mayor of London, London Councils, the Residential Landlords Association and others to see what can be done to strengthen the law and ensure that tenants get the protections they deserve?

Lord Young of Cookham: The Mayor of London has written on this specific subject, saying:

"I support the right of Londoners to be able to benefit from renting out their homes for short periods, to meet new people, earn a little extra money, and add to the residential offer for visitors. I want to encourage as many people as possible from around the world to visit London, and I welcome the fact that Airbnb and similar sites help make it cheaper and easier for people to do so".

So that is where the Mayor is coming from. I take on board the point that the noble Lord has just made about enforcement. You are in breach of the law if you let for more than 90 days in a calendar year, and local authorities have the relevant enforcement powers to deal with any breach.

Sexual Abuse: Harassment of Suspects

Question

11.22 am

Asked by **Lord Lexden**

To ask Her Majesty's Government, further to the answer by Baroness Williams of Trafford on 9 November concerning the report by Sir Richard Henriques into Operation Midland, what guidance they have given to police forces about measures to prevent the harassment by third parties of suspects under investigation in connection with claims of sexual abuse.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the protection of suspects experiencing harassment is an operational matter and one that forces should consider on a case-by-case basis. However, I can confirm that the College of Policing is currently developing general guidance on stalking and harassment and updating existing guidance on police relationships with the media.

Lord Lexden (Con): Do the Government share the widespread feelings of disappointment that the Metropolitan Police's response to the truly damning Henriques report has so far been—to use polite words—rather muted? In the aftermath of Operation Midland and other scandals, do we not need to be sure that certain misdeeds will never be repeated—for instance, that the BBC and the police will never again collude in the manner that they did in the case of the wholly innocent Sir Cliff Richard? Do we need a binding police code of conduct to which all those unfairly and falsely accused—indeed, everyone—can have ready access?

Baroness Williams of Trafford: I hope I can reassure my noble friend that the Metropolitan Police will be consulting on all the review's recommendations with the National Police Chiefs' Council, police and crime commissioners, the College of Policing, and the statutory and voluntary partners in the criminal justice system. In addition, police investigations into persons of public prominence and institutions are now nationally co-ordinated under Operation Hydrant.

Lord Morris of Aberavon (Lab): My Lords, is there not a short answer to this problem—for the police not to publish names of suspects before charging?

Baroness Williams of Trafford: My Lords, there is a general presumption of anonymity pre-charge but there are operational reasons why the police might wish to release names. I must say, however, in the context of this week, that if the legislation on pre-charge anonymity recommended in the review was in place today, it would have prevented the UK media reporting the claims that we have heard this week and last of some of those alleged victims where there had been no arrests.

Lord Paddick (LD): My Lords, does the Minister agree that pre-charge anonymity, and legislating for that, is one potential solution to the problem, but that pre-charge anonymity is a complex issue, with passionately held views on both sides, and that it cannot be adequately dealt with in an Answer to an Oral Question?

Baroness Williams of Trafford: I agree with the noble Lord in that we have debated this issue during the passage of the Policing and Crime Bill. We have had some very good debates on it and I understand that there are strong feelings on both sides. However, the point here is that we need to get the balance right. There should be a presumption of anonymity, but in cases where it may allow evidence to come forward or where new victims could feel comfortable in coming forward, it should be the police's operational decision to release names.

Lord Campbell-Savours (Lab): My Lords, is the Minister aware that in 2003, when there was a Division in this House on this very matter, the whole of the Conservative Benches voted in favour of not only pre-charge anonymity but anonymity post-trial in the event that someone was found innocent, and up to conviction in the event that they were found guilty? If that is the case, how can the Minister possibly sustain the position that the Government are now taking on the Bill going through Parliament?

Baroness Williams of Trafford: My Lords, very strong feelings on pre-charge anonymity have been expressed, and I have not in any way sought to dismiss them. The law has changed and we have moved on. However, in the light of some of the allegations of historical sexual abuse—and, as I say, in the light of some of the allegations made this week and last in connection with football—it is important in certain circumstances, bearing in mind that presumption of anonymity, for those names to be released.

Lord Rosser (Lab): We have already made clear from this Dispatch Box our position in respect of pre-charge anonymity in the debates we have had on the issue during the passage of the Policing and Crime Bill. We will continue that debate on Monday. I believe the Minister referred to guidelines being drawn up by the College of Policing. Does the Home Secretary intend to have any input at all into those guidelines? Will she see them before they are published, or is it her view that she has no role at all in relation to the content of those guidelines?

Baroness Williams of Trafford: I can tell the noble Lord that the College of Policing is developing the new authorised professional practice on media relations, which covers the release of suspects' names. It has consulted extensively on this. The existing guidance is clear that we expect forces to adhere to this. However, responses are being analysed. The APP is due for publication in the new year and the Government will reflect on it.

Lord Campbell-Savours: In so far as, in 2003, the Conservative Benches voted in the way they did, why do not Ministers arrange for a free vote on pre-charge anonymity on Monday, which is the lesser position?

Baroness Williams of Trafford: My Lords, as I say, over time views on this have changed, and views within parties have changed. The Labour Government had a clear view on pre-charge anonymity. I recognise that it is a very difficult issue. However, I stress that it is important to get the balance right between people's personal liberty and the need to bring people who might be guilty of perpetrating such crimes to justice.

Royal Navy: Frigates *Question*

11.29 am

Asked by Lord West of Spithead

To ask Her Majesty's Government, in the light of the publication of the National Shipbuilding Strategy, when they intend to replace the Type 23 Frigates.

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, eight Type 26 global combat ships will be built to replace the current eight anti-submarine warfare Type 23 frigates on a one-for-one basis. The build schedule for the Type 26 is being addressed as part of ongoing contractual negotiations. As announced in the SDSR, the general purpose Type 23 frigates will be replaced by a new class of lighter, flexible, exportable general purpose frigates. This project is in its pre-concept phase.

Lord West of Spithead (Lab): I thank the noble Earl for his Answer. He has told me on the Floor of this House on at least two occasions that a report on shipbuilding would come out this autumn which would lay down a steady drum beat of orders. Sir John

Parker's report has no financial basis—there is no detail there of a drum beat of orders—and now, as I understand it, the shipbuilding report will come out next spring. I know from my time in government that spring can be as late as July. Is it still our Government's intention to increase frigate numbers by the 2030s, which is not far away in shipbuilding terms, and how will they achieve that with regard to these general purpose frigates? How quickly will they need to be built to achieve that figure?

Earl Howe: My Lords, yes, it is the Government's intention to increase the size of the fleet through the general purpose frigate. We are talking now in the long term, but that is our intention. As the noble Lord is aware, we published Sir John Parker's report on 29 November. It contains 34 detailed recommendations, and it is not unreasonable that the Government should take a little while to give those recommendations due thought. Some of them are pretty adventurous, but all of them are designed to ensure that we can in the long term deliver growth to the fleet, which we all want.

Lord Robathan (Con): My Lords, the naval procurement budget, as well as the whole defence budget, has been entirely skewed by the purchase of these two magnificent QE-class carriers, which we look forward to coming into service. Will my noble friend agree that it is important that we learn the lessons of the profligacy of a decade ago with a long-term view, so that the defence budget is not in future skewed with the damaging effects that the noble Lord has just mentioned?

Earl Howe: I am not sure that I entirely agree with my noble friend that the defence budget has been unduly skewed. Of course we understand that the carriers are expensive ships, but they are also good investments. To balance the carriers there is the programme for the new Type 26 global combat ship, the Dreadnought and Astute-class submarines, offshore patrol vessels and, in the longer term, as I said, the lighter general purpose frigate. Therefore we can see a good balance of shipbuilding over the years ahead.

The Duke of Somerset (CB): My Lords, I declare an interest as a sponsor of the magnificent HMS "Somerset". With the replacements the Minister has mentioned, there will still be only 19 warships. Will he agree that with so few hulls remaining in the water, the greater should be the spread of capabilities of these replacements to be flexible in their employment? How will this be assured with the replacements—the Type 26 and the Type 31—particularly with reference to anti-surface capabilities?

Earl Howe: The great thing about the Type 31 concept is that it will be adaptable and flexible to meet any given type of requirement, and because of that it will also be exportable. This is where we will get into what we all hope will be a steady drum beat of shipbuilding, as mentioned by the noble Lord, Lord West. However, I should make it clear that no decisions have been taken about the precise number of general purpose warships. We believe that there will be at least five for the Royal Navy. This ship will be crucial to the UK's warship-building industry and will form an important part of the national shipbuilding strategy.

Baroness Jolly (LD): My Lords, Sir John Parker has called for disciplined governance processes in the design and specification of the new frigates. Will the Minister therefore tell the House why we should feel confident now, when there has been such a history of failure?

Earl Howe: My Lords, we will be replying to Sir John's report in due course. However, he has identified a renaissance in shipbuilding that is emerging in a range of regional companies where he has found an entrepreneurial attitude and an enthusiasm to embrace change. We should be encouraged by that. We need to bottom out those assumptions but we certainly respect the conclusions that Sir John has drawn.

Lord Touthig (Lab): My Lords, we welcome Sir John Parker's report on the national shipbuilding strategy, but does the Minister accept his concern about the existing government policy? He said that fewer, more expensive ships are ordered too late and old ships are retained in service well beyond their sell-by date at a high cost, and that this "vicious cycle"—his words—is depleting the Royal Navy at a great cost to the taxpayer. Sir John urged the speedy construction of new ships, saying that the Navy is being depleted at a rapid pace. In response to my noble friend Lord West of Spithead, the Minister said that the Government would respond next spring. However, in view of the comment that spring could be a little late next year, can he assure us that it will not be that late?

Earl Howe: I assure the noble Lord that it will not be that late. It is true that the procurement performance of the Ministry of Defence, which lagged for many years, has improved in recent years, as we know from the NAO reports and elsewhere. However, we also knew that surface ship procurement was problematic. That is precisely why we asked Sir John to undertake his work in the first instance, and he has given us some very encouraging pointers.

Lord Burnett (LD): My Lords—

Lord Tebbit (Con): My Lords, can my noble friend assure me that, in the event that the Argentinians were so foolish as to attempt another invasion of the Falkland Islands, we would currently have, and in future will have, the capacity to act in the way that we did on the last occasion that such an effort was made?

Earl Howe: The difference between now and 1982 is that we are more than sufficiently prepared for any such action by the Argentinians.

Gender-based Violence

Private Notice Question

11.36 am

Asked by **Baroness Burt of Solihull**

To ask Her Majesty's Government what action they are continuing to take to bring down the number of women who are victims of gender-based violence.

Baroness Burt of Solihull (LD): My Lords, I beg leave to ask a Question of which I have given private notice.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, in March this year we published a new *Ending Violence against Women and Girls* strategy, which sets out an ambitious programme of reform, supported by increased funding of £80 million, to make tackling these crimes everybody's business, to ensure that victims get the support they need and to bring more perpetrators to justice. We have also introduced a new domestic abuse offence, which captures coercive control, and we have introduced new measures to protect victims of stalking.

11.38 am

Baroness Burt of Solihull: I am very grateful to the Minister for that Answer. The Women's Aid and Nia femicide census, published yesterday, paints an extremely worrying picture. Seventy-six per cent of women killed by their ex-partner or ex-spouse were killed in the first year of separation. However, on top of that, today we hear that hundreds of police officers have abused their position of trust to sexually exploit vulnerable people. Can the Minister say what the Government are doing to protect and help women at dangerous and vulnerable times, particularly those who manage to leave abusive relationships to start a new life?

Baroness Williams of Trafford: The figures released today are absolutely stark. We welcome the work that Women's Aid has done on the femicide census, and we are committed to working in partnership with it to help improve the response to domestic homicides. Annual statistics on domestic homicide, with a breakdown by gender, are routinely published. The Office for National Statistics has today published aggregated data on domestic homicides over the last three years, broken down at a police force level. Information on women killed by men is also gathered by the Government through domestic homicide reviews, or DHRs, and we have used those data in a DHR lessons learned analysis, which we published yesterday. We have also published updated statutory guidance for DHRs. We will be providing additional funding to roll out further training for chairs of DHRs, and there will be a series of regional events to embed learning and share best practice.

The noble Baroness also asked about police abuse of authority for sexual gain, which is a very important point. It is another shocking finding. It is important to remember that HMIC findings relate to a very small number of police officers and staff, and the vast majority of over 200,000 police personnel are dedicated and passionate about protecting the public. In the new year, the College of Policing will be releasing updated guidance on police and media relationships. The college has also been asked to consider further the feasibility of developing a new supplementary addendum to the code of ethics. However, that is to take nothing away from the shocking findings of today.

Baroness Thornton (Lab): My Lords, the Minister has given us a lot of facts, but the truth is that domestic violence and the number of women and girls being murdered is increasing, so whatever it is that the Government are doing, it is not working. That is the problem. Today, 70 Labour MPs have written to the Prime Minister to demand that the Government

set a date to ratify the Istanbul convention. The reason why that is important is that all the warm words that we have heard from the Prime Minister, particularly when she was Home Secretary, have not actually led to a decrease in domestic violence. We believe that ratifying this convention and coming forward with a new plan of action that will reduce the level of domestic violence should be a priority, and a funded priority, for this Government.

Baroness Williams of Trafford: My Lords, I do not entirely concur with the noble Baroness. I concur with her on one point: yes, the level is increasing. However, what is very pleasing is that reporting is increasing. That is the very good news: women feel confident enough to come forward and report. As to what the Government are doing, I will start on her last point about the Istanbul convention. We are committed to ratifying the convention and we need to take extraterritorial jurisdiction over certain offences to be fully compliant. We will do so when parliamentary time allows. However, we are taking extraterritorial jurisdiction over certain things such as FGM and forced marriage. Therefore, we are already undertaking some of our obligations.

Before I talk more about what the Government are doing, I want to pay tribute to the noble Baroness, who has herself been very involved in this area, as was I in my role in the DCLG and now the Home Office. I was very pleased that, yesterday, stalking protection orders were announced and the national statement of expectation for domestic violence funding on a local level was released. As I said, we also published yesterday analysis about domestic homicide reviews and updated the statutory guidance to ensure that local areas can learn lessons. Last month, the DCLG announced the two-year innovation fund of £20 million to help local areas deal with domestic violence and the seamless journey of women through what is a horrific process. I am sorry that I have gone on a bit too long, but the Government have actually done a lot in this area.

Baroness Corston (Lab): My Lords, it is acknowledged that domestic violence is the primary route for women into the criminal justice system. The women's community centres have done a great deal of work in the past to assist those women in turning their lives around and escaping this cycle of domestic violence. Those centres are under threat because of the malign effects of the transforming rehabilitation programme, brought in during the last government. Will the Minister use the best offices in her own department and in the Ministry of Justice to ensure that those women's centres are put in a more secure financial position?

Baroness Williams of Trafford: I pay tribute to all the women's centres and women's groups, such as Women's Aid, and all those people who provide so much support to women whose voices otherwise just would not be heard and who would feel too frightened to come forward. I have outlined some of the funding that we are putting into tackling domestic violence, and I look forward to the fruits of that funding.

Baroness Buscombe (Con): My Lords, will my noble friend take on a practical solution here with regard to those women in religious-only marriages, who are so

often misled as to their legal status and therefore extremely vulnerable? Will she take up what has been suggested in the Casey review: that all marriages, regardless of faith, should be registered, so that the union is legally valid under British law and those women, at least, are more protected?

Baroness Williams of Trafford: My noble friend makes a very good point. Prior to the Casey review, as my noble friend knows, a sharia review is taking place. One of the worst things I have ever seen is a woman—several women, actually—who had escaped domestic violence from a marriage that was not recognised in law, had no leave to remain in this country and were powerless to do anything, so I fully take on my noble friend's point.

Baroness Hussein-Ece (LD): Does the Minister agree that domestic violence and abuse affect women from all backgrounds, all cultures and all faiths—although they overwhelmingly white, in this instance? Seventy-six per cent of the women who have been killed by their partner or ex-partner were killed in the first year. There seems to be a problem with reporting. The cases are being reported as isolated incidents when in fact there has been a pattern of behaviour from the time the woman has fled an abusive relationship, but this has not been logged and reported properly, so there has not been proper follow-up and prevention. Many of these murders could have been prevented, but were not. Please will she respond to that?

Baroness Williams of Trafford: I am very pleased to respond to the noble Baroness. Yes, domestic abuse is domestic abuse, and it is no respecter of class, religion or country. That is something that we are becoming increasingly aware of. In fact, some of the most silent victims are those in the middle classes, because it is not seen as a middle-class problem. I take on board everything that the noble Baroness said. We are trying to encourage an environment in which women can feel comfortable in coming forward and being able to escape the terrible situations that they are in.

Business of the House

Motion on Standing Orders

11.47 am

Moved by Baroness Evans of Bowes Park

That Standing Order 46 (*No two stages of a Bill to be taken on one day*) be dispensed with on Monday 12 December to enable the Small Charitable Donations and Childcare Payments Bill to be taken through its remaining stages that day.

Motion agreed.

Business of the House

Timing of Debates

11.47 am

Moved by Baroness Evans of Bowes Park

That the debate on the motion in the name of Lord Sterling of Plaistow set down for today shall be limited to three hours and that in the name of Lord Hodgson of Astley Abbots to two hours.

Lord Grocott (Lab): My Lords, this is not really a question to the Leader of the House; it is more an observation about business today and tomorrow. My Bill to end the system of by-elections for hereditary Peers is in Committee tomorrow. It had its Second Reading on 9 September and has sleepily made its way through the procedures of the House. Since 9 September, there were just five amendments tabled, one of which was from me. Coming in this morning expecting a quiet day at the office, I discovered that 59 amendments had been tabled overnight. I make no complaint about that—people use the procedures of the House as they wish to—but I thought it would be for the convenience of the House that I pointed out today that there are nine pages of these amendments for a one-page Bill, which I think is probably a world record. If anyone is thinking of contributing tomorrow, my pointing that out may be helpful, because you will need an hour and a half with a towel over your head to work out the 59 amendments, but we all look forward to getting a successful Committee on the Bill tomorrow.

Lord Campbell-Savours (Lab): My Lords, has the Leader of the House seen the very damaging publicity to the credibility of the House of Lords arising from the reporting in the national press of the existence of these 59 additional amendments? Is not the Leader of the House and her team rather worried about this? Would it not be wise if she were to prevail on those tabling the amendments to withdraw them to attempt to save the credibility of this institution?

The Lord Privy Seal (Baroness Evans of Bowes Park) (Con): My Lords, as the noble Lord graciously said, these amendments were tabled within the tabling deadline. I am afraid I do not have anything further that I can add, but I am sure there will be an interesting debate tomorrow during the course of the Bill.

Motion agreed.

Brexit: Armed Forces and Diplomatic Service

Motion to Take Note

11.50 am

Moved by Lord Sterling of Plaistow

That this House takes note of the impact of the withdrawal from the European Union on the United Kingdom's armed forces and diplomatic service.

Lord Sterling of Plaistow (Con): My Lords, all who join the armed services need to have total belief that they are the finest trained, equipped and motivated fighting force in the world when going to engage in combat. I hope this debate takes that into account. Today we use too many words that are euphemisms, such as “collateral damage” and so on. Padres in World War I, World War II and today see their role as to help people going into battle to handle the horror of war, and deal with death and injury.

On 21 November, the noble Lord, Lord Touhig, asked whether the Government were, “intending to review the Strategic Defence and Security Review in relation to maintaining the size of the army at 82,000 personnel and increasing the size of the Royal Navy and Royal Air Force”.

[LORD STERLING OF PLAISTOW]

My noble friend Lord Howe replied that,

“the Government have no plans to reopen the strategic defence and security review. The national security strategy established clear national security objectives and the SDSR set out a funded plan to achieve them, all based on a clear-eyed assessment of the risks and threats that we face. Our energy is now devoted to its delivery, including the desired size of each of the armed services”.—*[Official Report, 21/11/16; col. 1721.]*

Our foreign policy statement was finally developed in 2015. Surely today’s foreign policy should take account of the dramatic changes and increased dangers we face, together with the great opportunities in a fast-changing world. The military use a process called “Estimate”, which is a checklist for long-term planning. The key question in this list—question 4—is: “What has changed?”. In 2014, the Queen’s Speech stated the need to re-engage.

Following the referendum in June, the Prime Minister, Theresa May, outlined a vision of global Britain, in which the UK will play its,

“full part in promoting peace and prosperity around the world”.

It would,

“with our brilliant armed forces and intelligence services—protect our national interests, our national security, and the security of our allies”.

She added that the UK’s new relationship with the EU would,

“make us think about our role in the wider world”,

and give the country its “self-confidence” and freedom, “to look beyond the continent of Europe and to the economic and diplomatic opportunities of the wider world”.

A powerful economy, of course, is an absolute prerequisite to achieving long-term hard power. Our Chancellor, Philip Hammond, is determined to reach that goal.

Our Armed Forces and our excellent foreign service have been key institutions in the United Kingdom’s rich history. They will play a vital part in delivering our re-emphasised global role. The United Kingdom is still greatly respected worldwide and carries great weight through moral influence and, of course, our rich links with the Commonwealth. We must truly re-engage at all levels, with special emphasis on world trade, on which this country has led for hundreds of years.

Boris Johnson, the Foreign Secretary, said on 2 December 2016 that the UK would be a “protagonist” following its withdrawal from the EU,

“a global Britain running a truly ... foreign policy”.

In November 2016, in evidence to the Foreign Affairs Committee, chaired by Crispin Blunt, Sir Simon McDonald stated that the Government’s policy was:

“To defend and promote British interests around the world, which is what we have been doing since 1782”.

As a matter of interest, I happen to have charts from that period which clearly demonstrate how strong was our naval and military presence throughout the world.

In a letter to the committee on 21 July, Sir Simon had stated that his priority in the coming months would be to have the staff and capability to promote a global Britain post the referendum. He said:

“In future we will not be seen as a player on the wider international stage through Brussels. We will be acting on our own behalf, so Global Britain is a re-emphasis of what was there before”.

Sir Simon also told the committee that the entire annual FCO budget was only twice the sum spent every year on aid to Ethiopia alone. As a matter of interest, the FCO budget in 1977 was 0.5% of public expenditure; in 2016-17, the core budget is 0.3%, but in practice it will be lower.

As Boris Johnson told the committee, the UK would be,

“going out again to places where perhaps people haven’t seen so much of us in the past, and places where they thought we had forgotten about them”.

Sir Michael Fallon, our Defence Secretary, said on 4 October:

“We will step up, not away from, our global responsibilities”.

It is well known—I happened to be involved in both reviews—that the 2010 SDSR was a hard cost-cutting exercise from which our armed services are still recovering. Although SDSR 2015 should deliver a much better equipped force by 2025-30, in cash terms it is widely reported that the programme is not fully funded. The hollowing-out is still taking place throughout the MoD, together with the further efficiency savings which the MoD has been asked to achieve and has to achieve. To complete SDSR 15, some £2 billion must be found.

Figures and percentages are all very well but, clearly, committed cash flow is critical to the programme being met. If not, I am afraid that the MoD could fast become a JAM: just about managing—the new soundbite. I hope not dry bread. This programme will be fully effective only by 2030. That is three Parliaments away—three times the length of World War II. Do we really believe that we can control events?

Sir John Parker’s excellent but sobering *National Shipbuilding Strategy* refers to the new Type 31E frigate for the Royal Navy, to which the noble Lord, Lord West, referred in Questions. Without interference—I have built enough ships in my time—the design could be agreed within a year and British shipyards could plan to execute this excellent project in the very near future, but the moneys must be assured without any possibility of their being delayed or withheld.

A report that I commissioned some two years ago from the King’s College London Policy Institute on the economic benefits of hard power stated that sovereign procurement was of national benefit and not a burden. In other words, it should be regarded as a net value to the United Kingdom and not purely a cost.

Sovereign defence spending will have a galvanising effect on so many of our industries and universities, particularly leading-edge technology, including of course cyber. As a nation, we have a huge shortage of trained engineers. Their recruitment would have a dynamic effect on encouraging many, particularly women, to enter the field. Fast and positive decision-making on all fronts is key to morale in our Armed Forces. Our people deserve nothing less. It must be remembered that in addition to those serving, some 2.5 to 3 million people nationwide are involved through family, livelihoods and, most importantly, pride in our service men and women.

As a matter of interest, in August in the United States Gallup published an extensive study on the roots of Donald Trump’s support. One conclusion that received little attention was that Mr Trump drew

heavily from the support of veterans and their relatives. The study states that when Senator Jim Webb, who has a splendid military record, announced that he was switching from supporting Mrs Clinton and would not run as an independent, turning instead to support Donald Trump, many hundreds of thousands followed him. The military is, arguably, the most significant social institution in the United States. It is unquestionably likewise in our country. In my view, the big difference is that we do not allocate to it the same degree of financial support.

We need hard presence not words. Even one workhorse frigate which through its operational life may never fire one shell in anger is a deterrent. We live in a troubled and dangerous world. History records that dictators and democratic leaders of weak economies often seek power by getting involved in foreign exploits. Powerful conventional capability is itself a crucial deterrent. Without it, there must be an increased likelihood of a fall back to the use of chemical, biological or even nuclear warfare. I cannot help but think that some recent examples of tokenism in terms of hard power and diplomacy suggest weakness.

Stronger capability in our Armed Forces and an enhanced foreign service will undoubtedly carry serious political weight. During our negotiations in Europe it will clearly demonstrate our commitment to defend Europe via NATO and further cement our excellent relationships with the Pentagon and Washington. On 21 September 2016, Dr Julian Lewis, chairman of the House of Commons Defence Committee, wrote in a letter to the *Times*:

“The 1980s marked the last time this country faced a threatening Russia as well as a major terrorist campaign. From the start of the decade until the conclusion of the 1987 intermediate-range nuclear forces treaty, the UK invested between 4.3 per cent and 5.1 per cent of GDP on defence ... It is a measure of how low our expectations have fallen that we are supposed to celebrate just managing to meet the NATO minimum of 2 per cent in our most recent budgeting”.

Frankly, the NATO minimum of 2% is itself open to question.

A reappraisal of our aid programme could provide much of the needed money to reach the realistic figure of 3% GDP strongly advocated by the House of Commons Defence Committee and others with knowledge and authority. It goes without saying that we will always help those in crisis but charity starts at home. Finally, in five to 10 years' time, such a commitment will prove to have been the right judgment call both in defence and to support the nation's decision to reclaim its place in the world. I hope my noble friend the Minister will be kind enough to give consideration to these views, which I hope others speaking today may support. I beg to move.

12.02 pm

Lord West of Spithead (Lab): My Lords, we will all have seen the Prime Minister aboard HMS “Ocean” earlier this week in Bahrain. Did she know, as she spoke to the assembled ship's company about the Navy and the importance of its global role post-Brexit, that that ship will be paid off in 2018, after a recent £65 million refit, with nothing to replace her? It is yet another cut to our perilously reduced fleet.

We inhabit a dangerous world in which illiberal power is growing and liberal power declining. It is a world made dangerous by Europe's retreat from power and its wilful refusal to invest in power. The Brexit decision compounds the problems relating to the UK's defence and security. The dramatic rise in numbers of migrants either fleeing war and persecution or economic hardship is a stark reflection of all these pressures. In addition, we cannot be sure how much longer the United States will remain the ultimate guarantor of a rules-based international system. Russia is a particular concern, after events in the Crimea and Ukraine, cyberattacks across Europe and threats to the Baltic states. What is it doing? President Putin is a revisionist. He believes in areas of control and he understands and respects power.

In this highly dangerous world, we also have responsibilities for our 14 dependencies and for global shipping run from London. Post-Brexit, we will have to enforce our sea borders and exclusive economic zone much more fully than in the past. We have five Border Force vessels for about 8,000 miles of coastline. To give an example, the Netherlands has 16 for 280 miles of coastline. Perhaps we have got it wrong.

Faced with these global challenges, what are the Government doing? SDSR 2010 cut our military capability by 30%, as has been mentioned, and it has not recovered from that. It is no use pretending otherwise. There is not enough money in the defence budget. In particular, the Navy has too few ships and men, and is having to make incoherent cuts to keep within its budget; for example, paying off “Diligence” and “Ocean” and not having any surface-to-surface missiles. Far from increasing in numbers, as was stated by both the Prime Minister and the Defence Secretary in 2015—they said it would increase in numbers by 2035—the Navy is actually shrinking. I fear the Royal Navy is not capable of doing what our nation expects it to do.

We have only 19 escorts, which is a national disgrace, as I have said before. Two of these are tied up alongside because of lack of manpower due to the cuts made by the coalition in 2010. Of the 17 remaining ships, five destroyers have major intercooler problems and there is no rapid programme fixed for exactly when they will be repaired. The reality is that we have 12 escorts fully capable of operations, of which at least one will be in major repair. These 12 are Type 23 frigates. The oldest is 25 years old and the youngest 14; the ships were designed for an 18-year life. The Ministry of Defence has yet to explain how it will replace these ships, which are due to leave service at the rate of one per year from 2023 onwards, let alone increase the total number of escorts by the 2030s, which the noble Earl kindly confirmed is the Government's aim.

Our forces are underfunded. There is no new money—it is, in theory, being produced by efficiencies. These efficiencies are impacting on the lives of our sailors, soldiers and airmen. I was given a recent example of an Army football team which could not go to a match because there was no bus because of the efficiency measures. This is unacceptable for a nation such as ours.

The Royal Navy has ensured the survival and wealth of our nation over several hundred years. We need to wake up to the fact that successive cuts have gone too far. No matter how stalwart the people—and, my

[LORD WEST OF SPITHEAD]

goodness me, they are stalwart—or their professionalism, and we have the most professional forces in the world, without sufficient ships, it is as nothing. We are taking risk upon risk and suddenly, quite unexpectedly—because that is what happens in this chaotic and nasty world—it may affect our nation's survival.

12.07 pm

Baroness Smith of Newnham (LD): My Lords, I welcome the debate introduced by the noble Lord, Lord Sterling. It is timely and important and follows a whole series of debates about the implications of Brexit for the United Kingdom. Over the past weeks and months, we have spent many hours talking about the economic implications of the decision to leave the European Union. Last week, the noble Lord, Lord Ricketts, in his maiden speech, pointed out that we need to think about bilateral relations and security relations. The noble Lord, Lord Liddle, pointed out that the economics were important because without the right economic foundations, we will not have the economy that will enable us to have security and a global reach.

It is important that we think about what the global role of the United Kingdom will be in the event of Brexit and what impact that will have on our Armed Forces. We have heard from the noble Lord, Lord West, that there is already a major issue for the Navy, but there are wider issues for security and, as the noble Lord, Lord Sterling, pointed out, for our Diplomatic Service.

One thing that is absolutely clear about leaving the European Union is that the security aspects of our relationship with the European Union will become no less important. The security questions for our European NATO allies in Poland and the Baltic states are already profound. The United Kingdom's decision to leave the European Union has given Russia the sense that perhaps a little exploration in Europe could be of interest. What role do Her Majesty's Government envisage for the United Kingdom as part of the European security jigsaw once we have left the European Union?

There are clearly suggestions that we could still play a part alongside the common security and defence policy of the European Union by doing as Norway does, which is simply to follow what the other European states are doing. But surely nobody on either side of the Brexit debate intended that the United Kingdom should model itself on Norway—that we should simply follow what the European Union's security and defence policy does and not have a seat at the table. Can the Minister say whether the Government are planning to discuss with the European Heads of State and Government the possibility of rather closer defence and security relations with the European 27 when we leave the European Union? It would not be a deal like Norway's but a bespoke deal that really speaks to the global role that the United Kingdom seeks to play, and the important military role that it has already played in the European Union.

Moving forward from the general European level of multilateralism, what bilateral relations are the Government thinking about? We have clearly had

strong relations with France over defence in the last 10 to 15 years, which clearly fits with our two countries having similar aspirations to play a global military role—a role that none of the other EU member states seriously aspires to play. In the event of the UK leaving the European Union, do the Government envisage strengthening defence relations with France? Do they intend to strengthen defence relations with the Netherlands or other member states? Do they envisage our working closely with the United States in NATO, or do we need to say that when Trump takes office the United States will be rather less committed to NATO and the United Kingdom therefore needs to play an even greater role and have closer co-operation with our European partners and allies?

Finally, on diplomatic relations, bilateral relations within the European Union are vital—something the previous Prime Minister, David Cameron, perhaps failed to understand, to his cost and ours. But when we leave the European Union, strengthening bilateral relations with the 27 member states will surely become even more important, because we will have to rebuild the sort of embassies that we have with third countries. We will no longer have the day-to-day contact that our civil servants and Ministers have had by virtue of membership of the European Union. Can the Minister tell us what provision Her Majesty's Government will make to strengthen the Foreign and Commonwealth Office in the run-up to leaving the European Union, and when we leave? More money is vital if we are to play the global role to which we all seem to aspire.

12.12 pm

Lord Craig of Radley (CB): My Lords, I too commend the noble Lord, Lord Sterling, for instigating this debate and for the way in which he introduced it. There are two impacts, as he has termed them, to consider. First, how should the UK's Armed Forces relate to their opposite numbers in the European nations? Secondly, what needs to be done to further our military-to-military relations in the wider world?

Thanks to the many years that we have trained and worked together, both through NATO and the large variety of bilateral contacts with European forces, there is a solid professional foundation to the relationship to sustain and build on. Brexit is largely a political, economic and diplomatic animal. On the last of these, there are many highly experienced individuals in your Lordships' House speaking today, so I shall not go there. Following our withdrawal from the EU, every effort should be made to continue our multilateral and bilateral military relations with our European neighbours. This can be an ongoing process, with exchange visits and exercises at all levels co-operatively sustaining those contacts. Combative occasions may arise, but I think they may be largely confined to the golf course.

Turning to the future beyond Brexit, there is a need to continue and strengthen our wider global contacts, particularly with Commonwealth and other political friends and trading partners. These activities might include more involvement in the five-power defence arrangement, which would be well received, particularly in Australia and New Zealand. The recent highly commendable and successful deployment of RAF

Typhoons to the Far East and the first ever engagement in air exercises with the Japanese are indicative of what can be done already. When the carrier “Queen Elizabeth” is operational, the opportunity for the Royal Navy to deploy a task force, maybe with the RAF embarked, for training and exercise in the Far East should again be seized. The soft power contribution of the Red Arrows, who have just returned from displays in China and the Gulf, is a further demonstration of highly flexible and positive military contributions in the global arena. Such gestures and engagements will be helpful to building and sustaining new political and trading agreements.

Before getting carried away by such thoughts and plans, however, there is a serious problem: the deficit in the numbers of ships, aircraft and personnel in all three services to sustain such global presence over a continuous period, even in the small-scale numbers that have been used in recent months. The ongoing operational commitments for the RAF’s half dozen or so front-line fighter squadrons are highly demanding, not just on airframes but on the air crews and ground crews who fly and service them. The 24/7 immediate air defence in the UK, the Falklands and Cyprus, offensive operations in Iraq and deployments for NATO in the Baltic and, soon, Romania all require combat-ready aircrew and ground personnel.

Inevitably, thought is being given to how to speed training and shorten the time taken for combat preparation of new air crew, which is essential to help ease the pressures on those who have already been in operational mode for months and years. Fortunately, these missions have enjoyed almost complete air superiority, with little risk of combat loss, but any unfortunate accident, a loss of air crew due to a terror attack on a mess or even a serious hangar fire could cause a significant percentage loss in airframes and/or crew availability to undertake the variety and current tempo of activities. The forces are stretched, with the attendant risk of a sudden serious loss in the Armed Forces’ operational capability.

Further expansion in front-line numbers—and, as has already been said, such arguments apply to fighting ships as well as aircraft—is becoming more rather than less necessary as we move to the post-Brexit scenario. I also remain concerned about other areas of overstretch and overcommitment being faced by the Armed Forces. In the time available, let me highlight just one of a number: Reaper crews operating remotely piloted aircraft systems have the task of being legalised assassins operating far from the scene and commute from home daily to undertake their work. Little experience is yet available of how this type of commitment over an extended period will affect those involved, but they are so few in number that replacements to allow stand-down and recuperation periods are virtually non-existent. I hope the Minister can reassure the House that these individuals have combat or legal immunity in their work.

12.18 pm

Lord Hunt of Wirral (Con): My Lords, I thank my noble friend Lord Sterling of Plaistow for introducing this important debate. I agree that the most fundamental function of government is to protect the security of

the realm. Post-war, the United Kingdom was first to the table when Harry Truman promulgated the North Atlantic Treaty, but we were all too slow in signing up to the development of the European political movement.

There is little point in lamenting the lost opportunities of history, especially when the challenges of the future are so severe. The post-war settlement is now unravelling. The referendum result, the disobliging comments about NATO from President-elect Trump and the rise of far-right populism in Europe all make that abundantly clear. If NATO and the EU are now in danger of crumbling away, we need an urgent rethink of our domestic policies and priorities. I am conscious of the considerable burden of responsibility that our Armed Forces place on us to safeguard their interest. I want to focus on three points.

First, there is a great deal of misleading information available about our defence capability which could make us complacent. I have studied our own Library Note for this debate, and was surprised to read the summary of current equipment on page 2. I fear it is fanciful in the extreme to claim that maritime forces could generate 76 surface vessels, that land has 31 regular and 14 reserve battalions and that air has 724 fixed-wing and 372 rotary-wing aircraft. Would that it were true.

My second point is that conventional, or non-nuclear, forces act as a considerable deterrent in the current world. We would be foolish in the extreme to suppose that potential aggressors do not monitor our military naval and air strength very closely indeed looking for signs of weakness. This conventional deterrence is delivered in many ways, more often than not by the presence of a company of infantry, a section of Tornados or a frigate quietly patrolling an area of perceived tension. We have a clear, unequivocal responsibility to ensure that these forces are suitably equipped, armed and supported to be able to carry out these tasks and to react with appropriate force if threatened. We also have to have enough of them. I certainly did not enjoy seeing those pictures of HMS “Ocean” taking over from the US navy carrier in theatre with a solitary helicopter.

Thirdly, we must not take the relative silence of our Armed Forces as acquiescence in inadequate support. In this modern age of instant communication, I marvel at how the young men and women in the services and their families maintain their dignity and composure in the face of significant provocation. They do not react, because they place their faith in us to make their case, and we have an obligation to do just that. I was therefore delighted to see that moves are now under way to remove the dreadful pursuit of unwarranted claims against service personnel by unscrupulous claims firms.

My contacts tell me that there is considerable concern in the services about fighting capability and our willingness to invest in enough of it to keep them safe and in a position to respond to the demands that government makes of them. We must not forget that. We need to dig below the oft-quoted headline figures for investment in defence and to ensure that operational capability is maintained, particularly in ammunition and missiles for all three services. Nothing corrodes morale more quickly than a failure to invest in real fighting capability.

[LORD HUNT OF WIRRAL]

It must not be hollowed out, and it must be capable of living up to the strong reputation that our service men and women continue to earn and deserve from the rest of the world. Having expressed those fears, I feel confident that, in his closing remarks, my noble friend will put my mind to rest.

12.23 pm

Lord Robertson of Port Ellen (Lab): My Lords, I too congratulate the noble Lord, Lord Sterling, on getting this debate today, only two days after an almost historic statement by NATO Foreign Ministers in Brussels on relations between NATO and the EU. In the statement, they said they would,

“strengthen our strategic partnership in concrete areas”.

That builds very much on the Saint-Malo declaration of 1998, which I played a part in, and on the Berlin-plus arrangements. That unique set of arrangements, although at the moment being adhered to in spirit rather than in the letter because of Cyprus, allows the European Union to use NATO assets—that is, American assets—when NATO does not wish to be involved.

The Statement this week is of considerable importance. I ask the Minister to explain why, last night, it was still not yet on the Foreign Office website. I got a copy of it from a retired American admiral who had spotted it on the NATO website but, given its significance, and given that the Foreign Secretary was there—when he was not going around insulting other countries—one might have thought some attention would have been paid to it. It is good stuff. It is concrete, sensible and practical. I believe it will reinforce the ability of the Europeans to do more, as indeed they should.

That brings us back to the question posed by the Motion of the noble Lord, Lord Sterling: will our leaving the EU affect our Armed Forces and our Diplomatic Service? My opinion is firmly this: it will certainly affect our Armed Forces and Diplomatic Service, and not for the better. Our leaving will damage the UK and its reputation and influence; it will damage the EU and its partnership with NATO in tackling the myriad problems, challenges and perils that face us in the world today; and by opting out as a key player in the EU side of that partnership, which was reformed this week, leaving will weaken NATO at a time when, historically, the alliance has never been more needed. I remind noble Lords of the letter to the *Times* during the referendum debate from five previous Secretaries-General of NATO, of which the final paragraph reads:

“While the decision is one for the British people, Brexit would undoubtedly lead to a loss of British influence, undermine NATO and give succour to the West’s enemies just when we need to stand shoulder to shoulder across the Euro-Atlantic community against common threats, including on our doorstep”.

People should listen carefully to these words of warning from Carrington, Solana, De Hoop Scheffer, Rasmussen and myself.

The fact is that as a non-EU NATO member we will be in a small party. That role is recognised in this week’s Statement. I can tell noble Lords, from my own experience forged in the flames of the early part of this century, that Britain being in the group of nations that consists of Norway, Iceland, Canada and Turkey clearly unbalances that equality of purpose that existed with

Britain in both organisations. In the event that the EU has to act in its own interests and in its own area, and the United States does not want to be involved—you can bet your life now that that will be a frequent occurrence—Europe will need the UK and its Armed Forces. An endeavour in which the EU was involved, and that British forces did not form part of, would be a very limited one. But here is the rub: who will decide what is necessary? Who will set out the political objectives? Who will lead any military force? Who, if anyone, will determine an exit strategy for any operation? Since we will not be full members of the EU, what say can we really expect on these critical issues? The fact that there is no answer to that question at the moment should give us all serious concern.

It is a tragedy that, just as the problems we face—migration, terrorism, a resurgent Russia, pandemics, proliferation and much else—have gone global, the politics have gone local and far too parochial for the safety of our people.

12.29 pm

Lord Ashdown of Norton-sub-Hamdon (LD): My Lords, it is a privilege and a pleasure to follow the noble Lord, Lord Robertson. I look back with great affection and gratitude at the work that we did together and the way he helped me when he was Secretary-General of NATO and I was the high representative in Bosnia and Herzegovina.

One thing seems crystal clear: having taken the decision to Brexit, Britain is now much more alone and our defence choices are far starker than they were in the hours before President Trump was elected one month and one week ago. Before, during the Brexit debate, we argued that we did not need the European Union because we had NATO, but we will now have an isolationist American President who has made it perfectly clear in his speeches that he does not much believe in NATO and would not even mind seeing it unstitched.

I have a suspicion that in the next few weeks words will be dragged out of Mr Trump’s mouth, saying he did not really mean that and that he does believe in NATO, but NATO and alliances do not depend as much on words as they do on will. No one can doubt that the will of an isolationist American President who admires President Putin will not be the same as the will we have experienced before from our partners across the Atlantic by any measure. The reliance we have placed on NATO in its present form has to be weaker than it was before.

We are left with two very stark choices: either we find a means to work with our European partners to integrate as far as we can; alternatively we will have to be more dependent on the United States, led by a President in favour of isolationism. The effect of his election, and that decision, and the effect of Brexit, taken to improve our independence, has, on the contrary, made us more dependent on the United States. Is that what we really want? Do we believe that that is right?

There is a way round this, of course. The Government can declare that while we will follow through with the Brexit decision and withdraw from political and economic co-operation in Europe, we will nevertheless deepen

our integration on defence. If the Minister says that, I will feel comforted, but I do not believe for a moment that that is a spirit of the Government or that they will say that. In that case, we will be increasingly dependent on America led by an isolationist President, whose relationship with Britain might well be judged from the fact that he now believes he can appoint our ambassador in Washington. That does not seem to be any other than a relationship that in its end will turn out to be one of subservience, if not something worse, for our country. I do not believe that that is the right way to go, and I do not believe anyone else can either.

Let me widen the debate a little to a second issue which now confronts us, which depends on us having friends and contacts. Here is a little bit of history. When the Wright brothers turned up in London and sought to sell to the Admiralty their new invention—the design for their aeroplane—the Admiralty was somewhat shocked and perplexed and had an inquiry. The inquiry went on far too long—it took two years—and on 7 March 1907, the First Lord of the Admiralty wrote to the Wright brothers, saying,

“I have consulted my expert advisers with regard to your suggestion as to the employment of aeroplanes, and I regret to have to tell you, after the careful consideration of my Board, that the Admiralty ... are of the opinion that they would not be of any practical use to the Naval Service”.

That was a mistake and we soon recognised it. But we then made a second mistake, which was that we believed that these were add-ons that we could put on to the Army and the Navy.

Lord West of Spithead: My Lords—

Lord Ashdown of Norton-sub-Hamdon: The time is limited. I know that the noble Lord wants to defend the Admiralty.

We discovered during the Second World War that they were not add-ons but an entire new theatre of war—not only a theatre of war but the vital ground in winning a war. In the first 3,000 years, the winner was who won on the land; for the next 100 years from Trafalgar, the winner was who won on the sea; since Guernica to the present day, who wins in the air wins the war. Now I believe that he who wins in cyberspace wins.

We have to recognise that this is not just an add-on; it is not just a gadget. We have to recognise it as the new theatre of war. Unless we do, dedicate a service to that and commit resources to it we will not be able to succeed where we need to in any future conflict. Unless we look at it in that synoptic fashion, in that same way that we understood about air, then I fear that if our Armed Forces are weak in that arm, however strong they are in all other arms, we will find ourselves crucially weakened. The whole point about winning in cyberspace is that we have to have a policy that crosses borders, links up with others, and which cannot be conducted in isolation because our enemy is now inside the gates as well as outside. That means that if you deliberately remove yourself from a framework for active co-operation with your neighbours and with those who share your interests, you are bound to diminish and weaken your own nation's defence. The

consequence of Brexit, by removing that possibility with our European partners, and with a NATO now weakened by an isolationist US President, cannot other than mean that the long-term defence of this country will be weakened. The measure of the modern age is that what you do is less important than what you can do with others, and we have just deliberately decided that what we can do with others is less than it was previously—and for that I fear we shall pay a very heavy price.

12.35 pm

The Earl of Cork and Orrery (CB) (Maiden Speech): My Lords, it is a great privilege to follow the noble Lord, Lord Ashdown, who I remember as a young Royal Marine officer in the Far East very many years ago. Equally very many years ago, as youngsters leaving primary school, a kindly headmaster gathered us together and made the point that, although we had reached the top of our first school, our destiny was to start again at the bottom next term and, having worked our way to the top again, to leave, and recommence at the bottom. “In fact”, he said, “that will be your destiny throughout your life”. In joining your Lordships' House, I feel like that small boy, with the principal difference that, instead of the usual treatment meted out to new boys at secondary schools, I was greeted here with the utmost warmth and kindness. There were only a few frightening adults, and I could find no obvious sneaks and bullies, despite Black Rod's warnings—only myriad corridors and staircases, guaranteed to leave you feeling very foolish when trying to find someone or something. My sincere and grateful thanks are due to all of those who have assisted me in this fascinating learning process, from doorkeepers and House staff to mentors and colleagues. No names, as they say, and no pack drill, but thank you all.

The long and winding road to these hallowed portals has taken me via 15 years in the Royal Navy, 10 of which were in submarines, where I came across the Special Boat Service, including command during the Cold War of the 1970s. This was followed by 30 years in the City in a global trade house, where I spent many years as a member of the Baltic Exchange. I followed that with a period of cathedral custodianship, which is not a bad precursor to coming to this place, in many ways.

I wish to concentrate today on a relatively narrow aspect of the effects of leaving the European Union—the effect on our coastal and border defences. The new UK economic exclusion zone, or 200-mile limit, did not even exist as such in 1973, when we joined the EEC. It will consist of some 770,000 square kilometres of sea when we leave the EU, and many nations will cast covetous eyes on our riches, both fishy and oily. At the same time, we are faced with myriad considerations in defence of the border, many of which will be exacerbated by our newly independent status. We have to contend not only with serious organised crime, including drug-, people- and firearms-smuggling, but also with modern slavery, terrorism, immigration and, last but not least, fisheries protection and anti-poaching activities. There is a very large Spanish fishing fleet that will be very discomforted by the lack of access—in theory at least—to our parts of the north Atlantic.

[THE EARL OF CORK AND ORRERY]

The Government's aim is to secure our borders while still allowing legitimate trade to continue unhindered. This is, of course, an admirable objective, but we do need better funded and co-ordinated command and control facilities. Our border is a unique point of intervention and a critical line of defence, where the UK can, and does, identify and disrupt threats to our security. Brexit will throw our existing facilities and organisation into stark relief, and we need to be prepared for it. Without close and continuing liaison with our closest maritime collaborators and neighbours—Spain, France and the Netherlands—we will struggle to remain masters of our space, so we must maintain this at least as a part of our divorce settlement with the EU.

The National Maritime Information Centre, or NMIC, formed at Northwood in 2010, I believe under the aegis of the noble Lord, Lord West, is an essential tool in the garnering of information, but it is neither funded nor equipped to act as the national command and control centre for the maritime assets committed to border defence, which we urgently need. This funding, which would normally come from Home Office resources, is badly needed—I know this is another rant on the subject of funding our forces—and could transform the capabilities of NMIC. Of the many force elements which go make up NMIC, some are volunteer charities, such as the RNLi, but the majority could contribute, in addition to the Home Office.

The asset base that we have for dealing with all this is minimal and will require reinforcement if we are to be successful in defending our borders against such threats. We currently have a situation where the Border Force has three coastal cutters operating on our 11,000-mile coastline. It owns two more but budget constraints mean that it cannot operate them, so they have been lent temporarily to DfID and are currently in the Mediterranean in support of the refugee effort. The Border Force has also ordered eight high-end RIBs for coastal and riverine patrolling. However, the same constraints will allow it to take delivery of only four of them at this time. It does not currently own or operate any aircraft in a maritime patrol role—partially because of the aforementioned budgetary constraints—although the RAF is eventually due to receive nine new Poseidon long-range maritime patrol aircraft.

The Royal Navy has four larger offshore patrol vessels, suitable for fishery protection in the north Atlantic, although one is permanently stationed in the Falkland Islands, which leaves us with three. The new series of OPVs—called the Batch 2 River class—are under construction and five have been ordered. The fate of the first four, once the new vessels come into service, depends on who you ask, but the 2015 SDSR implies that they may be offered to the Border Force.

The Royal Navy also has a total of 15 mine countermeasures vessels, all of them minehunters. Most of these, as your Lordships are aware, are deployed either in the Clyde—which has seven—to protect the deterrent, or in the Iranian Gulf, which has four. That leaves four, which is clearly inadequate to protect our harbours from mine attack, let alone to assist in the defence of our inshore waters, which has historically been one of the primary roles of MCMVs.

The main objection to providing more assets for the defence of our border, apart from finance, appears to be that we cannot man more vessels, given present low rates of recruitment and retention. However, one asset that seems to be largely overlooked is the Royal Naval Reserve. This force has been allowed to wither on the vine, in contrast to the Army Reserve. Currently, the target is to have 3,000 members of the Royal Naval Reserve. In 1993, the RNR's squadron of 12 MCMVs was disbanded and sold to foreign buyers. This squadron, based in 11 separate operating bases around our coasts, provided an excellent focal point for volunteer mariners to train and develop their skills and produced some superb seamen. The vessels were used for a multitude of tasks, which included coastal patrolling and defence. Instead of selling or scrapping the four Batch 1 River class OPVs when the Batch 2 vessels become available, why not transfer them to a revitalised Royal Naval Reserve, which could provide much needed back-up to the Border Force, and provide the Royal Navy with a ready source of trained personnel to supplement its very stretched manpower resources? The appeal of joining the current RNR and being trained to act, at most, as an armed guard on board an RN ship is low, but give them their own vessels and the chance to develop as a team and watch recruitment take off, especially among those trained by the RN but leaving for other reasons.

12.43 pm

Lord Ramsbotham (CB): My Lords, there has been some criticism of some recent appointments to the House, but having just had the pleasure of hearing his maiden speech, no one can be in any doubt of the qualities and qualifications—including a sense of humour—that my noble friend Lord Cork and Orrery brings to our business. In true tri-service spirit, as a soldier I am delighted to welcome another ex-serviceman to these Benches, noting that in choosing a naval career he was following a most distinguished family line. What makes his choice of today's debate to make his maiden speech most appropriate is his particular knowledge of commercial shipping. The noble Lord, Lord West of Spithead, never misses an opportunity to raise the fragility of the Navy's small ship strength but, in the context of controlling our own borders, my noble friend speaks with authority on equally concerning fragilities, namely the numbers of fishing protection and Border Force resources. On behalf of the House, I welcome my noble friend, congratulate him on his excellent maiden speech and assure him that we all look forward to many further contributions from him in the future.

I join others in thanking the noble Lord, Lord Sterling, for obtaining this important debate. I noted his emphasis on global aspects in his excellent introduction. I propose to concentrate on the Armed Forces in a reflective as much as a looking-forward mode, as other speakers have concentrated on that. I could not help reflecting that in 1989 our contribution to the defence of Europe was based on the army of 55,000 that we were required to maintain in Germany under the terms of the 1956 Brussels treaty. The end of the Cold War saw the collapse of the Warsaw Pact, the war-fighting organisation of the Soviet Union. However, it did not

see the end of NATO, although at the time I well remember many people suggesting that NATO should go too because, as the war-fighting organisation of the West, it was the one organisation that Russia could not join, and if we were going to welcome Russia into the family of European nations it was essential that it was able to join all the organisations connected with it. Warsaw Pact countries were given the opportunity to join NATO and, indeed, many of them have.

The end of the Cold War saw an uneasy situation in which, initially, I well remember people suggesting that the United Nations should take a lead. Indeed, thinking back to the intervention in former Yugoslavia, the OSCE led on that. I well remember the noble Lord, Lord Carrington, being its distinguished envoy. The OSCE, as a Chapter VIII organisation under the United Nations charter, is equivalent to the OAS and the OAU. As far as European defence was concerned, its main benefit was that it included the United States. Some wished that NATO might have gone, to enable Russia to join more closely in European defence, but others felt that America's presence was an absolutely crucial reason why NATO should remain. In fact NATO was unnecessary because, in OSCE terms, America was already involved, but of course, as we all know, the United Nations is not really a capable organisation for defending Europe, not least because of the presence of Russia on the Security Council. I well remember being a member of a committee formed by Kofi Annan, then the Under-Secretary-General for Peacekeeping, which tried to strengthen the military committee in the United Nations and make it more like what the founding fathers of the United Nations had envisaged—in other words, being the co-ordinating organisation for the use of armed force throughout the world.

My worry about the present situation was touched on by my noble and gallant friend Lord Craig. We have very strong defence relationships with individual countries in Europe but, when you look at what is actually going on to co-ordinate everything, you see that it is co-ordinated currently by NATO, not Europe. A number of noble Lords have already commented on the uncertainty facing NATO's future after Mr Trump becomes President. Echoing what others have said, I hope that, whatever happens with Brexit, nothing is done to destroy that very close relationship which has been established with other European countries, because we are a European country and the defence of Europe includes us. We must do nothing to risk being excluded from the planning that is an essential part of that defence. If we do so, the impact will be even worse than anyone imagines at the moment.

12.50 pm

Lord Hamilton of Epsom (Con): My Lords, I too congratulate the noble Earl, Lord Cork and Orrery, on his maiden speech. He complains that this place is very difficult to find one's way around, being something of a rabbit warren. I have very bad news for him: they are going to spend billions of pounds revamping the whole place, but as far as I can gather, it will still be a rabbit warren when we all get back. I do not think that that will include me. I am grateful that, as all rumours have it, we will move to the Westminster conference

centre. Maybe it will be rather easier to find one's way around there. We very much look forward to the noble Earl's future contributions on defence debates and the expertise that he brings to them.

I congratulate my noble friend Lord Sterling on giving us the opportunity to discuss these important issues. We have just had the presidential elections in America, and there are many similar issues of populism involved in both that vote and the Brexit vote in the United Kingdom. My noble friend Lord Hunt of Wirral has already referred to the sweep of populism, which may not be confined to the Anglosphere and which looks as though it could well spread across Europe as well, where a number of elections are being held: a general election may be held in Italy next year, the Dutch will have one in March, the French in April, and of course the Germans in November. Is there not quite a large possibility that one of those elections will produce a populist leader, who may well decide to hold votes on whether their country should remain in the EU? By the time we reach November next year, the EU may be completely unrecognisable from the EU it is today, which puts the question of our negotiations in a rather more interesting light.

Let us look at the promises that President-elect Trump made during his campaign. Some of them struck most of us as being somewhat over the top. However, a very easy one he can fulfil is the question of the defence of Europe. By "easy" I mean that he is pushing at an open door when it comes to Congress—the Senate and the House of Representatives—if he suggests that the Europeans should play a much bigger role in defending their own borders. When the NATO Parliamentary Assembly was in Istanbul, we were addressed by Jens Stoltenberg, the Secretary-General of NATO. It is interesting that he pointed out to us that once the United Kingdom is outside the EU, 80% of NATO expenditure will come from countries outside the EU and 20% from those inside the EU. Therefore when the noble Lord, Lord Ashdown, goes on about European defence and how important it is, it is 20% of NATO's expenditure.

What form does European defence take? It means the French and the Germans getting together—naturally, because they are the only two members spending serious money on defence—but do they have similar political objectives? As we know, it is no good getting together as a defence unit unless your political will is aligned as well. The Germans will be keen on confronting Russia—it is the old enemy—but the French are less keen on that. The French are keen on expeditionary forces and taking on ISIL, and they are playing a big role in Mali as we speak. But are the Germans keen on doing that? The answer is that there is very little alignment of political will between the French and the Germans, which is why the whole concept of European defence is distinctly faulty. We must rely on NATO, and European NATO, for our future. However, of course the Americans are pivoting away, looking much more at China as a future enemy, and in those circumstances it is up to the United Kingdom to lead NATO in Europe. That means spending a lot more money than 2% of our gross national product on defence. We have to spend more; this is the future of this country.

[LORD HAMILTON OF EPSOM]

I have a confession to make. At one stage, I was rather dodgy about renewing Trident, not because I do not believe that the United Kingdom should have an independent deterrent but because I thought that we could do it much more cheaply. The fact is that I was completely wrong in every conceivable way. My argument was: could there ever be a moment when we would fire a nuclear weapon and the Americans would not? However, with President-elect Trump's attitude towards Putin, it seems essential that we maintain our nuclear deterrent, because—let us face it—it may come in very useful in the future.

12.55 pm

Lord Anderson of Swansea (Lab): My Lords, we have had a sterling opening speech and a well-reasoned maiden speech. My starting point is this. On 23 June, the people spoke. It is uncertain what they said but the Prime Minister has given the helpful steer that “Brexit means Brexit”. At least in the fields of domestic policy, the economy and border control there was quite a substantial pre-referendum debate and areas of concern were revealed.

However, foreign affairs and defence figured much less. I recall, for example, Mr Farage saying that he was a “Commonwealth man”, although all the Commonwealth countries were against leaving, and indeed the only Commonwealth country with a vote—Gibraltar—voted very much to remain. Miss Mordaunt, who is still a government Minister, told us that Turkey, with a teeming population, was about to join the EU. That was not true then and is still less true today. I therefore conclude from this lack of pre-referendum debate that in the areas covered today the Government have a much freer hand in making deals which are clearly in our national interest, and similarly in seeking co-operation in fields such as migration and counterterrorism—a point made by the noble Lord, Lord Ashdown.

I make the following reflections. First, for over 40 years we have worked with the EU at every level—from the European Council to constant co-ordination at post level. This has led to harmonisation of policy, which has not prevented divergence, such as we saw at the UN General Assembly in respect of recognition of Palestine, with the EU splitting three ways. This habit of working together has given us more clout—for example, on Iran—and the question is whether we now face the danger of being excluded from a lead position on such issues. With our departure and the likely policies of the Trump Administration, will we not see an increasing fraying, for example—even abandonment—of the sanctions against Russia because of its occupation of Crimea?

My second reflection is that Brexit should give an enhanced role to our embassies in EU countries and perhaps even to institutions such as the Council of Europe. There will be staff implications. I note that the total FCO budget is only twice the sum of our development aid to Ethiopia, where there is an alarming deterioration in human rights. Presumably our secondees to the EEAS will return. Do we accept any obligations to our other UK nationals in the service?

My third observation is that the FCO is, of course, only a part of our representation overseas. On cultural diplomacy, the British Council has shown its concern. Will Erasmus be continued for the UK? On DfID, the 2016 statistics show that we paid 30% of our multilateral ODA to the Commission's development budget and the European Development Fund. Will these contributions come to an end or be reduced? What new mechanisms will be devised for co-ordination with the European Union, even if we are almost certainly outside the room when priorities are decided?

Fourthly, there is the security aspect. In the *Times* of 11 June Sir John Scarlett wrote, concerning Brexit, that,

“we risk losing automatic access to counter-terrorist data”,

and,

“exchanges of information becoming less expertly targeted”.

How will the Government prevent this?

But have no fear: Boris Johnson told Chatham House on 2 December that the referendum was a country “taking back control”, a country “galvanised by new possibilities”. History will show whether this is again pure Johnson bluster. His claim of a greater global reach begs the question: what are the constraints now that prevent us, with our allies, having a global reach?

Similar considerations arise on the defence side. There will be calls, of course, for a new European defence organisation, most stridently from those European countries that make the least credible contribution to defence, such as Belgium, at 0.9% of GDP, and Luxembourg, at 0.4%. What are the prospects for our joining future CSDP operations such as Sophia and Atalante? How will we influence their mandate from outside? Will we continue our relationship with the European Defence Agency? How will Berlin Plus be affected by the change?

My conclusion is simple. We travel in hope. If there is good will on all sides, and given our flexibility in this field, we may be able to preserve much of the present co-operation—unless the hard-line Brexiteers prevail. What assurances can the Minister give us on these points?

1 pm

The Lord Bishop of Portsmouth: My Lords, there are few constants or certainties in Brexit other than that Britain's future will be markedly different. Brexit will have far-reaching implications for our place in Europe and the wider world. From a security perspective, the decision to leave the EU represents as significant a shift as the decision in the late 1960s to withdraw from bases east of Suez. If that was not daunting enough, Brexit also represents the biggest administrative and legislative challenge that a Government have faced since 1945, and is likely to shrink government departments' bandwidth to engage with other issues. During the referendum campaign the subjects of foreign policy and defence and security received scant attention. When defence was mentioned, it was in apocalyptic terms. The then Chancellor claimed that leaving the EU would trigger World War III, while the then UKIP leader argued that staying would see the UK in an EU army commanded by tin-pot generals from Brussels.

Sadly, because of understandable political sensitivities, the November 2015 defence review did not assess the defence and security implications of a UK exit from the European Union. In view of the profound strategic shift that Brexit signals, there is a strong case for government to undertake a fresh, measured review of key strategic judgments and policy choices. The SDSR set out that the Government will,

“invest more in our relationships with our traditional allies and partners and build stronger partnerships around the world, to multiply what we can achieve alone”.

Does this remain consistent in a post-Brexit world? Is the unilateralism of Brexit compatible with the ambition of developing with other nations a rules-based international order?

The Foreign Secretary spoke about this at Chatham House only last week, when he said that we must,

“redouble our resolve ... to defend and preserve the best of the rules-based international order”.

He continued by explaining the importance of such an aim in preventing a return to,

“an older and more brutal system where the strong are free to devour the weak”.

His suggestion that we shall need to redouble our effort indicates some understanding that confidence in us as a partner has been dented, at least, by Brexit, which has left some confusion about our ambition. This will be a challenge, and it also presents a trap, as there may be the temptation to indulge in demonstrations of national defence virility.

There is some ambiguity in the political rhetoric. For instance, the chair of the Foreign Affairs Select Committee in the other place explained his decision to support Brexit on the following grounds:

“Yes we would lose the benefits of being part of an emerging superstate but our vision would be global as we have the weight to count, if not to command, alone”.

The United Kingdom’s Armed Forces and Diplomatic Service will need to navigate such speculation, if not confusion, as to Britain’s role in the world, and the uncertainty of Brexit at the very time when political and financial resources continue to be stretched and the international security and diplomatic environment is ever-more challenging. It will be important to be clear about our driving objective. Very many here and elsewhere, including me from this Bench, welcomed the Government’s commitment to spending 2% of GDP on defence. That totemic target is now seen in its true light: 2% of what? We already face the uncertainty of variable exchange rates and the OBR’s forecasts of future GDP growth. Since we import defence, or at least some of it, and economic growth is uncertain, we may get less for our 2% commitment. Our commitment must not be to a particular spend or symbolic percentage, nor based on a new US President’s reported, and at best confused, thinking on NATO, but to what is needed for our security and defence. That is surely what our people expect.

Clear and articulate strategy, with investment in capabilities that have been hollowed out over the years, is essential so that there is consistency of word, will and action.

1.07 pm

Baroness Buscombe (Con): My Lords, I congratulate the noble Earl, Lord Cork and Orrery, on an excellent maiden speech, and thank my noble friend Lord Sterling for initiating this timely debate. I begin on a rather more optimistic note than some previous speakers by championing the Armed Forces and everything that they do. I am constantly struck by their collective extraordinary commitment to their duties, their loyalty to each other and their love of this country. We cannot do enough to demonstrate our support for them, but we can properly equip them, incentivise them and reward them for their exceptional contribution in our fragile world.

I was heartened by the announcement of the Secretary of State, Sir Michael Fallon, on 21 July, when he laid out the three key themes of the Government’s approach to defence in the wake of the EU referendum: defending the UK’s values of democracy, the rule of law and freedom; ensuring a stronger NATO for a stronger defence; and the US-UK partnership, about which I am more optimistic than others who have spoken today. He also announced that the UK would remain a key player in European defence, through the prism of NATO. It was also reassuring to hear from the Secretary of State:

“We will step up, not away from, our global responsibilities”.

However, I wonder whether it would not be sensible to at least revisit and carefully think through the SDSR 2015 to ensure that it is now, and will be, fit for purpose as we leave the European Union.

In addition to all our current partnerships and shared responsibilities within the EU framework, there are other practical considerations. For example, already we have a weaker pound post the EU referendum, which can be good for exports but tough on imports of raw materials. Are we comfortable that there is sufficient flexibility in the defence budget to safeguard the necessary investment in our defence hardware for the coming years?

A key capability must be to procure effectively, and there has already been substantial and welcome reform to the process. However, the independent report by Sir John Parker to inform the UK’s national shipbuilding strategy advises that yet more can be done. Sir John states—it is his own view—that building ships takes too long from concept to delivery compared with other complex industries, with a lack of pace and with time and cost impacted by a non-assured capital budget. In addition, he says:

“In sharp contrast to the commercial sector, Defence does not own major, capital intense projects at the highest level in the Client organisation”.

I interpret this to mean that it is not clear who is accountable and responsible for all projects. I ask my noble friend: is accountability and responsibility for each project delegated to key individuals in the MoD? The structure for funding is not helpful. Why is it that we allocate large capital sums to build our roads, but capital for shipbuilding and other defence projects is not consistently assured? One quickly understands why Parker stresses the need for a master plan to include well-informed oversight of the total enterprise incorporating the industrial and supply chain base.

[BARONESS BUSCOMBE]

Sir John's observations make tough reading, which I hope will be viewed by the MoD in a positive light and, having spoken to various suppliers, I believe that they, too, would welcome more rigour in the whole procurement process.

Returning briefly to the SDSR, in the light of the significant demands overall, are we ensuring that the needs of our Armed Forces remain paramount, not those of industry or our economic prosperity? This has continued to concern me in the SDSR. Are we also ensuring that we are not just building the "for" without the "with"; that is, are we investing in the right equipment and systems to do the right job and to employ in all our three services?

On a separate note, the theatre of war is ever-changing. We know that social media play a vital role in the fight against Daesh as well as other emerging and present dangers, in which case I applaud the existence of a new approach and a new piece in our armoury to reflect modern warfare: 77 Brigade, set up in 2014 to lead on special influence methods, including providing information on activities, key leader engagement, security and media engagement. I urge my noble friend to ensure that 77 Brigade is fully funded and sufficiently equipped to meet its objectives.

There is now a strong focus on ensuring cybersecurity, judged by the national security risk assessment 2015 to be a Tier 1 risk for the next five years. To be effective, it must be embedded in thinking, activity and preparedness across government and, by extension, the private sector. As the risk assessment states, cyber risks underpin many of the other crucial risks we face.

In conclusion, during the process of leaving the EU, it is crucial that we regularly make clear to our Armed Forces that their future is assured and that a focus on Brexit will not diminish other challenges which the MoD must confront, including the pressing need to improve the whole process of recruitment, training and retention of our personnel. After all, our ability to defend our nation and reach out to assist others will only be as good as the men and women who serve.

1.13 pm

Baroness Dean of Thornton-le-Fylde (Lab): My Lords, first, I join other Members of the House who have thanked the noble Lord, Lord Sterling, and congratulated him on getting this debate this morning. It is very timely and terribly important in this whole area of Brexit. It is good that we in this House examine the issues that face us as we do, because, unfortunately, we appear to be in a period in our country when opinions are polarised. If we talk about needing more funding for defence—and I believe we do—we are warmongering, trying to make people scared and stressing something that is not necessarily a priority. The responsibility of this House is to address these issues, and we owe a debt to the noble Lord.

One wonders sometimes just what we learn from history. Here we are today at the crossroads of a very important and hazardous period for our nation, yet our Armed Forces are stretched to the limit; the country appears not to regard that as important; we have uncertainty because of Brexit; and we have the result

of an American election that most people never thought would happen, with a President-elect who, a bit like the song, "First he says he will and then he says he won't", as regards NATO.

I shall concentrate on the Armed Forces. A briefing paper from the other place in August this year was entitled *Brexit: Impact across Policy Areas*. Tucked into it was a section on defence entitled:

"Impact on UK defence budget and future equipment plan".

It refers in particular to the impact of the decline of sterling on the budget and therefore on procurement, mentioning in particular the Joint Strike Fighter, which is a crucial part of our defence strategy. It raises the issue of whether we can afford it. It also questions whether we can continue to spend 2% of GDP on defence. That is a question I should like the Minister to answer in his winding-up. As the right reverend Prelate asked: what is 2% of GDP? It is a sum we need to ensure we have, and perhaps should be converted to an actual figure, because GDP is now being questioned. Of course, it is also about procurement of personal equipment for our Armed Forces, on which at times we have not had a proud record, although it has improved in recent years.

In a report of 10 July, the Joint Committee on the National Security Strategy expressed concern and referred to a report in May, before Brexit, from the Institute for Fiscal Studies. It highlighted analysis that GDP may reduce by between 2.1% and 3.5% by 2019. I think we are probably in the honeymoon period over Brexit: we will start to really feel the economic impact over next year and the year after. The result of that would be a decline of between £20 billion and £40 billion in the money available to us. That is more than our defence budget, if it is at the upper end. One has to ask: will that 2% be maintained, and what is it?

In 2004, the European Defence Agency was set up. Its role was to defend member states in Europe—I take the point made by the noble Lord, Lord Hamilton. Will we seek to stay in the European Defence Agency? Will we be seeking to maintain that in our Brexit negotiations? Any security threat to Europe has to be a security threat to the UK. We are not in isolation; we are part of Europe, whether we like it or not and whether we are politically linked or not. At the moment, we are in a very insecure world. Britain holds the leadership of the battle group concept, which was set up at the same time, until the end of December this year.

In conclusion, I ask the Minister: just what are the plans? I know he will not give them line by line, but what is the general approach? In view of the fact that there were some answers in the other place yesterday, perhaps we can get one or two today. Will the Ministry of Defence be reviewing the strategic defence and security review, given that its requirements have changed considerably in view of the changed circumstances we face as a nation?

1.19 pm

Lord Ricketts (CB): My Lords, like others, I congratulate the noble Earl, Lord Cork and Orrery, on his maiden speech. Having been through that ordeal myself last week, I thought he performed with flying colours, as befits a former naval officer.

This debate has been enriched with a lot of eloquent speeches, mostly on the defence aspects of the Motion. In particular, I associate myself with the words of the noble Lord, Lord Robertson of Port Ellen, on NATO, where I had the privilege of working with him. The Motion in the name of the noble Lord, Lord Sterling, also refers to the Diplomatic Service. I put in a word for that, declaring an interest as a former head of the Diplomatic Service—I hope not a bias.

The FCO and its staff are a great national asset. It is probably the fate of all foreign ministries to be underrated in their own country, but abroad there is no doubt that the British Diplomatic Service is seen as one of the best, if not the best, in the world. The country is going to need our diplomats and the expertise they have even more if we are to go through successfully the dislocation in our foreign policy that confronts us. Our embassies in Europe will, of course, have to track every nuance of the debate on Brexit in their countries. They will have to advise Ministers here, and do what they can to build a climate in favour of the best possible relationship bilaterally with these countries in future. As the noble Baroness, Lady Smith of Newnham, reminded us, the bilateral relationships in defence, security and other areas will be all the more important.

In the wider world, we will need our diplomats working in the UN, NATO and the major capitals to be at the forefront of showing that Britain remains actively engaged in promoting a rules-based international system, makes a serious contribution to reduce tensions and conflict, and champions free trade. At home, the FCO will have to play a crucial role as the glue holding together the rather baroque structure we have in Whitehall for dealing with Brexit issues.

To be an influential global player is hard work. It takes initiatives, risks and mobilising international support behind ideas. We can have full confidence in the professionalism and commitment of the staff in the FCO but, if Britain is to carve out the new international role that Ministers talk about, the Government will need to have a fundamental look at the resources available to the FCO.

The FCO's budget has been cut successively over the last 20 or 30 years. I experienced that as Permanent Secretary. At the same time, the budgets of other government departments doing international business have been rising. If you put together the delegated budgets of the four main departments dealing with international affairs—the MoD, DfID, the intelligence community and the FCO—you come out at around £40 billion a year. The FCO's share of that total is 2.7%. I ask noble Lords to reflect on whether 2.7% of the available money is the right share for the department that will have to spearhead Britain's new post-Brexit independent role in the world.

The FCO's budget is not only tiny but tied up in knots. So, 30% of the FCO's budget has to be spent on what is known as overseas development assistance rules—that is, spent on or in the poorest countries in the world. Fully one-third of the FCO's budget is dependent on successful bids to interdepartmental funds for conflict and security. At a time when our diplomacy will need to be more agile and more flexible than ever, this makes no sense.

The FCO has always been a good corporate citizen in Whitehall. In keeping with that tradition, the excellent current Permanent Secretary of the FCO told the Foreign Affairs Committee in another place recently that the FCO had made a joint bid with the international trade department for new funds of £10 million to reflect these heavy new responsibilities. They got that in the Autumn Statement, so each received an additional £5 million.

It is probably not fair to ask the Minister to comment on whether the FCO's budget is adequate to meet the ambitions set by the Government in a post-Brexit world, but I ask him to take back to colleagues this modest suggestion from the UK's first National Security Adviser. The National Security Council might consider whether the current balance of spending among the four international-facing departments is right at a time when Brexit will throw so much weight on to British diplomacy. To paraphrase Sir Winston Churchill, give our diplomats the tools and they will do the job.

1.24 pm

Lord Spicer (Con): My Lords, it has become almost a cliché to say there are tremendous similarities between the period leading up to the Second World War and the present time: economic instability; a dictator wanting to distract his own countrymen by foreign adventure, practising his tactics, strategy and his new arms in somebody else's civil war; talk of minorities of his country, which is a potential aggressor, living in countries surrounding it; even a British tennis champion striding the world on both occasions. As with all clichés, this is not the only part of the story. As I understand it, there is no massed army on the borders of Russia waiting not only to invade but to occupy and subjugate surrounding countries. What there is is a great deal of mutual fear and of lack of confidence in oneself on both sides. As my noble friend Lord Sterling mentioned, this can itself be dangerous and lead to war by default. The analogy might well be with the First World War, perhaps, rather than the Second World War.

I will give two simple anecdotes as to what I am trying to get at. The first concerns a BBC film of a British warplane intercepting a Russian plane in British airspace—an event that, as I have just learned from a letter from my noble friend the Minister of 24 November, occurs regularly. This particular film not only showed the images, but you heard the voice of the British pilot, which went something like, “Good evening, gentlemen. I represent Her Majesty's Government and on behalf of Her Majesty's Government I have to tell you that if you don't turn around in half a minute, I'm going to shoot you down”. Apparently even at the height of the Cold War we said something slightly different—something like, “Good evening, We represent Her Majesty's Government. It looks as if you're a bit off piste, and it would give us great honour to escort you back to your normal course”. In this particular anecdote, the temperature has undoubtedly increased enormously.

The second anecdote I wanted to refer to concerns an admiral I met recently, who was very taxed by the fact that four Russian warships got out of “their sea”, as he called it, the Black Sea, came into “our sea”, the Mediterranean Sea, and pointed their guns at our

[LORD SPICER]

ships. He had to point his guns at their ships. This was a nasty moment all round. The point he was making was that it is not just the Royal Air Force that is constantly having to intercept Russian planes. We come very close to some nasty occurrence. Turkey did shoot down a Russian plane, just before the British anecdote I referred to.

There is a real danger of mutual fear and a mutual sense of not being up to the job. The Russians are fearful of their economy being the problem; on our side is the fear that we cannot keep up with Russian armament. That is serious. There is a very clear antidote to it. In our case in the West, we have to rearm. What my noble friend Lord Hamilton said about NATO is absolutely right and what has been said before was wrong: we have to have a strong NATO and to rely on the Americans. If one really looks between the lines, the new President-elect is really saying that Europe is not playing its part. My noble friend is absolutely right when he said that if we argue for a muddled chain of command, with the European Union being muddled with NATO, we really are in for a mess.

We have to look strong in the West. We would then be in a position, for instance, to take away the embargo on the Russian economy. The other side of the coin is that we should allow it to have back its self-esteem. When we come to a point where the two sides are looking each other in the eye from a position of self-confidence, we will then have some hope of continued peace.

1.30 pm

Lord Hunt of Chesterton (Lab): My Lords, I want to speak about the challenges facing UK diplomacy and defence resulting from economic, natural and technological factors.

The UK Government deal with changes, risks as well as opportunities, through diplomatic collaboration with other countries and with companies, especially and to a growing extent with those in the EU and the rest of Europe—as we saw last week with the common European patent policy being introduced even into the UK.

I have experienced governmental collaboration through my work at the Met Office, where I was chief executive. We were involved in many meetings with UK diplomats as well as with other civil servants. I have also worked with the NGOs and companies listed in my declared interests.

Dealing with climate change and the global environment is now regarded as a primary overall role of the Foreign and Commonwealth Office, as it is for almost all national Governments, even in the United States, where it is a major concern for the Department of Defense—if not for the future occupant of the White House. The Foreign Secretary has a special climate adviser and a scientific adviser, who recently addressed the House of Lords Science and Technology Committee. The FCO has an overall role in co-ordinating and stimulating the international roles of UK government departments and agencies, especially in the United Nations agencies and in the European Commission. It would help if the FCO were to report more regularly

to Parliament on this aspect of its work. In the 16 years that I have been here, there have been two debates, which I organised.

Currently, the environmental and scientific European intergovernmental organisations play a key role in space, weather forecasting, fusion energy and biology. They are important for their function and for building up the international capacity of UK industries. As chief executive of a major UK government agency, where I experienced its interaction with several other government departments, including the Ministry of Defence and the Foreign Office, I was the permanent representative at the World Meteorological Organization. This agency of the United Nations is based in Geneva, where the FCO has an office to assist the work of the UK delegations to all UN agencies. These agencies play an essential role in the modern world, from science, trade, health and labour relations to intellectual property. Increasingly—this is an important point—the European Commission sends delegations to those agencies, and these EC bodies are very effective in connecting their rather well-funded programmes to the less well-funded programmes of the UN agencies, notably in health, development and technology. In future, when the UK is no longer part of the European Union, a primary role of the Foreign and Commonwealth Office should be to maintain special links with the European Union, which doubtless will appreciate UK input.

I want to mention some aspects of defence, because the current defence strategy depends on our allies in NATO countries and significantly benefits from EU science, technology and intergovernmental organisations. Perhaps I may depart slightly from the story told by the noble Lord, Lord Ashdown. At about the same time, in 1910, the Admiralty made full use of the Italian Mr Marconi's radio. However, as we commented in our report, the Germans were also using this and always put out their weather forecasts one hour earlier than the Brits. In terms of a new threat now, we will use all the technologies that we have on computing, satellites, weather forecasts and climate monitoring to consider the tracking of diseases associated with global warming—this is of great concern to the US Department of Defense.

Leaving the EU makes it quite likely that the UK will no longer be at the centre of European decision-making, as the noble Lord, Lord Robertson, emphasised. I understand that European air traffic control, which is currently an EC organisation, may operate with less UK influence after Brexit.

Another strategic challenge for the FCO and MoD is the changing environment of the Arctic regions, where the MoD is operational and the FCO is concerned with treaties and agencies affecting environmental activities and future commercial developments. These issues were discussed in the House of Lords report on the Arctic. By leaving the EU, the UK will no longer be part of the EU's combined activities in the Arctic, but the FCO should still work with the EU on the strategic objective of Europe joining the Arctic Council. Hopefully, special arrangements will enable UK researchers to be part of the EC co-ordination network for polar research, which the EC has said it would welcome. The FCO polar office will continue to represent the UK as an observer in the Arctic network, which is to be welcomed.

I hope that the UK's diplomacy and the Royal Navy's hydrographic service will be of use to the noble Lord, Lord Sterling. They may be able to contribute their expertise to the sustainable development of the Arctic. Perhaps the noble Lord's shipping companies will make use of the developing Arctic shipping routes and of the hydrographic survey—which reports at the moment that it is not quite sure what the depth of the bottom is.

1.36 pm

Lord Selsdon (Con): My Lords, I have a difficulty in that I should disclose a number of interests. I am first and foremost the secretary and treasurer of the House of Lords Yacht Club. As your Lordships will know, by tradition all British-flagged vessels are entitled to the protection of the Royal Navy, Her Majesty's ambassadors, consuls, proconsuls and plenipotentiaries—although we are slightly short of plenipotentiaries at this moment—wheresoever they may be on the face of this earth. In terms of British-flagged vessels, we have 3,600 commercial vessels, 6,500 fishing vessels, 20,000 yachts and 320,000 small ships.

International law, which I am not very good on, recognises, as stated in the relevant Admiralty publication, that,

“every vessel afloat has a national character, and places duties on flag states to regulate and restrict the legitimate use of flags that indicate national character. The regulation of the use of British national colours is not therefore an outdated ritual, but Britain's duty as part of the international community”.

As for my noble friend on my right, I have decided myself, because there is no committee around, that we will make him an honorary member of the House of Lords Yacht Club. However, the difficulty, as we know, is the use of flags. Every vessel afloat has this national characteristic. That places duties on different people, and to find the flags is a problem.

In the past, we in the House of Lords Yacht Club found several things that we were concerned about. The first was coastlines, of who went where and when. The UK and Commonwealth together have a coastline of 44,000 kilometres. France and the French territories have 31,000 kilometres. The former Soviet Union had 44,000 kilometres and the United States has only 22,000 kilometres. Does this matter? Effectively, the United States has a much shorter coastline than I thought when we were looking at this matter.

There are more than 60,000 British-flagged vessels which, by tradition, are entitled to the protection of the Royal Navy—we have had very few incidents, other than man over board from time to time or, perhaps more important, the loss of the ensign, because to get a new ensign is quite complicated as they almost have to be made by hand.

A question to have come up recently is that of illegal fishing, also by private boats. The costs of illegal fishing are somewhere between £10 billion and £24 billion a year, so I am advised. These are not particular issues, but it is when we come to the economic exclusion zone, or EEZ, that we have a certain difficulty over how we may be protected. An EEZ, which effectively cuts across the channel, is legally meant to be something you observe. However, the data and ability needed to follow the rules and regulations is pretty considerable.

As I said, I have sailed a lot and I had the privilege to follow my favourite thing, which was the travels of St Paul. That took quite a bit of exercise and wore out quite a lot of young feet—my own would not wander about—until I realised that the travels of St Paul were around the same places as the travels of the illegal immigrants at this particular point in time. I had entered and come out successfully of a point of considerable danger.

I am grateful for the chance to have this debate, and in particular to my noble friend Lord Sterling. I am also grateful to the noble Lord, Lord West, for introducing me to NIMIC, where I came across some of the most impressive people I ever met in the maritime field. They are down in Portsmouth at the moment, fortunately with new equipment and services. The Navy that will emerge in the next few years will, without doubt, be the strongest and best Navy we have had in this country for some time. If the amateurs can help, I am sure almost all my members would willingly accept a new junior commission if there are insufficient officers to go to sea again.

1.41 pm

Baroness Deech (CB): My Lords, unlike other noble Lords, I am no expert. I am just a citizen who has felt increasingly anxious over the last 20 years. Brexit must mean that the UK's influence in international affairs will increase and our reliance on our Armed Forces will be even more vital. We will no longer be one voice among 28 countries with different foreign policy aims. We will have our independent voice in international organisations and pursue our own foreign policy in co-operation with our own choice of bilateral allies.

The importance and vulnerability of NATO have been emphasised since the election of Mr Trump, and now is the time to put all our energy into strengthening that organisation and giving him no excuse to say that we are not pulling our weight. It was embarrassing, especially since it was correct, to have it pointed out that most NATO members have not met the target of spending 2% of their GDP on defence, as agreed in 2006. Only Greece, Poland and Estonia of the other EU members met that target in 2015. Slovenia, Spain, Belgium and Luxembourg spent less than 1%. The US and the UK have consistently met or exceeded the target and are de facto the real contributors. In the face of those figures, how could the European Union maintain an army? We should therefore continue to oppose any such notion and instead encourage it to strengthen NATO.

It is often said that the EU brought and maintained peace in Europe since its establishment. The award of a Nobel Peace Prize to the EU in fact had about as much foundation as the award to President Obama and less credibility than the award to Bob Dylan. It was the EU that stood by while Yugoslavia, on its borders, fell apart with genocide and massacres. According to Sir John Nott, a sceptic,

“The only time the EU actually took charge of security was during the Bosnian War. Its mishandling of that crisis led to more than one million people being displaced and up to half a million being killed or wounded”.

What is the EU's policy towards Russia and its annexation of Crimea and the destabilisation of Ukraine?

[BARONESS DEECH]

One would have to search hard to find out. Apparently, it amounts to cold-shouldering, with little comfort to the people of Ukraine and certainly not amounting to a deterrent to Russia. I see no evidence of UK influence on the EU in this particular episode.

What of security and intelligence gathering? Belgium is a byword for inability to collect and use intelligence even between two states. The barriers to intelligence gathering and sharing between 28 states are complex, and frankly there is reluctance to share details on security with countries that have close ties to Russia or appear to be incompetent. Only the Five Eyes, the intelligence alliance between the UK, the US, Australia, Canada and New Zealand, gives one any confidence.

The four major crises that the EU has faced since 2009—concerning the euro, migration, the rise of right-wing extremism and terrorism—have shown that it is largely ineffective in responding to external challenges and presenting its case to its own people and the wider world. Europe's open borders, its failure to screen passports and the stolen and fake passports that abound have eased the passage of terrorists across Europe and ultimately into this country. Jews are fleeing France and Belgium in the face of anti-Semitic and terrorist incidents. The EU has been irrelevant to the aftermath of the Arab spring and to the Syrian and other Middle Eastern catastrophes. However, there is now the prospect that an independent UK can take its own decisions in relation to the threats from Russia and the response from the US in the Middle East.

1.45 pm

Lord Suri (Con): My Lords, this is a topic of great importance, and I am grateful to my noble friend Lord Sterling that I am able to speak on the subject. Like many others in this place and the other place, I was deeply disappointed to hear Jean-Claude Juncker put forward proposals for a European army in his speech to the European Parliament. This idea has rattled around Brussels and Strasbourg for decades but has been sensibly dismissed for years due to fears that it would undermine the NATO alliance, the transatlantic bridge which has underpinned our security for more than half a century.

Spending large sums of money to replicate existing structures would be damaging enough to the reputation of the EU, even at a time when trust in the institutions was not at a worrying and persistent low. I and many other former remainers in this place are now committed to making the most of Brexit. An important part of that is respecting the path that our European allies choose to take. However, this does not mean that we should cease to give counsel to them on matters like this which underpin the security of us all. If such a proposal should pass, I would be interested to hear more from the Minister on what he thinks the future military relationship with European armed forces would be.

Given that the UK is one of Europe's two major military powers and existing collaborative schemes are already deeply entrenched, it would be prudent to try and maintain as close a relationship as possible while maintaining effective control over all British forces. The relative silence of EU treaties on matters of defence makes this a very achievable goal.

There will also be a heavy and continuing responsibility for the UK to continue to guarantee the safety of the Baltic states, with a revanchist Russia to the east. In this context, I welcome the stationing of additional troops in Poland and Estonia, although far more needs to be done to reassure our allies and generate good will before Brexit negotiations. I should clarify that I do not recommend this purely for reasons of getting a better Brexit deal. There is an obligation to these young democracies so that their way of life and liberal values can be defended. To withhold co-operation at such a critical time would come off as mean-spirited as well as alienating those we wish to keep as friends. Does my noble friend intend to maintain the military presence in the Baltic states and continue to work effectively with them?

My other point also concerns Russia. At present, the UK has been a consistent voice arguing for tough sanctions on Russia due to its annexation of Crimea and continuing belligerence in Ukraine. Sanctions have been levied and are showing effectiveness in damaging the Russian economy and giving Putin reason for thought. However, when the UK leaves, there are signs that the consensus around this could start to break down. A number of EU countries, including Hungary and Finland, have expressed interest in softening or fully lifting sanctions, as their trade with Russia continues to decline. Recently, the French parliament voted to urge Brussels to drop the sanctions. Italy's senate also voted to oppose any automatic renewal of sanctions. The precarious financial situation in Europe is not a good enough excuse to, in effect, turn a blind eye to Russian aggression, given that this is the only major action the West has taken.

Co-ordination of sanctions with the EU post-Brexit will be crucial. As well, the UK will need to ensure that its highly specialised sanctions team will continue to work with the EU. These civil servants are spread across the Treasury, the Department for International Trade and the Foreign Office, and have been doing much of the heavy lifting on British and European sanctions policy. Were we to leave without a continuity deal in this area, it would become much easier for those who wish to drop sanctions to make a convincing case, pointing to a lack of expertise at their disposal. I trust that the Minister will look into this when the Brexit negotiating position is being planned out.

1.51 pm

Lord Davies of Stamford (Lab): My Lords, I had better start off by not so much declaring an interest as reminding the House of the parts of my past that may be thought to—indeed, must—inform or influence what I say on this subject. My first job was in the Diplomatic Service, until I resigned when I was 29. I was successively a third secretary in the FCO, a second secretary in Moscow, and a first secretary and section head in the FCO. Much later I was opposition defence spokesman in the House of Commons and then Defence Procurement Minister in the previous Labour Government until 2010.

I want to add my voice to those who have already paid tribute to the noble Lord, Lord Sterling, for the brilliant idea of having a debate on this subject because

it enables us to look at this Brexit issue from a rather original perspective. Nevertheless, it is one which has the same effect: Brexit offers the country a very large number of risks and costs and absolutely no gains whatever. It has been noticeable that in this whole debate no one has argued that there are any gains in Brexit—except the noble Baroness, Lady Deech, with whom I profoundly disagree but I do not have much time to go into her arguments. The suggestion that a security relationship with New Zealand was a compensation for security relationships with our continental partners was a little bizarre.

It seems absolutely clear and obvious that we shall lose influence the day we leave the European Union. Of course, the object of the Diplomatic Service is to maximise the influence of this country abroad. It is difficult to see how one could more dramatically reduce the influence of this country abroad than by leaving the European Union. We shall no longer be sitting on the Council of Ministers or the Foreign Affairs Council. If the EU decides on some new initiative, such as it has done very productively in recent years—for example, the Quartet in the Middle East, the contribution to the Iranian deal and the Minsk negotiations with Russia—we shall not even know what is going on, except to the extent to which somebody tells us, and we will have no stake in either conceiving or carrying out these initiatives.

I realise that the Government do not see things that way. They think empty chairs are an attractive prospect. They have tried to anticipate Brexit. The Prime Minister has cut a European Council in the brief time she has been in No. 10. The Foreign Secretary, Mr Johnson, cut the dinner before the last meeting of the Foreign Affairs Council. It is a very strange approach to British diplomacy. It is not in the tradition of this country at all. The House will recall that Castlereagh played a major part in the Congress of Vienna, that Salisbury and Disraeli played a decisive part in the successful Congress of Berlin, and that Ernie Bevin played a historic role in the foundation of NATO. They did not believe in leaving an empty chair in the councils of Europe and they were right. What they would have thought about Mr Johnson is another matter, which I will not speculate on. Every Member of the House can make up his or her mind on that.

Apart from the high-profile, high-level summit issues that I have just mentioned, with our membership of the European Union there is a constant dialogue on a weekly, sometimes daily, basis, involving embassies right across the European Union, about current issues that we face—economic, political, security or whatever—that come up in an EU context. It means that our embassies in these countries have to keep very close relations with the Governments to which they are accredited. They discuss a wide range of topics, bring together alliances, do deals, and gain a deep understanding of where those countries are coming from and where they are likely to go. That will all be gone. That daily, routine work of active diplomacy can have enormously important consequences.

I remember Garret FitzGerald—a wonderful man to whom I pay great tribute, a great historical figure: the Taoiseach who signed the Anglo-Irish agreement with Margaret Thatcher—saying to me in the course of a long lunch, which I will remember for the rest of

my life, that Britain and Ireland could never have a really successful relationship until Ireland had joined the EU. Once that had happened, after centuries—800 years—in which the British has successively persecuted, exploited, neglected and patronised the Irish, we suddenly found ourselves equal partners in the same venture, with a daily agenda of business to be dealt with, and that changed everything. If you reverse that relationship, you will reverse that effect. Indeed, it is rather sad that the Diplomatic Service will have particular problems to deal with if we leave the European Union, both with Ireland if we try to suggest the setting up of an international frontier dividing the island of Ireland for the first time in history, and with Spain if we do the same thing between Gibraltar and the rest of Spain. It is a very depressing prospect.

Even more depressing are the immediate financial consequences of Brexit, for both the Diplomatic Service and the Armed Forces; that is, the devaluation of the pound and the prospective reduction in our growth rate, which I think all economic observers agree is almost certain to be the case. Two per cent of a lower GDP will be 2% of less for our Armed Forces. We heard from the noble Lord, Lord West, who spoke so eloquently, that we are already spending far less than we should be on that. I hope that the Minister will respond to the question asked by the noble Baroness, Lady Buscombe, which I endorse: have the Government made new estimates to allow for an increase in the sterling budget of the Diplomatic Service and the Armed Forces to take account of devaluation?

1.57 pm

Lord Stirrup (CB): My lords, among the uncertainties that surround the United Kingdom's departure from the EU, there is a constant—one thing that will not change—and that is the relationship between our security in these islands and the security of the rest of Europe. We cannot change our geography by referendum. The safety of Europe is our safety. We long ago gave up the idea of national defence in favour of collective security, and nothing that has happened over the past months has changed that. We may be looking to renationalise aspects of our economic and legal structures, but renationalising our defence is simply not practicable.

For many years now the main elements of our defence policy have been a strong transatlantic relationship and, associated with this, our membership of NATO. Some say that these are no longer valid and no longer have the relevance they once did, and that we should forge new relationships. But when it comes to the exercise of hard power, one needs capabilities and structures upon which one can rely in the most difficult of circumstances: the chaos of war. They are not easily achieved.

The safest route for us as a nation is to ensure that NATO remains a useful and credible alliance, but we face challenges in achieving this. In terms of the sum of its members' capabilities, NATO remains a very strong military power. But not all of those capabilities are as large, as well trained or as supported as they should be. There is a degree of institutional hollowness that must be corrected. Inevitably, that means investing the necessary resources.

[LORD STIRRUP]

The United Kingdom has traditionally been an exemplar and a powerful voice on security issues within Europe, but I fear that Brexit may threaten this. Yes, we will remain one of the most important members of NATO and maintain one of the highest levels of capability within the alliance. But the strength of our voice, the weight of our opinions within the European fold, will inevitably be diminished. For some years, we have firmly resisted the desire of a number of our partners to create new military structures within the EU that duplicate those within NATO. We have argued that duplication wastes scarce resources and complicates decision-making, all of which would be to the detriment of NATO and of European security in the round. We have consistently won those arguments; we are now likely to lose them, with the unfortunate consequences that I have described.

We have, of course, long agreed that the EU has a useful military role to play at the lower end of the spectrum of conflict and we have participated in, and in some cases led, such operations. A number of them have indeed proved valuable. There appears to be an appetite within the Government for us to continue to contribute to CSDP missions after we leave the EU. I have no doubt that this would be possible but at the moment, we participate fully in the strategic formulation and direction of such missions. Ministers and officials meet at the EU level and hold considerable sway over the direction of policy. The Chief of the Defence Staff sits on the EU military committee, and has a strong voice in the strategic planning and direction of operations. That will not be the case after Brexit. If we continue to participate in CSDP missions it will be as followers, not as leaders.

How should we respond to these challenges? First, we must redouble our efforts with regard to NATO. We must be at the forefront of policy formulation, doctrinal development, capability enhancement and training initiatives. The UK is already doing much along these lines but we must do more. Secondly, we must strengthen and sustain our bilateral defence relationships within Europe. The Anglo-French initiative is making good progress; we must make it indispensable to both sides. We also need to do more with Germany and with other partners in this regard. Finally, of course, we need to invest appropriately in defence. The Government have made a start on this but it is only a start. It is worth recalling that the NATO figure of 2% of GDP, which we have heard cited so much today, was intended as a minimum investment in defence—a rock-bottom, not a ceiling to which members should aspire. We have to invest according to need, and the need is great.

Influencing Europe's policies for the security and defence of the continent, so crucial to our own security and safety in these islands, will become more difficult for us after Brexit. We will lose avenues of approach and elements of leverage that we currently possess. We must do whatever is necessary to make up for those losses in order to safeguard our own national interest. I hope that the Minister can give us some indication of the Government's intention in this regard.

2.03 pm

Earl Attlee (Con): My Lords, I am grateful to my noble friend Lord Sterling for introducing this debate and I remind the House of my somewhat technical interest. Regarding the short procedural debate that we had this morning, I have to leave the Chamber at 2.45 pm to catch a train to see the doctor and I crave your Lordships' indulgence to let me escape.

First, I share the concerns of all noble Lords who say that we are not spending enough money on defence, even though we are meeting the 2% target. If your Lordships should complain that this is only so with the assistance of accountants, we can be confident that other NATO states do exactly the same thing but still come up with only pitifully small numbers. I am not sure what the point is of having much closer co-ordination with other EU states when they have so little to co-ordinate. By the way, multinational battlegroups are political units and not military units. It seems that the more recent accession states, which get the most excited about pure free movement in the context of Brexit, are the very same states which are most reliant on the UK's military muscle. With the exception of Poland and Estonia, they mostly fail dismally in terms of percentage of GDP spent on defence. Furthermore, many of these states rely upon the City of London to handle some of their sovereign debts, so they need to tread carefully with financial services and Brexit.

NATO will of course remain the cornerstone of our security and that is not likely to change. I suspect that reality will set in even with Mr Trump—unless of course Mr Putin manages to break that cornerstone, especially the Article 5 commitment. I cannot imagine our excellent Secretary of State, Sir Michael Fallon, allowing that to happen. The UK provides a very significant proportion of the total EU defence capability, and over the next few years that capability will be significantly enhanced. The EU absolutely needs the UK to remain prosperous if the UK is to continue to help keep everyone safe in Europe. It seems to me that much the easiest way of dealing with conflict is to deter it. On the other hand, if you suffer an incursion it is extremely difficult and expensive to deal with, as you would need to muster at least three times the combat power of your opponent to turf him out, if it is possible at all. That is why the Government's measured approach to supporting the Baltic states and other states is right. It is a statement of resolve, without being too provocative.

While we may worry that we are not expending enough effort on defence, relative to most other EU states we offer an extraordinary capability which will be enhanced in the next few years. For instance, even the United States has only 11 full-sized aircraft carriers in operation and we will always have one available, which can operate in conjunction with the French "Charles de Gaulle". This will be a huge leap in strategic capability. We have now stated an intent to be able to deploy at divisional level against a peer opponent. That is welcome although at 180 days, the period of notice is a bit too long. Most importantly, our forces are balanced so that, for instance, we do not have a row of shiny jets but not the foggiest clue where the enemy is. Not only do we have significant combat

forces available, matched in the EU only by France; we are becoming increasingly effective at bringing to bear all the nation's security apparatus to deal with current challenges in a well co-coordinated manner.

I want to draw your Lordships' attention to the need for a large-scale divisional all-arms deployment exercise. First, we need to demonstrate to a potential adversary that we can deploy and manoeuvre two brigades in the area of operation, and that this is not a pipe dream. Secondly, it is easy to forget how difficult and important logistics are. Some seem to think the new strike brigades will be able to move 1,000 kilometres in the area of operations without traditional levels of combat service support. We need to test that theory as soon as possible after the new brigades are operational. Finally, yes, we can do computer-simulated exercises to train and test the staff and commanders on their procedures and planning processes, but that is not the same as having thousands of troops and platforms manoeuvring around in the area of operations. I know that an Exercise Saif Sareea will take place in 2018 but I am concerned about its scale. Will it merely be a battle-group exercise, which will test nothing, or will it be a proper, fully bombed-up brigade manoeuvring around in the area of operations?

2.09 pm

Baroness Jolly (LD): My Lords, this has been a fascinating debate today and I join others in congratulating the noble Lord, Lord Sterling of Plaistow, on securing it, and in congratulating the noble Earl, Lord Cork and Orrery, on his excellent maiden speech.

Whichever serious analysis we read, it is anticipated that, for some considerable time after a Brexit, our economy will decline before improving to where we are now; then should come the hoped-for growth. The United Kingdom has an obligation to NATO, which we totally support, to put at least 2% of our GDP into defence. At the moment, there is little certainty about the US commitment to defence or NATO or indeed what we might identify as professional diplomacy, so we need to exert our influence on the 23 states which do not pay the 2% to meet this commitment, or we may find ourselves unready to meet the challenges that may face us in the future. Lack of clarity and certainty from across the Atlantic has made the Baltic states and Poland, which have Russia on their eastern borders, feel very anxious and vulnerable.

For the UK in a declining economy, 2% could well be less than it is now, which will mean difficult decisions will need to be made by the Secretary of State and the Chancellor if we are to deliver SDSR 2015, which goes beyond man and machines to include cyberdefence against China and Russia. Added to that, much of what we purchase comes from the US or Europe and, although exchange rates are better, they are not as favourable as they once were.

The financial system aside, the last SDSR was written in anticipation of us remaining within the EU. Extra border security will be required. Our coast will need patrolling, not just the Strait of Dover but elsewhere, where we know the unscrupulous traffic people and drugs. Fishery protection will become a serious issue, and we will need to carry out our own fishery protection patrols. Perhaps different circumstances, a smaller GDP

and our old sovereign-state responsibilities will persuade the Government to look again and draw up a new SDSR—who knows? We do not have enough ships to protect our security, safety and trade.

We cannot ignore the presence of Russia on Europe's eastern borders, and we are rightly sending our troops to Poland. It is worth noting that ultimately all those anxious states see their defence coming from NATO, not a European army, but lack of clarity, compounded by very mixed messaging from President-elect Trump on the US commitment to NATO, has exacerbated the concern, not diminished it.

I would appreciate clarification from the Minister on an EU army. At Chatham House last week the Foreign Secretary said a lot in his speech and was still suggesting that he was relaxed about the formation of a European army, whereas our preference would be for a strong NATO.

NATO is, of course, a nuclear alliance. France and the United States are our allies in providing the NATO nuclear umbrella, and I expect that this is one commitment that will be unchanged. We have spent a lot of time working with the French and other EU-partner states on several projects, operations and exercises over the past few years, and I would be sorry to lose this co-operation, which is mutually beneficial. Whether military co-operation agreements will need to be worked out with the EU or bilaterally with separate nation states remains to be determined.

A big area of uncertainty will be the common security and defence policy. It makes sense for it to be focused on the European continent. We will still be part of it. It is a matter of our geography which will not change, as the noble Lord, Lord Ramsbotham, said. As a state which currently contributes 20% to the total EU spend, our presence will be missed, and perhaps that is an area for negotiation. Should we not have a seat at this table, our only sphere of influence in European defence issues in the future will be through NATO, and the two organisations look at the world through different lenses. The only alternative is by negotiation with the EU or on a state-by-state basis, so we need to strengthen our UK diplomatic links with EU and non-EU states. The noble Lord, Lord Robertson of Port Ellen, outlined our vulnerabilities. Outside the EU we will not be at the table and will not be making the decisions.

That brings me to diplomacy. For the past few years there have been concerns about the quality, numbers, foreign language abilities and capacity of our diplomatic corps based in the UK or abroad. In 2012, Simon Fraser, head of the Diplomatic Service, told the Commons Foreign Affairs Committee that a panel had judged France to have the most effective diplomatic service, although the UK came second—there is a barb. We have rightly taken pride in our excellent ambassadors and their support teams, and they have led the world in our exercise of soft power. However, in 2015 Philip Hammond stated that the FCO was close to the minimum level of UK-based staff, and this summer the Permanent Secretary wrote that our embassies are very thinly stretched. This is not what we want to hear when we have stretching out in front of us a series of difficult and protracted bilateral negotiations with our EU allies. I echo my noble friend Lady Smith of Newnham's call

[BARONESS JOLLY]

to strengthen the FCO. What plans are in place to recruit and train a diplomatic corps to carry out the duties required of it? I hope that we will take the opportunity afforded by Brexit to review our need for an enhanced FCO.

The irony is that, however negotiations pan out, we will need to devote an enormous amount of government and diplomatic resource to the EU in future, perhaps considerably more than now. Whether our Brexit is hard or soft—or indeed red, white or blue—we will still need defence and a Navy, Army and Air Force willing and able to carry it out, supported by the very best women and men in our embassies abroad and in the FCO at home. I am sure that they will do whatever is asked of them, yet my concern is that after nearly six months there is precious little clarity about what that might look like.

2.16 pm

Lord Touhig (Lab): My Lords, the House is indebted to the noble Lord, Lord Sterling, for securing this debate and giving us the opportunity to discuss these important issues. I join in the congratulations to the noble Earl, Lord Cork and Orrery, on an excellent maiden speech which was well informed and contained some good ideas. I have always worked on the basis of never rejecting a good idea simply because I did not think of it first.

As we approach the turn of the year, it is always good to look back—the most perfect view of all is the one looking back. I can say with certainty that this time last year few of us would have predicted the challenging turn of events of the past 12 months, from the EU referendum result in June to the US presidential elections in November to the most surprising but welcome outcome of all—Wales finishing ahead of England in Euro 2016.

Like most people in this House, I was surprised by the outcome of the referendum on 23 June, and it was certainly a wake-up call if ever there was one. While we continue to be told that “Brexit means Brexit”, we should not forget that for seven decades the defence of this country has been underpinned by NATO in particular and Europe in general. While that close co-operation has been welcome, some responsible for promoting the EU’s common security and defence policy have favoured more integrated European defence with the possibility of a European Union army. I am opposed to this, and so is the Secretary of State for Defence. In his conference speech in October, he said that,

“we will go on blocking an EU Army, which would simply undermine NATO”,

but the Foreign Secretary disagreed. He said:

“There is a conversation going on now about the EU’s desire to build a strong common security policy ... If they want to do that, fine ... We are not there to block or to impede further steps towards EU integration”.

These two statements contradict one another. Will the Minister tell us what government policy is on this matter?

Creating a European army should not be a strategic goal; rather, we should be strengthening NATO. A non-NATO European defence force would be a gift to

President Putin and anyone else who some time in the future may take an aggressive stance against us or one of our NATO partners.

I was glad that in SDSR 2015 the Government confirmed their commitment to spend 2% of GDP on defence. However, we must do more to encourage other NATO member states to do the same. This is more important following comments made by President-elect Trump, who said:

“We have many NATO members that aren’t paying their bills ... Many NATO nations are not making payments, are not making what they’re supposed to make”.

I note in the excellent paper prepared by the Library a quote from Jed Babbin, Deputy Undersecretary of Defense in George W Bush’s Administration. He warned that President-elect Trump,

“may not get the chance”,

to abandon NATO,

“because the EU may beat him to it”.

I do not want to see President Trump, when in office, pull back from the United States commitment to NATO and I am sure I am not alone in that.

Following the 23 June referendum, a RUSI investigation found that Britain could face a £700 million black hole in its defence budget due to the falling value of the pound against the dollar. It came to this conclusion by analysing several factors. Britain’s defence imports rose from \$7.2 billion in 2002 to \$11.8 billion in 2012, and RUSI concluded, using the exchange rate of £1 to \$1.30, and with defence spending of £35 billion in 2015-16, that there would be an annual £700 million shortfall in Britain’s defence budget. The pound to the dollar today is now £1 for \$1.27. Speaking in the other place on 11 July, the Defence Secretary said that,

“it is a little too early to be sure exactly where the sterling-dollar exchange rate will end up. Like any large ... organisation, we take precautions against fluctuations in the currency, but it is too early to say whether that current level is likely to be sustained”.—[*Official Report*, Commons, 11/7/16; col. 52.]

Can the Minister outline what these precautions are and how the Government are planning to use them?

The fluctuating exchange rate may also be a problem for the cost of importing the raw materials needed to build our naval vessels. My noble friend Lord Hoyle, who is not in his place, recently asked the Minister about defence contracts and the use of British steel. In reply, the Minister stated that the Government were committed to supporting British steel but that there was,

“the need to source specific grades of steel, not all of which are available in the UK”.—[*Official Report*, 21/11/16; col. 1728.]

If we depend on importing this specialised steel, then we need to be concerned that the Ministry of Defence budget can cope with the possibility of having to pay more. A weak pound would cause significant problems for our imports of raw materials. What has the Ministry of Defence been doing to consider the impact of that?

In an uncertain world, the European continent faces twin evils: intolerance and poverty. Both have been at the forefront of many arguments surrounding the Brexit debate. The intolerance I speak of is fed by the perceived threat of migration: intolerance of people we see as different from us and intolerance of people from different backgrounds, cultures and traditions,

whom some would have us believe pose a threat to our way of life. A dear friend of mind, the later Leo Abse, MP for Pontypool and then Torfaen for 30 years, said on the day he announced his retirement, “I only have one piece of advice for my successor”—he did not know then it was to be my noble friend Lord Murphy of Torfaen—“tolerate everyone, tolerate everything, but never, ever, tolerate the intolerant”. That was good advice and we should bear it in mind post-Brexit.

The poverty I have in mind has been, in the main, worsened if not entirely brought about by wars in Iraq, Syria, Libya and parts of Africa. These wars and poverty are driving tens of thousands of desperate people to Europe’s shores. The impoverished and dispossessed arriving here are seeking a better life, believing that Europe will give it to them. When it comes to poverty I am with James Maxton, who said:

“Poverty is man made therefore open to change”.

But if we are to gain the true measure of these twin threats—intolerance and poverty—and to find ways to combat them, and if Britain is to continue to play a major role on the world stage both in defence and as a trading nation with the fifth-largest economy on the planet, then a British trinity of an integrated foreign, defence and aid policy should be the bedrock for our future. In truth, I do not believe that yet exists. But my God, post-Brexit, we will certainly need it.

2.24 pm

The Minister of State, Ministry of Defence (Earl Howe) (Con): My Lords, I am extremely grateful to my noble friend Lord Sterling for tabling this Motion and for his well-argued speech. I also thank all noble Lords—including noble and gallant Lords—who have contributed to this important debate. I pay particular tribute to the noble Earl, Lord Cork and Orrery, for his excellent maiden speech.

In recent weeks, your Lordships have debated several aspects of the UK withdrawal from the EU, including in the debate introduced on 20 October by the noble Lord, Lord Wallace of Saltaire, which my noble friend Lady Goldie responded to, on the implications of our withdrawal from the EU for foreign and security co-operation with European countries. However, this Motion addresses two specific groups of men and women who serve our country with professionalism, courage and distinction at home and overseas: our Armed Forces and our Diplomatic Service. I hope the whole House will join with me in paying tribute to them all for what they achieve on our behalf. Given what we ask of them, and how much they deliver, it is right that we pay due consideration to their future roles, responsibilities and duties.

I begin by making the most important point of all. The Government have made it clear that as we leave the EU, we will not be turning our back on the world. The UK remains a permanent member of the UN Security Council, the second-largest contributor to NATO and a leading member of the G7, the G20 and the Commonwealth. We take these responsibilities seriously and will continue to be a strong and influential European voice on the world stage, promoting and defending global peace and security, and promoting our trade interests.

We do that, as the noble Lord, Lord Davies, rightly said, through our international diplomatic network of embassies, high commissions, missions, delegations and representations, to name but a few of the nearly 270 diplomatic offices, employing over 14,000 people, across the world. Many bilateral relations are the product of years of international dialogue, and it is strong bilateral relations—including with those countries remaining in the EU—that often underpin our engagement in the multilateral organisations. The noble Baroness, Lady Smith, was right to single out two examples of many. Our defence relationship with France is growing all the time and is building on the Lancaster House agreement that underpins it. Germany is now a tier 1 country, with the United States and France, in the SDSR 2015, and we have growing relationships with many other countries. That will not change, but once—and only once—the UK has left the EU, our presence there will have to change. Several countries already have bilateral arrangements with the EU—for example, there is the United States Mission to the European Union—and Her Majesty’s Government will bring forward more detailed plans when the time is right. For now, we remain a full member of the EU and our UK representation team continues to lead our engagement with the EU.

On this point, our Diplomatic Service is, and will remain, at the forefront of our international engagement. The Foreign and Commonwealth Office continues to strengthen the network, rebalancing its resources in response to global changes and investing in the areas where the UK needs greater representation and influence. Working in partnership with the Diplomatic Service, our Armed Forces make a significant contribution to defence and security around the world. For example, the UK is a major military contributor to EU common security and defence policy—CSDP—operations. We provide the headquarters for Operation Atalanta, the counterpiracy operation off the Horn of Africa. Royal Navy ships support Operation Sophia in the southern Mediterranean in response to irregular migration. The UK also supports the maintenance of the safe and secure environment in Bosnia-Herzegovina.

The Government have repeatedly stated that we are leaving the EU but not turning our back on European security. We are maintaining our support for EU operations and missions, and continue to encourage other member states to do the same. Once the UK has left the EU, we will not be able to contribute in the same way. To answer the question posed by the noble Baroness, Lady Smith, and the noble Lords, Lord Ashdown and Lord Hunt of Chesterton, the specifics of the future relationship after we have left will be part of the negotiations once Article 50 has been triggered. For now, we are encouraging the other EU member states to refrain from taking decisions that would make it more difficult for the UK to contribute to CSDP missions in the future. After all, it would be a shame—and indeed a risk—not to take advantage of the resources we have and our willingness to use them. I remind noble Lords that our defence budget is the second largest in NATO after that of the US, and the largest in Europe, and we have committed to maintain defence spending at 2% of GDP—about which I shall say more. That raises an important point. I agree with

[EARL HOWE]

the noble Lord, Lord Robertson, and the noble Baroness, Lady Deech: the UK's contribution to the CSDP is valuable but it is just part of the significant wider contribution that we make to international peace and security through NATO, the United Nations, the counter-Daesh coalition, bilateral support activity and the many activities conducted under the auspices of defence engagement.

My noble friend Lord Sterling used the phrase "hard presence". Next year 800 UK personnel in Estonia will deliver one of four battalions to NATO's enhanced forward presence in the Baltic states and Poland; we will lead NATO's Very High Readiness Joint Task Force; and Typhoons will be based in Romania, joining the southern air policing mission to offer reassurance to our Black Sea allies. For the United Nations we are doubling our commitment, with significant deployments to Somalia and South Sudan. In Ukraine we maintain up to 100 personnel delivering training to its defence forces. In the Far East, the five-power defence arrangement is unaffected by Brexit. Indeed, to pick up a point well made by the noble and gallant Lord, Lord Craig, the SDSR 2015 contained as a running theme the need for UK defence to be international by design. That includes more defence engagement. The activities I have listed are only part of what our Armed Forces are doing and will continue to do, and none of that is impacted by the UK leaving the EU.

Having said that, nothing I have said so far belittles the role that European countries can and should play. The joint declaration agreed at the NATO summit in Warsaw rightly asserted that a stronger NATO and a stronger EU are mutually reinforcing and can work together to provide better security for the Euro-Atlantic area. More diverse threats and greater uncertainty around the globe mean that this is not merely an aspiration but a necessity. It is important that these proposals are now carried forward and implemented through 2017 and beyond.

That brings me to the theme of our hard-power capabilities. A number of noble Lords, including the noble Lord, Lord West, my noble friends Lord Hunt and Lady Buscombe and the noble Baroness, Lady Jolly, argued that our Royal Navy fleet was too small, and the noble and gallant Lord, Lord Craig, called for more aircraft. As for the Royal Navy, careful and thorough consideration was given, through the November 2015 SDSR, to what capability we require across all platforms to best defend ourselves against the threats that we face. SDSR 2015 was positive for the Royal Navy, committing to an increase in the size of the service for the first time in a generation. It also set out our continued investment in a growing Royal Navy by building two aircraft carriers, a new Type 26 global combat ship, Dreadnought and Astute class submarines and offshore patrol vessels. We are also developing, as we debated earlier today, a new class of lighter general-purpose frigates so that by the 2030s we can grow the size of the fleet.

Let us not forget that the UK exceeds the NATO investment target of spending 20% of our defence budget on modernisation. We can look forward to some important capability enhancements over the next

decade: our investment in power projection, including our commitment to man and operate two aircraft carriers, ensuring that one is available 100% of the time; bringing forward our procurement of F35s and a commitment to procure 138 aircraft over the life of the programme; the procurement of nine P8 aircraft to plug our maritime patrol aircraft capability gap; the procurement of 20 new UK-certified MQ-9 Reapers, known as Protector, doubling our fleet of these unmanned aerial systems, a capability that is proving so valuable to counter-Daesh operations; and collaboration with the United States on underpinning future combat air technologies, preserving the combat air interoperability built through the F35 programme. The noble and gallant Lord, Lord Stirrup, spoke of investing according to need. I believe we are doing that.

It is always a challenge—I say this particularly to my noble friends Lord Sterling and Lord Hamilton and the noble Lord, Lord West—to meet all the demands on the public purse. Of course I understand why noble Lords would wish to spend more on defence, a call that was echoed by the noble Baroness, Lady Dean, and the right reverend Prelate the Bishop of Portsmouth. The commitment to spend 2% of GDP on defence came after a thorough examination of threats and risks, after which the Government decided on an appropriate level of funding. I remind the noble Baroness, Lady Dean, and the noble Lord, Lord Davies, that apart from the 2% commitment we also committed to increasing the defence budget by 0.5% above inflation every year until 2020-21.

However, it is not just about how much we spend; it is about how we spend it. The strategic defence and security review laid out a clear and affordable strategy for delivering one of the most capable Armed Forces in the world, including an expeditionary force of 50,000 by 2025; £1.9 billion of cyber investment; new capabilities for special forces; and a commitment to spend over £178 billion on equipment and equipment support, £12 billion more than in previous plans. With respect, I do not agree with the noble Baroness, Lady Dean, or the noble Baroness, Lady Jolly, that the SDSR 2015 needs revisiting now. There will, however, be another SDSR in 2020.

My noble friend Lord Sterling rightly raised the issue of home-grown capability in defence procurement, and the shipbuilding industry in particular. I agree with him that the shipbuilding sector is a traction engine for its long supply chain for the regions where shipyards are significant employers. The sector provides high-wage, high-skill employment in relatively deprived areas of the UK. The MoD's initial estimates are that it spends approximately £1.4 billion on shipbuilding and repair in the UK, and economic analysis suggests that that corresponds to around 15,000 direct jobs and 10,000 indirect ones. However, we have further work in hand on this aspect. It is worth observing that current policy sees warships being built in the UK. We are able to do that by securing an exemption under EU law for reasons of national security.

The noble Lord, Lord Touhig, and my noble friend Lady Buscombe asked what impact the falling value of sterling would have on MoD procurement. We build appropriate levels of contingency and risk into

our defence budget and equipment plan. We carefully monitor fluctuations in currency markets and take steps to protect our budget from short-term volatility. Like any responsible large organisation, the MoD takes appropriate financial precautions in all its procurement contracts. We address the impact of short-term variations in foreign exchange rates as part of the routine financial management of the defence programme, and that includes the forward purchase of foreign currency at agreed prices.

A number of noble Lords spoke about the relationship between the UK and the United States in the defence field. Our co-operation with the United States is mutually supportive. It is too early, I suggest, to determine the precise stance of the new US Administration, although President-elect Trump is on record as emphasising that he is “all for NATO”. However, it is important to appreciate the extent and depth of US-UK co-operation. We can co-operate together and in wider alliances or coalitions around the world. Our collaboration extends across the full spectrum of defence, including operations, intelligence, nuclear co-operation, research and flagship capability programmes like the Joint Strike Fighter. Regarding the President-elect’s approach to NATO, he has made some encouraging comments, but he and indeed successive US Presidents have called for increased European spending on defence. We support that call. The NATO summit in Cardiff set the 2% commitment. I say to the noble Baroness, Lady Deech, and the noble and gallant Lord, Lord Stirrup, that an increasing number of European allies are raising their defence spending. When leaders made the pledge in 2014, only three allies met the 2% of GDP guidelines. Since then Estonia and Poland have increased their budgets and five allies now meet the guidelines. Ten now meet the guideline to spend 20% of their defence budget on equipment and R&D, which is three more than at Wales. The aggregate real-terms spending of European NATO allies was \$254 billion in 2014 and is estimated to rise to \$263 billion in 2016.

The noble Baroness, Lady Jolly and the noble Lord, Lord Tuhig, referred to the concept of a European army. I would just like to make it clear that my right honourable friend the Foreign Secretary did not express support for an EU army. He was supporting EU member states’ commitment to increase their military capabilities which could then support EU CSDP operations and missions, or for those in NATO to strengthen NATO.

The noble Lord, Lord Ashdown, rightly raised the importance of cyber. Our national security strategy and the SDSR have made it clear that cybersecurity is a national priority. This is a classic example of NATO and EU collaboration. Only last month my right honourable friend the Secretary of State announced £265 million to boost the defence of military cyber systems. The UK is also at the forefront of strengthening NATO’s cyber posture—the cyber defence pledge, which was a UK initiative.

I congratulate the noble Earl, Lord Cork and Orrery, on his speech. He referred to the capabilities of border defence and contended that we need to do more with maritime reserves. I agreed with much of what he said and it illustrates the need for a joined-up, comprehensive approach across government. All that he said points

up the value of our national security strategy and the National Security Council. In that context, I am sure he will recognise the value of reserves working with regulars—a theme of our future reserves policy. He may wish to know that today, my honourable friend the Minister for Defence Procurement has announced the signing of a £287 million contract with BAE Systems Maritime to build two more highly capable offshore patrol vessels: OPV4, which will be named HMS “Tamar”, and OPV5, which will be named HMS “Spey”.

Time prevents me answering further questions. I hope that noble Lords will forgive me for not having been able to address all the points raised in the debate or to refer to all speakers by name. I shall of course write to those speakers whose questions I have not answered.

In conclusion, I re-emphasise a point made by the noble Lord, Lord Ramsbotham, and the noble and gallant Lord, Lord Stirrup. Our commitment to European defence and security is undiminished. We will remain a key European power and we will continue to co-operate with our European partners to tackle shared challenge, quite simply because our interests are indivisible from theirs. Our new relationship with the EU and the way it functions will be developed through detailed discussions once Article 50 is triggered. Yes, the UK will need to amend its diplomatic and military engagement with the EU but we should have every confidence that this will not prove problematical to our Armed Forces and Diplomatic Service, for whom adaptability is a watchword.

Above all, I have every confidence that our Diplomatic Service and our Armed Forces will steadfastly remain a credit to this country, continuing to protect the freedom, security and prosperity of our nation, whatever the future may hold. I am confident that the whole House will join me in once again paying tribute to the men and women who serve in so many capacities stalwartly, conscientiously and professionally in the interest of us all.

2.44 pm

Lord Sterling of Plaistow: My Lords, I add my congratulations to the noble Earl, Lord Cork and Orrery, on his maiden speech. I have every intention of getting together with the noble Earl, because I share completely his views and am very interested in his ideas on using reserves. I also take this opportunity to say how grateful I am to the noble Earl, Lord Howe, who, in his usual, most courteous fashion dealt with all the questions and answered everything in the light of his great experience and knowledge of all these subjects. However, I am not saying that I totally agree with all his replies.

I have a couple of minutes, so I shall bring up a couple of things whether it is unusual or not. I do not agree with the viewpoint that somehow, when we leave Europe we will be in a mess. Business-wise I operate in every single European country. If we take the example of the FCO, it is not just in Brussels: it operates in 27 countries. In our business, we do not go to Brussels to ask what people want; we operate completely. In many of the organisations in Brussels, increasingly, it is Berlin which calls the tune, not Brussels.

[LORD STERLING OF PLAISTOW]

I posed a question yesterday to the Secretary of State and others about the amount we allocate. I am troubled that there is no interest in considering increasing the amount of money for the armed services. I said, “As a matter of interest in these troubled times, if the Prime Minister asked you to call the chiefs together to say that tomorrow morning, we are going on to a war footing, what would you do? What does that really mean? That we wait? That we say, ‘Hang on a moment—we have some figures coming through in 2030’. What does it mean?”

In these debates, it is an enormous pleasure to hear so much experience and knowledge of so many subjects, such as diplomacy, that is much deeper and greater than mine. I shall tell noble Lords of an experience I had which had a huge effect on me. I head up Motability and a few years ago we had a gathering at Royal Hospital because I decided that we wanted aid for all the veterans who had been wounded, whom we help with mobility. The Queen and the Duke came to that. It was all military. We were walking among all the people on a beautiful June day and headed up to some young soldiers who were, sadly, at Headley Court Military Hospital recovering from some very serious wounds sustained in Afghanistan.

The Queen was ahead, and as I passed I saw a young marine in a wheelchair whose colour, sadly, was like this piece of paper in my hand. His carer was nearby, so I took him to one side and asked about his background. He said, “It is an absolute tragedy. This young man passed out as a Marine in Scotland nine months ago. His family went up and everybody went to see him and were absolutely proud. He was captain of the school, captain of cricket, captain of rugby. Nine months afterwards both his legs were blown off”.

I looked at him and thought, “That could have been my grandson”. I remember it as if it were yesterday. I leave with everybody the thought that, for all our people serving us in the way that they do and the risks they take, the least we can do is to make certain they have the firepower and enough people in the armed services to help them do their job.

Motion agreed.

Businesses: Rights and Responsibilities

Motion to Take Note

2.49 pm

Moved by Lord Hodgson of Astley Abbotts

That this House takes note of the case for maintaining the balance between rights and responsibilities in the corporate sector.

Lord Hodgson of Astley Abbotts (Con): My Lords, I begin by reminding the House that most of my commercial career has been spent in the City of London. I therefore have had the chance to see the ebb and flow of corporate behaviour at first hand. My remaining and existing commercial links are, of course, declared in the register of your Lordship’s House.

The origins of this Motion were from a QSD that I tabled on 18 May last. I invite the House to note that date. I was concerned then that there was increasing public concern about the role of the corporate sector in our national life. Since then, there have been at least two epochal events—the decision of the people of this country to leave the European Union and the decision of the people of the United States to elect Donald Trump as their next President.

Some commentators referred to the debate on the EU referendum as a contest between Project Fear, from those who wanted to remain, and Project Rage, from those who wanted to leave. Certainly, Trump’s successful campaign had an element of rage within it. In my view, those who raged did so because they felt that the economic system had not worked successfully to their advantage, that their living standards had been static and that they had increasingly lost control of their lives. They are right in at least two senses. First, as most commentators would agree, the share of reward or profit going to capital has increased at the expense of the share going to labour, and within the share going to labour the division of that reduced amount has not been sufficiently fairly shared between the administrative managerial classes and the rest. Specifically, in this country, there has been rage about the emergence of what is fast becoming two nations, London and the south-east and the rest. It has led to a grumbling dissatisfaction with the established order, which has its most brutal expression in phrases such as, “We need to drain the swamp”.

Some of my business friends seem to take comfort from the fact that this appears to be aimed at the political class alone. I have said to them—and I say now—that if you follow the thread of that argument through, it is not long before business and commerce start being seen as part of the swamp, too. Nevertheless, I believe that the system that we enjoy in this country, which links liberal democracy, established personal rights and freedoms, with universal suffrage and capitalism, the right to buy and own property and to sell one’s labour freely, is the system most likely to provide the best outcomes for the greater proportion of our fellow citizens. Of course, it is not perfect, and I accept that there are those who argue for a different system—for example, with a return to a greater degree of public ownership, but that is an argument for another day. But our existing system will endure only if our fellow citizens feel empowered by it, which will not be achieved by political actions alone. It will require British commerce and industry to reflect very carefully on their powers and influence and how they are to be deployed in future, particularly given the upcoming fourth industrial revolution, which will transform our society with the introduction for the first time of artificial intelligence and robotics. It is to examine that balance and the challenge that it represents that I have tabled this debate today in your Lordships’ House, where there is a wealth of experience on all sides of the argument.

There are those absolutists who, despite the provisions of Section 172 of the Companies Act, say that the business of business is business and that a company’s only duty is to comply with the law and thereafter its only duty is to maximise profit for its owners and shareholders. At its most extreme, such people take

the view that, if the Government or Inland Revenue cannot draft the regulations sufficiently tightly to avoid well-publicised schemes, the company is entitled to pay no tax at all. Whatever may have happened in the past, today, with much greater transparency and with information available around the world at the click of a mouse, that view does not hold water. Indeed, its widespread practice would undermine public confidence in the established order—and where will owners and shareholders be then?

On the balance, it is a truism that successful businesses are an essential part of our society, creating employment and providing substantial revenues to the Exchequer. To be able to operate successfully, they need certain conditions to be fulfilled. Those are their rights. They need an appropriate system of company law, enforced by an independent judiciary; an administration that operates, at local or national level, free from the taint of unfair influence; a Government to whom they can turn for support in their dealings with other Governments or their representatives; and a system of regulation that is not unduly burdensome and is reviewed from time to time to ensure its continuing effectiveness and relevance. Last but not least, they need a degree of constancy of approach, as many business decisions are by their very nature long term, and too frequent jerks of the tiller of the ship of state are not helpful.

In very great measure, this Government have provided that framework in a very sensible way. Inevitably, there will always be arguments about the level of regulation, but the fact that the Red Tape Challenge is now an established part of the Whitehall machinery provides at least an avenue for redress. Perhaps only in one sense have the Government fallen short—in constancy of approach. Many businessmen talk to me about the frequency of the turnover of Ministers in departments. Every Secretary of State is going to want to impose his or her mark on the department, which inevitably means shifts in direction and changes in priorities, which are not helpful to the creation of a good business climate.

So much for the rights of the corporate sector—what about its responsibilities? I am aware that the criticisms that I am about to make are likely to be met with the retort that only a minority is behaving irresponsibly. That may or may not be true, but the bad guys make the weather in public opinion. Given that the reputation of the corporate sector is at present fragile, the sector has to accept responsibility for the behaviour of its weakest links. First, there is the democratic deficit as regards shareholders, with the effective disfranchisement of private shareholders, who increasingly hold their shares through PEPs and ISAs, SIPPs and other collective investment vehicles. Such shareholdings cannot be in the name of the individual; they have to be in a nominee name. Furthermore, as settlement periods for Stock Exchange share dealing are shortened, stockbrokers increasingly require their clients to hold their shares in a nominee ship. The consequence is that notices, results of meetings or general announcements never reach the underlying shareholders, who become cut off from the company in which they have invested. You might have expected that companies would wish to maintain links with people who are, after all, their owners—but I am afraid not a bit of it. They appear to take very little or

no interest at all. Instead, company managements tend to focus on the handful, often no more than 10 or so, of the institutional shareholders who together effectively control their destiny.

That takes me to my second point. The standard of stewardship by most financial institutions is remarkably low. Dealing with institutional shareholders, as I have done in my past life, can all too often be a deeply depressing experience. They have a limited understanding and interest and, in the case of tracker funds, no interest at all; an unwillingness to help to address important issues and challenges; and an unreadiness to get involved, except to complain when the company is not progressing as fast as the shareholder would wish.

The third aspect where the corporate sector has been found wanting is in addressing public concerns about the level of executive pay. This topic alone could take up a whole debate. I have been the chairman of a remuneration committee of a public company, and I know that setting executive pay is an exceptionally difficult and challenging thing to do—so I am not trying to underestimate the problems that it presents. But there is a widespread view that the sector is in denial about the problem. At the very least, it has put the problem into the drawer marked too difficult. The *FT* on 24 November had as a front-page headline, “Theresa May suffers backlash over flagship business reforms”. Having read the report, which I have here, I do not think that it is a very fair headline, but never mind that—it is the headline. The impression is that the corporate sector is being dragged kicking and screaming to make changes that address public concerns. How much better would it be if the sector was to get ahead of the curve and bring forward its own proposals?

I leave those areas where the corporate sector is directly responsible and turn to other areas where a clearer and better contribution to society could be made, such as employment practices. I assure the House that this is not going to be a rant about immigration. I recognise that selective immigration is an important part of maintaining a dynamic economy. Too often, however, the British corporate sector sees immigration as the default option. It can be easier and cheaper to recruit trained individuals from outside the UK instead of training up our own settled population.

I have two examples. I have a house on the border of Shropshire and Herefordshire, where a great deal of soft fruit is grown. It can be easier for a fruit grower to ask a gangmaster to provide 100 temporary workers to undertake fruit picking for a couple of months in the summer than to hire 100 British workers individually. The gangmaster takes responsibility for all the interviewing and associated paperwork before delivering and removing the workers on the agreed dates. But one consequence is that the local unemployed do not get a look-in.

My second example is not anecdotal. In a report permitting increased immigration of healthcare workers, Professor Sir David Metcalf, the chair of the Migration Advisory Committee, a government body, said:

“We have reluctantly made this recommendation. However, there is no good reason why the supply of nurses cannot be sourced domestically. There seems to be an automatic presumption that non-EEA skilled migration provides the health and care sector with a ‘Get out of Jail Free’ card”.

[LORD HODGSON OF ASTLEY ABBOTTS]

An authoritative cross-party committee of your Lordships' House looking at the economic impact of immigration said:

"In the long run, the main economic effect of immigration is to enlarge the economy, with relatively small costs and benefits for the incomes of the resident population".

These examples and this conclusion are unlikely to convince the wider British society that the corporate sector has its interests truly at heart.

As part of a serious effort to restore public trust and confidence, the sector might consider a much wider and better publicised effort to support initiatives in our civil society. These could take the form of direct action. For example, a running sore in our society is the ineffectiveness of our prison system, with two-thirds of our prison population reoffending within 12 months of release. Every study suggests that what a prisoner wants on release and what is most likely to stop him or her reoffending is a house and a job. How many UK businesses are making a really serious effort to employ ex-offenders? How many are ready to accept the inevitable setbacks and disappointments, secure in the knowledge that there will be individual successes and, more generally, that society will slowly recognise the contribution that business can make to our social cohesion?

If direct action does not fit the bill, businesses can do more to support charitable and voluntary endeavours in the communities in which they operate. This is not just about money, it is about providing skills and expertise to these groups—and it is by no means a one-way street. Those businesses that have adopted this approach find that their employees' subsequent performance is enhanced by having had to work with volunteers—notoriously difficult to lead—while tackling extremely difficult socioeconomic problems.

Let me conclude: it is perhaps not too dramatic to say that we have a bit of a struggle going on for the soul of our liberal democratic system. The Prime Minister and the Government have led the way by raising some important issues and asking serious questions in the Green Paper released last week. But the struggle cannot be carried by politicians alone. All those who believe that our current broad approach is the best one will have to fight for it, explain its values and make the necessary changes so as to demonstrate its relevance and its worth to those who have felt increasingly disconnected and disempowered. In this struggle, the corporate sector has a critical role to play—standing fastidiously on one side saying that it is all down to the politicians is not an option if our system is to survive. I beg to move.

3.03 pm

Lord Monks (Lab): My Lords, I am grateful to the noble Lord, Lord Hodgson of Astley Abbots, for so thoughtfully introducing and launching this very timely debate on corporate governance. I share his enthusiasm for this subject; if I do not agree with everything that he has said, it is not for the fact that we do not have a lot in common in many of the analyses that he has made.

In my view, the issue of corporate governance is at the heart of many of the weaknesses of the British economy, which continue to be a drag anchor on our

performance in some important areas. Indeed, I would go as far as suggesting that, rather like some banks, capitalism itself—if it does not pay heed to some of the criticisms—is not too big to fail when it is set against the challenges that it faces. Our current economic model has features that pose a threat to our prosperity as a nation, whether we are in or out of the EU in the longer run.

We all know, at least theoretically, what we need to do. We need to concentrate much more on long-termism—long-term investments and boosting productivity through investment in the best possible equipment and best possible skills. We also want to see fair wages applied throughout the economy. But instead, the real focus of much of business is on short-term returns to shareholders—the noble Lord, Lord Hodgson, referred to that—and linking those returns to the remuneration packages of senior executives, which I understand takes an inordinate amount of time in some boardrooms to try to resolve. The results are a historically low rate of investment, with the UK among the OECD's less impressive performers, a level of productivity that is embarrassingly poor compared to similar nations, and real wages which, for the many, have barely moved since the economic recession of 2008. At the same time, executive pay has rocketed and the gap between the top and bottom earners has widened, showing no sign of significant narrowing.

I welcome the fact that the Prime Minister recognised this when she launched her leadership campaign for the Conservative Party and said:

"I want to see changes in the way that big business is governed".

She went on to criticise the make-up of boards, saying, "we're going to have not just consumers represented on company boards, but employees as well".

I was sorry to see her subsequent retreat once the CBI had said boo to these ideas. Instead we have a rather weedy Green Paper on corporate governance, which complacently lauds the British model of corporate governance, claiming rather vaingloriously that it is "world leading", giving us an "international competitive advantage". In my view—and I think in the Prime Minister's view when she gave that speech to launch her campaign—this particular phraseology in the Green Paper is wrong; the original remarks by the Prime Minister were right.

The Green Paper floats ways to develop the connection between the boardroom and the workforce, including the establishment of advisory panels and the appointment of designated non-executive directors to take responsibility for articulating stakeholder perspectives. This is rather paternalistic. It is not really good enough, although it will no doubt be too much for many employer interest groups, which predictably will already be drawing up their lobbying proposals to weaken still further the Government's already waning interest in this important subject.

We are in danger of missing a great opportunity to reform directors' duties, so that directors are required to promote the long-term success of their company. We are perhaps missing, too, the opportunity to go further and to recognise the interests of other stakeholders—not just the shareholders—in corporate governance and, in particular, the interests of the

workforce, which often has the most at stake in any problems that a company runs into. The workforce is of course often lauded as a company's greatest asset, but too often it is sacrificed on the altar of boosting short-term returns. It is also too often undertrained and underpaid.

Part of the answer to these problems—though not all the answer—would be elected worker representatives on the board. They would be a pressure point for long-term success and organic growth and would help to counter the emphasis on short-term financial engineering. In much of continental Europe, as many of your Lordships will recognise, worker representation is an accepted and valued part of how large companies operate, including, currently, in the continent's most successful economies—Germany, Austria, the Netherlands, Sweden and Denmark. In those countries, worker representation on boards is a widely supported feature of company life. Even among company chairmen there is a high degree of support. I remember asking a Dutch CEO who had been a manager in Britain before taking a top job in the Netherlands what difference this worker representation made. He said that it probably made a marginal difference to some of the decisions his company took, but that it made a big difference to the way in which they were taken and the care that was taken to involve the workforce in the steps that were taken. When I was general secretary of the European Trade Union Confederation, I encountered similar experiences in Germany, where worker-directors take hard decisions without breaching any confidences. They make sure that these decisions are taken after considering all the alternatives. They are careful in what they do and treat people as human beings.

The evidence is clear that countries with high standards of worker participation—rights on boards, workplace representation and collective bargaining—score more highly across a range of measures such as R&D expenditure, the employment rates, educational and training levels and participation. They also have higher scores on economic success and a more equitable economic success, with narrower gaps between the top and the bottom than we have at present.

This correlation between success and worker involvement and participation is not just a coincidence but a direct result. I ask the business community to reflect upon these lessons from abroad. It is not just lessons from abroad; I noted that there has been some support expressed recently in this country for worker representation on boards. Legal & General and Aberdeen Asset Management both supported the kind of things that came from the union side of the debate on the issue of the Green Paper. FirstGroup, an important transport company, has a worker-director. I wish that others would put their short-term interest to one side and come to the same conclusion.

I hope that the Government will become less complacent as they consider the responses to the Green Paper and will return to the Prime Minister's original ambition, that they will summon up some courage to face down the employer lobbyists who will be extremely busy trying to make sure that none of this happens, and that they summon up the energy to create a framework of corporate governance that works for everyone, not just the privileged few.

3.12 pm

Baroness Bottomley of Nettlestone (Con): My Lords, I am delighted to follow the noble Lord and speak in this important debate. He made some extraordinarily serious points. He will know that I have never regarded him or his colleagues as “embarrassing elderly relatives”. I have long thought that was one of the many comments uttered by a former Labour Prime Minister that was utterly reprehensible. Good employment practices and partnership with those who work in business is the only way to have a truly effective outcome.

Many models and developments in the public sector are equally applicable to the corporate sector. I am grateful to my noble friend for initiating this debate as I referred in my maiden speech to company law and the Companies Act 2006. My noble friend was then an opposition spokesman. He has strong views on not only company law but also charity. The parallels between the public, charitable and commercial sectors in terms of good governance are evident.

Recent events have given rise to concerns about corporate excess and the degree to which all feel engaged in the nation's success. My noble friend referred to the McKinsey point—namely, that 10 years ago, 2% of the population felt that they would be worse off than their parents, but the figure is now 75% to 80%. There are real challenges around globalisation and people feeling that everyone benefits from it. The Governor of the Bank of England, in a particularly insightful and profound speech, addressed some of these issues only this week and called for,

“more inclusive growth where everyone has a stake in globalisation”.

The tragedy, however, would be if we were to turn our back on free trade. The International Chamber of Commerce, the UK advisory committee of which I have long served on, has pledged itself to reargue the case for free trade.

Over the last 20 years, trade has played a pivotal role in cutting world poverty by 40% and increasing global GDP by over 50%. In 2017, global growth is forecast to be under 3% for the sixth consecutive year, with foreign direct investment forecast to fall by 15%. Across the EU and US society, people are divided on the benefits of globalisation. However, we have to fight and get back to the basics of free trade and explain how trade tackles poverty, raises living standards and creates jobs. Above all, we have to rebuild trust between business and society.

Way back when Ted Heath, the former Prime Minister talked about the “unacceptable face of capitalism”, he referred to Tiny Rowland and Lonrho. However, the author of the recent biography of Ted Heath, Michael McManus, said that Ted Heath intended to refer to,

“an unacceptable facet of capitalism”,

rather than face of capitalism, but that his poor eyesight let him down while he was reading the speech. That rather changes the situation. However, as my noble friend said, “bad guys make the weather.” Recently, we have had Mike Ashley at Sports Direct and Philip Green's apparent systematic plundering of BHS. We are seeing the work of the Select Committee on corporate governance and now we have the Green Paper. Therefore, this is an opportunity for us to look at this issue again.

[BARONESS BOTTOMLEY OF NETTLESTONE]

However, I do not want us to forget our basic principles because the primary architect of UK modern corporate governance was the late Sir Adrian Cadbury. His review in 1992 *Financial Aspects of Corporate Governance*, in the wake, then, of more bad weather, with Robert Maxwell's £440 million pension fund raid and the Polly Peck abuses, was the groundwork of the principles and practices that have stood us in extraordinarily good stead. Adrian Cadbury defined corporate governance as being,

“concerned with holding the balance between economic and social goals between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society”.

That was written in 1992. For me, those are still the basic principles. Sir Adrian set out the code of best practice under the stewardship of the Financial Reporting Council. We have been extraordinarily well served by the FRC and we should think long and hard before moving away from that model, which above all instils the “comply or explain” principle. We do not like rules-based quotas. We find our flexibility in the UK system of “comply or explain” to be so much more effective and has stood the test of time.

Are executives subject to sufficient independent challenges? Are they promoting the long-term success of business? Is there a proper balance between shareholders, employees and society? I remember when I was invited to join the first board that I joined, which was a two-tier Dutch listed board, the chairman said, “We are very worried Mrs Bottomley that you will bring that adversarial approach to corporate governance that the Brits have. We are very consensus seeking”. I think a bit of adversarial challenge, scrutiny and vigilance on a board is pretty important. However, for a long time I had to be careful how I phrased my questions.

During my time as Health Secretary, I invited Sir Adrian to meet the key regional health authority chairmen to talk about unitary boards and the appropriate relationship between the chairman and the chief executive, how the committee should work and how the composition should work. It was hugely important. We have seen how in health trusts and universities and all parts of the public realm much greater care is given to how those boards are constituted and what people bring to the party. I see the noble Baroness, Lady Prosser, a long-standing friend of mine, who did excellent work on the board of the Royal Mail. That was an excellent board with different people from different constituencies working in a common purpose. The old boys' club of boards, where individuals all had a huge amount in common has given way to a real belief in diversity and difference, leading to creativity and avoiding “group think” in a way that is extraordinarily impressive. We have had the Greenbury report, the Hampel report, the Turnbull report, the Smith report and the Higgs report, which framed the role and responsibilities of the non-executive; brought in the senior independent director, who everybody thought would be a troublemaker to start with but has been a force for good between the role of the chief executive and the chairman; and introduced avoiding moving from being chief executive

to chair; having a proper independent audit and board evaluation. Many concepts were resisted initially but are now implemented across our more enlightened businesses. How different from the US, where over half the Fortune 500 businesses have a combined CEO and chair.

Far be it from me to sound complacent, but I feel strongly that the FRC and our structure of corporate governance—albeit there are areas where I would like to see more movement—has stood us in good stead and has been extraordinarily effective. Sir Christopher Hogg, another former chairman of the FRC, once said, “A cosy board is not a good board. A board should have some tension in it”, and Sir Derek Higgs talked about the “critical friend”. These are not groups of chums but professional people with a job to be done. There is a lot of misunderstanding about the composition of boards, because they have changed beyond all belief. We have gone from 11% female membership boards to 27%, all done on a voluntary principle—there has been quite a lot of naming and shaming in quite a constructive way; all credit to Cranfield School of Management, the 30% Club and the work of the noble Lord, Lord Davies of Abersoch, and others. Now we have Sir John Parker saying that British boards should look to have at least one ethnic minority member in the foreseeable future, and that FTSE 250 boards should move along behind that.

Executive pay and remuneration is certainly a controversial and difficult subject. When I was responsible for virtually 1 million employees—although I think all the hard work was done by my noble friend Lord Freeman at that time—recruitment, retention and motivation did not mean excessive pay but we said, “We want to pay people fairly but we're on a very limited budget. How can we make sure people don't leave?”. I do not think that in the corporate world such a frugal approach is generally taken to executive pay. Of course, transparency has not helped, because everyone now knows what their peers are paid, which tends to ratchet up remuneration. No one says explicitly that they want their remuneration to be in the bottom quartile. I am afraid that perversely, it has a ratcheting-up effect. However, I will give the example of InterContinental Hotels Group, which is based in the UK and operates in 100 countries. Starwood is a very similar, US-based competitor. The chief executive of Starwood is paid over 10 times the remuneration of the executive in the UK. There are no simple answers to any of these points, but it is fair to point it out.

In short—she says, moving quickly—I welcome my noble friend's debate. We want to take this opportunity, as set out in the Green Paper, to look again at executive pay and at the connection between directors, employees and customers that the noble Lord discussed. We should also look at the extent to which features should be applied to privately held companies, which is complex. However, our corporate governance arrangements and principles are widely regarded as a global gold standard. There is no room for complacency and eternal vigilance is necessary. The public may have voted for Brexit but they did not vote to be poorer. We need a prosperous, flourishing business sector if we are to provide for the well-being, the welfare and the infrastructure that our people require.

3.23 pm

Baroness Bowles of Berkhamsted (LD): My Lords, I declare my interests in the register, in particular as a director of the London Stock Exchange plc. I too thank the noble Lord, Lord Hodgson of Astley Abbots, for securing this debate. I have much in common with his thoughts and those of previous speakers.

We tend to look at the responsibilities of companies and corporate governance when there is a crisis or failure. The financial crisis made us look at banks, and we found that it was difficult if not impossible for regulators and prosecutors to bring charges against those at the top, and so the senior managers regime and reckless misconduct was invented. As the noble Baroness, Lady Bottomley, said, there have been scandals with other types of companies, and each time new rules are made: after Coloroll and Polly Peck to have more financial reporting and align executive incentives with those of shareholders; after Maxwell to protect pension funds, although we now seem to be having problems with BHS; and we had measures to stop corporate tax avoidance, health and safety rules, environmental rules, and so on. Alas, all too often the rules come after the event.

The UK's principles-based regulation is often claimed as a strength, that principles can be relaxed for proportionality and strengthened if the principle rather than the letter is breached. I have severe doubt as to whether the latter, strengthened, is ever the case, because it comes back to the high hurdles to prove deliberate intent, and we always bow to calls for legal certainty.

Rights and responsibilities are spoken of as going together, but that is far from comprehensive in company law. We have lost connection with the origins of limited liability. Nowadays it is presented as a bargain between a company and creditors, but I suggest, not without historical justification, that the bargain is between company and society, where individuals—through the rights of incorporation and limited liability—do not to have to face ruin or fear of ruin for failure on the basis that it releases a more entrepreneurial spirit which, in today's parlance, creates jobs and growth. In other words, it was for the general benefit of society.

However, that cannot be the end of the bargain with society. It was not originally. I will not go through the history, because conveniently, Andrew Haldane of the Bank of England gave a speech in May 2015 entitled "Who owns a company?", which did some of that. He traced the path through early incorporation to limited liability, in which the concept of protecting the public good was no stranger. One can take the view that a large part of looking after the public good is taken up by government—and that was used in the company law review process to argue against giving directors pluralist duties. However, as we have experienced, both piecemeal laws and overarching rights of action have repeatedly been found wanting, and public trust is lost.

Surely this is where principle applies. Like others looking at the issues, I concluded that directors should be given a duty of care, or, to put it another way, a duty to protect the common good. That would have a good home in the first part of Section 172 of the Companies Act 2006, ranking alongside and equal

with the shareholder interest. Experience has shown that egregious events can and do take place, which fly under the radar of board surveillance and for which there is no accountability. It simply was not on the agenda. Indeed, "not on the agenda" is not only a problem but is also the defence of directors, even where there may be lines to prosecute.

This brings us to the matter of who at present can hold the directors of a company to account. The answer is, basically, the company. The duties of directors specified in Sections 171 to 177 of the Companies Act 2006 are owed by the director to the company. There is no general line of action for third parties or the state. It is therefore hard to see the board taking action against itself for collective ignorance.

Individual shareholders can apply to the court to make a derivative claim, now codified in Sections 260 to 269 in Part 11 of the Companies Act, but in the recent fourth edition of the textbook *Company Law* by Professor Brenda Hannigan, the conclusion is expressed that,

"the mere introduction of the statutory derivative claim has not dramatically increased the risk of litigation to Directors, nor indeed significantly enhanced the protection of shareholders".

It seems that the law is still marked "Could do better", and so we should.

Of course, shareholders have the ultimate sanction of selling their shares or collectively sacking the board, but the truth is that financial metrics, share value and dividends remain the primary driver. With bonuses and incentives linking executive performance to pay, those financial metrics are amplified, with the end result that profit is paramount when looked at from every direction.

So would putting protection of the common good into Section 172 do anything? I believe that it would, because the "primacy of shareholders" is a theme that permeates board discussions and professional advice to boards from lawyers, auditors and others. As many commentators note, it became more explicit and hardwired as a result of the 2006 Act, which has made matters worse, not better.

With a "protecting the common good" addition, some wider due diligence would be required which would at times influence advice, discussion and, critically, the agenda. In other words, it is fundamental to culture. It is not a matter of a plurality of masters; it is a question of balance: promote the company; protect the common good—responsibility in return for society, giving the right to incorporation and limited liability.

Protecting the common good could also be incorporated into the strategic report under Section 414A. Both there and elsewhere, regulators should be able to penalise successive inadequate reports, not just non-reporting, giving more attention, among other things, to the other stakeholders—the "also-rans" in Section 172. There would be a strong synergy between a duty to protect the common good and having a director to represent the public interest. Indeed, without a common-good duty, such a director may well struggle to have effect against shareholder primacy, both in argument and in law.

It does matter who is round the boardroom table when the substantive discussion takes place and the decision is taken. This bears on worker representation

[BARONESS BOWLES OF BERKHAMSTED]

too and is at the heart of the need for diversity on boards and executive committees. It also extends into the benefits of other company formations, such as mutuals. Many very fine and commercial directors, essential to driving a company's business, do not have the same awareness and antennae as those who have been involved in other walks of life, and therefore they do not challenge in the same way. Other and more diverse voices are still needed.

Besides the change to duty and what I consider to be its influence on culture, there need to be better enforcement possibilities, at least for the state. I have already mentioned the derivative actions, but the general law provision that we have, both criminal and civil—not to act so as to cause harm to others—requires proof of intentional wrongdoing. Ignorance is bliss, as the saying goes. We cannot go on filling in after the event, missing those who should have been held responsible at the time. That is society's risk against company reward, and it feeds into the discontent about executive pay that no manner of linking to financial metrics can abate.

So alongside revisions on executive pay and better stewardship, in order to cope with egregious events it is high time to have an investigation into how to provide better state, investor and third-party enforcement action against directors and top executives for a failure of duty. These things would be incremental changes to what we have and would not be a case of throwing out the baby with the bath-water. However, I think that quite a lot can be put under question 14 of the Green Paper under "Anything else".

3.34 pm

Baroness Couttie (Con): My Lords, I too add my thanks to my noble friend Lord Hodgson of Astley Abbotts for bringing this debate to the Chamber this afternoon. The subject is of course many faceted but, in the interests of time, I shall focus in the main on just one aspect of it.

In over 30 years of being in business and in nearly 30 years of senior management roles, I have become a fervent believer that for business to flourish government should impose only the minimum amount of regulation and restriction. This allows business to be innovative and agile, which is key to long-term success. However, this position is credible only if businesses play by the rules.

I have seen business from many perspectives, having founded, built up and sold two small businesses and having been the managing director of a subsidiary of a publicly quoted company and a director at Citigroup. During that time I have witnessed corporate behaviour of the worst kind. The disgraceful types of behaviour of some of the companies highlighted this afternoon by my noble friend Lady Bottomley and the noble Baroness, Lady Bowles, have generated a great deal of publicity but are just some examples of corporate malpractice.

There are also many incidents of large organisations mistreating small businesses and sole traders that go way beyond the late payment of invoices, which is so often discussed, very serious though that is; yet these

incidents go unreported. I applaud Theresa May's focus on the excesses of the corporate sector and welcome the opportunity to contribute to this debate.

Large corporations are in a privileged position, as they have the financial resources to take and defend legal action in a way that small businesses and sole traders simply cannot. A small number of institutions take advantage of this by breaching legally binding agreements to avoid paying what they owe on the basis that small companies do not have the financing behind them to take legal action all the way to court. This biases the negotiations heavily in favour of large businesses and forces smaller ones to agree to unacceptably low settlements, which are often tied to confidentiality clauses.

In my experience, this behaviour is becoming increasingly prevalent, particularly among privately owned companies that are not subject to the same scrutiny as publicly quoted companies and do not have such a high profile. It seems that their employees deem it clever business to avoid paying what they owe and, what is more, some benefit from an increased bonus taken from the money saved. Many of these companies are involved with conspicuous charitable giving and consequently have an aura of corporate responsibility that is simply not deserved.

I have witnessed many incidents of corporate giants abusing their position and taking advantage of smaller operators, a couple of which are close to home. Many years ago I was a victim. I had my own small business. A director at my largest client left and was replaced by someone who decided to slash my contractually agreed fees for work that I had already undertaken, despite no implication that the work had not been completed to the highest standard. Despite a clear legal right to the fees, I was left with the option of either accepting a small sum or costly and lengthy legal action. I felt compelled to take the small sum. My experience is not uncommon and I am aware of far too many similar stories.

My husband has also recently found himself on the receiving end of just such corporate immorality, having worked on a transaction for two years without remuneration. He was relying on a legal agreement which would compensate him when the transaction closed. The organisation in question is now refusing to pay. It is offering him a mere fraction of what he is owed and is assuming that he does not have the resources to litigate, particularly as he has not been paid for so long.

I fully accept that there are occasions when there are good reasons for a corporation withholding payment—for example, when the goods or services have not been of an acceptable standard—but the incidents I am referring to do not fall into this category. They are merely attempts to avoid payments that are due. It is high time that this practice was stopped and I am determined to make every effort to ensure that no one else finds themselves in this situation.

If we are to deal properly with corporate responsibility, we need to create a legal framework that levels the playing field between big and small businesses without unreasonably restricting responsible organisations, and there are examples from other countries that may be useful to look at. In France, certain types of dispute,

including large ones, are not taken to court. A judge is provided with a summary of the case from each side and all the documentation to support it, such as contracts, emails and expert reports. He then meets with one lawyer from each side to ask any questions he may have, before pronouncing judgment. This format saves considerable cost and is relatively quick. It is similar to our magistrates system, but the cases are far larger and are held in front of a judge rather than a magistrate.

I also believe that large organisations should be under the same financial imperative not to behave unreasonably. One mechanism to achieve this would be for judges, if they believe an organisation has behaved vexatiously, to award damages for hardship brought on the firm bringing the case and impose penal fines which could be used to fund the courts.

These changes would also help in the area of patents. Too many times one hears of small businesses, or more often sole traders, who take a product to a large company and have it turned down, only to find that about a year later a very similar product appears on the market. These sole traders cannot possibly afford any form of redress under the current system.

There are many noble Lords in this Chamber who will have further ideas, which I would urge them to put forward as we move towards what I hope will be regulations to curb these excesses. I ask the Minister to look at this issue so that the Davids of the business world can truly stand up to the Goliaths.

3.40 pm

Viscount Eccles (Con): My Lords, I think I may find it very difficult to follow my noble friend Lady Couttie because in my long experience of business I have not come across quite the range and frequency of bad behaviour that she has—I have been involved in small companies. My noble friend Lord Hodgson's theme, with which he ended his introductory remarks, is the struggle to maintain liberal values and make sure that they work. In pursuing that endeavour, it may be right to think about what might be wrong with our liberal values, not necessarily from everybody's point of view but from that of a lot of people.

If I may be pardoned, I will start with a story, to follow on from the noble Baroness, Lady Bowles. The boss of Polly Peck, riding very high at the time, came to see me and suggested that my organisation, the Commonwealth Development Corporation, should sell all its citrus interests—grapefruit and oranges in Swaziland—to Polly Peck. I said to my colleagues, "If you don't mind, I will deal with this, because this chap, with his liquid brown eyes, is far too clever for me. And if he's far too clever for me, it would be very risky to let any of you go to see him". So I went to his office, in Grosvenor Square I think it was. The carpets needed mowing and the mirrors were clearly all double, and there were great big pictures of tigers doing unspeakable things to each other. So I went back to the office and said, "Having seen what I've seen, we cannot do business with Polly Peck"—and we did not.

In declaring some sort of interest I point out that I, like many others, have been a rolling stone. I have been the chairman of three companies that would probably

be described as FTSE 250 companies. None of them now exists. One went by way of a large construction company into Norwegian ownership and into liquidation. Another went to an American company, and the third went to a Japanese company. I have also been the chairman of a small company, which I am happy to tell noble Lords still exists and sends five or six containers of iron castings across the channel every week. I have also been the leading non-executive director of a large public company, which again does not exist anymore. However, many of your Lordships will be familiar with Aga cookers, and that was part of that company. Aga is still going strong, and is owned by an American company.

When, many years ago, I used to bicycle across the wilderness between Stockton and Middlesbrough, we used to say that the foggy atmosphere had a burnt cheese smell to it. That was because ICI Billingham was there, on the left hand side. I never would have imagined that the ICI would disappear—that would never have come into our thoughts.

My first experience of corporate governance came in 1968, when I became the chief executive of a company. Among other things, we were in the nuclear power station business. This company, in fact, installed more graphite cores in gas-cooled reactors than any other company ever has or ever will. I think it must have carried quite a lot of responsibilities. It did not seem too burdensome, but I am sure there were responsibilities. As to rights, I do not remember even thinking about them—it would not have occurred to me that I had any rights. What would they have to do with doing a good job on behalf of my customers?

Of course, this was all before Maxwell and the bouncing cheque, and long before Cadbury, the famous Quaker family firm, now gone via Kraft to some company called Mondelez. I still like and buy fruit and nut bars, and they are priced at £2.05 or £2.10, depending where you go—except that almost always, in either Tesco or Sainsbury's, you can get them for £1.50. As a consumer, I wonder, "If they can sell them to me for £1.50, why did they ever put them on the shelf at £2.05 or £2.10?"

All this leads me to think back and wonder about the predilection we have for the long term. It does not seem to me at all easy to think long term if you have had the experiences I have over a long life. Chief executives are not in a good position to think about the long term: they do not last very long. Executive directors also find it difficult to think about the long term: many of them do not last very long either.

It may be that in pursuing our liberal values, we miss a few important points. Where have we come since 1968 towards this Green Paper, which has been described by the noble Lord, Lord Monks, as weedy? I entirely agree, but probably for rather different reasons. All through that period, we have been slowly applying our liberal values. Cadbury, Greenbury and the 2006 Act all concentrated on social and economic values.

Now we are in a time of upsets, and perhaps we are going into a time of authenticity—Boris leading. We are also in a time of extreme growth of knowledge and an ability to do all sorts of things, as the previous debate showed, which we do not have the resources to

[VISCOUNT ECCLES]

do. Although we have been informed by liberal values, we have two problems. One is that we are not very good at making choices or explaining why we make them. Secondly, there is increasing recognition that those liberal values do not deliver for everyone. Once again, we are trying to do things for everybody, but does everybody think that they are going to succeed?

I live in the north-east, and I used to supply a lot of equipment to the Durham coalfield. The coal in the Durham coalfield and under the North Sea is coking coal of the finest quality. Those miners were some of the most amazing people you could possibly meet: the way they looked after each other—and you, when you went down the pits—was incredible. Their communities were amazing.

Come the day when there was a 40,000 tonne bulk carrier and 80 foot seams of coking coal in Australia, nobody could keep the Durham coalfield open, no matter how hard they worked, how hard they tried or how good their equipment was. Their seams were, if they were lucky, four foot thick. In some of those pits centred in Sunderland, they had to go three miles out under the North Sea. It did not matter what you did, you could not compete. That coking coal was coming to the Redcar blast furnace, which has now closed. I am not sure what we really think about the Green Paper and tightening the screw on corporate governance one more turn, but I tell you that the people in that part of England were knocked out by conditions over which they had no control. They think that we try to do our best, but they also think that we do not succeed.

3.50 pm

Lord Taylor of Warwick (Non-Afl): My Lords, I too thank the noble Lord, Lord Hodgson of Astley Abbots, for securing this timely debate today. There are many important issues presently concerning the corporate sector, but I believe that, first and foremost, there is a biblical foundation. As we see in the Gospels, Christ spent much of his time ministering in the marketplace. Of the 12 disciples that Jesus called forth, most were businessmen, not synagogue ministers. Six were fishermen operating established businesses in Galilee: in particular, Peter, James and John.

Matthew was an Inland Revenue man, a tax collector with an office in bustling Capernaum. I suspect he would have had a view about corporate tax avoidance. Another apostle, Luke, had a thriving medical practice. One can imagine how scathing Dr Luke would have been about a drug company increasing the price of an anti-epilepsy medicine by 2,600 % overnight.

Jesus himself was raised in the family carpentry and furnishing business, which supported a family of at least nine people. Of the 50 parables told, 34 of them can be described as having a business, finance or workplace content by way of illustration. Furthermore, many of those who supported the Apostles in the book of Acts were business people. For example Priscilla and Aquila operated a tent-making business with Paul; and there was Lydia, a distinguished dealer in the finest purple cloth.

It is also significant that Jesus in Matthew 3 v 12 said,

“I must be about my father’s business”.

He was very much in the business of people, creating both prophets and profits. As business is about people, I wish to focus on diversity in the corporate sector. Diversity itself is obviously a wide subject encompassing race, gender, sexuality, age, disability and religious diversity, but because of time constraints, I will focus on race, while of course accepting that other kinds of diversity are no less important.

Whatever one’s view on immigration or Europe might be, Britain has changed and will continue to do so. If this change is embraced by the corporate sector, not just endured, Britain itself will then, and only then, be all the stronger.

The Motion refers to “balance”. The balancing scales of justice is probably the oldest symbol we have embodying fairness and truth. Unfortunately, that balance and fairness does not presently exist when it comes to diversity in the corporate sector. Of the UK’s population of 63 million, 14% is black and ethnic minority. More than half of the BME communities live in three main cities—London, Manchester and Birmingham. Those three cities are at the heart of business and corporate Britain. In her first speech as Prime Minister in July, Theresa May had to admit, quoting figures from the Equality and Human Rights Commission, that people are treated differently in Britain depending on their race. For example, the employment rate for ethnic minorities is 10 percentage points lower than the national average and people from ethnic minority households are almost twice as likely to live in relative poverty compared with the mainstream population.

Although gender diversity in the corporate sector has improved, the lack of ethnic diversity in UK boardrooms persists. In 2015, 6.6% of the FTSE 100 companies’ board members were from ethnic minorities, but in 2016 this had increased only by a meagre 0.1% to 6.7%. The latest annual survey of 10,000 top business leaders shows that the number of ethnic minority CEOs is falling and the number of all-white boards is increasing. Today there are just four non-white CEOs in the FTSE 100. Some 98% of all FTSE 100 chairs are white and 95% of the FTSE 100 chief financial officers are white. I ask your Lordships: is that acceptable? These facts show that we are nowhere near achieving a balance in diversity inclusion in the corporate sector.

We are all the products of our experiences and I was just reflecting on mine, which has had its high and lows. Some years ago I was invited to be a speaker at the Institute of Directors on the subject of diversity. I walked into the entrance hall in Pall Mall and said to the concierge doorman, “Lord Taylor of Warwick”. He said, “Ah yeah, we’re expecting Lord Taylor. You the driver, mate?” I replied, “No, I am Lord Taylor”. There was a famous hit song called “A Whiter Shade of Pale” by Procol Harum. Maybe they had this gentleman in mind when they wrote it, because he turned from white to very, very pale. I would like to think that nowadays that misunderstanding would not occur.

I have had the privilege of serving on a number of company boards, particularly in the sports, media and entertainment sectors, but I have lost count of the number of occasions when I have addressed business

conferences and seminars where the only black people in the room were myself and the waiters. My wife, Lady Laura, is American and she noticed when she came to this country the big difference between America and the UK. America seems to have embraced diversity when it comes to boards, but we have not.

As a result of Brexit, the corporate sector will need to export more to other countries outside the European Union. Whereas there are 27 other nations in the Union, there are 52 nations in the Commonwealth. In many ways, Britain has closer ties to the Commonwealth than to Europe. These ties include the Queen, the English language and the Christian faith. Our local enterprise partnerships need to develop stronger working links with the Commonwealth diaspora groups in this country. I am talking about the religious leaders and businesses concerns. We need to harness our diaspora as a vehicle for employment, exports and economic growth, to benefit everyone. Our diaspora communities can bring huge benefits to the boardroom and senior management, through their family connections to, and cultural understanding of, emerging markets around the world as we seek to export more to a wider group of countries.

In 2011 the noble Lord, Lord Davies of Abersoch, was commissioned by the then coalition Government to produce a report concerning gender diversity in boardrooms. He made various recommendations, the most ambitious of which was a target of 25% of places on FTSE 100 boards to be filled by women. But while the glass ceiling for women is starting to show cracks, the ceiling for ethnic minorities in this country seems to be more concrete than glass. In 2013 the Companies Act 2006 was amended to require companies to include a breakdown of the number of females on their boards, in senior management and in the company as a whole. It is time to do so for ethnic minorities as well.

I also look forward to the publication of the report being prepared by the noble Baroness, Lady McGregor-Smith, in partnership with the business department, on ethnic minorities in company board rooms. I was privileged enough to be consulted during the preparation of that report. I was delighted that my recommendation was accepted that the ethnic minority business sector should be harnessed to increase our export trade post-Brexit.

The media and creative industries are very influential sectors of society. It is a great pity that black actors such as Idris Elba and David Harewood had to go to America to establish themselves in the TV and film industry. While television is using more black and Asian presenters, Directors UK claims that the number of BME directors working in UK TV is “critically low”.

A few years ago, I was a television producer at BBC White City. It got to the stage when I asked whether it was called White City because everyone else above kitchen level was white. As for newspapers, there is not a single ethnic minority editor of a national newspaper in this country. A City University survey in March this year found that British journalism as a whole is 94% white.

For 10 years, I was vice-president of the BBFC, the British Board of Film Classification. Although it treated me extremely well, it was a very white organisation when I first joined. I encouraged it to place job

opportunities not only in the mainstream newspapers but in ethnic minority newspapers like *The Voice* and *New Nation*.

In sport, around 30% of players in the football league are from BME backgrounds, mostly black, but there are hardly any people of colour in football boardrooms. Of the 92 managers in the Football League divisions, just six are non-white and none is in the Premier League. That is not acceptable.

When my parents came to Britain in the 1950s, there were signs in windows stating “No Blacks, No Irish, No Dogs”. I authored a book by this title some 20 years ago. It was interesting to see the same quotation repeated in a new film about racism in 1940s Britain, called “A United Kingdom”. We have clearly come a long way since then, but for BME minorities in corporate Britain there are still many barriers to break.

4.01 pm

Lord Tugendhat (Con): My Lords, thanks to my noble friend Lord Hodgson, we have had a wide-ranging debate covering perhaps almost all aspects of the subject, and it is difficult at this stage to come up with anything new. However, I want to make one very obvious point at the outset. All of us who have had experience of the corporate sector know that the first responsibility of a company is to earn profits for its shareholders, because if it fails to do that it will not continue to exist. However much good it may do in other respects, if it is unable to make a profit it will go out of business.

That said, a company’s responsibilities of course go very much wider. Business is now the predominant economic and social force in our society, so it needs to think wider than pure self-interest. This is not just a matter of goodwill; it is a matter of safeguarding a business’s own interests and preserving its stake in the economy. Clearly, there are differences between the ways in which large FTSE 100 and 250 discharge their responsibilities and those in which small publicly owned and private companies do so. Most of what I have to say applies to the larger companies, which is where my own experience lies.

My first point, which applies to companies in all sectors of the economy, is the importance of paying their full share of tax. Of course, companies, like private individuals, should take advantage of whatever concessions the Government have to offer. Private individuals should take advantage of ISAs and other tax-free or tax-exempt opportunities and, where they exist, businesses should do the same, but aggressive tax avoidance and aggressive minimisation of tax continue to bring business into disrepute. I welcome the Government’s clampdown in this area and their efforts to deter the accountancy profession from leading people down that primrose path.

So far as they are able, companies should also do what they can to support the social aims to which the country is committed. By that, I am of course thinking in terms of gender and ethnic equality, creating opportunities for those disadvantaged by ethnicity, gender, or economic or educational circumstances. Under the last heading, perhaps there should be attention paid to the plight of undereducated males—those who would have filled the jobs in factories and elsewhere

[LORD TUGENDHAT]

that are now disappearing at such a rapid rate. We hear a great deal about the problems of ethnic minorities and of women but the problems of the undereducated and underqualified male are something of which society needs to take account. Of course, these are people of varied ethnicity.

Another obvious area in which the corporate sector has a responsibility is in the maintenance and improvement of the environment in the areas in which it operates. This is a matter not just of cleaning up afterwards, as it were, where the law applies obligations, but also of improving the amenities and quality of life within the areas in which companies have their plants and activities. This is perhaps particularly true when those activities cause a certain amount of environmental and social disruption. I would argue, too, that the company's responsibilities to the community go beyond those of the company itself. It is important that companies encourage their staff and provide ways for them to contribute their skills and time to the social good. The noble Baroness, Lady Bowles, mentioned the social good in her speech. In the NHS—of which I have some experience—and on school boards, in universities, where my noble friend Lady Coultie and I have co-operated in the past, and elsewhere there is a desperate need for more people in the prime of life, who have current skills and are at the cutting edge of the technologies and business practices. By no means as many companies as I would like provide the time, opportunity and encouragement to their staff to undertake activities of that kind. Of course, another area in which it would be helpful to have people who are still active in business to offer their services is the arts.

Companies are often very generous with their financial contributions but, as my noble friend Lady Coultie pointed out, that can also be a form of advertising or even camouflage. Much more important is that people who earn very large sums of money and are prosperous should contribute more to these things themselves. They should themselves be willing to undertake more responsibilities in them.

Finally, I will touch briefly, as others have, on board and top executive pay. Of course, that was the subject of a recent Green Paper. The extent to which board pay has outstripped the rewards of all other sections of the community, let alone the performance of the corporate sector itself, has now become a national scandal. The publication of the Green Paper and the Prime Minister's recent remarks reflect that. Why can relatively modest achievement in business now be so much better rewarded than high achievements in other walks of life? I am not here referring to chief executives with particular qualities. There are chief executives who make a tangible difference. There are chief executives who are brought in from abroad on very high salaries. Indeed, the Government tend to appoint them. The Governor of the Bank of England is one example; rather less successful was the lady who was doing the child sex abuse inquiry. Often, as in the case of the Governor of the Bank of England, they give very good value for money.

However, it is not people like that whom I am referring to but the directors who are doing the mundane tasks in the executive suite, fulfilling the usual functions,

who have no particular world-class attributes that would lead them to be poached from one country to another. It is at that level where we have seen some of the most astonishing increases in pay. Why should that be? The reason, I think, is quite simple. Unlike in most other occupations, boardrooms set their own pay. Of course, I know about remuneration committees. I, too, have sat on a number of them and have had the benefit of the advice of the remuneration consultants. But ultimately boards are responsible for setting their own remuneration. The way in which this is now increasingly done in our society, through devices such as stock options, LTIPs and all the rest of it, has led to a situation in which people who have had some success, but nothing spectacular, in the business world earn far more than people who have made much greater contributions in other walks of life.

I will have an opportunity to return to this subject when we debate the Green Paper and, I hope, again when legislation is introduced. But I cannot resist ending by saying that some of the ideas in the Green Paper are derived from a Bill which Lord Gavron—now, sadly, dead—introduced with my support and that of the noble Lord, Lord Taverne, three years ago, I think. I did not notice any reference in the Green Paper to our Bill but it paved the way for some of what the Government are doing. I hope that that means that when the Government introduce legislation, they will be able to maintain that form of tripartite co-operation.

4.12 pm

Lord Stevenson of Balmacara (Lab): My Lords, I congratulate the noble Lord, Lord Hodgson of Astley Abbots, on securing this interesting debate. I have often found myself in opposition to him on various Bills and committees over the years but I have noticed a rather worrying tendency to agree more and more with what he says—I hope that is reciprocated—but I am sure it is because we are both squash players and accountants and there are probably other things that bind us together. I will not delay the House further with my ruminations on that point. I thank other noble Lords for their contributions, which have informed the debate.

We are talking about the businesses that make up the United Kingdom and fuel our economy, employ our talent and drive our innovation. Of course, the UK is home to a huge range of outstanding businesses, with strengths in sectors ranging from automotive and aerospace to digital and biotech and our excellent cultural and creative industries. We should not be ashamed of having a strong and vibrant economic sector and good business and industry. We have more manufacturing than people ever give credit to. Of course, as has already been pointed out, the UK private sector provides employment and therefore livelihoods for over 26 million people. It is something that we must cherish.

I would claim that changes to create a more stable monetary policy and the introduction of a vigorous competition policy under the previous Labour Government made the UK one of the best places to start and run a business. Of course, we on this side want that to continue. Several noble Lords have drawn

attention to a list of scandals we have had to endure over the past few years, including: the conduct of the banks in the financial crash, for which justice still has not arrived; the continuing saga of companies practising tax avoidance, to which many noble Lords referred; and Sports Direct and BHS. All is not as good as it might be in this area.

The noble Lord, Lord Hodgson, suggested that political decisions taken in recent elections had their origins in feelings that the economic system had failed people. That probably has a significant grain of truth in it. He drew the conclusion that companies and businesses needed to have a rethink, otherwise even more confidence would be lost, and we would all be the worse for that. I think he also said that it would not be sufficient to stand aside and blame politicians, as many people do. But we have to bear in mind that businesses in all sectors have to make profits, as the noble Lord, Lord Tugendhat, has just said. However, they have wider responsibilities and we need to focus on the latter part of that equation, as trailed in the Motion.

The list that the noble Lord, Lord Hodgson, came up with included ownership and the question of why shareholders were no longer owners, in a real sense, of the businesses, having been divorced by the way in which shareholdings were held. Several noble Lords referred to how pay has now got out of all proportion in the sector. I think it was described as “in denial”, while the noble Lord, Lord Tugendhat, called it a national scandal. We need something done in that area. Attention was also drawn to employment practices. There were questions about why we did not have more employer engagement, particularly at board level. Good things can also happen with businesses, such as their involvement with charitable work, but perhaps they need to do more in engaging with the community.

I would have added environmental concerns to that list, which others have raised, the question of diversity, which was picked up by the noble Lord, Lord Taylor, and human rights in their broader sense, particularly for those extractive industries and others which operate abroad. It is fair to point out that some of the issues in the list I have just given are raised in a statutory instrument that we will discuss in Grand Committee on Monday.

My noble friend Lord Monks posed a much deeper question than simply whether we could do more to list things that businesses could be involved in. He raised the question of whether capitalism itself was in crisis, and not in fact too big to fail. There was a lot of weight in his argument, which we must consider carefully. It is obviously right that we could change employment practices. We could adjust pay and do something about diversity, but we would not necessarily have attacked some of the basic issues that are causing the problems in the long run. In that context it is interesting that the noble Baroness, Lady Bottomley, raised in her excellent speech a lot of the work that has been done recently in the corporate world, with reports from Cadbury through to Higgs and so on. My conclusion is not that that is a bad thing; it is good, but the fact that so many reports have had to be produced suggests that we ought to pay attention to the flag-waving there.

What is to be done? I am sure the Minister, when he comes to respond, will trail again the recently published Green Paper on these issues. He nods, and I am sure we will listen to this again. I will therefore give him a shot across the bows first, so that he can anticipate the response we will give. As I think we have gone on record as saying, this Green Paper is not a strong one. It does not tackle some of the basic issues raised by my noble friend Lord Monks and others. Our economy is hit by short-termism which saps investment, penalises employees and obscures the idea that rewards should be given for long-term performance. We have failed to solve the productivity gap with comparable and competitor nations. It is a continuing problem and we seem to have no way in which we can resolve it. Executive pay, as we have talked about, is out of control. What has happened to the Prime Minister’s promise to publish plans to have not just consumers represented on boards, but workers as well? She said that this was, “because we are the party of workers”.

Well, that had to be watered down quickly.

As we heard from the noble Baroness, Lady Couttie, small businesses get such a raw deal in this world of great commerce and success. The late payment arrangements are ridiculous. The power of larger companies to exercise duties on small companies, because they do not have the resources to fight back, for payment if they are to stay on suppliers’ lists, along with the ability to change the terms contracted for and, as she said, to cut pay and unmake agreements that have been arranged are just ridiculous. The new small business commissioner does not have the powers to intervene in these matters; that office should have those powers. Just as with the Groceries Code Adjudicator, a good idea has been lost because it has not been given the authority to carry out its required duties.

The basic assumption by the Government in the Green Paper is that the existing corporate governance code is satisfactory. There is a suggestion that it might be extended from the present listed companies to large privately held companies. But the test will be: if these proposals had been in place, would the scandals we have been talking about have been avoided, such as the BHS and Sports Direct scandals and others? It is worth pointing out that BHS was not covered by the code in any case, so it would not have had much effect, but Sports Direct was, yet there was a crisis involving that company.

The code needs to be strengthened. It cannot be used as a gold standard because enforcing it does not get us to where we want to be. I hope that when the long-awaited industrial strategy comes forward it will address at a much more serious level some of the issues that we have been reflecting on today. It is a real opportunity, and we hope it will not be missed. It needs to take on and reform the Companies Act. It needs to sort out the problem about shareholders being divorced from ownership. It needs to strengthen the role and function of trade unions because they make a worthwhile contribution in British industry. It needs to look at trying to set all company boards the responsibility for long-term duties for growth. It must ban short-term actions on pay and rewards and trading activities that destroy businesses as much as they destroy others. It needs to take a firm hand on diversity, not

[LORD STEVENSON OF BALMACARA]

just at board level but at senior executive level. It needs to think again about whether there should be a public interest test for takeovers from overseas—the second Cadbury problem was raised by the noble Viscount, Lord Eccles. It needs to tackle training and make sure that we have a workforce that will take us forward into the 21st century and beyond, and it must, for the last time, nail the problem of why we have low productivity. The best idea was the suggestion made by the noble Lord, Lord Tugendhat—that we pick up the Gavron Bill, which would solve a lot of the problems.

4.21 pm

Lord Henley (Con): My Lords, I follow other noble Lords in thanking my noble friend Lord Hodgson of Astley Abbots for bringing forward this timely debate. It comes only a week or so after the launch of the Green Paper which has been much referred to by noble Lords, and which I will refer to in due course. I brought that Green Paper to this House on behalf of my right honourable friend only a week after my third return to the Front Bench. As my noble friend said, it was very timely; and in a debate that has covered such a wide range of subjects, it is something that we can focus on. I will return to it later.

The debate has covered a wide range of subjects. We have heard much about the Companies Act and other matters. Regarding the Companies Act, I remember doing my Bar exam some 40 years ago, and for some strange reason at that stage, if one was an Hon law graduate one was exempted from the paper on company law. I cannot remember which Companies Act it was at that stage. It was probably the Companies Act 1948, and we have gone on a long way since then. I certainly note what the noble Baroness, Lady Bowles, said about the need to amend Section 172, and no doubt that is something that can be fed into the consultation on the Green Paper in due course.

I welcome my noble friend's Motion on rights and responsibilities in the business world. It is important to look at exactly what the rights and responsibilities are. We believe that rights are legal, social and ethical principles of freedom or entitlement about what is allowed of people or owed to them. Rights come in many forms in the economy; for example, human rights, employment and labour rights, consumer rights and intellectual property rights. Having mentioned human rights, I suppose I ought to mention one brief interest in that, having returned to the Front Bench, I have recently, sadly, left the Joint Committee on Human Rights, which at the moment is engaged in a report on human rights in the business world. I see my colleague on that committee, the noble Baroness, Lady Prosser, nodding in agreement. I am sure she will continue the work that others are engaged in on that.

The Government obviously have a role to set the framework by which individuals' rights are realised and protected and in which businesses must operate. We have a strong legal framework in the UK of which we can be proud. It enshrines and protects the rights of everyone. It is also the corporate responsibility of businesses to respect that framework. Despite what has been said about BHS and Sports Direct—we could also go back, as my noble friend Lord Eccles

said, to Polly Peck, and we all remember Maxwell and a whole range of scandals in the past—it is the corporate responsibility of businesses to respect those rights, and I believe that the vast majority do so. Some obviously do a great deal more. Where those few businesses fall short, they are rightly held to account. The Motion focuses on the role of the Government in striking that correct balance between rights and responsibilities in our economy. The UK has an international reputation for being one of the best places to do business, and a place where business is done the best. We want to keep it that way.

Noble Lords will require no reminder of just how important it is that business is conducted in a responsible way. There are more than 3 million businesses in the United Kingdom, from small start-ups to large, established businesses. On that point, my noble friend Lady Couttie talked about the treatment of little businesses by big business, and looked for protection for, if I remember her words correctly, the babies against the Goliaths—a rather mixed metaphor, but I got what she was getting at, particularly on payment practices. Obviously there is much that government can do, but government can also do much in that world by example. For instance, English public sector buyers are now required to pay within a 30-day period, and we will certainly continue to do that.

Those 3 million business also have a presence across the globe. Whether large or small, they are a critical component of our society. They are not separate in some way from the rest of society, and the decisions that management takes will have impacts on the lives of their customers, their employees, their suppliers and contractors, and on wider society too. Many leading businesses are at the vanguard of understanding their role in society. I think all members of the House would recognise that, at present, the overall reputation of business—this is obviously true of politicians and others as well—is not as high as it ought to be. There is a feeling that big business in particular is not conducted with an eye on its responsibilities to wider society.

However, the Government are taking action on a number of fronts. We have a Minister, Margot James, with a specific responsibility for the responsible business agenda. Here, I will just touch on a point that my noble friend Lord Hodgson made at the beginning about the over-rapid change of Ministers and Secretaries of State in the department. There has been this complaint about over-rapid change in all my years, in all departments. As always, it is not something that I can answer, but I will certainly refer it to higher authorities. I am sure that on this occasion my right honourable friend the Prime Minister will take note.

In addition, last Monday, the advisory panel into mission-led business published its final report, calling on all businesses to be explicit about the role they play in society. Just last week, as I mentioned earlier and as other noble Lords stated, we published the Green Paper on corporate governance, which I will come to in slightly more detail later on. I will also come on to the Green Paper we will soon be publishing on industrial strategy, which the noble Lord, Lord Stevenson, mentioned earlier. All those initiatives are part of one single overarching belief that we must strengthen business's sense of responsibility to society.

My noble friends Lord Eccles and Lord Tugendhat talked about the need for corporate responsibility, which means businesses having regard to the impact that they have on society, going beyond just complying with the law. It has certainly been useful to hear both my noble friends on that subject. They will be fully aware that UK company law requires directors of all UK companies to promote not only the success of the companies for the benefit of their members as a whole but, in doing so, to have regard to a number of factors including the long-term consequences, the interests of their employees, the relationships with stakeholders and the impact on the community and the environment. The Government's role in this context is to encourage those businesses that lead in good practice and to encourage others to follow suit.

I turn to the matter of diversity in business management, particularly at senior levels, which was touched on by my noble friend Lady Bottomley and the noble Lord, Lord Taylor of Warwick, both coming at it from different points of view. We are encouraging business-led moves towards a more diverse and inclusive culture in the top management of our businesses, encouraging them to set a lead for others to follow. Boardrooms should mirror wider society, and businesses should make the most of all the talent not only in their own diverse workforces but throughout the country and in wider society. We are following up the success in increasing the representation of women on the boards of our biggest companies by working with business to ensure that more talented women achieve senior executive roles. We welcome the report from the review led by Sir Philip Hampton, chairman of GlaxoSmithKline, and Dame Helen Alexander, chair of UBM, which is now pressing ahead with proposals to drive up the representation of women at senior levels.

On the remarks by the noble Lord, Lord Taylor of Warwick, last month we welcomed the report of Sir John Parker's review and his recommendations to address the very worrying low levels, which the noble Lord referred to, of representation of black and minority ethnic directors in UK boardrooms. Diversity at the top of our business is also about trust; it shows workforces that their boards are representative of them and of wider society, and that the routes to the top are open to them. People want to believe that if they work hard then they too can get there, whatever their background.

I turn to the Green Paper that I presented to this House when I repeated the Statement made by my right honourable friend when he presented it to another place only last week. I think the word used by the noble Lord, Lord Monks, to describe it was "weedy" while the noble Lord, Lord Stevenson of Balmacara, described it as "not strong". I have to stress that this is very much a Green Paper. A Green Paper is what it says: a paper that invites discussion. We will welcome the thoughts of noble Lords and indeed all others during the consultation that is ahead of us. This is not a White Paper that we are putting before the two Houses; as I said, it is a Green Paper. It invites views from everyone in a number of areas.

First, I make it clear that the Green Paper asks for opinions on how we can improve shareholder influence on such matters as executive pay—on which the noble

Lord, Lord Monks, and my noble friends Lady Bottomley and Lord Tugendhat all had strong views—including whether shareholder voting rights might be enhanced, which my noble friend Lord Hodgson stressed. It also addresses the question whether the link between executive pay and long-term company performance can be strengthened and made clearer. It also asks whether more can be done to improve the connection between the boards of directors of companies and their employees. As I expected, the noble Lords, Lord Monks and Lord Stevenson, came back on this. They seemed to think it was an abandonment of my right honourable friend's commitment to workers on boards.

My right honourable friend, in her July speech, said that she was committed to increasing the representation of employees and consumers in the boardroom. The Government's policy is set out in the Green Paper and includes options to strengthen representation of employees and others in boardrooms. That includes, as the noble Lord said, the option of creating worker advisory panels or designating independent directors to speak for employees. Again, this is a matter for discussion and I stress that it was a Green Paper laid before both Houses that invites comments from noble Lords. I am sure that the views of the noble Lord, Lord Monks, will be taken into account.

It also seeks views on whether some of the features of the corporate governance regime covering quoted companies should be extended to our largest privately held companies. Again, the Green Paper will include views on those points. In asking these questions, we want to improve further the ability of UK businesses to take management decisions informed by a wide range of views, and which better support long-term company performance and sustainability.

I shall say a word or two about the industrial strategy mentioned by the noble Lord, Lord Stevenson, who set out quite a long and detailed list of what he thought ought to be in the strategy. I did not manage to take it all down but no doubt I will look at it again when I read his speech tomorrow, and no doubt others will take it into account. We are working on that industrial strategy, driving us towards an economy that works and is fair for all. We have had economic successes in recent years. We have had an open, dynamic and competitive economy since the financial crisis, with a record number of people in work, more businesses than ever, some world-class sectors, a strong science and research base, and growth.

However, we obviously face challenges. That growth has not been even across the United Kingdom, as noble Lords have stressed. Not everyone has benefited, and prospects and opportunities for people and businesses vary too much. We want to make sure we can deliver high wages, high skills and high productivity, and we want to create the right conditions for competitive business across the United Kingdom.

As the Prime Minister has said of that industrial strategy in her speech to the CBI conference, it means the Government,

"stepping up to a new, active role that backs British business and ensures more people in all corners of the country share in the benefits of your success".

We aim to develop a modern, ambitious, long-term industrial strategy. We want to do this working with

[LORD HENLEY]

businesses, people and organisations right across the country, so we are preparing a wide-ranging discussion paper to invite views to inform our approach. I cannot give a date but we expect to publish that some time next year, just as we got the other one out this year. I look forward to debates on that in due course with the noble Lord and others.

I end by thanking my noble friend for his timely Motion, and all noble Lords for their contributions on these issues. We share all the concerns expressed about the importance of getting right the balance of rights and responsibilities within the business sphere. I commend the Motion to the House.

4.39 pm

Lord Hodgson of Astley Abbotts: My Lords, when I opened the debate, I said that your Lordships' House had a wealth of experience and some very interesting contributions would be made. I have certainly not been disappointed by that, so I thank all noble Lords who have participated—and, in particular, I thank my noble friend on the Front Bench for his sympathetic and extensive reply.

The convention allows me about one minute, so I shall pick out a couple of points. My noble friend Lady Bottomley emphasised the importance of “comply or explain” as a means of maintaining flexibility in our corporate governance structure. That is very important—and, in passing, I congratulate her once again on a very distinguished maiden speech in that Second Reading debate. The noble Baroness, Lady Bowles of Berkhamsted, reminded us that the availability of limited liability as a means by which to safeguard yourself personally imposes additional responsibilities and duties on you. My noble friend Lord Eccles, in a characteristically thought-provoking speech, reminded the House that this is about people and that what we are discussing is not theoretical—it impacts on real people's lives.

Last, but not least, the noble Lord, Lord Monks, said that he thinks that employee participation would make decisions more long term. I have to say to him that in the cases where I have helped employee buy-outs, where a substantial portion of the shares go to employees, they are pretty quick to want to sell and cash in when time comes. But that is an issue he and I could discuss at greater length over a cup of tea—or something stronger.

I am sorry not to be able to mention the other speeches, all of which I thought were very valuable. I thank all those who spoke and I am sure that all noble Lords agree that this issue will run and run.

Motion agreed.

Iran: Human Rights *Question for Short Debate*

4.41 pm

Asked by Baroness Afshar

To ask Her Majesty's Government, as part of the negotiations on lifting sanctions, what discussions they have had with the government of Iran concerning the treatment of human rights campaigners in that country.

Baroness Afshar (CB): My Lords, I am most grateful for this opportunity to speak about Iran. I would like to repeat how Iranians have welcomed the lifting of sanctions, particularly since it has enabled them to produce medicine and vaccines locally, at a lower price, which saves lives. For that, I am most grateful.

However, for many of us there remains a deep concern about the continuing human rights transgressions in Iran. Iran signed the Geneva conventions in 1957 and voted in favour of the Universal Declaration of Human Rights. As a signatory, there is an expectation that the Government would respect human rights across the board. Sadly, this is not the case: detainees and prisoners report acts of torture and other ill treatment, particularly during primary investigations when “confessions” and other incriminating evidence are extracted without their having a lawyer to help them.

A new code of criminal procedures, which entered into force in June, introduced some safeguards, including a central electronic register of detainees held in each province. However, the new code does not provide adequate protection against torture and fails to bring Iranian law into conformity with international law. The code does not even guarantee individuals adequate access to an independent lawyer from the time of arrest, even though this is a legal requirement for protection against torture and other ill treatment. No specific crime of torture is defined in Iranian law, and the new code does not establish detailed procedures for investigating torture allegations. While, according to the code, statements obtained through torture are not admissible evidence, that remains a general objective without any detailed provisions to secure it.

The UN Human Rights Committee has confronted the Iranian Government with grave violations of the International Covenant on Civil and Political Rights. According to the special rapporteur's report to the General Assembly and Human Rights Council, the Islamic penal code continues to justify serious human rights violations perpetuated by Iranian officials, including members of the judiciary. Many provisions of the penal code violate Iran's international human rights obligations by criminalising the peaceful exercise of fundamental rights. Given these serious shortcomings, surely it would be helpful, at this time of rapprochement, for the Government to raise these fundamental concerns.

I would like to focus in particular on the case of Iranian-born Nazanin Zaghari-Ratcliffe and her daughter Gabriella. Nazanin was seized by Iranian revolutionary guards on 3 April at the Imam Khomeini Airport as she was travelling back to Britain after a trip to visit her family. She was detained in a secret location and, after a secret trial where she was unable to apply for advocates to defend her, Nazanin was given a five-year sentence and imprisoned. Amnesty International has repeatedly expressed its concerns for Nazanin's welfare and urged the UK Government to secure her freedom. In the meantime, Nazanin's health has gravely deteriorated. The British Government's apparent inability to secure her release gives cause for concern.

We know that the Iranian Government are seeking to carve a better relationship with the West and are likely to take note and react positively to interventions by western Governments. This was the case in September

this year when the combined efforts of the Canadian, US and Oman authorities facilitated the release of Professor Homa Hoodfar, an Iranian-Canadian colleague of mine who had been detained since June in Tehran's Evin prison. She had travelled to Iran in February to see her family and continue her research working with Iranian women. I urge the Government to take a similar approach and ask them what discussions they have had with the Government of Iran concerning the treatment of human rights campaigners in general. In the light of the recent resumption of consular relations between Britain and Iran, surely it is fair to expect that the Government will make full use of those services. They should begin by securing consular rights for all British citizens, to stop this happening to innocent families in the future. But the specific circumstances surrounding Nazanin's prosecution require immediate attention, not only to save her life but to enable academic researchers, journalists and human rights activists to report on conditions in Iran and help safeguard the rights of Iranian and British visitors to the country.

Having spoken truth to power all my life, I find that in this country I am invited to apply to join your Lordships' House. I fear that in my own birthplace I would be put in prison and maybe the UK Government would not be able to help.

4.48 pm

Lord Alton of Liverpool (CB): My Lords, my noble friend Lady Afshar has set the scene powerfully and eloquently for today's important debate, not least because her own deep personal experiences and knowledge of Iran equip her so admirably to do so.

On 17 November, a symposium was held in your Lordships' House, looking at the human rights situation in Iran. It was organised by the National Council of Resistance of Iran. During that symposium, I pointed out, as my noble friend has just done, that Iran had been one of the 48 countries that voted for the 1948 Universal Declaration of Human Rights—although notably, not least in the light of the Foreign Secretary's recent speech, Saudi Arabia did not. But, by 1982, Iran's representative to the United Nations, Said Rajaie-Khorassani, said that Iran had come to see the declaration as a,

"secular understanding of the Judaeo-Christian tradition", which Iran could not implement without being in conflict with sharia law.

Today, Iran is in breach of most of the declaration's 30 articles. But here is the hopeful thing: many Iranians do not want these egregious violations of human rights to continue. A 10-point manifesto published by the NCRI's president, Maryam Rajavi, sets out a programme which would transform Iran. In it she states her commitment to the Universal Declaration of Human Rights and to other international instruments. She calls for the abolition of the death penalty, the creation of a modern legal system and the independence of judges. The manifesto says:

"Cruel and degrading punishments will have no place in the future Iran".

Madam Rajavi would end Tehran's funding of Hamas, Hezbollah and other militant groups and is committed to peaceful coexistence, relations with all countries and respect for the United Nations charter.

All this matters because it is clear that this ancient nation, a cradle of civilisation, should not be caricatured as being wedded to the fanaticism, intolerance and hatred promoted by many of Iran's present leaders. An Iran that upheld respect for difference and promoted toleration, democracy, diversity, equality, human rights and the rule of secular law would be an Iran respected and honoured throughout the world, instead of which, let us be clear about the nature of a brutal regime, which last year executed 1,000 people.

The Home Office country guidance published in March is a damning indictment. It says:

"Human rights defenders in detention are subject to solitary confinement, denied access to adequate medical treatment, face harassment, interrogation and torture ... Freedom of speech is limited ... and those critical of the government may be subject to arrest, harassment, monitoring, detention, unfair trials, death threats and torture".

A Foreign and Commonwealth Office report notes that:

"Hundreds of human rights defenders and political prisoners continued to be ... detained in Iran".

In February 2015, the United Nations Secretary-General reported that:

"Human rights defenders, lawyers, students and women's rights activists, journalists and trade unionists ... continue to face restrictions, arrest, conviction and imprisonment for exercising their rights to freedom of association and freedom of expression and opinion".

In October, Ban Ki-moon delivered a further damning assessment, highlighting the "alarming rate" of executions, and saying that little progress had been made under President Hassan Rouhani. The US State Department's annual report on human rights practices notes:

"The law limits freedom of speech, including by members of the press",

and that individuals were not permitted to,

"criticize publicly the country's system of government, supreme leader, or official religion".

Freedom House says in its 2016 annual report:

"The judicial system is used as a tool to silence critics and opposition members".

The position of LGBT and women's rights activists, who are treated as "enemies of the state", is downright appalling. In August, it was reported that the Iranian authorities had intensified their repression of women's rights activists in the country, carrying out a series of harsh interrogations and likening any collective initiative relating to women's rights to criminal activity. Women in Iran are subject to pervasive discrimination in both law and practice, including in areas concerning marriage, divorce, child custody, freedom of movement, employment and access to political office. Women and girls are inadequately protected against domestic and other violence, including early and forced marriage and marital rape. Compulsory "veiling"—hijab—laws empower police and paramilitary forces to regularly target women, including through harassment, violence and imprisonment.

In October, the *Independent* reported on the case of Golrokh Ebrahimi Iraee, a young female Iranian author and human rights activist who has been jailed for six years for writing an unpublished novel about stoning. Then there is the case of Maryam Akbari Monfared, who is serving a 15-year sentence in Tehran's notorious

[LORD ALTON OF LIVERPOOL]

Evin prison. She is being denied access to medical treatment and is facing reprisals after filing a formal complaint that seeks an official investigation into the mass killings of political prisoners, including her siblings, in the summer of 1988, evidence of which has been seen by the Foreign and Commonwealth Office. Simultaneously, the human rights defender Mansoureh Behkish is facing trumped-up national security charges for peacefully defending the right to truth and justice concerning those mass killings of political prisoners, including her siblings and brother-in-law.

Think, too, about the massive violations of Article 18 of the Universal Declaration of Human Rights: the right to believe, not to believe or to change your belief. On 30 November, a group of 19 human rights organisations called on the international community and United Nations to particularly protect the rights of Christians in Iran. This reinforces the findings of the Westminster all-party inquiry into Article 18 issues in Iran, in which I participated last year. After taking evidence and witness statements, the committee concluded:

“Sadly, we have been disappointed that”,

Hassan Rouhani’s,

“positive promises and moderate language have not translated into any meaningful improvement”.

Many of the report’s recommendations apply to Iran’s other suffering religious minorities, such as the Baha’is, Sufi dervishes and Sunni Muslims.

That the situation has not improved in the intervening 12 months is illustrated by the cases of Ramiel Bet Tamraz, Mohamad Dehnay, Amin Nader Afshar, Hadi Askary and Amir Sina Dasht. During the summer they went fishing and to have a picnic with their wives and friends. Security officials from the Ministry of Intelligence and Security raided the picnic and arrested the five men, detaining them in the notorious Evin prison. One is an ethnic Assyrian but the other men are Iranian converts from Islam, and it is believed that their arrest and detention relates to their Christian faith. Vast sums of money are required for bail and two of them remain incarcerated awaiting trial, unable to raise the bail money.

Take also the case of Pastor Youcef Nadarkhani and three others, all arrested on charges of action against national security. Three of them face charges related to consumption of alcohol for drinking wine during a communion service. After a court hearing on 10 September, they were each sentenced to 80 lashes—a barbaric and inhumane punishment. Their appeal hearing is scheduled for 9 February.

Take, too, the position of Baha’is. Repression against them has accelerated in the past few months, not least during the celebration of their religious festivals. The Iranian state has recalibrated its long-standing tactics in pursuit of its ideological goal of extirpating a viable Baha’i community in the land of its birth through economic means. Can the Minister comment when she comes to reply on the closure of Baha’i businesses and on the hate crimes that led in September, in an appalling act of violence, to Farhang Amiri, aged 63, being murdered outside his home? A Baha’i, he was stabbed to death by two men, who admitted they had attacked him because of his religious beliefs.

Finally, what about the case that my noble friend raised of the Iranian-British charity worker, Nazanin Zaghari-Ratcliffe? In September, the Iranian regime sentenced her, as we heard, to five years’ imprisonment. On 6 September, I raised her case on the Floor of your Lordships’ House. Indeed, many other noble Lords, including the noble Lord, Lord Beith, who is in his seat, the noble Lords, Lord Cotter, Lord Bruce and Lord Campbell, have also made representations on her behalf. I ask again today about her physical and mental health and that of her little daughter and, as my noble friend Lady Afshar asked, about consular access. Can the Minister tell us what progress we are making in securing her release and say something more generally about the position of dual nationals in Iran?

To conclude, contrary to promises of reforms and a more open society made by Hassan Rouhani when he took over the presidency almost four years ago, the human rights situation in Iran continues to deteriorate on very many fronts. Britain has restored diplomatic relations with Iran. My noble friend’s question enables us to ask today: how are we using that leverage, and what priority are we giving, to promote human rights in this deeply repressive country?

4.58 pm

Lord Ahmed (Non-Afl): My Lords, I too thank the noble Baroness, Lady Afshar, for providing us the opportunity to discuss human rights issues in Iran and recent negotiations on lifting sanctions, two days before International Human Rights Day.

I am neither a Shia nor a Persian but I speak as a friend of Iran, who has visited this beautiful country on many occasions. During my visits to Iran, I had the pleasure of meeting many senior politicians in recent years, and I must be one of the very few British parliamentarians who has met with the Supreme Leader, Ayatollah Khamenei. His eminence very warmly welcomed me to Iran, acknowledging the fact that I am a British parliamentarian of Muslim heritage and he extended his greetings.

I will touch upon the subject of human rights violations and the imprisonment of human rights activists in Iran, and the question of how we address some of these problems and deal with specific issues. However, it is important to have an understanding of Iranian culture and the country’s proud history. Sadly, there are human rights violations and problems around the world, and Iran is not the only country where Human Rights Watch, Amnesty International and the Committee to Protect Journalists have campaigned in relation to individuals and groups.

The human rights situation in some other parts of the world, including Middle Eastern countries, is growing worse day by day. We can see brutality from Indian forces in Kashmir, where the UNHCR has been refused entry to investigate human rights violations, and where there have been court cases against Amnesty International, which has been ordered to close its offices in India. We have seen children being bombed by their own Government in Syria, and children in Yemen being bombed by Saudi Arabia. On Tuesday just this week, 15 people were sentenced to death for espionage in Saudi Arabia, allegedly for spying for Iran, and 15 others were sentenced to long prison sentences.

In the United States, Dr Aafia Siddiqui, a Harvard University graduate of Pakistani heritage, was sentenced to 86 years in prison for allegedly being involved with a terrorist organisation and with non-state actors working against the US in Afghanistan. She is not mentally fit to undergo this sentence and has been under a psychiatrist for many years. We are aware that President-elect Donald Trump is openly supporting waterboarding and other forms of torture. We also know that political opponents have been badly treated in central Asian republics, as well as in many other parts of the world, under the guise of “terrorism”.

I recently agreed to sign a letter in relation to Nazanin Zaghari-Ratcliffe—the wife of Richard Ratcliffe, whom I had the pleasure of meeting yesterday in Parliament—Mr Kamal Foroughi and Ms Roya Nobakht. This letter has been signed by 160 parliamentarians so far. I have raised the issue of Mr Kamal Foroughi at the request of his son, who asked me to make representations on his behalf. My friends in Iran had assured me that Mr Foroughi would be released, and I am confused as to why this has not happened. He is an old man and all his family live in the UK. There is no evidence of spying or of being in breach of any Iranian law.

The noble Lady Baroness, Lady Afshar, has a much better understanding of Persian culture and the political situation in Iran than do many of us. We are aware that the Iranian Government do not like any criticism or open campaigning against the state and its laws, and therefore there are sensitivities in relation to some of our concerns. I am aware that many in the Iranian Government believe that sanctions are like a blockade and that a blockade is like a declaration of war. They believe that for the last 10 years Iran has been in a state of war. Reporting anything about certain issues is seen as sharing information and hence as espionage. We can all disagree with them but that is the situation.

I am sure that threats of abandoning the nuclear deals or imposing new sanctions and continued pressure on the Iranian authorities could have the opposite effect and cause relations in certain quarters to worsen. We have already seen co-operation between Iran and Russia in Syria, with Iranian airbases being used by Russia to bomb the Syrian Opposition. A new regional alliance emerging between Turkey, Russia, Iran and Pakistan could create new challenges.

We have to accept the importance of Iran as a growing regional player and a country that has huge influence on Shia Muslims around the world. We can try to improve our relations with Iran in order to find solutions for Syria, Iraq, Bahrain, Yemen and Afghanistan. We also need to help reconcile the two major regional Islamic powers, Saudi Arabia and Iran, to find peace and prosperity in the region and in those countries that are under their influence. I held these views long before Boris Johnson’s recent speech, reported in the *Guardian* this morning.

In conclusion, I want to pay tribute to our diplomats around the world, who work hard to free human rights defenders and raise the difficult issue of human rights. However, will Her Majesty’s Government review their policy of not representing dual nationals in countries such as Iran, where that country does not recognise the dual nationality and individuals cannot abandon

their nationality of heritage because it would be very difficult for them to obtain a visit visa and claim property rights from their family? Can the Minister say whether there has been any dialogue between the Iranian authorities and Her Majesty’s Government to secure release for our citizens, and whether there is a dialogue with the Iranian authorities on long-term solutions for Syria, Iraq, Yemen, and Bahrain?

5.05 pm

Baroness Kennedy of The Shaws (Lab): My Lords, I beg the House’s indulgence that I might speak briefly in the gap. I do so as the co-chair of the International Bar Association’s Institute of Human Rights. I want to say first that I too am concerned about the position of Nazanin Ratcliffe, and would like to hear from the Minister to what extent we are making intercessions on her behalf. I hope that there might be some news on that front from the Government.

In the light of the speech made by my noble friend Lord Ahmed, I start by saying that those of us who are committed to creating a world that adheres to human rights standards and the Universal Declaration of Human Rights do not pick and choose. We have to be absolutely clear that we are criticising abuses wherever we see them. I know that everyone who has spoken tonight does that without regard for who is involved. Where we see abuses, it is our responsibility to speak out. That is why we have got to our feet today. We should not pussyfoot around the horrors that we see, even when we are trying to draw some nations in to a greater proximity around peacekeeping.

I greatly support the nuclear negotiation and am very glad to see that we have re-established a connection with Iran. I believe it is very important that we are involved in closer dialogue, because Iran’s role in this region is vital. However, it is also imperative that in our discussions with Iran, we talk about the responsibilities that adherence to the rule of law brings. We heard the noble Lord, Lord Alton, describe the circumstances in which people end up in Evin prison, without having had a proper trial or access to lawyers and so on, and that is something that we must not allow to go unremarked upon in our discussions about ending sanctions.

The International Bar Association is only too aware of the fact that, too often, people have what very clearly does not conform to the idea of a fair trial: people do not know fully what the evidence against them is, people do not have lawyers to represent them and so on. I remind the House of Shirin Ebadi, a human rights lawyer who was given the Nobel Peace Prize not that long ago. I happen to know her now because she came to speak at the School of Oriental and African Studies and was given a degree when I was the president there, and I have met her on a number of different occasions since then. Her life is now wretched. It is wretched because of the way she was treated having received this accolade from the world for being a lawyer who championed the human rights of women, was seeking to interpret sharia law in a fair and more just way, and was advocating the rights of children. Because she was doing that, she was given this acknowledgement by the world, and it made her an even greater enemy of the people. She had been in prison and is now unable to return to her country.

[BARONESS KENNEDY OF THE SHAWES]

She has written about it. This has destroyed her marriage with her husband, from whom she is now divorced because he was forced to publicly condemn her. She is suffering a most wretched existence now, as a result of what has happened to her, and it was because she was a human rights lawyer. She had been a judge, but had to step down.

I remind this House that we have a duty to speak out. That is one thing that we can do during the course of these negotiations about sanctions.

5.10 pm

Lord Collins of Highbury (Lab): I, too, thank the noble Baroness, Lady Afshar, for initiating this debate. It is now one and a half years since the Iran nuclear deal—a big step forward, as we have heard in the debate, in bringing Iran back into the international community, with all the obligations and responsibilities that that entails. I put on record my appreciation of the excellent work that my noble friend Lady Ashton undertook in achieving this landmark agreement to deliver greater stability in an ever-fragile world.

I suspect, however, that the challenge we now face is how the deal will hold. In the US presidential campaign, President-elect Donald Trump repeatedly dismissed the joint comprehensive plan of action and the nuclear deal. His view was that it gave too much away in offering sanctions relief and was too generous, as the noble Lord, Lord Ahmed, said. Some of the policies he espoused could have the complete opposite effect that we seek in this debate. Of course, as the deal is not a treaty ratified by the Senate, it is not binding on any Administration, so in January, a Trump Administration could render it null and void simply by declaring it so. What assessment have the Government made of the potential effects of a Trump presidency on the current arrangements and our future relationship with Iran?

We all know, especially after hearing the secret recordings of the Foreign Secretary, that any solution in Syria will involve Iran. There is no doubt that this will also apply to tackling the long-term problems of Daesh and al-Qaeda. Have the improved diplomatic relations with Iran strengthened the UK's approach to tackling security concerns around al-Qaeda and Daesh? I also emphasise what the noble Baroness, Lady Afshar, said: whatever the gains of such an improved relationship, they must not be at the expense of our responsibility to challenge Iran's obligations under international law on human rights. As we have heard, sadly, the truth is that since July 2015, opponents of the regime have continued to be executed. Religious minorities continue to be persecuted. LGBT people have been victimised and murdered with impunity.

As the noble Lord, Lord Alton, highlighted, according to the UN, at least 966 people were sent to the gallows last year. Most of their cases related to drug offences. However, that hides some really perverted forms of jurisdiction. As my noble friend pointed out, there are no fair trials, certainly not to international standards of fairness.

The Leader of the Commons, David Lidington, acknowledged in the other place the appalling human rights record of the Iranian Government. He took the

view that, generally, it is sensible, even when we have the most profound disagreements with the Government of another country, to have diplomatic channels so that there is a means by which to communicate with that Government. We also have the assurance from the Foreign Secretary that he is determined to ensure that human rights remains a key element in the United Kingdom's foreign policy. This debate is absolutely about that. We need to hear from the Minister the steps the Government are taking in our improved relationship constantly to highlight abuses of human rights. That is vital.

As we have heard, the UN Secretary-General Ban Ki-moon has given a damning assessment of human rights in Iran, highlighting the “alarming rate” of executions and saying that little progress has been made under President Rouhani. In spite of the President's achievement in reaching the 2015 nuclear deal, his promises of domestic improvements do not seem to have occurred. They seem to have stalled in the face of resistance from the hardliners in Iran. As we have heard, members of the Baha'i community, described as,

“the most severely persecuted religious minority”,

in the country, face discrimination in various areas, including access to higher education or simply to work. I will not go through all the details that the noble Lord, Lord Alton, raised.

I repeat that persecution and discrimination of lesbian, gay, bisexual and transgender people is frequently reported in Iran and covered internationally. According to the most recent Department of State country report on Iran, security forces harassed, arrested and detained individuals simply because they were suspected of being gay or transgender. It is not so much the penal code, but the behaviour of those who act in the country with impunity that no civil court seems to have any responsibility over. As we have heard, security forces are raiding houses and taking action against civil rights defenders.

I too highlight the point that my noble friend Lady Kennedy raised. The regime persistently attacks and harasses lawyers who act in defence of political activists or those fighting for minorities. There is a tendency for the regime to harass activists through indirect means, such as the persecution of family members, spouses and children, often with anonymous phone calls and text messages against them and their family. This form of collective intimidation is one of the most pernicious aspects of the repressive paranoia the regime expresses.

We need to understand what steps the Government will take to ensure the Secretary-General and special rapporteurs on freedom of religion and human rights in Iran will be able to monitor effectively and report extensively on these violations of freedom of religious belief for the people in Iran, and to work in accordance with their mandates before the United Nations. We need constantly to expose these violations and make sure people understand what is going on.

Finally, I too ask the Minister what further steps the Government are taking to help bring Nazanin Zaghari-Ratcliffe back home from Iran. We heard the circumstances of her arrest, the situation with her daughter, and that she is being held in Evin prison.

We have heard from her family that her physical and mental health have deteriorated recently to such an extent that they are incredibly worried about her welfare.

It is really important that the noble Baroness updates us on any action. We have heard that the Prime Minister has raised strong concerns about Mrs Zaghari-Ratcliffe with the Iranian President in August and that Tobias Ellwood met Mrs Zaghari-Ratcliffe's family on 8 September. We need to hear the reassurances that the Government have given about their intention to continue to raise her case. We also need to hear about any specific action that has been taken. As the noble Lord, Lord Ahmed, said, other dual nationals are in prison in Iran. We need better to understand what the Government will do to represent our country's citizens. Even though Iran does not acknowledge dual nationality, they are British citizens. In accordance with our proper traditions, we need to give the fullest support to them in these circumstances. I look forward to hearing the Minister's response.

5.20 pm

Baroness Goldie (Con): My Lords, I thank the noble Baroness, Lady Afshar, for tabling today's important debate and welcome the contributions of noble Lords from all sides of the House. The Government welcome the re-engagement with Iran following the nuclear deal and the lifting of sanctions. The deal was a major achievement and we are committed to ensuring that Iran sees the benefit of sanctions relief. However, we are not complacent, and we remain focused on the issue of human rights. It is crucial that we continue to hold the Iranian Government to account for their human rights record, a point made repeatedly by your Lordships. This is why sanctions relating to human rights remain in place. Continued engagement with the Government of Iran by the UK and our international partners is key to achieving change on this agenda.

On a bilateral level, that means developing stronger diplomatic ties and trade links. I want to be very clear about one point, because the noble Baroness, Lady Kennedy, alluded to it: we do not pursue trade to the exclusion of human rights; they can and should be complementary. The noble Baroness expressed legitimate concerns about the significance of law, the rights of women in law and the consequences for women of upholding these freedoms. Those sentiments were strongly echoed by the noble Lord, Lord Collins.

The noble Lord, Lord Collins, rightly raised concerns about the treatment of the LGBT community in Iran. I reassure him that the UK is profoundly concerned by the continued persecution of lesbian, gay, bisexual and transgender people in Iran. We repeatedly call on Iran to fulfil its international and domestic obligations to protect the human rights of all Iranians, including members of that community.

Since we reopened our embassy in Tehran last year and upgraded our diplomatic ties to ambassador level, we have seen the relationship grow stronger, but we want more progress on human rights—let me make that crystal clear. That is why the Foreign and Commonwealth Office has designated Iran one of its human rights priority countries. There is now a diplomatic conduit which did not exist previously. We use it as best we can to urge respect for human rights. The

noble Lord, Lord Collins, raised the important issue of the impact of this improved communication with reference to terrorism. All that I would say in response is that we now have a line of communication which we did not have before. That can only be regarded as an improvement. We continue to monitor closely the threats to which he referred. Interestingly, the noble Lord also raised the prospect and consequence of a Trump presidency. I do not have before me a crystal ball; I am not a prophet. We will have to wait and see how the presidency unfolds, but we hope that it would be an influence for recognition that regard must be had by the international community to that fundamental issue of respect for and enforcement of human rights.

Our effort to improve human rights is not limited to our bilateral relationship; we also continue to take action multilaterally. I welcome the United Nations General Assembly's adoption of the resolution on human rights in Iran last month. The resolution passed with an increased number of votes compared to last year, in large part due to United Kingdom lobbying efforts. Likewise, at the last Human Rights Council, in March, the UK strongly supported the renewal of the mandate of the United Nations special rapporteur. I am pleased that the mandate was renewed and I strongly urge Iran to allow the rapporteur to visit.

The special rapporteur's latest report highlights the causes for concern. From freedom of religion or belief to freedom of expression and women's rights, it is clear that Iranian citizens do not enjoy all the rights and freedoms to which they are entitled. Progress has been slow—as noble Lords highlighted—and in some areas, tragically, the situation has actually deteriorated. The noble Baroness, Lady Afshar, addressed in her early remarks the worrying issue of torture. We take such issues very seriously, at both bilateral and multilateral levels. We endeavour to ensure that these issues are kept very much before everyone and are prominent in demanding attention.

The noble Lord, Lord Alton, raised specifically the persecution of the Baha'i community and referred to the closure of businesses. We are deeply concerned because the Baha'i faith in Iran is subject to mounting persecution. We are also concerned by state efforts to identify, monitor and arbitrarily detain Baha'is. We have repeatedly expressed concern about the treatment of that community. That is what we continue to do. It is all we can continue to do. I reassure the noble Lord that it is a matter of which we are acutely aware.

On the broader issue of what the lack of human rights may mean, we are particularly concerned about the number of executions that continue to take place in Iran, especially of those who were minors when convicted. In particular, Zeinab Sekaanvand Lokran, who remains on death row, is a tragic example of this. Her case epitomises how the rule of law is failing Iranian citizens. We have taken action with our EU partners on her behalf and called on the Iranian Government to stop her execution. Sadly, I fear that her case is just the tip of the iceberg as, simply, we do not hear about every one.

Yet Iran is a signatory to international conventions that prohibit the use of the death penalty on juveniles. Again, we continue to advocate the need to have

[BARONESS GOLDIE]

regard to these international obligations. That underlines the importance of continuing to work with our international partners, including the United Nations and the EU, to ensure that human rights in Iran continue to be given prominence in discussions and to maintain pressure on Iran to abide by its international obligations. We continue to work hard to do this. The noble Lord, Lord Alton, raised these issues with eloquence and passion.

A number of noble Lords raised the issue of the dual UK-Iranian nationals currently detained in Iran. The noble Baroness, Lady Afshar, specifically raised the matter of Nazanin Zaghari-Ratcliffe, as did the noble Lords, Lord Alton, Lord Ahmed and Lord Collins. I can reassure noble Lords that we have been engaged in this. My right honourable friend Tobias Ellwood, the Minister, met Mr Ratcliffe on 28 November to discuss Nazanin's case. Her family also met with officials in person on several occasions and have spoken regularly to consular staff since her arrest in April. Consular officials are ready to assist Mr Ratcliffe with any support he requires. In response to the question why we have not brought Nazanin and Richard's daughter back to the United Kingdom, families in such consular cases are entitled to follow their own wishes on how to deal with these particular situations. I reassure noble Lords that we stand ready to assist both Mr and Mrs Zaghari-Ratcliffe and the family to bring their daughter back to the UK should they wish to achieve that end.

I think it was the noble Lord, Lord Ahmed, who raised the question of Mr Foroughi and his family. We are very concerned for his health and have raised this with the Iranian authorities. We have urged them to provide regular medical assistance and access to a lawyer, and we are in regular contact with Mr Foroughi's

family. The Middle East Minister, my honourable friend Tobias Ellwood, has met his son to discuss the case.

The consular situation remains very difficult. As your Lordships will be aware, the Iranian Government do not recognise dual nationality and on that basis continue to reject our repeated requests for consular access to the detainees. We have therefore not been able to assess their welfare or health or the conditions in which they are being held. Recent reports have given us further cause for concern. The Foreign and Commonwealth Office is in regular contact with their families. We continue to raise their cases with the Iranian Government at every possible opportunity and we will continue to provide the families all the support we can.

As I said at the beginning, this has been a very important debate. It is one of the great functions of a parliamentary democracy that in a Chamber such as this there is such an opportunity for your Lordships, with an amazing repository of knowledge, experience and expertise, to not only contribute to these discussions but constantly, as I observed earlier, keep them on the radar so that they do not slip away from either human or political awareness.

The human rights situation in Iran remains dire, and that is an adjective one hesitates to use. Upholding their citizens' human rights is not only the basic duty of the Government of Iran but an essential part of their engagement with the wider world. The Iranian Government's willingness to engage internationally is, in turn, linked directly to the country's future security and prosperity. It is therefore vital that the Iranian Government make progress on human rights. It is likely to be slow, but we will continue to encourage progress, to improve the rights and freedoms of all Iran's citizens.

House adjourned at 5.32 pm.

Volume 777
No. 78

Thursday
8 December 2016

CONTENTS

Thursday 8 December 2016
