

DELIVERY VERSION

I realise that the former head of MI6 speaking in Salisbury might excite a few people locally. You have had enough spies visiting recently. Let me assure you that I am the friendly kind; well, to British people at least. And I am genuinely looking forward to admiring the Cathedral after this talk.

I had the honour to meet Edward Heath several times but I mostly know him by reputation. I did work for every prime minister since Margaret Thatcher, so I know quite a bit about their foibles and their different approaches. I was delighted to accept the invitation from my friend Edward Bickham to speak in support of the Edward Heath Charitable Foundation.

I want to share with you today my thoughts on the world and Britain's role in it. There is a direct link here with Heath's premiership. When he came to power, Britain's economy was weak, we were becoming marginal on the international stage. We were coming to terms with a harsh reality and we had to adapt very quickly. There are parallels with today.

My message as to how we manage our changing role is not that different from Edward Heath's. We have to stay engaged, preserve our alliance with America, build new ways to work with Europe, and address head on the challenges, in particular a rising China and a disruptive Russia.

Early Memories

My first political memory was the election of Ted Heath as Conservative Party leader in 1965. It came just after my tenth birthday. At breakfast my father put down the Daily Telegraph with Heath's picture filling most of the front page, to ask my mother what she thought of 'our new leader'. It struck me then as an odd way to pose the question. But I'm afraid I didn't register her reply. I was more keen to grab the paper and catch up on the cricket scores.

Seven years or so later, with Ted Heath as PM, I have an even stronger memory, of studying for my mock A levels by candlelight and demanding to know how the country had got in to such a mess. The regular power cuts, caused by strife between the government and the trades unions, brought national politics into our sitting room.

As a teenager, I was conscious that we were not doing well as a nation. Our comics and films were full of war time heroism and daring-do. But we were living on the memories of the past and our present was failing to match them. The need in 1976 for the IMF to perform a rescue job on the British economy was a marker of how far we had fallen.

Britain's Turnaround

What were the elements in Britain's turnaround? The first was our membership of the European Community that Ted Heath devoted himself to achieving. The Conservatives were confidently pro-European, and it was Labour who were opposed on grounds of losing our sovereignty. Ted Heath, at the second attempt, overcame French reservations. As Henry Kissinger recently observed, Heath succeeded "in a way that combined a dramatic adaptation of traditional British policies with determination to preserve Britain's core national interests".

Ten years later came the Thatcher reforms, when she got on top of the power of the trade unions. Her economic policies took a heavy toll on British industry. But together with the Big Bang in the City of London, and the opportunities from the European single market that Mrs Thatcher pushed through – advancing our economic strength at the cost of more shared decision making - they marked the turning point in Britain's economic performance.

Later, John Major negotiated to keep us out of the single currency and the Schengen travel area while preserving full access to the Single Market and a say in all EU decisions. We had a better deal than any other member state.

Lastly but still crucial, Tony Blair and Gordon Brown built on the achievements of their Conservative predecessors. For the 13 years of Labour Government, Britain was at ease working with both America and Europe, without feeling the need to choose between the two.

Our economy grew faster than our continental neighbours. London became the most successful and exciting city in the World. We were looked to for political leadership and new ideas. It felt so different from the world of the 1960s and 70s.

British Influence Rebuilt

Britain always retained influence in the world, but from 1945 to 1980 we were essentially in retreat. As we became economically more successful, our standing in the World started to recover and be based on the success of modern Britain, rather than on memories of an imperial past.

Our diplomacy, defence and intelligence played a crucial role in managing the end of the Cold War, the break-up of Yugoslavia, and the painful conflicts in Iraq and Afghanistan.

The successful peace negotiations in Northern Ireland were admired across the World and the peace, embedded in a European future that Britain and Ireland shared, enhanced our reputation for skilful policy and negotiation, and for pragmatism.

We boosted our efforts on development and humanitarian aid. We led new thinking on climate change which helped forge the consensus that brought the United States, China and India into what became the Paris Agreement.

After 9/11, when terrorism became our major security concern, we pioneered a new way of working across intelligence agencies and law enforcement that, from 2006 onwards, enabled us to get our arms around the terrorism problem, and do so in a way that respected the law and human rights. We became a model for other countries work on counter-terrorism.

When the financial system crashed in 2008, it was Britain's prime minister, Gordon Brown, who galvanised the international community to mitigate the effects and restore financial stability.

Whatever the balance sheet, there was no doubt that through my time as a diplomat and later as Chief of MI6, Britain had weight in the World.

Why do I say all this? You will have detected there is a 'but' coming.

I believe that Britain is once again at an inflection point. We have decided by referendum to leave the European Union. We opted for national sovereignty over a common European future. While it was never couched this way, we decided two years ago that the power to decide our own future without any interference is worth a sacrifice of jobs and national income. That we should stand on our own internationally, and not as part of a more powerful European block.

The question then becomes: how do we avoid going back to the sort of Britain we were in the 1970s. Economically falling behind our neighbours. Politically engrossed in our domestic concerns, with a zero sum mentality about how the fruits of our economy are divided up. How do we maintain the contribution Britain makes internationally and avoid a steady loss of respect for Britain.

In his political career, Edward Heath was convinced that we were better off as an integral part of Europe as that would amplify our economic weight and our political influence.

Has that really changed some fifty years on? Let's look around us.

America

The biggest change in the World today is taking place in the United States. As Richard Haass, President of the Council on Foreign Relations in New York put it to me, President Trump will be the most consequential American president of our lifetime. The role of America and its standing in the World will probably go through a bigger change during the Trump Administration than under any of his recent predecessors.

President Trump's Administration is tackling some serious issues, more assertively than his predecessors. China cheating on trade. Germany free riding on defence. North Korea pursuing a nuclear weapon they can land on California. Iran aggressively causing problems in the Arab World. Immigration from Latin America running out of control. Each of these demand the attention of an American President.

But the approach of the United States has changed. Instead of working with allies and friends to forge common solutions to these problems, the new American method is to kick over the table and leave others to pick up the pieces. It is to assert America's raw power, seeking to impose change on others, rather than leading the West to a fair outcome for all concerned.

We should beware the temptation to personalise all this on Donald Trump. America itself has changed, and while Trump is an ugly symptom of it, he is not the cause. In the short term, America is gaining from Trump's policies. Business confidence is high, the economy is growing at over 3% a year, unemployment is approaching a historic low.

I can understand why America of 2018 is no longer willing to do what President Kennedy declared sixty years ago - that America would "pay any price, bear any burden support any friend to assure the survival and success of liberty".

But what we now have to take into account is that the President of the United States is telling America's allies that American support is no longer based on shared values and commitments. The international order that America designed and led since 1945 is being replaced with one where might is right.

Of course there is time for a correction. When a new leader, either Republican or Democrat, takes over they could restore the old ways of working.

But there will be lasting damage. If Donald Trump remains in office until 2024 it will not be reversible.

Already we see long standing American allies hedging their bets. Japan and Korea are seeking an accommodation with China because America can no longer be relied upon to shape strategic developments in Asia which take account of Japanese and Korean interests.

In Europe, NATO's mutual defence agreement is no longer as iron clad as it was. Short term tactical considerations and the President's personal interests will be factors in whether the United States is prepared to defend a NATO ally against Russia.

Russia and China are banding together in a way we haven't seen before: they have always worked together at the United Nations, but they are now for the first time doing defence exercises together. They are, as Eric Schmidt of Google recently warned, planning to split the internet into two so that they don't depend on an American controlled system of communication. They are also seeking to weaken the dollar's dominant role in the world economy so they are not subject to American coercion.

The rougher America's behaviour in the World, the more others will push back against America's power.

America's leadership is being set aside and raw American power is taking its place. When Canada is hit by trade sanctions on the grounds that it poses a national security threat to the United States, and the US President declares that he has fallen in love with Kim Jong-un, the World's most dictatorial leader, you know something has changed in the World.

Perhaps worse than the impact on American policies, Donald Trump is becoming a role model for political leaders around the world. Dismissing uncomfortable facts as 'fake news', using personal abuse to influence opinion, challenging the constitutional checks and balances that have shaped America since 1776, Trump is degrading democratic politics at home and abroad.

We see leaders around the World adopting Trump's tactics to gain power. Brazil looks like being the latest to move that way. Even in Europe, and here in Britain, some of our politicians ape the Trump methodology. This is a challenge to liberal democracy.

Jamal Khashoggi

In the undemocratic world, leaders friendly with the United States are taking licence to use their raw power too. The shocking murder of Jamal Khashoggi in Saudi Arabia's Consulate in Istanbul by a hit squad despatched from Riyadh is an example. The Saudi Crown Prince seemed to believe that he would be protected by the Trump Administration and not be held to account. The attempt to blame the murder on rogue elements in the Saudi security services simply doesn't hold water, and it further undermines respect for America when it panders to such a blatant fiction.

China

Some supporters of President Trump say he is simply using America's power while it still has it. There is something to that argument.

China is not just catching up fast, by some measures it has already overtaken the United States. In purchasing power terms, China's economy is already 16% larger than America's. Trump's slogan is "Make America Great Again" Xi Jinping's goal is "China's Great Rejuvenation". And President Xi is making great strides to restore the position China held for 1,800 of the last 2,000 years as the World's largest economy.

President Xi's Belt and Road Initiative is a major economic programme with strategic significance. Just as the Marshall Plan helped rebuild Europe's economies after the war and at the same time underpinned the strategic alliance between America and Europe, so "Belt and Road" has the same combination of economic and strategic goals to tie the countries of the Eurasian land mass into China's orbit.

It is not just America that has concerns about China's use of its power, Europe has too. But a new US strategy on China is taking shape without Britain or Europe being part of the debate. The new US approach will challenge China across the board. It is combative, and there is a risk of direct confrontation. The US-China relationship will shape the 21st century world, and it looks likely to be a rough one.

Russia and Skripal

Russia too has ambitions to restore its position as a Great Power. President Putin's approach is zero sum: the weaker the West, the stronger Russia becomes. Sowing division and promoting extremism in the West plays to Russia's advantage, which is why Russia supports populist movements around Europe and interferes in the US election to undermine their legitimacy.

I have no need to remind citizens of Salisbury of the extent to which President Putin's regime will go to assert itself and its interests. The attack on Sergei Skripal is just one example of Russia using its intelligence services aggressively to intimidate or kill its enemies, and with no concern for the consequences for innocent bystanders.

Russia's purpose seemed to be to exact revenge on people they view as traitors and to send a message to Russians everywhere that they are never safe. Russian resentment of Britain because of the success of our intelligence services over the years may have been another reason for them to get their own back.

But I don't believe Russia would have used a nerve agent on the streets of an American or German city. The consequences would have been too great, the operation would not have been authorised. But Russia was willing to treat Britain with contempt. There was little attempt to disguise who did it, and the very brazenness of the operation was part of the message. Yes, it was us, the Russians are saying: what are you going to do about it?

Our very weakness - as a result of Brexit, as a result of fraying transatlantic ties - was an attraction for Russia. The weaker a country, the more attractive a target it is for bullies.

Mrs May's response to the Skripal attack has been admirable, perhaps her strongest performance as prime minister. She won backing for a tough response from all our allies, even from an initially reluctant America. Had Britain reacted on its own, we would have had zero impact on Moscow and we would have been brushed aside. Only by being engaged with a wider community of nations, willing to support one another to underpin our common values, was Mrs May able to stand firm against Russian intimidation.

Brexit

The emerging World order that we have to reckon with is one where power sweeps aside rules. Interests overwhelm values.

And Britain is leaving the European Union. Just at a time when America is stepping back from its enlightened leadership in the World, at a time when great power politics is resuming its dominance at the cost of the rules based international order, as Europe faces its biggest political challenges for seventy years, Britain is marching boldly out of our big protective regional grouping to face the cold winds of the modern world on our own.

I find it hard to believe that this is in our long term interests.

Just take security.

Modern security depends on nations sharing information and, above all, sharing data.

Unusual activity shows up in data analysis. Tracking terrorists and criminals is done through data trails. Just look at the fabulous job the police and MI5 did working out precisely the movements of the two Russian agents who tried to kill Sergei Skripal.

The rules on data sharing in Europe are set by the European Union. After Brexit, Britain will no longer be round the table helping to shape and decide the rules. We shall be excluded, and left to lobby for our interests when one of the decision makers comes out of the building. Our sovereignty, at least nominally, may be greater, but in the real world our power and influence will be much reduced.

Cooperating within the EU framework is also crucial. The exchange of Passenger Name Records, access to the Schengen Information System, the European Arrest Warrant, all these tools to provide for security and law enforcement will be decided by a group of which we shall no longer be part and even our participation as a third country has to be negotiated.

We will no longer be full member of EU bodies like EuroPol and the Intelligence Centre, and will only be able to benefit if the EU decides they want us. Our automatic rights to do so are forfeited by Brexit.

The government wants a new treaty to reinstate our role in all these areas. But then why are we leaving in the first place?

On the economy, our growth rate has gone from the top of the G7 league to the bottom since the referendum. The Centre for Economic Reform estimates that Britain has lost 2.5% of our GDP already as a result of the decision to withdraw – equivalent to some £500 million a week. And we haven't even left yet.

If Mrs May negotiates a smooth transition over a good number of years, we may recover some of the lost ground but even then our terms of trade with our most important economic partners will be worse. If we crash out with no deal the cost will increase.

And British industry will still have to adopt EU standards if it wants to do business with the EU.

Taking ourselves out of EU decision making imposes a huge loss, far greater than the compromises required by being part of the collective process.

On foreign policy, I am struck that all the foreign policy actions of Mrs May's government have been to work with our European partners - whether to preserve the Iran nuclear deal, or to defend ourselves against Russian hostility, or to stick to the Paris agreement on climate change, or to demand accountability for the Khashoggi murder.

Britain's relationship with the United States remains crucial to our defence and security. In some areas, like intelligence, the trust runs very deep and our relationship is at the core of NATO.

However, our foreign policy preferences tend to be much closer to those of our European partners. To assert our interests, we need to work hand in glove with Germany and France. After Brexit, we will have to find a new way of working with them to ensure our interests and values are protected.

As Ray Seitz, a former American Ambassador to London, once said, the more influential Britain is in Europe the more weight it carries in Washington, and the more weight it has in Washington the more influence Britain has in Europe. We were accruing weight at both ends of that transatlantic ledger for the last three decades. From the day of the Brexit referendum, we started to lose political weight in both America and Europe. The election of Donald Trump has simply accelerated the process.

As John Major said so eloquently earlier this week, "much of the world will now perceive Britain to be a middle-sized, middle-ranking nation that is no longer super-charged by its alliances. Suddenly, the world will be a little chillier" for Britain.

Let's also keep in mind that Brexit weakens the EU as well as weakening the UK. Brexit makes it harder for Europe to deal with the substantial problems it faces – migration, terrorism, banking stability, economic growth, relations with the US.

We were part of a three legged stool – Berlin, Paris and London – that provided stability for political decision making and assurance for smaller member states. A two legged stool isn't quite the same.

Some Brexiters want the EU to fail. But if Europe runs into trouble, then we can't insulate ourselves from it. The European Union provides Britain with a degree of strategic depth. We are now giving up the most important points of influence we have over Europe's stability.

A Second Referendum

So Brexit is a huge national decision, with consequences for the next fifty years. I think we are making a strategic mistake.

We've made strategic mistakes before and recovered. I believe we can survive and, in time, find a new role for Britain outside the EU if the withdrawal process is carefully managed over the next five to ten years – yes, it will take that long. Whether we were for Leave or Remain, we need to take the decision with great care and try to ensure as much national agreement as possible.

The process will be important as well as the substance. When we joined the EU in 1973, Parliament approved the decision by 336 votes to 244, and two years later that was ratified in a referendum by 67% to 33%.

If we now withdraw through a tiny majority in Parliament on the back of a 52-48 referendum, the issue will not be settled. The Europe Question will continue to dog British politics for years to come, and may well contribute to the break-up of the United Kingdom.

I believe that everyone involved in this debate, the advocates of Britain leaving the EU as well as those of us arguing we should still remain a member, should support a second referendum.

I think Leave supporters can approach this with some confidence: a reasonable deal that protects us against the worst of the economic damage will be greeted with relief by many in Britain. The markets would welcome it. And I sense there is a mood to get this Brexit thing behind us.

With a clear deal on the table, the British people would have the choice between the historic decision to leave with the terms of departure known, or to decide that, actually, on reflection, we would rather stay in the EU.

In my assessment, I would expect a referendum to endorse a reasonable deal for our withdrawal. On the other hand, I believe that a “No deal” outcome, that would leave us crashing out of the EU, would be rejected.

A national decision by referendum would at least be final and would allow us to start healing the divisions that have opened up over the Brexit question. Only a second referendum will put the issue to rest.

Conclusion

Edward Heath’s commitment to European partnership was forged from his tough experience in the Second World War and Britain’s poor performance and international decline in the 25 years that followed. At the height of the Cold War with the Soviet Union, he sought enduring peace in Europe, and for Britain to be part of the community of like-minded European countries that he believed would best promote prosperity in Britain and give us a role in building a stable democratic Europe that was vital for our own security.

The last forty years have shown that Ted Heath’s judgment was right. He laid the basis for economic strength that his successors delivered. He bound us into a European system that gave us a new platform for projecting British influence and values across the World. We need those values now more than ever.

I am reminded by Heath’s words from 1970 “We may be a small island. We're not a small people”.

I was lucky to be in diplomacy and intelligence at a time when Britain was strong and our small island played a big role.

I remain optimistic about Britain. There is a fabulous wealth of creativity and talent in the UK. The younger generation emerging from universities are so much better equipped than I and my cohort were. Britain remains much respected around the World.

But we shall need to build a national consensus on the way forward if we are to regain our strength and retain the respect of others in the demanding world of great powers that lies ahead in the rest of the 21st century.

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