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The World in 2040: Renewing the UK's Approach to International Affairs

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The Lord Sedwill

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About the Policy Lab

The UCL Policy Lab brings together ideas, individuals, and institutions in a collaborative method to understand and tackle the challenges facing communities in the UK and around the world. With diverse networks in politics, research, and communities, the Policy Lab facilitates dialogue between those addressing complex societal challenges.

If you have an idea or a challenge you're seeking to explore, get in touch with the team at policylab@ucl.ac.uk

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About the project

Mark Sedwill, Moazzam Malik and Tom Fletcher convened a group of former Ministers, National Security Advisers, Permanent Secretaries, Ambassadors and senior officials on 18 and 19 October 2023 in Oxford to debate the UK's approach to international affairs and ideas for reform. A background paper and core readings were circulated in advance. This note sets out key messages as agreed by the conveners. The secretariat for the process comprises Roli Asthana (former DFID and UN), Mark Miller (ODI) with input from Tom Pegram (UCL) and James Baggaley (UCL Policy Lab). Hertford College Oxford and UCL Policy Lab provided in-kind support.

About the co-conveners

Tom Fletcher, Principal of the Hertford College, Oxford; former No10 Foreign Policy Adviser and HM Ambassador to Lebanon.

Moazzam Malik, UCL Policy Lab Honorary Professor; former Director General in FCDO and DFID and HM Ambassador to Indonesia and the ASEAN.

Mark Sedwill, Member of the House of Lords; former Cabinet Secretary, National Security Adviser, HM Ambassador and NATO Representative in Afghanistan.

Foreword

As we approach the second quarter of the 21st century, the international community faces a forbidding set of strategic environmental, socio-economic and geopolitical issues. All affect national and global security and prosperity. To be managed effectively, all require international cooperation. But how as geopolitical tensions rise? Putin's invasion of Ukraine is the most acute challenge to the global rule of law. Others are just over the horizon.

For the UK, for centuries one of the most open economies and societies in the world, global security is national security and national prosperity depends on an orderly international economic system. For us, a functioning global order is a core national interest. And we must be in shape ourselves to shape it.

Having served under seven prime ministers, I have seen up close that influence abroad arises from political and economic success at home. We cannot help the world respond to the list of global problems if we ourselves are on it. For the past decade, we have been wrestling with our national identity, to the bewilderment of our allies and the glee of our adversaries.

This country still has the world's sixth-largest economy, some of the best universities, world-class diplomatic, intelligence and security services, a formidable military, and a leading international development network. We deliver most when we work strategically to combine those assets and expertise behind a unified mission with strong political direction. We know how to do this because we have done it before. A new Parliament is an opportunity to reboot and rebuild.

Against this backdrop, we brought together a group of former Ministers, National Security Advisers, top diplomats and officials to explore what the future might bring and how to organise the UK's international machinery to respond and shape it.

As the Election approaches, this paper is one of several produced by a range of think-tanks and Parliamentary inquiries about how to improve the machinery of government. I am pleased to have contributed to some. Many of the proposals are complementary. Some aren't. But all begin from the understanding that our post-Brexit post-pandemic government machine has deteriorated and is not fit for purpose for the second quarter of the 21st century, and share a determination to improve it. I commend this paper as a thought-provoking contribution to that debate.

The work has been led by Moazzam Malik (Honorary Professor, UCL Policy Lab) and Tom Fletcher (President, Hertford College, University of Oxford), ably supported by their team: Roli Asthana, Mark Miller, Tom Pegram and James Baggaley. Like all the participants, they have done this work because they believe it matters. They're right.

The Lord Sedwill



Summary

The UK stands today as an ‘off-shore’ mid-sized power in a rapidly changing world. The challenges and trends shaping the UK’s future prosperity and security are long term in nature. Our approach to international affairs needs urgent renewal to reflect these realities and to shape our future place in the world.

This pamphlet asks what will the world look like in 2040 and how will the UK’s role be different and what does that mean for how the UK’s approach to international affairs needs to adapt?

The task of institutional renewal is challenging:

- Influence abroad depends on political and socio-economic success at home. The UK will need to engage with a clearer sense of purpose, history, interests and assets as an offshore mid-sized power.
- We have to renew - and in some cases build – practical international alliances, particularly with “middle powers”; and share some rights to strengthen multilateralism.
- We need to embed clear long-term mission in the mandates guiding UK international institutions (including by creating a Department for International Affairs or Global Affairs UK).
- We need to harness the combined levers of the state. That requires better central coordination, delivery structures (eg agencies and a development bank) and engagement with domestic stakeholders including devolved administrations.
- And we need to be properly resourced: update tools and skills, a more porous international civil service, and financing (1% GNI for planned international spending alongside 2% for defence).

With ambitious reform, the UK – in collaboration with its partners – can have significant influence on the long term trends that will shape the prosperity and security of the British people.

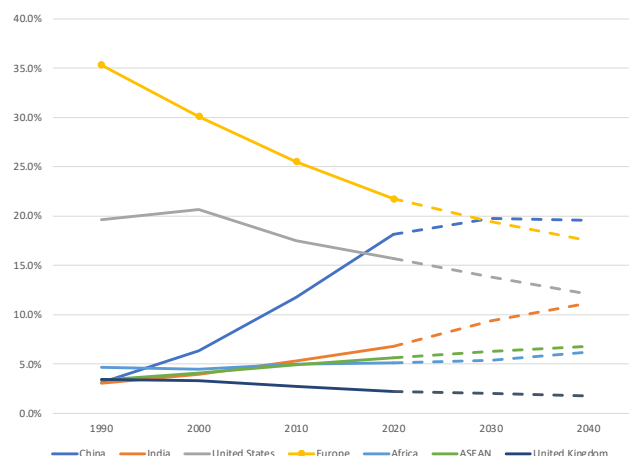
Part one: The World in 2040

1. The world is in flux...

The balance of geopolitical power is shifting alongside economic power. The world's economic gravity is moving back towards the East driven by growth in China, India and South-East Asia. The composition of the global population is also changing. By 2040, an increasing proportion of the world's working-age population will be living in Africa and South Asia. We are moving from a world of relatively stable Cold War blocs and the US-led 'international order' that followed to an increasingly multi-polar 'a la carte' world that is less predictable, more insecure and fragmented.

It is hard to envisage the world being dominated by a singular political and values system. "History" did not end after the Cold War, as Fukuyama had predicted. The global majority is determinedly non-aligned and not about to be forced into alliances. Western values and dominance of the international order are being challenged by countries with differing political and value systems – not just authoritarian states but also well established 'democracies'. Whilst a rules-based international order retains wide appeal, the international landscape will be characterised by shifting issue-based alliances driven by national and local interests.

Share of global GDP over time (historical and projected)

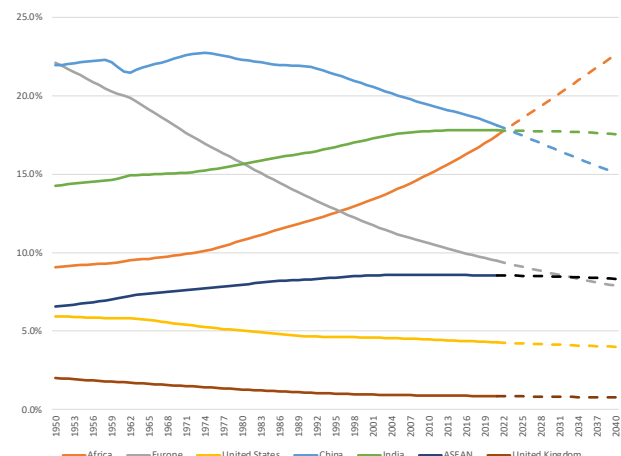


Balance in the global economy is shifting to Asia¹

Today, the UK is undoubtedly less politically and economically influential than in the immediate aftermath of the Second World War. This trend is likely to continue given the simple arithmetic of demography and compound economic growth.

Even as the international order is changing, humanity faces a series of potentially existential transnational challenges. These include climate change, conflict and insecurity, pandemics, irresponsible use of technology & artificial intelligence, and a global economic system that is seen by many as unjust but also inefficient and wasteful. Progress against the (universal) Sustainable Development Goals set for 2030 has stagnated or fallen into reverse in the face of multiple crises.² As national challenges become more transnational reflecting greater interconnectedness, the old established political models are struggling to provide solutions.

Share of global population



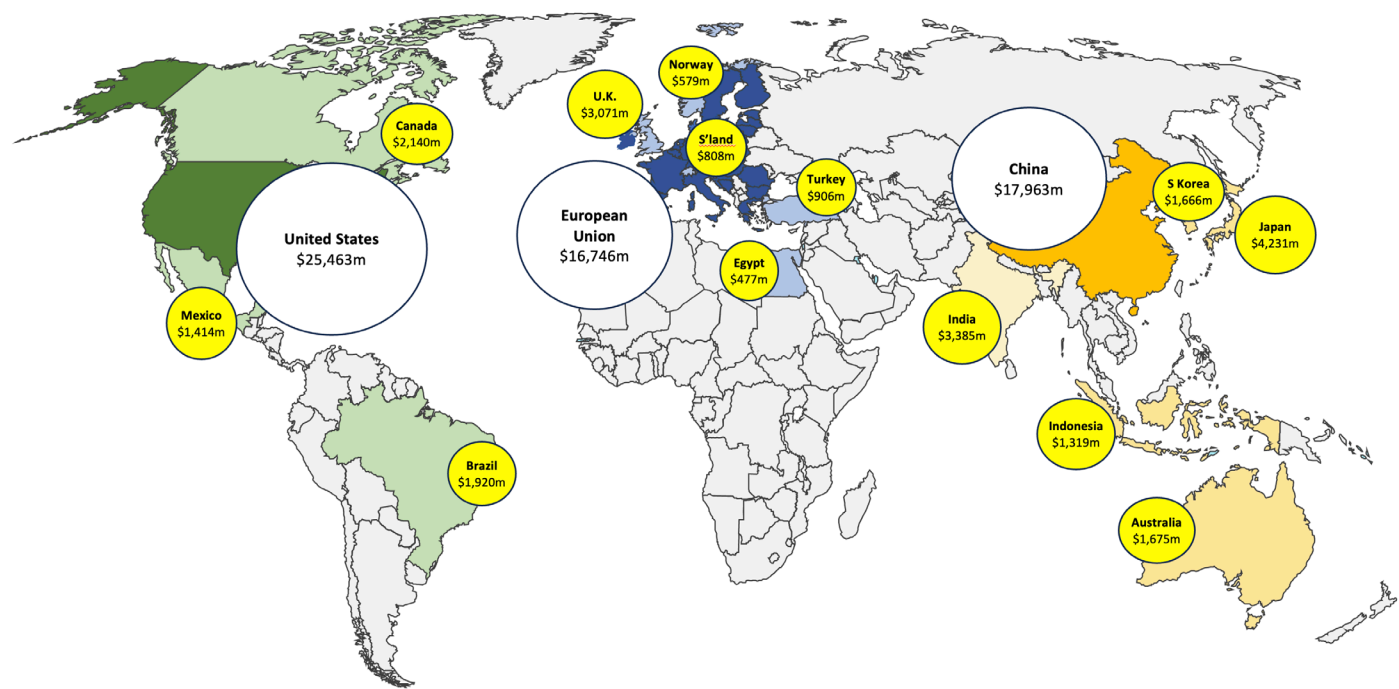
The global population is moving to Africa and South Asia³

1 Source: World Bank data on GDP at purchasing power parity. Forward looking trends based on the International Energy Agency long-term economic forecasts.
 2 Source: United Nations, The Sustainable Development Goals Report 2023.
 3 Source: United Nations Population Statistics.

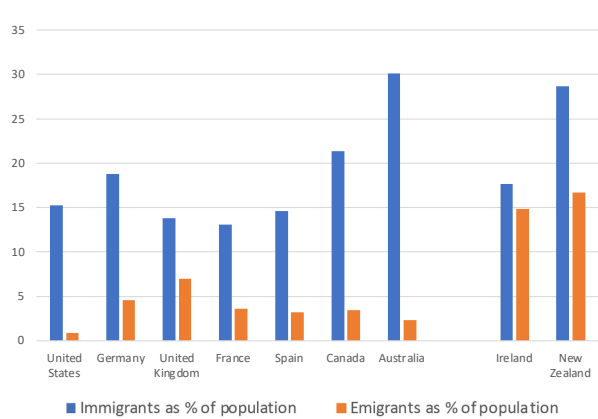
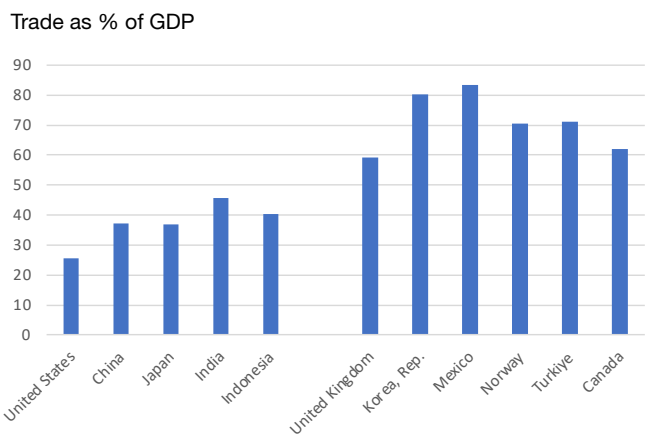
2. ...and the United Kingdom is adapting to life as an ‘off-shore nation’...

The UK finds itself today in a changed role as a medium-sized, ‘off-shore’ nation. While in the past we tended to compare ourselves to France and Germany, our future has more in common with G20 nations like Japan and European countries like Norway and Switzerland whose economies are closely linked to major economic neighbours.

Given the high degree of ‘openness’, the UK’s future prosperity and security are closely tied to economic and social relationships with other nations. Mid-sized nations often rely more on trade because they typically have limited internal markets and critical resources (e.g., energy and food sufficiency). Consequently, trade constitutes a much greater proportion of our overall economy than more populous nations like the United States, China, India and Indonesia. Britain is also unusual for a country of its size, coupling high inward migration with high emigration and a significant international diaspora mirroring trends seen in other English-speaking island nations like Ireland and New Zealand.



Living close to major economic power: a comparison of GDP (USD millions)⁴



Economies of mid-sized nations tend to be more reliant on trade⁵

The UK is both a host and source of migrants⁶

4 Source: World Bank GDP data
5 Source: World Bank data on exports as % of GDP, 2021
6 Source: UN Population Statistics, 2020

3. ...requiring a shift in our approach to international affairs.

Whilst long term global trends are set, the UK can choose how it responds in collaboration with its partners. We need to embrace our role in a changing world and think about the implications for how the UK is governed, our national narrative and national identity. We continue to have significant influence as a member of NATO, the 5 Eyes alliance and a permanent member of the UN Security Council; as the sixth largest economy, a hub for finance and technology and a top-5 shareholder in most international financial institutions; and 'soft power' through our higher education, sports and creative industries. Our choices encompass both what we do, and how we organise ourselves internally and engage externally in seeking to shape the forces that will determine the future prosperity and security of the British people.

Part two:

Renewing the UK's Approach to International Affairs

1. Renewal on the international stage starts at home...

The past decade has seen the UK wrestle with its national identity and place in the world. Regaining a sense of confidence requires greater self-awareness of our position as an 'off-shore' nation. As a mid-sized power outside the European Union, there is potentially much to learn from countries like Norway, Canada, Switzerland and Japan who are able to use their size and independence to leverage significant influence on the international stage.

We need to have a clear-eyed view – and confident narrative – on what the UK has to offer and what it stands to gain from international engagement, economic cooperation and diplomacy. Active international engagement can support a long-term strategy for the UK's prosperity; and a clearer strategic direction for the UK economy in turn will help the UK build alliances that underpin future prosperity.

We cannot simply brush aside concerns around the UK's historical legacy and questions of nationhood. The exit from the EU has opened many questions, including in Northern Ireland and Scotland. Former colonies are making increasingly vocal demands around the need for reparations from colonialism and compensation for the loss and damage arising from historical industrial emissions.

Our credibility on the international stage depends on greater consistency between domestic and international policies. As an open and highly interconnected economy and society, the UK's future security and prosperity depends on rules and values being upheld internationally. Discrepancies between our domestic and international conduct on issues such as climate change and human rights not only exposes us to accusations of hypocrisy on the world stage but also weaken the institutions and values essential to the UK's interests.

In sum, our approach to international affairs should:

- Be rooted in our national identity and narrative
- Understand and use our position as an off-shore mid-sized power
- Prioritise economic cooperation and diplomacy
- Face our historical legacy head-on
- Practise domestically what we preach internationally

2. ...and requires a different approach with partners.

As the balance of economic power shifts, we will need to be pragmatic about future alliances. As we move towards 2040 and beyond, the UK will not be able to rely on just its traditional alliances with the US and Europe to defend interests in the same way. Globally, economic and geopolitical power will be more diffuse as regionally-strong countries – "middle powers" – exert greater influence over international affairs. This does not mean that the UK will retreat from existing alliances, but we will need to build new issue-based alliances with states whose interests and values may be less closely aligned. We have historically under-invested in our relationships with Asia and are at risk of doing the same with Africa now. The countries in the G20 – representing 85% of global GDP and almost 80% of carbon emissions – should be a core focus.

The UK and its traditional allies will have to share rights in multilateral institutions with emerging powers. Structures for multilateral governance remain essential for coordination and cooperation to serve collective interests on issues such as climate, global health, migration, economic and trade stability and development. The continued legitimacy of multilateralism depends on it being more reflective of the world today. The UK could take a lead in renegotiating these relationships.

We need to build on our strengths and rely on

actions rather than rhetoric. The UK has often sought to project an image of “greatness” to the world that today seems anachronistic. We will be envied for what we are good at, not what we say that we are good at. This means the state working hand in hand with our universities, our creative sector, our sports bodies, news and civil society organisations, so they can serve as effective ambassadors for the UK and maximise the country’s considerable ‘soft power’.

We should not always see ourselves as the leader in efforts to tackle global challenges. UK convening power has achieved significant results. But effective solutions to global problems in a multi-polar world need a wider array of leaders. We should give space, be more of a ‘team-player’, showing humility and respect, ready to follow and support wherever appropriate.

In sum, we should:

- Focus on issue-led smart alliances and invest in long-term partnerships, particularly with non-traditional partners
- Strengthen multilateralism by sharing some rights
- Show not tell in our international engagement
- Achieve a balance between leading and following and supporting

3. A renewed approach needs strong cross government collaboration...

As an ‘off-shore country’ with high openness, international issues will be integral to policy-making across the whole of government.

This will require bringing together all the different instruments and levers of national power to advance UK interests in a coherent, consistent and collaborative way. The machinery of government does not easily enable the type of cross-government work necessary to weigh up trade-offs, agree coherent international strategies and deliver long-term impact on major issues such as accelerating progress towards a net-zero future or strengthening the resilience of supply chains.

We need effective mechanisms at the centre of government that can enable more coherent approaches to international engagement. There is scope to build on the structures of the National Security Council, which has been a useful forum for bringing different government departments to the table to discuss complex international issues. However,

underlying capacity is thin and all too often the NSC looks at the world through a *security lens*. To deal with future challenges, cross-government structures need to address a broader set of international objectives including promotion of prosperity and challenges like climate change and economic development alongside security. This needs to be underpinned with stronger central staff capacity.

A concerted effort is required to build the UK’s capability for economic diplomacy.

The toolkit for economic diplomacy cuts across a whole range of government departments including the Treasury, Department of Business and Trade, the Home Office as well as the FCDO. Although the UK has started to rebuild its capabilities for negotiating trade deals following exit from the EU, it has lost access to other levers of influence like the European Investment Bank as well as expertise in reviewing international economic legislation for example.

The machinery of government needs to enable long-term policy impact with broader democratic oversight.

Ministers need to be inducted better for their briefs and involved in policy making at the earliest stages. They should be expected to remain in their roles for longer. There should be efficient ways of involving civil society, think tanks, academics and business in meaningful ways. The future of ‘the Union’ also requires that devolved nations are involved in the development of the highest priority areas of UK foreign policy.

In sum, we should:

- Strengthen NSC (or similar) structures to promote coherence, collaboration and manage trade-offs and conflicts
- Focus on a few priorities for cross-government strategies with clear success indicators and accountabilities
- Bring together security and economic issues in a mutually reinforcing way
- Involve politicians at an earlier stage of policy development
- Create mechanisms for wider engagement with civil society, business, and devolved administrations

4. ...and an effective international affairs ministry focused on the challenges of the future...

In its current form, the Foreign Office is struggling to deliver a clear mandate, prioritisation and resource allocation. The Foreign Office all too often operates like a giant private office for the Foreign Secretary of the day, responding to the minister's immediate concerns and ever-changing in-tray. The merger of FCO and DFID to create FCDO was presented as an opportunity to leverage the strengths of both departments: short-term diplomacy and a long-term strategic focus on real world challenges. But it has struggled to deliver.

A more effective approach requires a sustained focus on the international challenges that will shape the UK's prosperity and security. The ministry needs to build stronger capabilities to do strategy and policy development in collaboration with other key government departments. Trade policy and promotion and economic diplomacy should be considered alongside wider foreign policy to strengthen overall coherence. UK hard and soft power instruments should be aligned in a strategic and streamlined way that delivers UK priorities and influence.

The international affairs department should be a guided by agreed core objectives and long-term mandates (potentially through a legislative process) that endure beyond the tenure of individual ministers. Potential objectives might include: promotion of UK prosperity and security, addressing climate change and biodiversity loss, supporting international development, and championing rights and responsibilities.

Operational delivery structures should align better with the long-term nature of the impact that we need to create. While the department should steer long-term strategy and policy, once decisions are made, a large proportion of the delivery could be delegated to semi-autonomous agencies. Twelve agencies already operating in this way (such as SIS, GCHQ, the Westminster Foundation for Democracy and the British Council), but they tend to work in isolation from the government and each other. A ministry focused on overall impact would take a more joined up approach to strategy, governance and financial delegation for these agencies.

Consideration should be given to creating a semi-autonomous agency to deliver (bilateral) international development and climate change cooperation. Strategy and policy decision making should remain at ministry level. But once ministerial 'entry' decisions are made, programme budgets should be delegated and ringfenced in order to provide predictable delivery of climate, development and

humanitarian cooperation. A lot of work that is currently done through consultancies should be brought 'in house' to strengthen the government's expertise and long-term relationships. The agency's staff should remain embedded in UK embassies overseas under the supervision of a Development Director and Ambassador.

The UK's international economic cooperation would be significantly strengthened by a development bank with a broader range of instruments and capital base like France, Germany and Japan. By leveraging capital markets, this would deliver stronger flows at lower long term fiscal cost to the taxpayer. It would also enable long term investments in line with UK objectives in a broader range of countries, including non-concessional mechanisms in countries that do not qualify for development assistance. This capability can be based on existing UK agencies like BII and UKEF.

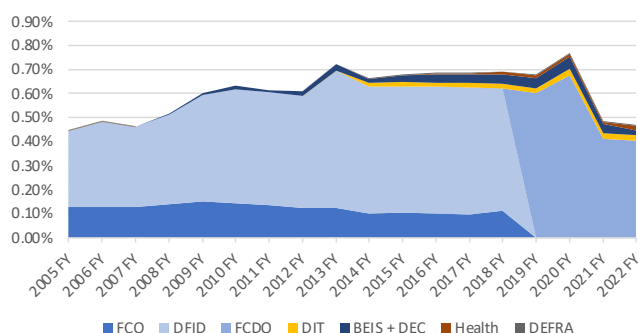
A new brand would help signal a forward-looking ambition for the 21st century. The very name of the Foreign, Commonwealth (formerly 'Colonial') and Development Office is anchored in the past. A new Department for International Affairs (or Global Affairs UK) would signal a potentially quite different role. The physical surroundings on King Charles Street also hint at the Foreign Office's identity: somewhat elitist and rooted in the past. Modernising premises – perhaps with fewer colonial era pictures on the walls – might help create a more open working culture and send a clear signal about Britain's future?

In sum, we should:

- Clarify and specify the department's enduring mission, purpose and objectives
- Establish operational structures for longer-term strategic focus
- Establish stronger delivery structures – including agency models
- Rename the Foreign Office for a new forward looking mandate
- Modernise the working environment to set a future oriented culture

5. ...resourced to strengthen credibility and trust in the UK as a partner.

As an 'off-shore' and open country, we will need to invest proportionately in international engagement if we are to protect and promote our security and prosperity. Over the past decade, departmental budgets to support international engagement have been significantly squeezed while the domain of responsibilities has greatly increased in the wake of Brexit.



Departmental International Spend as a % of GNI⁷

The UK should set a broader spending commitment for international engagement. Currently, the UK has spending commitments related to defence (2% GDP) and aid (0.5% with an aspiration to meet 0.7% of GNI). The UK would be better served by having a more flexible spending commitment for international engagement alongside defence - potentially 1% of GNI to cover planned international spending on climate, humanitarian, development and 'soft power' priorities (with exceptional unforeseeable crisis spending in year handled beyond that).

We need the skills, expertise and data capabilities to adapt to a changing world. A large part of the diplomat's traditional toolkit will be challenged by technology. For example, the art of the diplomatic telegram is already becoming less important as information becomes ever more easily accessible. Instead, we will need to build up deep thematic and regional expertise to help the UK navigate wicked, complex challenges in a shifting geopolitical landscape.

This will need to be complemented by strong formal and informal in-country networks where diplomatic presence can really add value. Technical expertise and networks can add much-needed credibility to our partnerships and help deliver our interests.

Building expertise around stable long-term objectives requires a shift in institutional culture.

Career progression in the diplomatic service has disincentivized, even discouraged, specialization leading to a proliferation of generalists and a paucity of deep expertise and networks – both thematic and regional. In contrast, countries like Norway and China keep people in their specialty areas and regions. An outward looking UK will require a more outward facing cadre of civil servants and diplomats: but the FCDO reports⁸ that over 70% of 'UK-based staff' are working in the UK. More delegated decision-making and authority to people working in embassies would help enable this change. The UK should continue to invest in the resources and capabilities of the multilateral system.

New technologies can help deliver our international objectives. We should use artificial intelligence and big data to enhance the effectiveness of our diplomats and experts. We will also need better knowledge and institutional memory management and retrieval systems to support our learning.

In sum, we should:

- Build public consensus behind a properly resourced international machinery
- Over the medium term, allocate 1% GNI for international engagement to complement the commitment to 2% GDP defence spending
- Foster stronger international policy skills and expertise
- Modernise the diplomatic service by making it more porous and open to specialists from across the civil service and outside
- Invest in making the most of technology including big data and AI
- Invest in the resources and capabilities of the multilateral system to achieve UK objectives
- Re-scope the role, structure and capabilities needed in the embassy network

⁷ Authors' calculations drawing from government accounts data and UK Official Development Assistance statistics

⁸ FCDO annual accounts, 2022-23

Part three: **Where next?**

We recognise that none of the changes proposed above are easy, but neither are the challenges that will shape the UK's prosperity and security over the decades ahead. We should be wary of simple solutions and think carefully about how our institutions - spanning the security, diplomatic, trade, climate and development space - can work with others to try and address the challenges we collectively face. It is our hope that the ideas shared in this note can stimulate a constructive public debate about the UK's future role in the world.

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