

CHURCHILL LECTURE BY LORD FROST OF ALLENTON,

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"What is seen and what is not seen: the UK, Europe, and beyond"

Herr Präsident, Frau Botschafterin,
Excellenzen, meine Damen und Herren:-

Ich danke Ihnen Herr Präsident für diese freundlichen Worte zur Einführung. Es ist mir natürlich eine große Ehre und ein starkes Privileg, heute Abend hier in der Universität Zürich zu sein.

Ich möchte auch dem Professoren Andreas Kellenhals, dem Direktor des Europainstituts, und dem Vorsitzenden von Julius Bär, Romeo Lacher, meine Dankbarkeit aussprechen.

Ladies and Gentlemen.

As someone who has only come into politics recently I know I am standing in the footsteps of many giants at this lectern.

The greatest of them was of course Winston Churchill who set out his vision for a united Europe - albeit one not including Britain - in his 1946 speech in this city.

I am sure almost every possible anecdote has been told about Churchill in these speeches over the years. But some bear repeating, because the current context makes them even more relevant.

I think for example of the anecdote noted by Carl Burckhardt, Swiss ambassador in Paris after the war, who wrote to his Foreign Minister about a dinner with Churchill in autumn 1945. Burckhardt reported:

"[Churchill] bit the end off a second cigar, expanded on the Russian threat as he saw it, and then explained what Switzerland needed to do. 'You have a lot of money, and with this money you must strengthen, strengthen, strengthen your army, because this time you might have occasion to fight.'"

Good advice. As so often, Churchill was prescient.

One of the advantages I have at the moment is that I am out of government and can perhaps speak more freely than others. I certainly found it frustrating when in government to be very often told "careful minister, don't say that minister, it might annoy people". I was amused to discover that even Churchill had a similar problem. In the words of the Swiss Director of Protocol, Jacques-Albert Cuttat, *"Mr Churchill told me, visibly irritated, that the British consul-general in Zurich [a Mr Cable] had written him a letter advising him not to talk about politics in his speech in Zurich"*, seemingly in case he upset the then left-wing city administration. *"What else will I talk about if not politics?" Churchill said.* Mr Cuttat then quoted a friend of Churchill as reporting that *"Consul Cable will soon be transferred"*.

In the same way, what am I to talk about other than Brexit? In doing so I draw on my experience of being in government, if not in politics, for 30 plus years and spending most of that time as a professional diplomat and close observer of Britain's policy towards Europe. I had a ringside seat for much of our national Brexit trauma, and was arguably the leading player apart from Prime Minister Boris Johnson himself in the endgame that finally delivered our exit and much that followed.

Although I have now left the Government, I still see it as part of my role to explain why we took the path we did, what we hope to gain from it, and why it is the right thing for Britain and for Europe. And that's what I want to do today.

First, I will explain that Brexit is a long term project and must be judged as such. Second, I will look at the consequences of the bitter politics of our exit process and make some suggestions about how we might move on. Thirdly, and finally, I'll comment on the Ukraine crisis and draw some conclusions as to how the West overall can strengthen its position globally.

In doing so it is of course hard not to draw parallels between the UK's situation and that of Switzerland. We have similar attachments to 'our' ways of doing things. We both have slightly tense relationships with the EU. We both have a problem with participating in the Horizon research programme even though we both have world class science establishments. All the same I'll resist drawing analogies at every opportunity, because of course. Switzerland is different. Simple geography gives us choices Switzerland does not have, and Switzerland has chosen a different route to us. But I will just note that our common status as outsiders gives us a huge interest in close cooperation - and I know that is the wish of the British Government today.

"What is seen and what is not seen"

Let me move on. I have taken as the title of my speech "What is seen and what is not seen". This is of course an allusion to a famous pamphlet by Frederic Bastiat, the French economist from that great period of French liberal economic thinking, the July monarchy and the 2nd Republic and Empire.

This isn't just part of my personal campaign to remind the French that they have a liberal free market tradition as strong as many others.

It's also because this is a time when the West needs to get back to some of its founding documents and ideas. CS Lewis, the great British writer, academic, and Christian apologist, criticised on several occasions those who did not read as he put it "old books". His point was that it is easy to think oneself cosmopolitan because one knows a lot about different parts of the world in the present day. But in fact it is possible to be parochial in time as well as in place. At a time like the present, when fundamental mistakes have been made by assuming that everybody in the world thinks as we do, this is important to remember. People in the past grappled with the same problems that we do. They might have found solutions that are worth us absorbing.

It's for this reason that I turn to Bastiat. In his famous 1850 essay from which I take my title, "Ce qu'on voit et ce qu'on ne voit pas", he summarises his message as follows:

"Not to know Political Economy is to let oneself be blinded by the immediate effect of a phenomenon; to know Political Economy is to take into consideration all the effects, both immediate and future."

He goes on to explain his famous "broken window" fallacy. He notes that if a shopkeeper's window is broken, and he gets in a glazier to fix it, what is seen is that the glazier is paid and is better off. What is not seen is what the shopkeeper would have spent the money on otherwise, in the world in which the window was still not broken and the money was spent on something that the shopkeeper would have preferred to spend it on.

In short, there is a bias to the visible and the actual rather than the invisible and the "might still be".

From this the whole concept of opportunity cost is developed - a concept which is in fact relevant to any area of life where, if resources are applied to one thing, they can't be applied to another. If you prioritise avoiding harms from covid above almost anything else, you will pay a big price in the economy. It is even true of mental and policy resources as of others - if you are spending all your time worrying about climate change, you might have fewer resources left to deal with Russia, to take one example at random.

Bastiat himself generalises his principle to broader political events. He notes that generally the human race:

"makes up its mind with regards to its acts according to their initial consequences, the only ones it is able to see originally. It is only in the long run that it learns to take account of the others.

And to underline the point he quotes the great French writer, politician, and diplomat Chateaubriand:

"There are" he said, "two consequences in history; one that is immediate and known right away, the other more distant and not obvious at first sight. These consequences are often contradictory; some come from our recently acquired wisdom, the others from wisdom of long standing."

In short, the message is - don't get mesmerised by the immediate problem. Look at what else is going on - and try to assess the long-run consequences of what you decide to do and what you don't.

Its meaning for Brexit

Why is this relevant to Brexit?

First, it's relevant because **many observers still cannot see beyond the immediate economic costs**.

Those who advocated Brexit were, for the most part, looking at the long term. The plan was to put in place the conditions which would make us more successful as a country.

Crucially, we knew that couldn't be achieved without a short run economic cost, albeit one nowhere near as high as many of our critics suggested. We accepted that was a necessary price to pay to get out of a fundamentally social democratic organisation with rigid rules. Instead we were focusing on the consequences that - to use Bastiat's terms - were "more distant and not foreseeable at first sight".

For example we had in mind issues such as the UK's persistently poor performance in business investment. Our opponents argued that we had made this problem worse by cutting ourselves off from the single market. We argued that the UK's problem here went back decades, had arguably been made worse by EU membership because of the geographic distortions created in our economy and the disincentives for investment in human capital because of free movement, and that giving ourselves extra levers would help not hinder.

What was seen was the costs. What was not seen - and still is not by many - is the long term gains – provided, of course, we take the measures that enable us to capture them.

Second, it underlines that Brexit was not just about **economics**.

The economic numbers are seen - but the politics is taken for granted.

This is about democracy. We believe that democracy is important, that running your own affairs is important, that having proper debate about things rather than leaving it to a technocracy is important. I am confident this is a point well understood in Switzerland, with its strong tradition of direct democracy and referendums.

In the EU, the political communities are still national but many of the policies are supranational. As a result many things can't be decided by national elections. Many key issues - economic policy, environmental policy, energy policy, increasingly foreign policy and migration policy - are decided at the EU level. Some issues like trade policy are not subject to meaningful scrutiny even at that level. Voting can't change these things for EU members and this is surely part of the reason why voters' confidence in their institutions - as last week's ECFR polling shows - is at such a low ebb.

This matters. So far the best way humankind has found of promoting mass flourishing and happiness is the democratic nation state. In my view this is because being part of a successful national democracy also has an economic pay-off. Free markets are the best way of creating growth. But they bring churn and change. People are most likely to put up with that if they feel they are part of a successful national community in which everyone has a stake, which everyone can shape, in which everything can be debated freely, and where policies can be adjusted and errors can be corrected.

That's what I hope we are trying to create in Britain. Elections now matter. Arguments have to be won by politicians in national debate.

That is why I say that, if the integrity of our national democracy requires a bit more paperwork at the borders, then I am ready to pay that price. In the medium term the value of being in a successful democracy far outweighs it.

Third, it explains some key features of the **negotiations to leave**. Under Boris Johnson's predecessor Theresa May, the government seemed committed to Brexit only institutionally and formally, not economically - a simulacrum of leaving. It believed Brexit brought only costs, and focused on minimising them. In that they shared the view of the EU negotiators and indeed Michel Barnier said on several occasions that Brexit was "always a matter of damage limitation". As a result the May Government got into a kind of complicity with the EU negotiators - they both understood each other because both had the same goal. It is not surprising that things ended badly with a Treaty that couldn't get through Parliament.

The Boris Johnson government couldn't get into that game. When we came in in 2019 we took a different view - that the costs had to be paid and sovereignty had to be recovered so that we could get on the right track. We recognised that we had to reset the negotiations - to make it clear that we were not complicit in a process but standing up for the UK's interests.

We also understood we would have to prioritise. Our priority was to deliver the referendum result - which we did - and achieve full freedom for the future. That, we achieved for Great Britain and in many respects for Northern Ireland. Unfortunately we could not achieve everything we wanted to for Northern Ireland, but we did ensure that the unusual arrangements imposed on us at least had to have the consent of the Northern Assembly if they were to be sustained. I will say a little more about this in a moment.

Again, in the FTA negotiations that followed in 2020, we again prioritised freedom. I don't think Michel Barnier ever quite understood that, and that was at the root of many of the misunderstandings and confrontations of that year. The EU side saw a zero tariffs FTA as a privilege for which we ought to be prepared to pay a price in terms of governance by the Court of Justice and single market-like level playing field provisions. We saw zero tariffs as something highly desirable to smooth the transition out of the EU, but certainly not something for which we would pay a long-run sovereignty price.

We seriously contemplated no deal at many points in 2020. But in the end we were able to reach agreement because both sides were willing to take a risk in the wider interest.

One of the key tools in this was the so-called "rebalancing clause" - Article 411 in the TCA. This allows either side to put in place trade defence provisions if there is strain in the trade relationship, and ultimately enables a renegotiation.

I want to take this opportunity first to pay a particular tribute to one of my Deputies in these talks, Oliver Lewis, who helped us develop the concept, and, second, to put on record that I think this aspect of the agreement has been widely misunderstood. The commentators all saw it as a provision to bring us and the EU closer together in future. The point was almost exactly the opposite. It is about providing for controlled further distancing between us if either side thinks it is unreasonably threatened by an open trading relationship.

In effect it is an insurance policy for managing risk. In the low-trust environment of these talks, it allowed the EU to take the risk of accepting zero tariffs, potentially exposing them to new competition from the UK; and it allowed us to live with some limited provisions enabling EU counter-measures.

This clause showed real creativity on both sides. It is that spirit we need to find again in the future.

And finally, **fourth, it helps explain the legacy** - what we are dealing with now.

The most obvious "seen" thing from the years of the Brexit process is the very hard bargain driven by the EU and the bitterness that characterised it. That surprised Brexiteers like me. We, naively, thought in 2016 that the EU would not want a fractious relationship with us and would work to find a reasonable and constructive accommodation quickly. We didn't think that leaving an economic union necessarily had to put us at loggerheads with it. We saw it as like leaving a club and paying your outstanding bills, not as a divorce.

Obviously it did not work out like that. The EU immediately raised the stakes and made it clear that the only outcome conceivable was one in which we had to be visibly punished for leaving. Over time in 2018 and 2019 this approach drifted into an attempt to exploit UK political divisions and the problems over Northern Ireland so as to reverse the referendum result entirely.

We never wanted this appalling bitterness and it is frustrating to Brexiteers that we have somehow attracted much of the blame for it. It is hard to recall now, but we actually thought at the end of 2019 that the worst was over and that we would be able to conduct the 2020 negotiations in a friendly way - only to be disabused. We thought the same at the end of 2020 only to see the vaccine wars and fisheries disputes continue into 2021.

For sure, the EU made short run gains in behaving this way. That is what was "seen". The long run effect of this behaviour is what's not seen. The EU's determination to maximise short run gains has created real problems.

Most Brexiteers were not hostile to the EU in the beginning. They didn't want to see the whole European project collapse. They just wanted something different for the UK. The result of the last few years is that they now often are hostile and that makes getting things right again between us and the EU a lot harder.

Equally, there is a faction of unreconciled remainers which sees Brexit as the root of everything bad that has happened since, including Russia's invasion of Ukraine, and can't stop being angry about it.

This bad feeling will take time to dissipate and unfortunately it is still shaping British politics. If you don't believe me, look at the way arguments over covid developed. In 2020 they weren't aligned on the Brexit division - indeed lots of people commented on the fact at the time. During 2021 they did align: if you are a sceptic of intrusive government measures on covid, you very likely voted to Leave the EU.

Time to move on

It is nevertheless very important to try to rise above this.

Ladies and Gentlemen, my message today is that it is time to move on.

I hope that the moment of deep reflection and of common action caused by the Ukraine crisis can be a moment where things change durably for the better.

If we are to achieve this, the EU has to accept that the institutional relationship we have is the one that will exist for the foreseeable future, and make it work pragmatically.

For our part, some players in British politics can afford to lose some of the purism that we necessarily had to insist on in 2019 and 2020 when we were settling the relationship - and some others, who are unreconciled to events, will have to stop trying to overturn them.

We all need to recognise that the EU is a natural ally of the United Kingdom, and that we should seek - as sovereign equals - ways to cooperate and work together *more*.

What does this mean?

A possible bargain

It means putting together a potential new bargain. And in the spirit of the rebalancing clause, it means being clever about it.

On the EU side, it means getting real about a Northern Ireland Protocol that is now unworkable because of the events of last year. If the Protocol isn't redone then the poison between us will remain. Northern Irish politics is in a downward spiral that is shaking the foundations of the Belfast Good Friday Agreement and the peace process. It's in everyone's interests to deal with that, and the EU will not escape its share of the responsibility if things go wrong. It is perplexing to me that the EU will not work with us to find something better and prefers seemingly endless friction and potential conflict.

The EU needs to recognise that the Protocol was always temporary and contingent, and that it depends on a vote in the Northern Ireland Assembly in just over two years. It isn't something that can be insisted upon as a permanent part of the scene. It is experimental and evolutionary in character.

It is not realistic to imagine that the EU can indefinitely carry on making laws for Northern Ireland without any say for the people who live there, and with any arguments about them settled in the EU's court. It is not realistic to assume that the legal customs boundary can be in the Irish Sea for ever, even if we can agree, as we are ready to, that for practical reasons some goods can conveniently be policed there.

Last year we put forward practical solutions for these problems. But the EU has not been willing to talk seriously. I hope that in this new atmosphere now they might. If they are willing to make clear that the Protocol can be changed and that everything is up for negotiation, I think we should be ready to take the famous Article 16 safeguard clause off the table for now and work hard to get something better which can be supported across Northern Ireland.

I recognise this is quite a big ask. To make it work, we should put two things on the table from our side.

First, we should take another look at mobility issues. There is a whole set of problems here that is making life difficult on both sides: youth mobility, movement of specialists like musicians and artists, the ESTA-like arrangements that are coming in on both sides soon, and much else. These problems can be solved without compromising the general policy, to which both sides adhere, that free movement does not apply.

I think we have been too purist on this. We did in fact look last year as a Government at whether we should move to a more pragmatic position, but in the depths of the vaccine wars it was impossible. This time we should try harder. A world in which some categories of specialist service providers can move more freely, where young people's exchanges can get back to normal, and where there are not excessive paperwork and process requirements on tourists or those who have connections across European countries - that is obviously a better one and we should try to get to it. And by the way I hope we can get to a youth mobility deal with Switzerland too.

Second, we should try to find the right way forward on foreign policy and defence. Obviously recent weeks have shown the value of NATO, but they have also underlined the need to have other fora in which we can all talk, share perspectives, and if necessary coordinate action.

We were never actually against this in 2020 - we just didn't want to commit to a rigid new Treaty framework to do it. That remains true. But there are plenty of other possibilities in the space between a full-dress UK-EU bilateral Treaty with all the usual Summits and substructure, and nothing at all. We need to find something new. Of course, given our global interests and relationships, that something cannot leave us simply as a planet orbiting the European sun - and incidentally for that reason I would be against any idea of us having observer status in the EU Council, which I suspect some of our diplomats would still like to see. One possibility could be to give new impetus to the nebulous idea of a European Security Council. This could be coupled with an MOU which would enable greater contact in practice from Council level down. But there are many other possibilities and we should work on them.

What happens otherwise

That's the possible new bargain. If we can't put something like this together, I can't see how we will avoid Article 16 to stabilise the situation in Northern Ireland, and things will remain fractious.

But more importantly we will then come to a difficult moment in 2024 when three things happen - the consent vote on the Protocol, the decision whether to invoke the Article 411 rebalancing clause, and, probably, the UK General Election.

What the Conservative Party puts in its election manifesto will be crucial because under our constitutional conventions manifesto commitments cannot be blocked by the House of Lords.

My view is that we will need to say two things. The first will be that the UK Government will work to end the Protocol in the 2024 vote, and that if necessary there will need to be a further Northern Ireland election so that Assembly opinion reflects real opinion on the ground at that point. The second will be to look for a mandate to begin the rebalancing review, which will reopen elements of the current arrangements and once again raise the spectre of us trading globally on something closer to WTO terms.

It is much better to avoid all this. We can move on. But it takes two to do so. There is a real opportunity in the next 12-18 months, but both sides have to grasp it.

The situation in Ukraine

Ladies and Gentlemen, finally, I want to finish with a few comments about the situation in Ukraine.

In doing so I want to put on record the British Government's appreciation for the position taken by Switzerland in standing up for freedom and in applying sanctions, and for understanding that this is consistent with "active neutrality".

It goes without saying, I hope, that Putin and his cronies bear moral responsibility for this unjust and evil war.

But it is right to look at our own behaviour too. The West, collectively, has sent signals of fundamental unseriousness about the world in recent years. We hoped, despite the evidence, that the world had moved into some new post-modern phase where what mattered was not power but only principles. We thought we could cut defence spending, make ourselves dependent on others' energy, and play around at virtue-signalling diplomacy, without any serious consequences.

I return once again to Bastiat, who commented:

Often, the sweeter the first fruit of a habit, the more bitter are those that follow...So when someone, touched by some effect that can be seen, has not yet learnt to discern those that are not seen, they give way to disastrous habits, not just through inclination but deliberately.

Who can not apply these words to the behaviour of the West in recent years? In appeasing Greta Thunberg, we very nearly gave a free pass to Vladimir Putin.

It is excellent that things are now changing. We have surprised Putin with our robust response. The West generally, and the UK Government specifically, has got most things right so far. So I hope this is indeed a genuine *Zeitenwende*, to use the German term. As so often, the West may be slow to awake, but is powerful when it does so, and has huge moral strengths to draw upon when it acts. These find an echo in the huge courage of those Russians who have dared to protest against the actions of their government.

But as we awake we must be careful not to switch from one form of unseriousness to another, to flip from complacency to heedless risk-taking. Instead we must be sober, measured, and serious. We must remember that NATO is a defensive alliance for the defence of our own territory and we must be 100% clear about that. We must also remember that in the Cold War it was regarded as extremely important to avoid direct confrontation with a nuclear Soviet Union. That principle is still important. Current Western political leadership is untried in these circumstances and should proceed with caution. We don't want a repeat of the chaos and confusion of the evacuation from Kabul if it comes to facing down a nuclear-armed Russia.

I would add that it is in potentially catastrophic crises like this that the normative and ideological character of so much recent Western foreign policy making reaches its limits. We need to put emphasis on careful statecraft too. It's right to stand up for our principles, but it is also right to make a careful analysis of our national interest and to think hard about what risks we are really prepared to run to protect those principles and the international order.

That's why I would rather not make policy by slogan, why I am cautious about further escalation, and why I don't think supplying fighter jets to Ukraine is a good idea. It is right to support Ukraine in their right of self-defence and we all admire the heroism of the Ukrainian people. It is also right to keep open the space for talks which might stop the killing and, accordingly, to recognise - however unpalatable it is - that any negotiated settlement will have to have something for both sides.

I want to make two final comments.

The first is on the implications of Ukraine's decision to apply for EU membership. As was evident from last week's Versailles Summit, this gives the EU some handling issues. For me it also raises the broader question, which I have raised before, of whether the EU can find a reasonable relationship with its non-member neighbours. As you know well in Switzerland, so far the EU has not developed a model for its relationship with countries that either do not wish to be members or are a long way from it.

Ukraine is a long way from being economically ready for membership by the standards that the EU normally applies. So the geopolitical and institutional logic do not lead in the same direction, and this raises a number of questions. Is the EU going to stick to its normal approach to applicant countries? Or will they, under pressure, be tempted to create some form of low-obligation semi-membership for Ukraine, Georgia, and others? If so, how will this work? What is the value of membership when institutional and economic integration is low? If the intention is to create some form of political or foreign policy guarantee, how does this relate to NATO? And what does this mean for Balkans countries which are not yet EU members? I will be very interested to read the Commission's opinions on these applications and how this process develops more broadly as it obviously has implications for everyone in the neighbourhood.

My second comment is a speculation on what institutional arrangements are appropriate for the "West" in these new circumstances. Plainly the post-war set-up is decaying. The purely Euro-Atlantic arrangements based upon it, while extremely important, are no longer in themselves sufficient to protect Western interests. At the same time, the global institutions, such as they are, the UN, the G20, and so on, are by design inclusive and therefore include those hostile to us as well as those we count as our friends.

Accordingly, I suspect we need a new institution or at least some new organisational arrangements - a "League of the West" if you like - which can bring together the wider West, not just Europe and N America but also our friends in Asia, the Middle East, and Africa.

I don't envisage something like the EU or NATO, but something looser, a space in which there can be collective discussion, analysis, and policy-making, so that we deepen the habit of consultation and begin to establish links between our bureaucracies. It would be crucial to avoid it becoming too formal. The EU should of course be part of it, but so should other Europeans too, and that's why it would help to get UK / EU relations onto a better footing in the way that I have described.

I don't see this as being the same thing as a "league of democracies". That idea has its place but risks becoming preachy or judgemental - and we have shown too much of this in recent years in the West.

Instead it should be an organisation of countries which have an interest in a peaceful and ordered arrangement of the world, which are broadly liberal if not necessarily fully democratic in their approach to international politics, which have a degree of common understanding and interest, and which are ready to stand up for those ideas in international discourse. The current crisis has shown that such a constituency exists. The next crisis may be less Manichaeian in nature and accordingly the potential value of such arrangements, in discussing and coordinating sanctions, in mobilising opinion in the UN, and in ensuring clarity of messaging and effective communication, may well be all the greater. I hope that, once the immediate crisis is over, policy-makers might begin to think on these lines and look to build organisations that work for the new world rather than just defending those of the old one.

Conclusion

Excellencies, Ladies and Gentlemen, let me conclude.

This is an extraordinary time in the history of Europe. Yet it is not unprecedented. Too many people seemed to think that war could never happen again in Europe. As a result, we did not prepare for it and we were not ready for it. We must not let that happen again. As that father of the American Revolution, Benjamin Franklin, said "*experience keeps a dear school, yet fools will learn in no other*".

Let us try not to let this happen again. In so doing we all have to rethink our presumptions.

At university I was lucky enough to read, or more accurately at the time to be made to read, the great Swiss historian Burckhardt. In his "Weltgeschichtliche Betrachtungen", "Observations on World History", he comments: "Nur das Märchen nimmt einen sich gleich bleibenden Zustand für Glück ... das Verharren würde zur Erstarrung und zum Tode; nur in der Bewegung, so schmerzlich sie sei, ist Leben." "*Only in a fairy tale does lack of change mean happiness...Standing still leads to paralysis and death. Only in movement, no matter how painful, is there life.*"

In that spirit, let us look beyond the immediate and the comfortable. Let's rebuild relations across this continent, let's be robust in resisting those who want to do us harm, and let's begin the process of putting the West back together.

Thank you very much.