Foreign & Commonwealth Office (UK)

Britain and Minnesota: Partners in turbulent times

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CHECK AGAINST DELIVERY.

I am delighted to be here in the Twin Cities. I have been to the United States many times, but this is my first visit to Minnesota. I am very grateful to the Minnesota International Centre for organising such an excellent event. I have already found that the warmth of the welcome here is in inverse proportion to the cold outside.

It is a particular pleasure to be here early in 2012: a year which brings us both the Diamond Jubilee of Her Majesty the Queen, and the Olympic Games in London this summer. The eyes of the world will be on Great Britain, and we look forward to showing the world the best of our modern, vibrant, diverse country.

I have been a minister in the Foreign Office since the Coalition Government took office in May 2010. I am responsible to the Foreign Secretary and the Prime Minister for Britain's relations with North America, as well as with more turbulent parts of the world including the Middle East and South Asia.

What I would like to do today is to talk about the economic relationship between Britain and the US, and specifically between Britain and Minnesota, before coming on to the wider efforts our two countries are making together to promote global security.

Economic relationship

I start with the extraordinary breadth and depth of the links between our economies, and the extent to which that economic relationship goes two ways. At the national level, Britain and the United States are the biggest investors bar none in each other's economies. The US is our largest export market and we are the 6th largest market for American exports.

Not surprisingly, Canada is the largest international investor here in Minnesota, but Britain is second. Around 90 British companies operate in the state. Between them they have invested well over $1 billion in this economy and employ over 14,000 Minnesotans. British companies like Smiths Medical, Miracle Ear and HSBC play a vital role in some of the most vibrant parts of the Minnesota economy.

In the other direction, 80 Minnesota based companies operate in Britain. Long established investors like 3M and Cargill are a crucial part of our industrial eco-system, just as they are of

yours. I was pleased to hear this morning from Sir George Buckley, originally from Yorkshire, about 3M's plans to broaden still further their investment in our economy.

And we are attracting new investors like Goodman Group in assisted living and Alliant Techsystems, who won major contracts with our Ministry of Defence last year.

The United Kingdom's economic priorities

This investment, this trade, is crucial to our economic future as our two countries recover from the worst financial crisis in a generation.

Each government needs to tackle these problems in its own way, and I would like to stress the two key ways in which we in Britain are doing so.

First, we are tackling the fiscal deficit we inherited. That means making tough decisions on all areas of Government spending, including welfare, defence and education, which we are doing at the same time as raising more revenue. The process is an arduous one, but we are committed to balancing our budget within the next four years.

The markets are impressed with what we are doing. We have been rewarded with a continued AAA from the ratings agencies and the lowest borrowing costs in our history. Maintaining this credibility is vital as our neighbours in the Eurozone go about tackling their own difficult structural problems, as they must.

Second, only economic growth can provide a permanent solution to problems of debt and deficits, and growth that can only come from the private sector. So we are doing all we can to make Britain the best place in the world to invest and to grow a business.

We have world leading companies across a wide range of tomorrow's industries, including aerospace, life sciences and the creative sector. Our labour markets are already the most flexible in Europe. Our higher education is among the best in the world. We have reduced our corporation tax rate from 28 per cent to 26 per cent and are committed to a rate of 23 per cent by 2014 - the lowest of any large economy.

And we welcome international investors. Just this month we were delighted by the announcement that Aon Corporation will be moving its head office from Chicago to London this spring. Aon will be taking advantage of London's unique position as a global financial and insurance hub with unrivalled access to Asia's emerging markets.

The Government, represented by our network of posts in the United States, do all we can to promote this economic relationship. The UK Trade and Investment team based in our Consulate General in Chicago are here today as they are regularly. They are available to offer help and advice to anyone interested in opportunities in Britain. They are supported by

our energetic and well connected Honorary Consul, Bill McGrann, well known, I am sure, to many of you.

Security

I would like to move on to some of the ways in which Britain and America work together on the wider security challenges facing us in this unsettled world.

Our starting point, always, is that the United States is our most important ally. This is a relationship rooted in the strong alignment of our respective national self interest. We have a uniquely close relationship with the US in the scope of our cooperation - both in terms of the areas of the world where we work together, and the issues on which we coordinate.

From combating violent extremism to addressing the poverty, ignorance and conflict that underlies it; from promoting good governance and human rights, to supporting development and economic growth in the world's poorest countries; from advocating free trade, to campaigning for global energy and climate security; the UK and the US share common priorities for a 21st century agenda.

I would like to address briefly four of the major issues with which I deal: Afghanistan, the Arab Spring, Iran and Israel/ Palestine - a relatively straightforward portfolio the Foreign Secretary has given me.

Afghanistan

There is no better example of the partnership between Britain and the US than in Afghanistan, where we are both resolved to stand shoulder to shoulder with our Afghan partners, to help Afghanistan become a stable and secure state which is able to control its own national security. We are second only to the US in the number of British boots on the ground, and we have taken the lead in Helmand, one of Afghanistan's most difficult provinces. I have seen for myself the remarkable work being done by British and American soldiers and by their civilian counterparts.

Now we have begun the process of Transition whereby responsibility for security is progressively handed over to the Afghan National Security Forces, which we have helped to build up to the task. At the same time we are supporting the Afghan government in making political reforms driven by Afghan experience and culture - decision making by shuras, jirgas and other traditional but essentially democratic forms.

We are encouraging members of civil society to mobilise and push for the reforms that they want to see. By empowering the security forces, politicians and reformers, we are able to help them take control of their own destiny. This means that we are able to withdraw our brave men and women from combat, while ensuring that our national security is protected. It

is not without risk, it is not without challenge. But we are convinced that it is a viable and honourable way forward.

Arab Spring

Nowhere has change been more sudden than in the last, momentous, twelve months in the Middle East. Since protests broke out across the region a year ago, violence has repeatedly caught the headlines. As people demanded their rights in Libya, the Gaddafi regime brutally retaliated, sparking civil war. In Egypt, dashed expectations of political reform led to relapses of violence in Tahrir Square; attempts by Syrians to claim their legitimate political rights have led to over 5,000 deaths.

It's worth reminding ourselves of the positives. Across the region, the wall of fear has been demolished. People know that together they can assert their right to control how they are governed and by whom. Tunisia has democratically elected its parliament for the first time since the 1950s. Morocco conducted free elections under a new constitution. Egypt is in the process of freely and fairly electing for itself a new government. After Muanmar Qadaffi's 40 year dictatorship, Libya has a new government. Positive reforms are underway in Jordan and Yemen.

So the Arab Spring provides a huge opportunity for positive change in a region of vital importance to the West. Our response has capitalised on this opportunity and strengthened its momentum. But huge challenges still remain.

Firstly, while in the long run more open political systems will be more stable than autocratic ones, transitions can be and are turbulent. Look at Libya, Syria and Egypt. Our challenge is to protect those standing up to their oppressors and to support their aims. We will continue to do so multilaterally, with the support of allies and the region.

Second, Many commentators in the West have expressed concern that democratic processes may yield undesirable results. For example, they say, the election of Islamist parties. I believe that it is dangerous to underestimate the endurance of extremist ideologies - even though they have not played a prominent role in the Arab Spring. However, it is not for us to decide who governs any other country. We will engage with any group that upholds the democratic process and the values that we champion. This includes the rights of ethnic and religious minorities and of women.

Indeed, democracy is not just about elections. For people's demands to be fulfilled, their human rights need to be constitutionally and legally guaranteed. In societies where political power has been associated with forcefully silencing opposition - as most appallingly in Syria - extra efforts will need to be made to ensure that rights and freedoms are respected. This will involve scrutiny being provided by local civil society, and external observers like the regional

institutions and the UN. Human rights concerns do not go away with the conclusion of conflicts.

Finally, liberated people may expect immediate economic benefits from their revolutions. New governments in these countries will need to take difficult measures to open and grow their economies. And these are tough times for the world economy. But the long term economic benefits to those in the region and to our own economies are so great that we will do our utmost to provide economic support - even in such difficult times.

We are pushing the European Union to make a bold and ambitious offer to the region, in particular to offer broad and deep economic integration to its near neighbours in the Middle East. We want this to lead to a free-trade area and eventually a customs union to consolidate reform and create economic opportunity. But it won't happen tomorrow, and dashed expectations can spoil momentum for change.

The eruption of democracy movements across North Africa and the Middle East presents the potential for the greatest advance for human rights and freedom since the end of the Cold War. This can lead to stability, security and prosperity in the region from which we all benefit. If Western foreign policy can help to make this happen, then is indeed powerful, but it is also sustainable.

Iran

So, the Arab Awakening has thrown up many new uncertainties, but we shouldn't overlook the old challenges. In Iran, the regime continues to destroy the business climate, invite sanctions by flaunting its NPT obligations and isolate the country from an increasingly globalised world. It endangers its people through bellicose military posturing and by fomenting instability in neighbouring countries through proxy terrorist organisations. It strips the Iranian people of their human rights and dignity.

Let me reassure you - the US and UK are indivisible on the nuclear challenge presented by Iran, as newly tightened sanctions demonstrate.

Middle East Peace Process

Finally, no assessment of the future of the region could be complete without considering what lies ahead for the Middle East Peace Process.

On my most recent visit to the Palestinian territories I saw for myself the pace of settlement construction which will soon render futile any ambition remaining for the establishment of a Palestinian state. Unless both sides can agree on a peaceful settlement that guarantees the security of the Israelis and the sovereignty of the Palestinians, Israel will be faced with a series of unappealing choices: a one state solution that preserves Israel's democratic nature

but destroys its essential character; a one state solution that preserves the Jewish nature of Israel, but at the expense of its democratic credentials. Either of these options would threaten the security of Israelis.

During a period of profound change, Israel has the opportunity to redefine its relationship with the region. The two state solution is not just the guarantor of Israel's security. It provides the foundations for a normalisation of relations with its Arab neighbours which could help facilitate regional trade and prosperity. This kind of agreement requires courage.

Now is the time to resolve the issue, and we support US efforts to bring about peace between Israel and the Arab world.

As I hope you can see, the relationship between Britain and the US exists across an extraordinary range of issues. Our economic relationship is second to none, both at state level, like here in Minnesota, and at national level. Our security partnership is framed and underpinned by a similar view of the world. Promoting and developing that relationship is one of my most important responsibilities as a Minister and I hope my visit to the Twin Cities today will play some small part in doing so.

Thank you.

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