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What would Labour do? 2. Foreign policy

A potential future Labour government would make ‘securonomics’ the centre of its foreign policy, focusing on cooperating with allies to de-risk supply chains and integrating economic and security policies.

Key Takeaways

- On foreign and defence policy, Labour is likely to stick relatively close to the Conservatives, advocating for investment in defensive capabilities, maintenance of Trident nuclear submarines, and support of the UK’s membership of international institutions including NATO.
- Expect to hear lots from Labour about ‘securonomics’. Taking from the Biden political playbook, this strategy advocates for supply chain realignment, and a closer integration of economic and security policies.
- We do not expect any softening of the UK government’s position on China in the event of a Labour government, and indeed policy may become more hawkish over time in line with global trends.
- Compared to the Conservatives, Labour will place a greater emphasis on improving relations with the EU through partnerships on security and trade.
- Its vision for improving relations is ambitious, but it is not clear whether the party will be politically willing to make the necessary concessions to the EU for the current relationship to change significantly. We will have more to say on this in a forthcoming note.

Recent by-election results support our base case that Labour is likely to form the next government

This is the second piece in our ‘what will Labour do’ series, which will set out the likely policy approach of a potential future Labour government. The first piece in the series, covering its green industrial policy, is available [here](#).

Since we published that note, three by-elections have taken place. The Conservatives lost control of Selby to Labour on a swing of 24%, Somerton to the Liberal Democrats with a swing of 29%, but retained control of Uxbridge despite a swing to Labour of 7%.

While we would caution against reading too much into any by-election result, the outcomes in this instance reinforce our base case of a Labour-led government at the next election, driven principally by broad weakness in the Conservative vote across multiple seat types.

Labour’s ‘Britain reconnected’ strategy sets out its foreign approach

On foreign policy, Labour has been keen to move away from the approach established by Jeremy Corbyn. Under Starmer, its approach is characterised by five core themes as set out by Shadow Foreign Secretary David Lammy.

These are:

1. Strong armed forces able to be resilient against 21st century threats;
2. A foreign policy aimed at improving Britain’s trading relationships and centred on emerging technologies;
3. Climate policy;
4. A reinvigorated focus on international development.
5. Soft power, with an emphasis on the rule of law and on partnerships with allies.



In principle, these positions are not a million miles away from those of the current government, and for good reason.

Labour is likely to stick closely to traditionally Conservative messaging on issues like defence, security and patriotism. The aim is to alter public perceptions of where it stands and appeal to wavering Conservative voters and those in former 'red wall' areas the party must win back to secure an electoral victory.

It will set out renewed commitments to NATO membership, as well as on issues that are more divisive on the left like maintenance of nuclear deterrents.

Business and foreign policy would be closely linked

Labour has committed to establishing a business advisory council reporting to the Foreign Office should it win the next election. The pledge is based on a recommendation from an independent commission chaired by Labour MP Hillary Benn, which focused on how to improve Britain's post-Brexit trade.

The commitment is partially signalling that the Party is looking to prioritise private sector-friendly policymaking. However, the UK's ability to make meaningful changes to its trading arrangements with the EU will be predicated upon it being willing to agree to regulatory alignment, potentially limiting the ability of any working group to influence policy.

Like the US and the EU, Labour will link green industry to security

Labour's Green Prosperity Plan, discussed in [this note](#), sets out an economic agenda closely aligned to green industry. However, as part of its 'securonomics' strategy, Labour will also seek to link the proposals to security, arguing that investment in green industries and a focus on supply chain realignment increased the UK's resilience against external security and economic threats.

Labour has committed to producing a semiconductor strategy within the first parliamentary session of the next government and will continue to take inspiration from the policy platforms put forward by the US and EU as it develops its own approach to blending security and economic strategy.

Supply chain management would also feature more prominently in foreign policy. Lammy has pledged that a Labour government would conduct a strategic assessment of the placement of diplomats upon entering office. The aim would be to place a greater proportion of the UK's diplomats in countries identified as strategically important to supply chain security, such as India.

Securonomics will go further than supply chains

Labour's vision for a blended economic and security strategy – somewhat clunkily referred to as 'securonomics' by Shadow Chancellor Rachel Reeves, will involve closer scrutiny of foreign ownership of UK assets. Any future

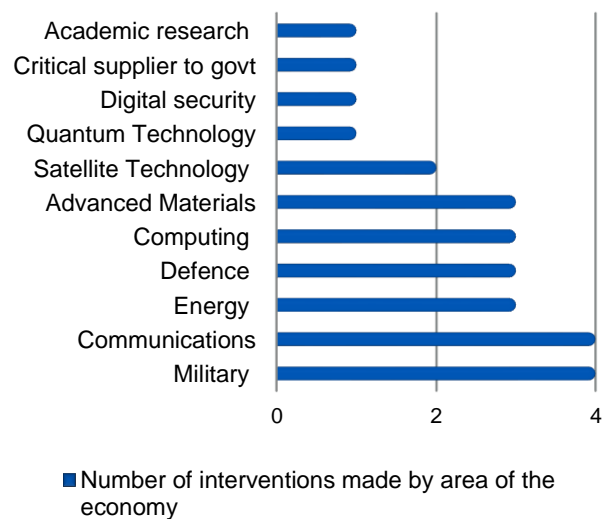
Labour government would be able to use existing powers to fulfil this policy.

The National Security and Investment Act passed in 2021 provided the government with a new framework for screening investments for national security concerns. This includes the ability to impose conditions on acquisitions, as well as preventing or unwinding a purchase.

Currently, 7.5% of investments eligible for review under the Act are 'called in' for review, 42% of which are associated with China. UK and US investments received the second and third highest levels of scrutiny.

A Labour government is likely to use the Act more frequently to scrutinise investments, with implications for investment in 'sensitive areas of the economy'. These will include defence, communications, advanced manufacturing and some areas of energy production.

Figure 1: The government has intervened in 15 planned investments on national security grounds in the last year. Labour is likely to be more active in this area



Source: Department for Business and Trade, arbdn, July 2023

Labour would continue the general trend across the West of hardening China policy

Compared to the Conservatives, Labour's foreign policy is expected to place a greater emphasis on human rights, including in diplomacy with China. Labour has committed to an 'audit' of UK-Chinese relations should it enter government, focused on 'the three Cs': challenge, compete and cooperate, where possible. This approach would prioritise security and human rights, while attempting to focus on continued dialogue on areas involving trade, climate change and global health challenges.



Cooperation is likely to be challenging if Labour follows through with its commitments to more openly challenge China on human rights issues. Lammy has said that the party would explore legal processes to recognise the treatment of Uyghurs as a genocide – a highly damaging move for relations between the two countries.

We would expect Labour's position to moderate significantly should it enter government to prioritise continued engagement, but rhetoric ahead of the next general election will be an important signal of how firmly it will embed human rights in foreign policy.

Ahead of the next election, Labour is likely to attempt to position itself as willing to continue the approach of challenging China on economic and security issues established by the G7. Indeed, it is likely to signal that it will deepen the UK's involvement in multilateral institutions and is unlikely to pursue any significantly divergent policy positions.

UK-China relations are therefore likely to follow the broad pattern of slow decline seen across the West, consistent with the trajectory seen under the current government.

Expect some criticism of Labour's tendency to conduct policy by committee

Foreign and security policy is a key example of Labour's tendency to commit to forming a committee to influence policymaking, rather than announce detailed commitments.

There is some logic to this approach – Labour is keen to be seen as a 'pro business' party and for its policy approach to be seen as credible by experts and sector influencers.

However, expect pressure to grow on the party to add more detail of its policy platform as the election nears. If it does not, it risks criticism that it is simply outsourcing policymaking to a later date and is unable to answer serious questions on how it will balance relations with China or the EU.

Author

Lizzy Galbraith

No funding commitments have been given

For all Labour's commitments to NATO and international development, it has not set out any funding commitments related to defence, foreign affairs and security.

This means it is not clear whether it will meet the non-binding commitment for NATO members to spend a minimum of 2% of GDP on defence or whether it will restore the government's previous commitment of 0.7% of GDP spent on international development. While Shadow Defence Secretary John Healy's statement that Britain should aim to become "NATO's leading European nation" would imply that defence spending will remain above the 2% threshold, no specific plan has been made.

It's not unusual for an opposition party to be reluctant to make funding commitments with so far to go until the next election, but a potential future Labour government would enter office with significant fiscal constraints. It remains unclear how much of a priority funding foreign affairs and security strategy would be compared to other areas.

EU relations will be a key point of difference between Labour and the Conservatives

Although Labour's rhetoric on defence and foreign policy is broadly similar to that of the Conservatives, there are notable differences in its priorities including a greater emphasis on improving EU relations.

Labour's foreign policy would focus more on partnering with the EU, and increasing efforts to improve the trading relationship. Politically, it will have considerably more room to manoeuvre than the Conservatives. The election of a Labour led-government would raise the likelihood of meaningful efforts to improve the trading relationship between the UK and EU.

However, the UK and EU may struggle to compromise, making a closer trading relationship far from guaranteed.

We will cover this in detail in a forthcoming note.



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