ANDREW MARR:
Now just how much of a hurry is David Cameron in to get on with the referendum on British membership of the European Union? Well a bill to make the vote possible comes to the Commons next week. It’s already controversial. The Foreign Secretary Philip Hammond is driving that legislation through and is at the heart of the government’s negotiations and he joins me now. Good morning and thank you for coming in.

PHILIP HAMMOND:
Good morning.

ANDREW MARR:
Now fifty plus Tory MPs are banding together this morning and saying that unless we have a really radical rethink of our relationship with the rest of the EU, we should be out. This is the beginnings of the Out campaign. In your heart, are you with them or against them?

PHILIP HAMMOND:
Well there was always going to be a group of our colleagues who wanted to come out
of the European Union come what may. That is not where the government is, that is not where the majority of British people are. We’re clear that the European Union isn’t working as it is at the moment, it’s not fit for the 21st century, but we think it’s fixable; that we can get a package of reform that will make it work in Britain’s interests, so that we get the benefits of being in the single market, being part of the European Union, while fixing some of the things that so irritate the British people about the way this union has changed unrecognisably over the last 40 years. And then we’ll put it to the British people and they will decide in the referendum.

ANDREW MARR:
To demonstrate that you have got a really new, fresh start in the EU, do you need treaty change first?

PHILIP HAMMOND:
Well we think we do need treaty change. We think some of the changes in particular that we’re demanding around availability of welfare benefits for new migrants from the EU can only be sustained against judicial attack in the European courts by treaty change. And it’s not treaty change for its own sake. It’s treaty change in order to protect the real material changes that we need to get from judicial attack.

ANDREW MARR:
So given how long anything takes inside the EU, this makes a referendum next year pretty unlikely, doesn’t it?

PHILIP HAMMOND:
Well we’re tabling the bill with a backstop date of December 2017, so the referendum will be held by the end of 2017. But we’ve made clear we will go ahead with the referendum as soon as we’re ready. As soon as we’ve got the package agreed, we will then have a referendum campaign and the referendum. So I don’t want to speculate about the timescale, but we’ll do it as soon as we’re ready.

ANDREW MARR:
But key demands like removing tax credits from foreign workers coming in and giving the House of Commons some kind of red card backstop position regarding EU
legislation, those sorts of things require treaty change, don’t they?

PHILIP HAMMOND:
Some of those things will require …

ANDREW MARR:
(over) Both of those things, don’t they?

PHILIP HAMMOND:
Well if you were talking about the House of Commons having a unilateral red card veto, but that’s not achievable, that’s not negotiable because that would effectively be the end of the European Union. What we’re looking for is a system where a group of national parliaments …

ANDREW MARR:
Exactly.

PHILIP HAMMOND:
… could operate a red card. Now ultimately that probably would need to be dealt with by treaty change, but there are ways in which the Commission, for example, could make a political statement that it would accept – as it has already done about yellow cards – that it will accept during the course of this Commission yellow cards and it will abide by yellow card decisions. So some of these things …

ANDREW MARR:
(over) Okay let’s move onto the slightly trickier one, which is of course the tax credit issue …

PHILIP HAMMOND:
Yeah.

ANDREW MARR:
… which affects the taxation system across the EU and therefore, people say, would require treaty change.
PHILIP HAMMOND:
Yeah, we think it would require treaty change. That’s our judgement.

ANDREW MARR:
Now if other heads of government came to you and said, “Well it’s going to take a very long time. We don’t want a new treaty negotiated for our own reasons this year or next year or whatever, but we will sign some big declaration and we will promise Britain that the next time there is a treaty change, that will happen”, would that be enough for the government?

PHILIP HAMMOND:
Well I’m not going to get into a running commentary on what will be a negotiating process. I mean of course we’ve started to see people taking up positions – this can’t be done, that can’t be done. Our experience is that the European Union, when it puts its mind to it, can be quite flexible and quite effective. We’ve actually had two treaty changes since 2010 on issues which the Eurozone members wanted to get done. So they can do these things when they want to do them and we expect some hard positions to be set out at the beginning of the negotiation, but this is a negotiation and we will press our partners on these points. We will see where we can get to by the end of the negotiating period.

ANDREW MARR:
Now the other big treaty you’re involved in negotiating is the transatlantic trade pact – so-called TTIP. A lot of people fear this pact, but you’re very keen on it. Can you explain why?

PHILIP HAMMOND:
Well, first of all, it’s a hugely important opportunity for the European Union and the USA, which between them represent about 45, 46 per cent of the world’s GDP, to set the standards for international trade for the future. And I … you know I hear debates about standards around food, standards around pharmaceuticals. Look the truth is our share collectively of global trade is declining as China and India and others increase their share of it. If we don’t act now to set the standards - environmental standards, labour market standards, food safety standards for world trade – we will find that
others – the Chinese, the Indians – are dominating and they are setting the standards for the future. So we have a huge opportunity and it’s worth a huge amount of money to us.

ANDREW MARR:
I can really get that, but …

PHILIP HAMMOND:
It will put £400 in the pocket of every household in Britain doing this deal, and that to me is worth going for.

ANDREW MARR:
But with every deal there is a price, and my question is really what about those standards? What about people who fear that if this goes through, American standards on hormones in meat or GM food and stuff will infiltrate Europe, American standards on worker protection and so forth will …?

PHILIP HAMMOND:
It’s not going to happen. We’re very clear about that. As we negotiate the details of the treaty, will protect those …

ANDREW MARR:
(over) Personal guarantee?

PHILIP HAMMOND:
(over) … key elements. But look, you said there’s always a tradeoff. The history of free trade, opening up markets, is that it’s a win-win. Both sides win. It’s not a zero sum game and it is ridiculous that we don’t take the dual opportunity of a big boost to our GDP across Europe and the opportunity to cement European and American standards as the basis of world trade …

ANDREW MARR:
(over) But …
PHILIP HAMMOND:  
(over) … for the future.

ANDREW MARR:  
… but European … Sorry to butt in, but European and American standards are different and my question is will we erode European standards in order to get this deal?

PHILIP HAMMOND:  
No …

ANDREW MARR:  
(over) Absolutely won’t?

PHILIP HAMMOND:  
… we’re very clear that we won’t. That we can protect those. And I’ve had discussions directly with the American trade negotiators. They understand where our red lines are. This is not going to be a total free for all free trade deal. It will be a carefully structured deal that recognises there are some areas where restrictions will have to remain because we can’t agree on common standards …

ANDREW MARR:  
Right.

PHILIP HAMMOND:  
… but there will be many areas where we can agree on common standards.

ANDREW MARR:  
What about the other thing that people like the TUC say about this TTIP deal, which is that American companies for instance in the healthcare market would be able to sue a future British government which kept them out of bits of the NHS or tried to renationalise bits of the NHS?

PHILIP HAMMOND:  
Well I mean they’re quite wrong. We’re very clear the way the deal is going to be
structured, that it will not allow companies that power. The so-called investor-state dispute resolution provisions already exist in dozens, hundreds actually of trade treaties that the UK has entered into, and we’ve never once had a successful case brought against the British government. This is important to reassure …

ANDREW MARR:
(over) So you can promise there won’t be lawsuits taken against a future British government in regard to the NHS?

PHILIP HAMMOND:
There won’t be successful lawsuits. And the NHS is specifically excluded. We’re specifically providing in the proposed treaty that nothing in the treaty impacts on the right of governments in Europe to provide publicly funded healthcare and to run it as a state provision system.

ANDREW MARR:
So if a future Labour government … It may not be close on the horizon, but if a future Labour government came along and said we want to renationalise bits of the NHS, they’d be able to do that without legal dispute?

PHILIP HAMMOND:
Well the NHS is a publicly run and publicly funded system. It has a very small number (about 6 per cent) of its activities provided by private contractors at the moment and that will ebb and flow. There’s nothing that stops that under the proposed EU-US agreement.

ANDREW MARR:
Now we’ve been talking a lot about ISIS this morning and the appalling things going on inside Iraq and Syria. The truth of the matter, as Tom Holland said, is that we are losing there. ISIS are winning, aren’t they?

PHILIP HAMMOND:
Well I don’t accept that. I think that if you think back, it’s a question of timescale. Last spring ISIL were advancing across Iraq at an alarming rate of knots. The
coalition came together, started using air power to stop that advance, and it has stopped it. Now the battle …

ANDREW MARR:
(over) Well they’re consolidated all the way round Baghdad.

PHILIP HAMMOND:
… the battle goes on, the ebb and flow of the battle goes on. They’ve lost territory in the north to the Kurds, they’ve made some gains to the west of Baghdad, but they are not making the advances that they were making last year. In fact they’re about 25 per cent down in terms of territory controlled from the peak that they controlled late last year and now it’s about rebuilding the Iraqi security forces in order to slowly retake that ground and hold it sustainably. It’s not going to happen overnight.

ANDREW MARR:
They’re very close to Baghdad at the moment. The real question, I suppose, is whether air power alone can atone for the fact that for instance in Ramadi the Iraqi army on the ground just turned around and ran away?

PHILIP HAMMOND:
Air power alone will not do the job, we know that. Air power …

ANDREW MARR:
So are you going to help them with other things?

PHILIP HAMMOND:
… air power can hold ISIL in check while the Iraqi security forces rebuild their capability. And that process is now happening. We’re delivering technical support, we’re delivering training – particularly counter-IED, which is the big and urgent need that the Iraqis have.

ANDREW MARR:
Can I ask you about what’s going on in Ukraine at the moment? The Ukrainian President has said that they’re on the edge of a full-scale Russian invasion. Is he
right?

PHILIP HAMMOND:
Well there have been some worrying signs of stepping up levels of activity both by Russian forces and by Russian controlled separatist forces. I think our view is that there is no clear sign that this presages an imminent Russian or separatist attack, but what it does tell us is that the Russians, Putin wants to keep his options open. He has not ruled out a military option. And as we go into the G7 meeting and then to the European Council later this month renewing sanctions, we’ve got to send very clear signals to the Russians that we will not tolerate any breach of their obligations under Minsk.

ANDREW MARR:
Isn’t cutting another 500 million from defence - as we have done this week, as your government has done this week – sending the wrong message, and isn’t that why President Obama, for instance, is raising it with the Prime Minister this weekend?

PHILIP HAMMOND:
Well, as you know, we’re going to have a strategic defence and security review and a comprehensive spending review during the course of the summer. What has happened now is we’ve done some in-year budget management in order to capture potential underspends in-year to make an initial contribution to the further deficit reduction that has to be done. But it doesn’t affect the baseline, it doesn’t affect the strategic defence and security review that we’re going into and it doesn’t affect the outcome of the comprehensive spending review, so there’s everything still to play for in that.

ANDREW MARR:
Is it possible that out of that spending review we might be spending more money, not less money, on defence?

PHILIP HAMMOND:
Well everything’s possible, but everything has a price. Clearly there’s only a limited pot of money. We’ve made commitments around reducing and eliminating the deficit by 2018; we’ve made clear commitments about spending more money, substantially
more money in the NHS by the end of the parliament. So we have to …

ANDREW MARR:
(over) Some tradeoffs, yes.

PHILIP HAMMOND:
... juggle our priorities, we have to look at where the principal demands and the principal needs are. That’s why we have a strategic defence and security review.

ANDREW MARR
The Americans seem to be so worried by what President Putin is up to that they are talking about reintroducing intermediate missiles to Europe. Do you support that? Would you like to see that happen?

PHILIP HAMMOND:
Well I think I’d need to see the detailed case for that and I haven’t seen the detailed case for it. But I think it is right to be concerned about the way the Russians are developing what they call asymmetric warfare doctrine – applying pressure, often using deniable proxies (as they’re doing in Eastern Ukraine), installing very substantial numbers of missiles in the Kaliningrad enclave in Poland …

ANDREW MARR:
(over) Exactly.

PHILIP HAMMOND:
(over) … which is very destabilising for the Eastern European NATO partners.

ANDREW MARR:
So we have to send a message back. Do you think that kind of message – here are some of our missiles, American missiles coming back into Europe – would that be the kind of message which might make President Putin think again?

PHILIP HAMMOND:
Well it could be, but I think we’ve got a very delicate act to perform here. We’ve got
to send a clear signal to Russia that we will not allow them to transgress our red lines. At the same time, we have to recognise that the Russians do have a sense of being surrounded and under attack and we don’t want to make unnecessary provocations either.

**ANDREW MARR:**
I understand that. But if the British government decided it was appropriate for American intermediate missiles to come back to Europe, would we have some of them here?

**PHILIP HAMMOND:**
Well that’s a hypothetical question. Obviously we’d look at the case. We work extremely closely with the Americans. That would be a decision that we would make together if that proposition was on the table and we’d look at all the pros and the cons and come to a conclusion.

**ANDREW MARR:**
Philip Hammond, we’ll be coming back to you very shortly, but for now thank you very much indeed.

**INTERVIEW ENDS**