ANDREW MARR:
Now last week a committee of MPs expressed grave concerns about Britain’s military capability after years of cuts. Recently Robert Gates, the former US Defence Secretary, suggested the UK was incapable of acting as a full military partner to America. The chorus of concern is almost deafening. Is there any sign at all that the Government is listening? Well the Defence Secretary Philip Hammond is with me now. Are you listening, Mr Hammond, to all these generals (there’s another one this morning) and to Mr Gates and the rest of them - people who think you have simply cut too far, that you’re down to the bone and you’re really damaging our standing abroad?

PHILIP HAMMOND:
Of course I’m listening and much of what I’m hearing is nonsense. We still have the fourth largest defence budget in the world. I was in the Pentagon just this week past. I heard my US counterpart talk about Britain as a credible, capable and reliable ally, and that’s we intend to remain. Of course we’ve had to make savings, of course we’ve had to take some very tough decisions, but we’re working with the military chiefs to make sure that we prioritise our very large defence budget, invest it in the areas that are going to matter in the future. And I recognise that sometimes that has meant we’ve
had to take decisions that have upset some people about legacy capabilities, but we’re looking to the future, not the past.

ANDREW MARR:
So when the general said this morning in The Sunday Times that the Royal Navy is no longer in a position where it is taking part in regular NATO exercises as it used to, is he wrong about that?

PHILIP HAMMOND:
We do take part in NATO exercises, but we …

ANDREW MARR:
(over) But not as much as we used to perhaps?

PHILIP HAMMOND:
Well but we also are busy interdicting large drug shipments and the Royal Navy’s had some incredible successes over the last twelve months in that area. Counter-piracy work off the Horn of Africa; reassurance in the Gulf where we have a significant presence; we’ve got a vessel on the way to the Southern Indian Ocean at the moment to help with the Malaysian airline search; we sent two warships …

ANDREW MARR:
(over) You’ve been very late in that.

PHILIP HAMMOND:
… to the Philippines. We sent two warships to the Philippines to help in the disaster relief there after the hurricane. The Royal Navy is busy around the world. And of course we’d like to have more assets, but we are very effective at using the assets we’ve got to deliver the effect we need to do.

ANDREW MARR:
Are you concerned about the Russian forces on the edge of the Ukraine at the moment?
PHILIP HAMMOND:
Yes of course, everybody is concerned. We’re concerned that there might be a further incursion in the territory of a sovereign nation. But I think whether there is or there isn’t, we all ought to be concerned about the use of this very crude and blunt instrument to try to influence other nations and their behavior. We thought we’d seen the end of that kind of thing in Europe.

ANDREW MARR:
Right. So when a former Chief of Defence staff says that we ought to be rethinking keeping British forces in Germany and indeed going into larger scale exercises in Germany, is that the kind of the thing that you can give him some satisfaction on?

PHILIP HAMMOND:
Well certainly one of the things we’re looking at is a greater participation in exercises in the Baltic States, the Eastern European NATO member countries as a way of reassuring them about our commitment to the Article Five of the Washington Treaty, the mutual guarantee of our national … of our collective national …

ANDREW MARR:
(over) So perhaps we shouldn’t take all of our forces out of Germany?

PHILIP HAMMOND:
No, no I don’t agree with that. The rea… The decisions we’ve made about bringing our forces out of Germany are in order to ensure maximum effectiveness. By keeping all our armoured capability together on the Salisbury Plain so it can train together and work together, we will maximise the effectiveness of it. And it’s those that kind of decisions about how we maximise the effectiveness of our forces that are necessary if we’re going to remain a first rate military power.

ANDREW MARR:
And just at this moment when there is a lot of worry about what’s going to happen next in Eastern Europe and on the Russian border, what extra help and reassurance can we give our NATO partners?
PHILIP HAMMOND:
Well we’ve already announced that we’ll be providing Typhoon aircraft based probably in Estonia to support the Polish led Baltic air policing mission during the summer. We are looking, as I said just now, at opportunities to increase our participation in planned NATO exercises as another way of reassuring our NATO allies. Nobody should be in any doubt of our resolve to live up to our commitments under the NATO Treaty.

ANDREW MARR:
But do we have the commitment to live up to the resolve? That is the question. That was the question that Mr Gates, for instance, was talking about.

PHILIP HAMMOND:
And the answer is yes, we are a capable and credible ally. We are one of only two large NATO allies that spends over 2 per cent of our GDP on defence and we have the fourth largest defence budget in the world. The US has made clear in its own defence review that it will rely on allies and partners more in the future than it has done in the past, and Britain is the most obvious and most credible ally for the United States.

ANDREW MARR:
Now I have to ask you this. It’s been suggested that a cabinet minister spoke to the Guardian newspaper and implied that Britain and an independent Scotland could after all share the pound, there’d be a trade-off involving Trident, and one of the newspapers has suggested that you were the person who spoke to The Guardian.

PHILIP HAMMOND:
Yeah, I saw that. No I’ve been in Washington this last week, but look let me be very …

ANDREW MARR:
(over) And haven’t spoken to The Guardian?

PHILIP HAMMOND:
I don’t think so. Let me be very clear about this. When the euro was introduced, we
said as a party that a currency union without a fiscal political union will not work. We were proven to be right during the euro crisis and we are not about to repeat the mistake with Scotland in the unlikely event that the Scottish people voted for independence. The reasons that we couldn’t have a currency union between the rest of the UK and Scotland are not political. It’s not because there would be bad blood. It’s because there are sound economic reasons why a currency union without deep fiscal and political union doesn’t work.

ANDREW MARR:
These are two very, very deeply integrated economies, very closely integrated. There would be huge transaction costs on both sides without a currency union. Wouldn’t it simply be common sense to accept that?

PHILIP HAMMOND:
But you can’t do it, you see. If you don’t have …

ANDREW MARR:
If the Scots have a voice on the Monetary Policy Committee of the Bank of England. That’s all they’re asking for.

PHILIP HAMMOND:
But if you have different fiscal policies, different political policies generally, your economies will diverge. The monetary needs of one economy will be different from the monetary needs of another economy. And we saw that in Europe during the euro crisis. What would have been the right monetary stance for Germany was the wrong monetary stance for Greece or Italy.

ANDREW MARR:
But if the Scots are prepared as it were to accept that and to have a single voice in the Monetary Policy Committee - that’s their problem surely, not London’s problem?

PHILIP HAMMOND:
Well we’ve made it very clear that we do not believe a monetary union could work between two independent nations with separate fiscal policies, separate political
systems. The Chancellor and the Chief Secretary - so it’s across the Coalition – have made clear that we could not do that.

**ANDREW MARR:**
So what about this colleague of yours, whoever he or she may be who clearly disagrees with that. Do you know who they are?

**PHILIP HAMMOND:**
No I don’t.

**ANDREW MARR:**
And I mean this is somebody clearly close to the centre of things in the Government.

**PHILIP HAMMOND:**
Well, according to The Guardian, somebody who would be expecting to play a major role in any negotiations post a referendum.

**ANDREW MARR:**
Which I suppose is why they were talking about you – because defence is a huge issue there.

**PHILIP HAMMOND:**
Defence is a big issue.

**ANDREW MARR:**
Have you had any further thoughts about the future of Trident? If there’s a Yes vote - that’s the end of Trident, isn’t it really?

**PHILIP HAMMOND:**
No it’s not, and I’ve been asked this question on many occasions and I’ve answered it on many occasions. The Trident base, Faslane …

**ANDREW MARR:**
(over) Give me a new answer.

PHILIP HAMMOND:
… the Trident base at Faslane is hugely important to Britain’s defence, and actually we provide defence for the whole of the United Kingdom from that base and I firmly believe that Scotland is safer as part of the United Kingdom. But if the Scottish people were to vote for independence, there would be a protracted negotiation about many issues and the future of the base at Faslane would be one of those issues. What I’m saying to you about currency union is that is not just another item that could be negotiated because there are clear economic reasons why it would not work. That’s why we’ve set out clearly that that is not part of the negotiation; that could not be part of the negotiation.

ANDREW MARR:
Let me turn to another issue, which is Afghanistan. Just at the moment there’s elections happening, including in Helmand province, and the Taliban are either shooting or hanging people who are brave enough to try to vote. That is not the Afghanistan that anyone thought we would be handing over at the beginning of this … (coughs) the beginning of this – sorry.

PHILIP HAMMOND:
Well no-one has ever suggested that Afghanistan has transformed into a totally peaceful and functioning democracy, but it’s a lot better place than it was when we went in there. We are …

ANDREW MARR:
(over) People are being hanged for daring to go to vote.

PHILIP HAMMOND:
We are conducting these elections, but clearly there is insurgent activity in parts of the country and the Government is not able to control what happens in every area. It’s not a perfect situation. The key question is whether we can deliver our principal objective, which is ensuring that al-Qaeda and its associates cannot re-establish themselves in Afghanistan and use Afghanistan as a base from which to strike at our interests.
ANDREW MARR:
(over) So an extremist, theocratic, anti-female state in Afghanistan which kept al-Qaeda out would be enough for us and all those people who’ve died?

PHILIP HAMMOND:
No, we’ve established in Afghanistan the conditions that have allowed a democracy – not a perfect democracy but a democracy – to take hold. A presidential election going on now which has been aggressively fought between candidates with clearly differentiated policy positions and voting will take place across the country. Now I’m not going to say to you that in every single location, it will happen in the way we would like it to happen, but the situation there is a lot better than it was before we went into that country.

ANDREW MARR:
Right, there’s been a lot in today’s papers about the aftermath of gay marriage at the weekend. Looking at all the sort of happy photographs and so forth, do you think that in the end this was a good thing for a Conservative Government to have done?

PHILIP HAMMOND:
We’ve made that decision. Parliament made a decision to allow same sex marriage.

ANDREW MARR:
(over) But you weren’t keen. I’m just wondering whether you’ve changed your mind a bit on this?

PHILIP HAMMOND:
No, look, I was never against the principle. My concern was about the pace. But that’s history. We’ve done it and I, like all my colleagues across government, have been involved in the process of making sure that the introduction of same sex marriage is smooth and effective. It’s now in place. The people who have been opposed to this, people who’ve had concerns about it, will get used to it, they will move on, and there are many other battles to fight in the future.
ANDREW MARR:
And were you surprised and shocked by the front page of The Mirror and The Sun this morning? One of your colleagues – not a top Tory but nonetheless a colleague - who’s had to resign over the rent boy allegations?

PHILIP HAMMOND:
Well, look, this is a personal matter for the individual concerned. I haven’t actually read the front page of The Mirror this morning. It’s always very sad when people are involved in personal issues that impact on their careers, but that’s a matter for the person concerned.

ANDREW MARR:
Alright, Philip Hammond, thank you very much indeed for coming in to join us.

PHILIP HAMMOND:
Thank you.

INTERVIEW ENDS