

REFLECTIONS ON DEFENCE

*Speech given by Sir Michael Fallon MP to the Defence and Security Forum,
Monday 22nd January 2018*

Thank you for the invitation and those very kind words. I won't dwell on the sad, painful events of last November: nobody expected us to lose an Ashes series so badly. There is always a dilemma on leaving office. Speak too soon and you risk your remarks being thought coloured by the immediacy of office or the circumstances of your departure. Leave it too long, and you are responding to a narrative set by others or worse you are already forgotten.

Let me start by saying that I entered Defence in awe of our military: the sheer size of it all, 250,000 personnel, a £36 billion budget, an equipment programme stretching years ahead; our military's willingness, in contrast to so many other government departments, to get things done, to go forward, to take on the new challenge; the respect in which our services are held the world over, the training, the leadership, the professionalism, the leadership so much admired by our friends and allies.

Defence is the first duty of government. Every government needs to be sure it is properly funded and efficiently organised. My predecessors Liam Fox and Philip Hammond took painful but necessary steps to mend the huge holes in the defence budget that they inherited from the last Labour Government.

In July 2014, I was confronted by new and growing threats to our security. In Europe, two days after my appointment, Russia shot down a Malaysian airliner, killing 10 British citizens amongst many others: it was obvious that Russia was going to be in eastern Ukraine, not just Crimea, for the long-term, and was set on changing an international border by force for the first time on our continent of Europe since the Second World War.

That same summer, Daesh terrorists swept across Syria and Iraq, almost to the gates of Baghdad. They posed a direct threat to our energy supplies, to the key shipping lanes of Hormuz and Bab-al-Mandeb, and to the stability of allies in the Gulf. And Daesh weren't just beheading British hostages in the Middle

East: they started to plan terrorist attacks on the cities of western Europe, including our own.

Those twin threats, the resurgence of Russian aggression and the rise of Islamist terrorism, demanded a more resolute response from the West. At the NATO summit that autumn 2014, David Cameron and I, working with President Obama, pushed the Alliance into a public target to spend 2 percent of GDP on defence. And we formed the nucleus of the counter-Daesh coalition, now 71 countries strong, that three years on, through air strikes and army training, has successfully helped the new democracy of Iraq to rid itself of the worst of the Islamist extremism.

At home the following summer, with the then Chancellor's strong support, we took the key decision to start increasing defence spending again, after so many years of cuts, meeting the 2 per cent pledge and committing to grow the budget by 0.5 per cent more than inflation each year of the Parliament.

The Strategic Defence and Security Review that followed then set out an ambitious programme to re-equip each of our forces: restoring our maritime patrol capability, replacing our ageing frigates and growing the Royal Navy, purchasing new F-35 fighter aircraft and armoured vehicles.

That 10-year programme, with our new bigger budget, began in April 2016. It soon became clear that there would be growing pressures in the early years. Nobody had foreseen the significant drop in sterling that followed the June referendum. Starting the Trident submarine replacement exposed the need to re-profile the £31 billion we had allocated, so that we could buy components earlier and more cost-effectively. The efficiency savings on which a significant part of the equipment programme depended also proved challenging for the front-line commands to deliver sufficiently early.

Early in 2017, I took these concerns to the Prime Minister. I made it clear that the depreciation of sterling and the early cost pressures in nuclear were putting severe pressure on the budgets for 17-18 and 18-19. If we wanted to play a

leading role in NATO, with tanks, planes and the Royal Navy ships patrolling its eastern flank and our submarines assisting the US navy against increased Russian activity in the North Atlantic, to continue to bear the second heaviest burden of the counter-Daesh campaign, to deploy more troops to support fragile democracies in Afghanistan and Nigeria, to offer the United Nations more peace-keepers in sub-Saharan Africa, and to play a more global role after Brexit, then the defence budget needed to be put onto a more sustainable footing. We simply couldn't meet all these additional challenges by constant in-year penny-pinching that damaged key exercises and training, or deferring vital equipment replacement.

In return, I wanted to push all three services much harder on the need to root out duplication – in everything from helicopters to logistics, medical and back office functions, and to use their manpower more effectively and more collaboratively. The front-line commands with their delegated budgets had to understand that efficiency savings are not one-off events: large commercial

organisations take out cost each successive year. The new service chiefs were up for that challenge.

But work on sorting out the budget, tackling duplication and better prioritisation was halted for the snap election. I was left with a manifesto commitment to increase spending by “at least” 0.5 per cent and to spend “at least” 2 per cent of GDP every year of the Parliament. It wasn’t until later last summer, when the budget pressures had worsened still further, that these issues were finally picked up in the current Capabilities Review.

That Review must recognise that the threats to our country have intensified. Before the invasion of Crimea Russia seemed innocuous. Now we have its proxy war in the Ukraine. We’re seeing a huge increase in submarine activity in the North Atlantic, threatening our deterrent and the data cables that carry our entire communications infrastructure. We have all the evidence we need of Putin’s intent to subvert western democracies, from the Netherlands to Montenegro, from Germany to even the United States. And Russia is spending

not 2 per cent on defence but well over 5 per cent, investing in conventional and nuclear forces, in hybrid and electronic warfare. The United States' National Defense Strategy recognises states like Russia as the principal danger.

And that's just the threat from Russia. The Middle East and North Africa remain unstable, a ready launch-pad for further extremist attacks on our Western way of life. Fragile democracies on the point of collapse can send waves of uncontrollable immigration into Europe. In the Pacific a nuclear North Korea threatens Japan, the United States and Australia - even London will soon be in range.

Then there's cyber. The threat from cyber is literally any time, any place. Our enemies can target us from anywhere on the planet: not only stealing our information but exploiting us, coercing us, disrupting our energy supplies, our armaments, even our governments. Almost anybody can become a cyber warrior: a laptop and some smart software can inflict enormous financial and physical damage on individuals and entire countries. Daesh uses social media

to spread terror; state-based hackers target our NHS; loners in basements can shut down our government systems. The cyber threat is intensifying at an unparalleled rate.

So let me cut to the chase. These increased threats must mean a bigger defence budget. Our security is at stake. As I told the party conference in October, the 2 per cent NATO target is a minimum. We have to do better. And let's put that into context. In the last year of the last century, 1998-99, the Blair government was spending 2.7 per cent. Increasing spending up to just 2.5 per cent today would give our armed forces an additional £7.7 billion a year. There would be no need for deep cuts in amphibious forces or Army numbers.

Now the Chancellor is not going to suddenly find defence an additional £7 billion a year. But nobody suggested that our armed forces were over-funded in 1999. That was before 9/11 and the Islamist attacks on Paris and Marseilles, on Manchester and London. That was before Russia went to war in the Ukraine.

Before the cyber attacks on our health service, our companies, our Parliament.

Before Kim was able to fire missiles over Japan.

Yes, the military can always be more efficient, and they should be. Radical ideas like pre-positioning warships in the Eastern Mediterranean and the Gulf, and doing more training with allies closer to home need following through.

But in the end, defence needs a bigger budget because the threats are real and growing: they are at our borders, across our waters, on our streets and in our homes.

And this is also about our ambition. Another similar sized European country, France, operates a dual deterrent, shares our campaign against Daesh, commits troops to fight as well as train in Africa, and has presence in Asia Pacific. If we're happy to do less, to retreat from our vision of a confident, outward looking Global Britain standing up for our people, our values, our allies, then we will drift downwards to being a bit-part world player, a part-time champion of democracy and freedom. That would mean walking away from our

international obligations, letting down our allies, and in the end leaving us less safe.

On the contrary, we should be doing more in the world: our troops, planes and ships should be seen on every continent, in every sky, on all seven seas. And that ambition needs a fully-funded budget to match.

The deficit is coming down. We are increasing spending in other priority areas, like the NHS and schools. So let's release an extra £1 billion to fire up the defence budget this year, and set 2.5 per cent of GDP as our new target for the end of the Parliament.

Michael Fallon was defence secretary 2014 to 2017.