David Marsh and Lord George Robertson

The future of public money: Defence investment for growth, resilience and innovation

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David Marsh — Chairman, OMFIF

Lord George Robertson — Former Secretary General, Nato (1999–2003); former UK Secretary of State for Defence; Chair, International Relations and Defence Committee, House of Lords

How prepared is Britain, and is its Strategic Defence Review being delivered?

DM: We've had detailed discussions today on industry, finance and military strategy, trying to bring together the defence and military side with the political economy of finance. You were the principal author of the Strategic Defence Review published in June 2025, and you have drawn attention to the government's difficulties in implementing its recommendations. In your Salisbury speech, you were drawing attention to the fact that we are still a long way short of having had any firm commitment in terms of spending towards getting towards the 3% goal. Could you give us a general feeling of the state of preparedness of this country, and whether we are living up to facing the threat that you and many others have itemised?

GR: I summed up the review in a pithy phrase: 'We are underprepared, we are underinsured, we are under attack, and we are not safe'. So gradually, we are mending some of the things that were wrong before, and I made it clear we weren't unprepared. We were underprepared, and clearly, when you have a number of submarines on your books, and none of them are at sea, then you know we are quite clearly, manifestly under underprepared. I think what the review was designed to do was to look further forward, not just for the 1,000 days up to 2030, but the 3,000 days up to 2040, and what might happen in the meantime, and what the country needed to do to transform the way it did defence in order to be better prepared for the future, I think if anything, we underestimated the impact of AI, and that's clearly now a major feature of what's happening in Ukraine today. But at the same time, what we said was realistic, sensible, and was acceptable: by the government at the time, the prime minister of the time, and the defence secretary at the time, who's now the chancellor.

DM: The issue of preparedness was acknowledged.

GR: It was. So we're in a situation where he signed up to 62 recommendations, which are being seriously implemented now by the Ministry of Defence, and we have a chancellor of the exchequer who knows the threat, knows the degree of urgency, and who's got control of the cash machine. He made it clear during this budget that the government is committed to 3% by 2030, which is what he resigned over, and that commitment is there, and it's in black and white. I believe he's going to deliver it.

I'm not sure how, and probably he doesn't know how at the moment. But it has to be. But unlike his predecessor, he believes that defence expenditure is a growth accelerator. Rachel Reeves was quite explicit about that. She used to quite clearly say that if there was hundreds of pounds of expenditures, she would get more growth, into hospitals or roads than she would by putting it into the Ministry of Defence, which either wastes it or buy American equipment and therefore does not accelerate growth. John Healey doesn't believe that. He believes that it can and it should be a growth accelerator.

I'm confident that in some way he is going to be able to find the money, because of all the people in the government, most of all he knows how urgent the threat is. Since he's now in charge of the finances, he will deliver that.

He made it clear in the budget that he was looking at innovative ways of tying private sector money into defence infrastructure. And that's now a question of acceleration. I know that there's a lot of discussions going on with the private sector to see how they can be better involved. There are other models elsewhere in the world which would allow him to lock into that.

Can defence investment support economic growth and public resilience?

DM: We've been speaking a lot today, in every session, about the multipliers, and Trevor [Taylor] just now also was speaking about this, speaking about the efforts being made in what were high-growth regions, but have now become deprived regions.

Many of them are very dependent on defence. If we did change the narrative on Nato 'lightly away from 'Project fear' towards 'Project growth', would that create a greater space for the British people or the political system to accept that there should be some cuts in welfare spending? Something that Keir Starmer did try to do. The Germans, Mr Merz, have tried to do it unsuccessfully. You've made the point that welfare in this country is five times the size of the defence budget. It should be possible to find the money. What politician, apart from Mr Healey as you mentioned, can do that? Do you think the prime minister is capable of bringing about that sea change in acceptability?

GR: We're not going to get the government to face up to the degree and urgency of the threat until the population generally realises how grave things are. You know the Wes Streeting made a speech a couple of weeks ago, probably one of the most consequential speeches that any minister has made, and all of a sudden, wind-up radios were out of stock on Amazon…

DM: I bought two…

GR: Candles, too. Purchases were made. That shows the impact. That was only the starting point of what I think has got to be a national conversation about defence. Unless there's a lobby that says it is urgent and it's important, then the lobby for education, for welfare, for the health service, for the criminal justice system will inevitably come higher up the pecking order, despite the fact that John Healey knows the danger and the risks.

He's buffeted around, and the government is generally buffeted around, by various pressure groups. So, getting a national conversation about defence and security is going to be hugely important. At that point, people will begin to realise what the danger is. My fear is that it will take some catastrophic event for people to fully realise the fact that our adversaries are at war, and that we're not. That we're moving at peacetime pace, and they're moving with urgency and determination all at the same time.

I've just been with the Japanese ambassador who was showing me the figures for China in relation to Japan. The arsenal that China is now building is more or less the equivalent of the French Navy being produced every year. So they have got enormous capability.

Now it may be at the moment they're not utilising that, in the same way as Vladimir Putin is not using his nuclear arsenal. But there are areas where the Chinese are moving in on the South China and the East China Sea. They're converting shoals and rocky outlets into military bases with long with long runways. They're pushing the envelope all the time, and so are the Russians with us. And that's where the danger is.

I've been in the Kremlin several times. If I was sitting there looking at the outside world, I wouldn't be thinking about tanks across the Estonian border or the Lithuanian border or even the Polish border because you've seen how unsuccessful that was with Ukraine. But in the short term, you go an attack on the grey zone, just always underneath that threshold of pressing and pushing and probing and making sure that you have discomfited the other side. That is going on all the time. That might well trigger something at some stage where the kinetic impulse took place. One Nato officer was saying to me the other day that they worry about an uninhabited island of Spitsbergen, for example, being taken over by the Russians. I say, 'Right, what are you going to do about it? You're going to risk Chicago. You're going to risk Birmingham in order to take back an uninhabited island?'

Is Nato Article 5 still credible, and what role should Europe play?

DM: We were talking about Spitsbergen earlier on today. There's going to be, as you say, the grey zone, sufficient to be discomfiting, but not so large as to elicit a really major response. We've spoken a lot today, about Europe and the Europeanisation of Nato, which seems to be ongoing. But you would say yourself that we cannot withstand this threat without a commitment, hopefully a full-blown commitment, from the US. You have said, rightly, that Nato tremendously amplifies American strength. Do you think that if there were to be a progressive move towards Europeanising Nato, it could be partly counterproductive because the Americans could say, 'Well, you can do it all by yourself.' And also, something which has come up several times today: Do you think Article 5 is still in existence with an American guarantee, bearing in mind what Mr Trump has been up to over the last couple of years.

GR: Well, there are two separate issues involved there. I think Article 5 is still alive and well and still kicking, but it would depend on the circumstances. I believe that they have now fixed the trajectory that would be involved in Article 5. If you look it up on Google or ChatGPT, it will throw up the example of when I did it in 2001.

DM: You were the only one who has done it so far; you invoked Article 5.

GR: And I think probably I will be the only one ever to do it. So my place in history will be assured. I don't think anybody's going to cross that line. But let us let us assume for the moment that they that they might do that. And the assumption, therefore, is that instead of it being a matter for unanimity or for the North Atlantic Council to debate and discuss as it was in the 9/11 situation, that it is now automatically declared that, if there is a military attack on any one of the countries… That appears to be what the situation is now. So we wouldn't be in the position like people who ask the question of young people: 'Would you fight to defend your country?' You know there's no immediate battle. Why would anybody answer?

DM: I'll ask ChatGPT….

GR: If you watch *The Wargame* series on Sky Television, the attack on London took place, and then they went to Nato, and asked Nato, you know, to invoke Article 5, and the Americans said they weren't willing to do that. So it's a plausible enough scenario. Most military scenarios have got a more extreme one than that. But it appears that now it is triggered right away, and that is good.

DM: Do you think we're going to see a more considerate, more respectful Mr Trump after the midterm elections?

GR: Probably not. I think he might be pretty angry with what has happened, but misread it. And the appointment of Stephen Miller as his chief of staff is a very bad sign about any softening in approach. And who knows where that will take us?

I started off today listening to David Petraeus talking about it. Since it was on the Chatham House rule, I can't disclose what he said. But the worry is what they're going to do now. The answer to your first question is, if you sort out the imbalance in Nato between America and the European, yes, there will be some people in America who will say, 'Right, we don't need to spend as much on Nato as we do on the Middle East or the Asia Pacific region.'

But every American administration has started off being isolationist, and then circumstances change their mind.

I lived through two of them in Nato, the Clinton administration, then the Bush administration. The Bush administration came in saying, 'We don't like Nato. We prefer coalitions of the willing, and we don't like war by committee.' They thought that Kosovo was done by a committee deciding who was going to bomb what at what time. Yet eventually, when Donald Rumsfeld gave the Department of Defense Distinguished Public Service Award to me [in 2003] they were fully wedded to the concept of having 18 automatic allies sitting round a table every week, and amplifying American influence and exaggerating American expenditure on defence.

DM: I want to ask you about Putin because you met him nine times. He probably was a kinder, gentler man at the time. I want to ask you about the UK nuclear deterrent as well, because we spend a quarter of our defence budget on the deterrent. You have been saying it's the one thing he seems to really take seriously. Could we get better value for money? Is that something which has crossed your mind many times, probably by teaming up with the French, for example, or is it impossible, do you think, to do this on any other basis than the 'half in, half out' way that we do it with the Americans right now?

GR: The Lancaster House Agreement provides for co-operation on certain nuclear matters. I don't think you could do much more than that at the moment. President Macron is now talking about extending the coverage for the French force de frappe to other parts of Europe, but he doesn't seem to indicate yet how that's going to be done and what it actually means. If it's President Le Pen, all bets might well be off. The reality is that we spend 25% of our defence budget on the nuclear deterrent, and you see, you saw the submarine coming back this week after six months at sea, which is pretty extraordinary by any standard, and it's not taken account of in terms of what the UK contribution should be to secure the plan for the defence of Europe, and I think that that's a bit of an enigma.

But on the other hand, the UK essentially guards the key to the nuclear deterrent, and you couldn't possibly share it with another country.

This means, and I don't think that the general public know this or understand this, that all of the rest of our defences, our Nato commitments, as well as our external commitments to the Falkland Islands, to Cyprus, to Diego Garcia, etc., have to come out of that 75%. This stretches things to the very limit.

Now, the question is whether you could find a mechanism whereby the other European countries made at least a contribution to Britain's independent nuclear deterrent. That is the only nuclear umbrella that is guaranteed to be over Europe because we commit our deterrent to Nato, the French don't and America might not. And in that case, what these nuclear submarines represent is more than just our own independent deterrent. Whether you could get a contribution is something that I've raised in public, and the Germans have indicated some degree of interest in it. But we're a long way from getting there.

DM: Coming back to Putin, we've seen this so-called non-paper, which was leaked to the New York Times. The Russians are going back to what we've seen also with the Soviet Union, going back 80 or 90 years. They want a security architecture, as they say, for Europe, and they would like the nuclear deterrence of France and Germany, France and the UK, to be used exclusively for those two countries. Putin, in his mindset, is clearly trying to remove the Americans from Europe.

Could you give us a few insights into him? Fiona Hill, your co-author [of the Strategic Defence Review], wrote this wonderful psychological study of Putin and Trump, showing how similar they were in lots of ways. Has he changed over the years, or was he always a brutal, evil man? There were people like Tony Blair who, as you know, seemed to be rather taken in by him in his first few years.

GR: Taken in by him... It's like George W. Bush who said he looked into his eyes and saw his soul. Thinking about this retrospectively, as it's difficult to do, in the period that I was dealing with him, he was essentially on our side. He was the first one to phone President Bush after 9/11. He suffered the whole gamut of terrorism inside his country, and knew graphically what it represented to the outside world as well. So he was part of the structure that existed at that time. I chaired the first meeting of the Nato-Russia Council at heads of state level, and he sat round the table with me in the chair with the other 19 members of Nato and full members of the Nato-Russia Council. He even made a joke at the end of the first session. it may not sound very funny now especially in the light of what he's done since then but at the end they did a tour de table of all the heads of state and government. They all had three minutes, and most of them took that. Silvio Berlusconi took 10 minutes, but he was the host. And so it came to the end, and Prime Minister Barroso of Portugal finished it off.

So I was about say, 'We now adjourn', but when he put his hand, I thought, 'Oh God, if he gets another speech, they'll all want another speech, and the whole day will be disrupted.' I said, 'President Putin, you have the floor'. So he said, 'Well, Mr Secretary General, you've told us that you were the chairman of the North Atlantic Council. You are the chairman of the Euro-Atlantic Partnership Council, and now you are the chairman of the Nato-Russia Council. Can I suggest that Nato headquarters should now be renamed the House of Councils?' It's not terribly funny, but the Russian word for councils is Soviets, and therefore the interpreter said to everyone round the table who didn't know Russian, 'I propose that you call Nato headquarters, the House of Soviets'. And I saw President Kwaśniewski of Poland going, 'What?' I said, 'I declare that that was a joke.'

DM: It should be in the book of President Putin's 100 best jokes.

GR: They are a bestseller. Yes, I'm one of the few people who can stand by an open window now and talk of Vladimir Putin's sense of humour, but then the atmosphere was different. And I stood beside him when we did a press conference, still on YouTube, and he was asked a question by a BBC reporter about Ukraine, and he said, and I've got the transcript: 'Ukraine is a sovereign, independent nation which will make its own decisions about peace and security.' And I think it's conceivable he believed in that at the time. He now believes that it is not a nation and that it's going to have to be forcibly and violently absorbed into his concept of a new Russia. So there has been a marked change in his view, certainly over the period of the pandemic when he was in isolation and stewing away in these ideas of Russian greatness and he had come to believe that he had to absorb Ukraine.

DM: I know you feel strongly that the seminal moment was when Ukraine was becoming so close to the EU through the Association agreement. Even more than the idea that there might be some cosying up militarily, i.e., the idea that the rule of law, democracy, human rights, and so on was moving in next door. That's your interpretation. That was, if you like, the killer blow.

GR: He began to realise that the Nato membership is one thing. It's a defence alliance, a military alliance. You've got all these 5,000 nuclear weapons. Do you need to fear Nato being next door? The European Union changes countries permanently and absolutely, and he could see that. That was perfectly obvious. The countries of the old Warsaw Pact and even of the Soviet Union, in the case of the Baltic states, had been changed immeasurably and permanently as a consequence of the process of

joining the European Union. That must have been really frightening for the whole concept of leadership authoritarianism, what he was developing at the time.

But that's not what he says today. He's now reinvented the history. There used to be an old joke in the old Soviet Union: 'It is very easy for us to predict the future. It is not easy to predict the past because it kept changing.' Revisions of the history of the CPSU had to be revised all of the time.

So he's now revised it to the point where Gorbachev was clearly tricked at the time the Berlin Wall came down, and he was a lieutenant colonel at KGB in East Germany. And then Boris Yeltsin must have been drunk when he agreed the Vienna document and the Nato-Russia founding act and all the other agreements that he signed.

But actually, it was Vladimir Putin, I've got it. I carry a copy around with me. It's a photograph of him signing that Rome Declaration that day in Rome [2002] at the Nato-Russia Council. He signed the Rome Declaration, which endorsed the Nato-Russia Founding Act, which guaranteed the territorial integrity of all states in Europe. It's his signature on that, not anybody else's. So, however much he reinvents history to try and show that that Prince Yaroslav the Wise created the modern Russian state in Kyiv, and therefore they should be absorbed into the greater Russia. It's just nonsense.

How should Germany approach its growing defence responsibilities?

DM: I want to ask you about Europe and the future. First, Germany. We've spent a lot of time talking today about Germany. Margarita [Mathiopoulos] has recently been putting forward this strong view that Anglo-German defence collaboration is going to be ruling the day. We've heard a lot about the pacific attitude of the post-war Germans since 1949. Do you think that's changed now? Are you happy with the way Germany is going about its defence budget? It's going to be an awful lot of money will be spent eventually. Some of it may permeate through to other countries as well. Is that, on the whole, a good thing?

GR: For a start, I do not agree with the concept of Anglo-German relations!

DM: British-German relations, sorry. Just to make a correction!

GR *(smiling*]: It's a geographical point I often make. If a German said 'Anglo-German', I would ask: 'Excuse me, what part of Austria do you come from?'

DM: (*smiling)*: We'll strike that from the record.

GR: There are some people, and maybe even some people in France, who are getting uncomfortable with the fact that Germany is spending now a considerable amount of money on defence. It's undoubtedly extremely good news that they are starting to take their responsibilities well. I remember my first meeting with then Chancellor of Germany, Chancellor Schröder, who said, 'I deeply resent the fact that you've come here to lecture me, a Brit.' He said, 'You Brits told us for 50 years no professional army, no German troops outside of German borders, and now you come and tell me spend more money on defence, and I want more helicopters for Afghanistan.' He said, 'It got into our soul. That is part of our character now as well.'

The fact is that they've now voted for a large amount of new money. On the other hand, their bureaucratic procurement system will make sure that they don't spend it very quickly, or as quickly as most people think. And other countries suffer similarly. Countries like Canada, for example, all pledging to spend more money, but without the accelerator to translate the money into the kind of equipment that you require.

Germany now knows, at the front line, that this whole misty-eyed view they had about Russia and Russian trade has now gone. And the reality is there on display every day in Eastern Ukraine, and they need to do something about it. So they're now accepting bigger responsibilities, commensurate responsibilities for security in Europe. I don't worry about that at all. There will be some people who look at history and think this is crazy. But I used to say to people that, if you'd stop the troops coming off the landing craft on the Normandy beaches, and you just said.' Stop for a minute, do you know that in 80 years' time our biggest problem is going to be that Germany doesn't take the military seriously?' They might have said, 'Bring it on!'

Should Britain have supported the Defence, Security and Resilience Bank?

DM: We've been speaking a great deal today about industry, finance and defence procurement. You've seen, as secretary of state, how much money can be wasted on procurement, whether it's national or multinational. We've been arguing the merits of these two mechanisms today: the multilateral defence mechanism, the one that the Finns, the Dutch and the British have signed up to, and the Defence Security and Resilience Bank, which Canada has now been backing, even though originally a British idea. Do you have any strong views about whether Britain should have gone on board with the Canadians, they seem to be a bit irritated. We've had lots of Canadians with us earlier on today. They seem irritated with us that we didn't come on board. Do you, as a former secretary general of Nato, former defence secretary, have any feelings about whether we've missed the boat yet again with this Defence Security and Resilience Bank?

GR: Yes, I think we have. I've certainly said to John Healey that the decision about the bank is a mistake. There's a former central banker in charge of it, members of Nato, and it's useful. And what we've gone into could be done by Nato agencies anyway. There is a procurement agency in Nato, but most people don't know about Nato agencies…

DM: The one that Rob Murray has been associated with, who's been here with us earlier today**.**

GR: The agencies are very big, are very powerful, and they represent all of the individual nations. I was the first secretary general to demand that they came and reported to the North Atlantic Council. Up until then, they had a kind of separate responsibility, and some of them are even wealthier than the state of Luxembourg. There is an agency that could do what the British have signed up to, whereas the international bank would have been a much better way of gaining money. Whether they change their mind, I don't know. But it certainly irritated the Canadians.

How should Britain handle its relationship with President Trump?

DM: We've been talking about this famous conference with Xi, Putin and Trump. How should we, the British, handle Trump in these final two years? He's not just a lame duck; as you say, he could be an angry duck as well. Given your shared Scottish roots, I would have thought the combination was yourself and Andy Burnham and Gordon Brown, a kind of triumvirate. How should we treat Trump? We, the British…

GR: He doesn't treat his Scottish heritage terribly well at the moment. I keep saying to people that I share three things with President Trump. I've got a Scottish mother, and I was born in 1946, and I play golf badly. How do we deal with him? I don't know the answer. My successor, the secretary-general of Nato today, has found a way of getting through. Maybe we should just offer a state visit every year.

DM: He won't remember the last one.

GR: So that's possibly helpful. He will do it every six months if required. He is the president of the US, and he still got a remarkable amount of power. But I think we have to be straightforward. The Congress of the United States of America has got real powers. It's now going to waken up. With a Democrat majority in both the House and in the Senate, there are going to be considerable limitations placed on the freedom of manoeuvre of the president and the reach with which executive orders can take place.

In the same way that he went to Ankara [June 2026] and signed up to the outcome there, the community, and talked about Article 5 being an ironclad commitment, I think that he will, like most American administrations, begin to recognise how important Nato is for the US.

Could Europe act collectively without American military support?

Audience question 1: We had this morning the debate about Article 5, and you said that you still believe that it is in place? Could you envisage that Nato – a Europeanised Nato, in case the Americans are busy somewhere else – could work with Article 5 if the coalition of the willing would address the issue and go forward without the Americans.

GR: It wouldn't be easy to do in the short term because of the capabilities that the Americans bring to the table. But the treaties of the European Union provide for basically an Article 5 type guarantee to each member of Union, so even if they weren't bound by Nato, they are bound by the treaties of Europe as a whole. They are underprepared, certainly even more than we are

today, but that that is changing quite quickly over time. So I think yes, they've got to be willing to do something if the Americans don't.

Audience question 2: Shouldn't that be inside Nato, and not inside the EU, because the capabilities of the EU are more on paper than in reality?

GR: The difficulty inside Nato is that everything is done by consensus. When I was taking part in *The Wargame* series, I was reliving not the Article 5 moment, but the Article 4 moment, which occurred before the invasion of Iraq. Article 4 of the treaty is that we think we're going to be attacked, and we are alerting other countries to that fact and seeking help at the same time. Turkey had invoked Article 4 before the invasion of Iraq, believing that Saddam might well attack them as a diversion from the force being assembled in Kuwait for the invasion of Iraq itself.

At that point, the French, the Germans, the Belgians and the Luxembourgers were going to refuse to adhere to an Article 4 commitment, and I had to refuse. Nato operates by the use of a decision sheet. So basically, a draft resolution that goes out in a sheet, with an instruction to either accept or to break silence by a specific time.

So I refused to put the decision sheet out because the French and the Germans and the Belgians at that point wanted to break silence, which would may well have broken Nato, because it's unheard of for an Article 5 or an Article 4 having a break in silence. So I had to work over a weekend to try and separate out each of the various component parts of that, and it was fairly dramatic to do that.

And eventually, we got a solution. I had to argue with a number of people, with political skills that I, in desperation, had to use. And then everyone the following day thought it was their idea, which is fine. But the Article 4 drama was much more relevant to what would happen now inside Nato. When it came to the invasion of Iraq, a number of countries said they wanted to help America, and they were able to do so inside Nato, but without the Nato imprimatur on the operation.

Audience question 3: Please tell us about Ukraine’s membership prospects and what its battlefield innovations mean for European defence.

GR: Full membership might well eventually come. It's not going to happen in the near future. But they've shown the way in which warfare has changed. That's the most significant contribution. Take artificial intelligence. This is not breaking any confidences: when David Petraeus kept talking about unmanned vehicles, we've got to talk about uncrewed vehicles. The Ukrainians are developing every week new mechanisms able to deal with drone warfare and the kind of automated and unmanned equipment that is going to come. That tells us how the nature of war has seriously changed. They are undertaking not full-scale war that we might have to have with a peer adversary, but elements are key components of that. When, eventually, we come to an end of this war, when we've worked out some sort of solution, Ukraine is going to be one of the major defence manufacturing countries in the world. Before the Budapest Memorandum; Ukraine was a major nuclear weapons power. They are now climbing up the ladder again in terms of capability. The last time President Zelenskyy came and addressed both houses of Parliament, he said, ‘I am not here to ask for your help. I am here to offer you the help and experience that we have had in dealing with the Russians in order to help you in the future.’