The Curious Incident of Mr Cameron and the United Kingdom Defence Budget: A New Legacy?

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Abstract
During 2015 Prime Minister Cameron found himself under intense domestic and international pressure over his apparent reluctance to maintain United Kingdom defence spending at the NATO target level of 2 per cent of GDP. Most commentators attributed this reluctance to the inevitability of defence cuts if the government wished to meet its deficit reduction targets. However, the aftermath of the general election saw a sudden decision to maintain UK defence spending at the NATO target level. This u-turn is one of the more curious episodes in recent British defence policy. In this article we explore the reasons why, at a time of continuing cuts and austerity measures and against all the political signals, a decision was made to meet the 2 per cent target, and what this means for the UK’s defence policy. In doing so, we analyse why most commentators assumed that defence cuts were inevitable, the domestic and international factors that explain the government’s apparent u-turn and what this revised defence budget settlement meant for the new 2015 National Security Strategy and Strategic Defence and Security Review.

Keywords: United Kingdom, defence policy, NATO, Strategic Defence and Security Review (SDSR), National Security Strategy (NSS)

Introduction
For those interested in British defence and security policy, 2015 witnessed a quite remarkable government u-turn. From the government’s election in May 2015 until early July, all the signals coming from Number 10 and Number 11 Downing Street were that defence, along with much of the remaining non-protected areas of government spending, would be subject to cuts of somewhere between 25 and 40 per cent. In the debate on the Queen’s Speech in June, the Chancellor of the Exchequer, George Osborne, announced a further £500m in-year cut in the defence budget, leaving it hovering just above the NATO defence spending target of 2 per cent of GDP. The Defence Secretary, Michael Fallon, subsequently made a less-than-subtle grab for the UK’s foreign aid budget in an attempt to add to the defence budget. The manoeuvre, however, failed, despite the support of a number of Conservative backbenchers.

Not surprisingly, the signals of cuts were met with various calls for the government to, at the very least, meet the NATO defence spending target of 2 per cent of GDP. In the run-up to the May 2015 General Election, the traditional defence lobby groups of retired senior officers, defence companies and Conservative backbench MPs became increasingly vocal. The cacophony of voices steadily increased and letters were written to The Times and The Telegraph all calling for the next government to peg British defence spending at the NATO target level. More surprisingly, they were joined after the election by a series of public interventions from Washington, including the outgoing US Army Chief, General Odierno, incoming Defense Secretary, Ashton Carter, and finally President Obama during the G7 summit in Germany.2
Then, in his budget statement of 8 July, George Osborne announced that the government was now fully committed to maintaining defence spending at 2 per cent of GDP until 2020. Those within the defence community breathed a sigh of relief. The 2015 Strategic Defence and Security Review (SDSR) would no longer need to be as brutal as its 2010 predecessor. The narrative changed. Instead of talk of what would be cut, officials now started to talk about ‘up arrows’ and the potential to help offset some of the more significant capability gaps created by the 2010 SDSR. But this was not the end of the story. On 23 November the government published its new National Security Strategy (NSS) and SDSR. In his statement to the House on the same day, Prime Minister David Cameron spoke of an extra £12 billion to be spent on defence equipment and support over the coming decade. Britain’s new aircraft carriers will have aircraft, the army will create two new ‘strike brigades’ to confront the likes of so-called Islamic State (IS), the air force will gain three more fast jet squadrons, buy nine new maritime patrol aircraft, acquire at least twenty new advanced drones and much more. The response was unlike anything heard in any recent defence review—virtual silence from the backbenches and among the coterie of retired senior officers—as the years of plenty seemed to lie ahead. Among the opposition there was division and confusion. Jeremy Corbyn’s response to the Prime Minister’s statement was rambling and confused, focusing as he did on police numbers rather than the armed forces. The SNP continued their anti-Trident rhetoric and, in their Opposition Day debate the next day, sought to gain Labour support. Instead, Corbyn ordered his MPs to abstain, but twenty ignored him, with fourteen voting in favour of nuclear replacement and six against. A curious tale indeed. Rarely has defence undergone such rapid policy changes, particularly in the context of austerity and an attitude of deficit reduction within government. In light of this, there are pressing questions about the politics underpinning the u-turn—and, undoubtedly, lessons to be learned. In this article, we explore three interrelated questions: first, why did most policy analysts assume that defence budget cuts were inevitable? Second, what international and domestic factors explain the government’s u-turn? Finally, how coherent is the latest SDSR? By answering these questions, we not only shed light on the factors that influenced the most recent SDSR, but also provide an analysis of the SDSR’s strengths and limitations.

The inevitability of defence cuts?

Osborne’s 2015 Summer Budget announcement flew in the face of most analysts’ expectations. In 2010, the Coalition government cut the defence budget by approximately 7.5 per cent—a relatively modest reduction compared to most other Whitehall departments. Many across Whitehall felt that in 2015 it was defence’s turn to contribute to the savings demanded by Osborne. In their 2015 manifesto the Conservatives pledged to ‘eliminate the deficit in a sensible and balanced way that will enable us to continue to increase spending on the NHS and cut Income Tax for 30 million working people’. This included a commitment to find a further £13 billion in departmental savings plus an additional £12 billion from welfare cuts in order to move the UK economy into surplus by 2018–9. The mantra of ‘fiscal responsibility’ was reinforced in the Chancellor’s July 2015 Mansion House speech in which he announced new legislation preventing future governments from running budget deficits in years of economic growth. As Cameron’s foreword to the election manifesto made clear, the nation’s economic situation had certainly improved since 2010, to the extent that the UK has the fastest growing economy among the G7 states. Nevertheless, the economic growth rate masked underlying challenges to national public expenditure and, by implication, to future defence spending levels. Between 2010 and 2015, the Coalition government had succeeded in halving Britain’s fiscal deficit, but overall levels of national debt had continued to grow. The government had pledged to eliminate the remaining fiscal deficit by 2017–18 as a precursor to tackling the national debt, currently standing at approximately 86 per cent of GDP. This suggested expenditure on public services under the
current parliament would be severely constrained. To many commentators, the government’s overall deficit reduction pledges appeared to presage inevitable and significant UK defence budget cuts.

Further factors convinced analysts that the government’s willingness and ability to meet the NATO 2 per cent of GDP target was at best questionable. National economic recovery during the previous parliament had, in the words of The Economist, been ‘tax free’, because it had been achieved through public expenditure cuts rather than tax rises.5 The Conservatives’ pre-election pledge not to increase taxes during the current parliament meant that the sole remaining policy tool available to government in meeting its debt reduction targets was further and deeper public expenditure cutbacks. At the same time, pre-election pledges to ‘ring fence’ the NHS, international development and education budgets indicated that the remaining ‘unprotected’ Whitehall departments would have to absorb substantial cuts to meet other public expenditure targets. By inference, this suggested sizeable reductions to the two largest ‘unprotected’ departmental budgets—social provision (welfare and pensions) and defence—because departmental cuts elsewhere in the remaining smaller departments could not deliver anything like the requisite savings. All the omens and portents, then, suggested that the Ministry of Defence (MoD) would be a key locus for deep cuts. And, taken together with the Prime Minister’s silence, all the signs were that the UK would fail to meet the 2 per cent target.

Why the u-turn?

It was to the surprise of many, then, that the Chancellor announced that the UK would meet the golden 2 per cent figure. To be clear, we are not criticising this decision. Indeed, as we have argued elsewhere, there are numerous security, strategic and economic benefits to defence expenditure.7 Nonetheless, the question remains—why this curious decision? We suggest four different factors came together to encourage such a remarkable u-turn.

First, it was unprecedented for a US administration to have been quite so outspoken about the UK defence budget just as a new British government was embarking on a review of its National Security Strategy and conducting an SDSR. A Washington Post article headline—’Britain resigns as a world power’—captured the US zeitgeist.8 Similar concerns were echoed by a former British NATO Deputy Supreme Allied Commander Europe, General Sir Richard Sherriff, who suggested that the UK had become ‘a foreign policy irrelevance’.9 Further afield, concern about the absence of a ‘British voice’—particularly on Russian-sponsored insurgency in eastern Ukraine—had been mooted by the leaders of several European NATO states. There were murmurings that France had succeeded the UK as Washington’s most trusted ally after the US Navy sought additional aircraft carrier support in the Persian Gulf and only France was available to assist, which made matters still worse.

In theory, Cameron could have disregarded the overtures from Washington by simply prioritising national deficit reduction—either by reducing defence expenditure to below the NATO 2 per cent of GDP target or including other elements of existing spending, such as military pensions, to paper over the fall below 2 per cent. Both options would then require the UK to ‘free-ride’ on the US for areas of collective security provisions through NATO and other strategic alliances. Free-riding on the defence expenditure and military capabilities of allies is, after all, not new. For some states, notably Japan and the former West Germany, anti-militaristic constitutions imposed on them after the Second World War enabled free-riding on US security guarantees. Similarly, during the Cold War, security guarantees provided by the US nuclear deterrent enabled many smaller NATO states to maintain relatively low defence budgets. However, free-riding was simply out of the question for Cameron. It would not have sat comfortably with the Conservatives’ repeated assertions that the UK aspired to continue its overt global security role, reflected in its roles as a permanent member of the UN Security Council, its security provision for its thirteen Dependent Territories and treaty and alliance commitments ranging from NATO to the Five Power Defence Agreement. Nor would it have sat well with the now more challenging international

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security environment. While the UK had largely managed to extricate its forces from the NATO mission to Afghanistan by 2015, the combination of the Arab Spring, the US pivot to Asia, Russia’s seizure of the Crimea and Ukrainian civil war, the Syrian civil war and the rise of IS presented existential risks and threats to regional and global security.

The second factor associated with a policy of free-riding was that Cameron would also have exposed himself to domestic and international accusations of hypocrisy if the UK failed to meet the 2 per cent target. At the NATO summit in September 2014, he chastised NATO allies for failing to meet this very figure in an effort to show Washington that the UK remained a staunch ally. This was particularly aimed at reassuring the Obama administration about the UK’s dependability in light of the British parliamentary vote against the use of force in Syria in August 2013. However, any reassurance would undoubtedly have slipped away in the wake of a UK volte-face. Diplomatic and reputational damage would have been particularly acute for the Cameron government because of particularities of the Anglo-US ‘special relationship.’ Washington has traditionally relied on Britain’s relatively high levels of defence spending as a proportion of GDP to hold other European NATO states to account. If the UK defence budget fell below the NATO target then it would have become even harder for the US administration to persuade other European allies to fund defence spending at or above the 2 per cent threshold. Concerns in Washington have been confirmed in public opinion surveys conducted by the Pew Research Center which point to wavering commitment to the NATO Article V commitment (that an attack on one member state shall be considered an attack on all) in many European member states, in particular France, Germany and Italy.10

Third, the Prime Minister was confronted with a further imperative to meet the 2 per cent threshold because of the effect of the post-2010 defence budget cutsbacks to UK frontline force levels. The need to regularly call on allies to try and find submarines off the British coast has been particularly embarrassing. Moreover, the Royal Navy (RN) is temporarily without aircraft carriers (the two currently under construction do not enter service until 2018 and 2020). The RN’s amphibious capability has been downgraded to the extent that a number of ships are held in reserve because of a lack of personnel to crew them. The number of destroyer and frigate surface escorts is at an all-time low and the RN can no longer maintain its existing deployment requirements, let alone retain any form of surge capability.

At present, the Royal Air Force (RAF) retains only eight frontline fast jet squadrons, and it lacks a maritime patrol aircraft as a direct result of the 2010 SDSR’s decision to axe the Nimrod MRA4 programme. The RAF’s force of Boeing E-3D airborne early warning aircraft have not been updated, unlike their US, French and NATO counterparts, and there are a number of secondary squadrons utilising first-generation Hawk trainer aircraft that are approaching 40 years old. Only the army looked in a fairly decent shape, with its revised Future Force 2020 structure consisting of four frontline brigades (sixteen Air Assault Brigade and three armoured infantry brigades) within the ‘Reactive Force’ plus seven Infantry brigades in the ‘Adaptable Force’.

Finally, the issues of Prime Ministerial legacy and succession also played their part in the about-turn. Like US Presidents in their second term, for David Cameron the next couple of years are all about his legacy, what his tenure as prime minister will be remembered for. A further diminution of the UK’s armed forces and questions being raised about the ‘UK’s place in the world’ needed to be avoided if his legacy is to be burnished, rather than tarnished. For George Osborne, who has aspirations to succeed David Cameron as Prime Minister, the issue is more personal. He needs to balance developing a reputation as a prudent Chancellor with evidence that he can think beyond the government’s finances. He needs to avoid antagonising the Conservative backbenches and the senior officer corps, both serving and retired, who have a good deal of support from within the Conservative party with further cuts to defence capabilities.

These four factors, taken together with increasingly vocal lobbying from Conservative peers and MPs, altered the balance of the decision. Cuts were less appealing; the
volte-face more attractive. There were domestic and international advantages to a u-turn, not just in a security and strategic sense, but also in a partisan and political sense. There was political capital to be made from a u-turn, for both David Cameron and for George Osborne—indeed, it was not an accident that it was the Chancellor, rather than the Prime Minister, who announced the UK’s commitment to the 2 per cent target. On the face of it, this should be seen as a real victory for British defence going forward. But while the commitment to the 2 per cent threshold is welcome, it is only a victory if the SDSR is a coherent strategy, suitable for a rapidly changing world.

How coherent is the 2015 SDSR?

In the wake of the 2015 NSS and SDSR, the criticism and dissatisfaction that has traditionally followed defence reviews has been noticeable only by its absence. In that respect it is reminiscent of the 1998 Strategic Defence Review which a number of individuals, such as retired General Jonathan Shaw, continue to hold up as the pinnacle of excellence.\(^1\) However, as soon became apparent, the 1998 review was unaffordable—the government decided what it was to do, the armed services defined their own shape and the toys they wanted, only for the Treasury, in the form of Gordon Brown, to deny the MoD the funds needed to implement the review. There are several reasons for fearing that history will repeat itself—that flaws in the 2015 SDSR will, just as with the 1998 Strategic Defence Review, undermine the SDSR.

SDSR 2015

In contrast to the 2010 NSS and SDSR, which many think-tank analysts, retired senior officers and politicians have declared to be strategically flawed, the 2015 NSS and SDSR have far more coherence. The single combined 2015 white paper has a vision about the UK’s so-called ‘place in the world’. The document reflects the arguments articulated in ‘Complex Security and Strategic Latency’\(^12\) that the UK remains a ‘status quo power’—a power that wishes to try and preserve its relative standing in the world rather than one wishing to move to a different place. The 2015 White Paper puts the case for a far more engaged UK than its predecessor and seeks to overcome the charge of ‘strategic shrinkage’ levelled at its predecessor. Moreover, the paper rightly recognises that, in contrast to 2010, the outlook in 2015 looks far more menacing, and it recognises the threats posed by Russia and IS along with cyber security as Tier 1 concerns. Inevitably, there will still be a few analysts arguing that the government has failed to articulate a vision of where the UK wishes to move to. These, however, miss the point: in an ideal world the relative power and influence of the UK will remain as they are.

To support the maintenance of the status quo and counter criticisms of Britain’s ‘strategic shrinkage’, the Prime Minister pledged to increase the UK’s ability to deploy forces for a single large-scale operation from 30,000 to 50,000, increase the numbers of military personnel available to support the civilian authorities against a terrorist incident from 5,000 to 10,000 and enhance a series of specific defence capabilities. In particular, David Cameron placed great emphasis on doubling spending on the UK’s Special Forces, together with the acquisition of a new generation of armed drones—the Protector—which would be acquired to replace and enhance the current Reaper force of ten drones with at least twenty new drones.

In his statement to the House of Commons, Cameron placed great emphasis on the funding flowing into defence and security for new equipment. He announced that both the aircraft carriers would be brought into service and each would have a squadron of 12 F-35B joint strike fighters by 2025. As well as promising to publish a ship-building strategy in 2016, Cameron also confirmed a reduction in the acquisition of Type 26 frigates from thirteen to eight, combined with the development of a larger number of cheaper frigates to make up the deficit which would, he hoped, mean that the RN’s force of destroyers and frigates would be enlarged at some point in the 2030s. Cameron also promised that the navy would receive three new stores support ships to help sustain the new aircraft carriers and announced a delay in the Trident successor system, along with a significant increase in the estimated cost of that programme.
On the land side, the big announcement was the creation of two new army ‘Strike’ brigades capable of rapid deployment around the world for operations against the likes of IS. These would be equipped with the new Scout vehicle that had been ordered before the review. Cameron confirmed his pledge not to reduce the size of the regular army further or cut any regiments.

However, it was in the air domain that the announcements were most significant. Along with the promise of the two F-35 squadrons, Cameron also announced the acquisition of at least twenty Protector drones and nine Boeing-P-8 maritime patrol aircraft to fill the capability left by the cancellation of the Nimrod MRA4 programme in 2010. In addition, two Eurofighter squadrons, based on the first tranche of aircraft, would be retained in service, thus increasing the number of fast jet squadrons. Other platforms that would now be retained until 2025 included an expanded Shadow R1 force, the Sentry force and some 14 Hercules C-130Js.

To support an increase in the defence equipment and support budget for the next decade by approximately £12 billion, Cameron announced a further large reduction in civil service personnel within the MoD. This time around it amounts to approximately 30 per cent of the current workforce, or some 14,000 people. Cameron also confirmed further sales of the defence estate, amounting to some 30 per cent of existing buildings.

A flawed SDSR?

On the face of it, there is much to celebrate in the 2015 SDSR. Appearances, however, can be deceptive. In reality, just as with the 1998 Strategic Defence Review, there are a number of holes within the 2015 NSS and SDSR which, we suggest, will gradually emerge and, in time, elicit a critical re-evaluation of the 2015 White Paper. First, and most important, the reality is that much of the new cash pledged to defence equipment and support over the next decade is not actually new investment, but the reallocation of funding from within the wider defence budget. To balance the books the government is relying on further large-scale reductions in civil service personnel numbers within the MoD and further sale of the defence estate, and also quietly shifting the requirement for capability force delivery from 2020 to 2025, thereby further easing its cash flow.13

Each of these measures is problematic. In the case of the reduction in civil servants, the in-built assumption that greater efficiency will accrue because their work can simply be picked up by others is optimistic given that the MoD has been making continuous efficiency savings since 1980. At some point there are no more efficiencies. Moreover, a study undertaken by the National Audit Office of previous cuts to the Defence Equipment and Support (DE&S) organisation revealed that despite cuts of between 30 and 40 per cent in personnel, the overall cost of the organisation had fallen by a mere £9 million on an annual budget of approximately £1.2 billion. The reason for the meagre savings was that the DE&S had to employ private contractors to pick up the essential workload displaced by its loss of in-house personnel.14 In other words, the assumption of savings linked to the planned reduction in MoD civil servants is questionable, which will inevitably raise questions about the affordability of the current defence programme.

Second, the government’s success to date in generating funding by selling off parts of the defence estate has been mixed. The problem frequently lies in the basis upon which the building or land was originally acquired. For example, the basis upon which much of the estate was acquired before and during the Second World War is that once it is no longer needed it should returned to the original owners or their heirs in the condition it was acquired. Any failure to deliver the requisite profits from the sale of major parts of the defence estate will also raise questions about the affordability of the current defence programme.

Third, the 2015 SDSR has delayed a number of major programmes, such as the Trident successor system. This has created a fundamental contradiction: on the one hand the new NSS is predicated on the assumption that the world is more dangerous, with the range of threats growing; on the other,
the SDSR outcomes are delaying the deployment of many of the capabilities the government say are needed to counter those threats. For example, the Prime Minister’s promise that both aircraft carriers will initially be equipped with a squadron of twelve F-35 joint strike fighters needs to be set within the context that each aircraft carrier is designed to carry thirty-six F-35s. Procurement delays mean that it will not be until sometime in the 2030s that the aircraft carriers receive their full air groups. Similarly, the decision to delay the Trident successor programme to the early 2030s and associated recognition of programme cost increases has raised questions about whether the UK will be able to maintain its continuous at-sea deterrence policy in the late 2020s. Such delays in the delivery of new equipment and capabilities will have an impact on the UK’s ability to project military power and on its interactions with allies. For example, in the case of the aircraft carriers the RN is already in discussion with the US Marine Corps about US aircraft operating from the aircraft carriers in order to provide a full air group.

In comparison to its 2010 predecessor, the 2015 SDSR has far greater coherence and cogency, which explains the lack of criticism levelled against it so far. However, our analysis suggests that beneath this veneer, the 2015 SDSR is predicated on a series of financial assumptions that simply do not stack up. Delays to major programmes and questionable assumptions about efficiency savings risk leaving Britain’s armed forces without the core capabilities required to address the range of threats identified in the NSS over the coming years.

Conclusions

For analysts of British defence policy, 2015 was a remarkable year. It witnessed a profound and largely unexpected u-turn in government thinking on defence that has been well received both within the armed forces and by UK allies. When taken in conjunction with the December 2015 parliamentary vote to authorise air strikes in Syria, the government is now in a position to argue that it has moved the UK from a position of strategic shrinkage to one in which it is resourced for greater international engagement. Prime Minister Cameron and his Chancellor, George Osborne, have on first appearances ‘pulled a rabbit out of the hat’.

However, as we have argued, in many ways this is political sorcery—a well-worked trick. In our view, the 2015 SDSR contains vulnerabilities worryingly reminiscent of its 1998 predecessor. Amongst these, the most worrying is the chasm, all too deep and too wide, between the 2015 NSS/SDSR White Paper’s vision for Britain’s place in the world and the delays in capability development and acquisition necessary to meet that vision. The result is that, for careful observers, there are serious questions about the government’s 2015 u-turn on defence: a victory in terms of meeting the 2 per cent NATO target, undoubtedly, but whether it will provide the wherewithal to balance the UK’s national security aspirations with the resources to meet them remains to be seen. The danger is that the chasm between the UK’s aspirations and its defence capabilities approaches all too quickly.

Notes

1 Professor Dorman would like to thank the ESRC for funding for a Seminar Series which helped support research contained within this article.


13 Cornish and Dorman have identified ten elements or laws that are repeated in every defence review which include the three listed: ibid.