



The American sequester - and us

by Eva Gross

Following President Obama's budget proposal on 8 April, the US has embarked on another round of negotiations in attempts to reach a fiscal deal. Differences between the two sides (Democrats insist on taxing the wealthy whereas Republicans insist on spending cuts) have their roots in respective party doctrines, and the current gridlock displays the exceedingly partisan nature of the current US political process. Although the origins of this dispute are clearly to be found in domestic politics, they increasingly have foreign policy implications as well. They are likely to have an impact across the Atlantic - where fiscal austerity and budgetary cuts are equally underway, albeit for reasons that do not entirely coincide - and an effect on EU-US security cooperation.

The US budget fight

Concerns exist not only because of austerity and its effect on security and defence spending, but also because of the particular way in which a large part of these cuts are set to be administered. The current budget dispute dates back to 2011 when Republicans refused to raise the debt ceiling without significant deficit reduction. The two parties agreed to the Budget Control Act (BCA), which would cut domestic spending by about \$1 trillion over the next decade. Congress also established a Committee on Deficit Reduction that was to identify potential cuts and that agreed on 'sequestration' - draconian across-the-board cuts in the absence of a deal - as a deterrent against lack of agreement.

On 1 March, after President Obama and Congress failed yet again to reach a budget deal, sequestration took effect. With a share of 42% of the cuts, it is the defence budget which has been particularly hard hit by sequester. If sequestration continues (that is, as long as Democrats and Republicans continue to be unable to agree on a budget that includes the required reductions), as much as \$500 billion will be slashed from the defence budget over the next decade. For 2013 alone, this means a reduction of military spending to the tune of up to \$43 billion.

A Congressional deal has averted government shutdown until 30 September (the end of this fiscal year) and, aside from certain pre-established exemptions such as social security benefits, exemptions of individual budget lines have not been agreed upon. This means that sequestration affects all programmes. Given the current climate of negotiations between President Obama and Congress, an agreement does not seem imminent, and sequestration appears to be here to stay. The ongoing inability to reach agreement would also mean that the government continues to be funded through a number of stop-gap measures rather than a comprehensive budget agreement, making long-term planning difficult.

Austerity, exacerbated by budget disputes in a partisan atmosphere, will affect the long-term strategic and operational outlook of US security and defence policy. Sequestration cuts in diplomacy and development spending are



less dramatic, at least in percentage points. Yet significantly lower starting points in terms of overall budget allocation mean that sequestration - coupled with austerity proper - will also negatively impact on foreign policy.

Sequestration and/or normal cuts

Sequestration, together with the previously agreed-upon budget cuts, will have implications for future US defence readiness. The financial crisis, a slow economic

recovery, and the winding down of military engagement in Afghanistan and Iraq left little doubt that cuts in the defence budget were in the making. But there is a marked difference between sequestration and 'regular' budget cuts.

Sequestration means indiscriminate, across-the-board cuts rather than reductions in spending that can be planned and prepared for so as to offset negative effects on US readiness and global standing.

To be sure, cuts agreed upon as a result of negotiations would not necessarily do away with internal bureaucratic and political obstacles to long-term reform necessitated by a climate of austerity. However, they would make it possible to adopt a more coordinated and proactive approach to budget cuts. Sequestration has no in-built flexibility and cuts in the current fiscal year have to be executed by September, at time where much of the budget has already been spent.

Sequestration has already begun to impact the day-to-day running of all branches of government with some federal workers having been put on furlough. As a result of these negative implications for the running of government, sequestration has the potential to disrupt or delay routine cooperation with US partners.

Squaring the Pentagon

Looming large over Chuck Hagel's tenure as Secretary of Defense are steep cuts to the defence budget and the need to administer them in a way that best offsets their effects on personnel as well as strategic and operational capabilities. \$489 billion in defence cuts were already scheduled as part of the BCA of August 2011, the compromise made in order to raise the US debt ceiling. The projected sequestration cuts, \$500 billion

over the next decade, will be made in addition to these cuts.

The fallout from sequestration for US defence policy has only recently come under discussion. This is in part because the likelihood of sequestration actually taking place had seemed remote, but also because its precise effects remain difficult to predict. Estimates before sequestration predicted cuts in aircraft purchases of \$3.5 billion, in military operations across the services

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of \$13.5 billion, and in military research of \$6.3 billion. The long-term effects of sequestration remain difficult to ascertain, and warnings from top brass and industry are likely coloured by political considerations. But it is equally obvious that reduced investment

in equipment and training of military personnel will have long-term implications for readiness, and that reduced investment in procurement and research will affect force modernisation.

Current operations are not set to be affected. Troops in Afghanistan are paid through a different budget line, even if certain benefits for military personnel are likely to be reduced. But beyond 2014, when US military engagement in the country will have been significantly downsized, austerity can be expected to curtail future US military engagement.

The short-term implications of cuts in the defence budget are already being felt. Budget constraints have led to the announcement on 6 February of the deferral of the deployment of the USS Harry Truman aircraft carrier strike group to Central Command, and the cancellation of the maintenance overhaul of the carrier USS Abraham Lincoln. Because routine maintenance of equipment is scheduled far in advance, an overall reduction in maintenance operations could have serious implications for the ability to respond to contingencies.

The US Air Force, in turn, has imposed limitations on training hours and flight instructions, and automatic spending cuts due to sequestration have led to the grounding of about a third of its active-duty combat aircraft. This affects units stationed in the US, Europe and the Pacific, with units which are currently deployed set to be grounded upon their return. The focus remains on avoiding disruption of support operations for Afghanistan,

but standing down other units on a rotating basis runs the risk of not being available to respond to new developments. The shift to ground training also affects readiness because it can take up to three months of flight training to return crews to mission-ready status. These reductions mean that the US will have fewer numbers of personnel ready to deploy at any given time.

Continued across-the-board cuts thus create a ripple effect and their results often manifest themselves long after they were initially made. This also applies to the defence industry, where cuts will affect defence contractors and thereby a particular section of the US labour market.

The other 2 Ds and a new US posture

As mentioned previously, sequestration disproportionately affects the defence budget. It may also shrink the US global footprint when it comes to diplomacy and development.

Secretary of State John Kerry has listed cuts in humanitarian assistance (\$200 million), global health funding (\$400 million), global security accounts (\$500 million), foreign military assistance (\$300 million), and USAID operations (\$70 million) as a likely consequence of sequestration. Sequestration estimates also foresee an 8.2% cut to Stability Operations, an area of activity that had previously been undertaken near exclusively by the Pentagon. In recognition that sources of contemporary insecurity such as state fragility are best addressed through diplomacy and development as well as civilian means, capabilities within the State Department have been developed and strengthened. Yet despite a general consensus that civilian capabilities should be increased, sequestration risks damaging these recently established initiatives.

The fact that the political constituency of the Pentagon was not sufficiently powerful to avert cuts to its budget shows that the military has lost the protected status it once enjoyed. It also shows that, in times of economic crisis and intervention 'fatigue' following a decade of war, the focus of the use of military power has moved away from costly and lengthy counter-insurgency and state-building operations. Sequestration thus underlines adjustments to the overall

strategic orientation of the US that are due both to austerity and President Obama's approach to US foreign policy.

An emerging 'Obama doctrine' points towards a number of changing priorities. The reliance on selective drone strikes or special operations missions has revealed a more centralised approach towards fighting terrorism, and one that relies heavily on modern technology. The 'pivot' to Asia highlights adjustments to the geopolitical orientation of the US, although this does not necessarily mean turning its back on Europe and transatlantic security concerns. When it comes to engagement with allies, the US approach has tended to be pragmatic, increasingly focusing on allied contributions to joint interventions and 'leading from behind' rather than insisting on US leadership in any given case and post-intervention nation-building efforts.

A continuation of current budgetary disputes that delays or restricts foreign policy and defence spending, combined with an overall bleak economic picture, may also lead to the emergence of a more inward-looking US in the years to come. Over time this could even affect the broader strategic culture of the country, with the US almost turning 'European' – by default. This would undoubtedly reinforce the currently emerging (more pragmatic and utilitarian) approach to security cooperation. This will also raise questions over whether these developments will provide the necessary incentives for European governments to move towards improving defence spending and develop a more proactive formulation of strategic objectives.

What about EU and US?

Cuts in the US defence budget affect Europe's security umbrella and an area of cooperation where the US has traditionally favoured transatlantic security institutions. Cuts to the US foreign policy budget, on the other hand, affect an area where EU and US activities overlap and where recent years have seen the exploration of ways to increase cooperation.

It may be possible to navigate some of these sequestration-driven cuts and to offset (or at least mitigate) their most severe effects on foreign policy and defence spending. However, their implications for US partners, including the EU,



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are becoming increasingly clear. They include greater US expectations of allied contributions, and a stronger reliance on partners in sharing the burdens of military intervention.

Importantly, current tendencies towards 'demilitarisation' in the US take place against the backdrop of a global security climate that is becoming less, rather than more, stable. Sequestration, together with the US geo-strategic reorientation, will result in the need for greater EU engagement in its immediate neighbourhood. This will occur alongside continued US interest and commitment, certainly, but Europeans will find themselves working with a more reluctant partner when it comes to frontline military engagement.

In the long run, therefore, the American sequester means that the EU has to think more strategically, identify strategic interests, challenges and threats, and develop the capabilities and response mechanisms to address instability and insecurity in its neighbourhood and beyond. This includes military, in addition to civilian and legal means as overall US contributions to future peace-building efforts will likely form just a small part of larger collective engagements.

Still willing, less able?

President Obama's recent budget proposal is an attempt to return to the negotiating table, but it is far from certain that a deal is within reach. An agreement to end the budget fights and thereby sequestration remains elusive. Conceived as a self-imposed threat meant to force the two parties to seek a compromise, sequestration has not only proven wrong the widely held assumption that the military was the US policy establishment's 'sacred cow', and that threats to its budget could force the Republican side to renege on its position; it also underlines that US foreign policy is currently being curtailed by irreconcilable divisions in domestic politics. It affects programmes and budget lines that both Democrats and Republicans deem important, including those related to security and defence policy.

According to the 2013 Military Balance, the annual assessment of global military capabilities by the International Institute for Strategic Studies (IISS), last year Europe and the US were the only two regions in the world to cut defence expenditure. This highlights not just a potential and slowly emerging redistribution of power in the international system but also the fact that the world may be getting less secure.

In the long run, sequestration could lead to circumstances where the US, rather than being unwilling, is actually unable to contribute to collective intervention – or where it can only make military contributions at the expense of potential and actual operations elsewhere. If current trends continue, it may soon not just be Europe but also the US which is less able to pursue and defend its interests. The American sequester could thus herald another 'call to arms' for Europe, compelling it to identify and take seriously its strategic interests and to invest in its own capabilities.

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