

In 2017 Britain will be the world's third biggest defence spender and second biggest aid donor. Indeed, according to IHS Janes Britain will in 2017 spend £54bn or \$66bn on defence, whilst the British government's own figures show that London will spend some £13bn or \$17bn on aid and development. Hoorah!

And yet Britain's defence budget is apparently again in crisis with some estimates suggesting Britain's armed forces face a £20bn/\$26bn funding gap between defence commitments and defence investment. This gap matters. The entire point of Britain's defence strategy is to leverage the power of alliance and coalitions by acting as a leadership hub or 'framework' power in the worst-case event of multiple and simultaneous crises.

Crises in which the US could suddenly find its armed forces stretched to the point that they could not deal effectively and quickly with each and every crisis. Any further retreat from SDSR 2015 would destroy that strategy at a uniquely sensitive political moment. In other words, for all the fanfare about how much Britain spends on defence London does not in fact invest enough to meet all of its stated foreign, security and defence policy commitments. Hence the short-term political attraction of a short-termist political retreat from strategy; London's eternal curse. What is the cause of the crisis, what are the implications, and how can it be 'fixed'?

The word is that after the June 8 general election Prime Minister May may well renege on key elements of the 2015 Strategic Defence and Security Review (SDSR 2015). Specifically, Britain's commitment to create by 2024 a 50,000 strong war-fighting division could be further delayed or abandoned, as well as vital funding cut for the pivotal Joint Force Command. She could also decide to downsize the purchase of Apache attack helicopters, as well as the nine Boeing P8 maritime patrol aircraft (MPA) vital to the defence of both the nuclear deterrent, and the future deployed maritime/amphibious force. Vitally, stocks of munitions essential to enable a war-fighting force to keep war-fighting are likely to be maintained at dangerously low levels for the unforeseeable future.

What are the causes of this crisis? The crisis has undoubtedly been exacerbated by the recent devaluation of the pound and the consequent dollar increase in the cost of equipment. However, at root the cause is the sleight of political hand London has consistently employed to pretend it spends 2% GDP on defence to meet the NATO Defence Investment Pledge.

In my November 2015 evidence to the House of Commons Defence Committee I warned of this very crisis and used facts to support my case. To cut a long story short by including the cost of the nuclear deterrent, pensions and other financial liabilities, together with the cost of civilian intelligence agencies in the defence budget, the ends, ways and means of Britain's defence no longer add up. In other words, Britain can afford a strategic nuclear deterrent, world-class intelligence services, or a power projection conventional force, but not all three at the same time on this budget.

What would be the implications of a retreat from SDSR 2015? Britain's already rocky credibility would take a further, possibly fatal, blow. May would certainly damage US-UK relations just at the moment President Trump is due to visit the UK, and at a time when she is in desperate need of US support. Transactional Trump is clear; May will get US support to ease any potential Brexit damage, but only if Britain is seen to support the US, particularly over the use of force. She would also weaken a key pillar of Britain's influence during the coming Brexit negotiations. For all the theatrical nonsense that emerged from the EU's anti-British Brexit mini-summit on Saturday, most EU member-states know only too well that if they push punishment of Britain too far the British people may well turn around and say (to use Yorkshire diplomatic language) 'OK, bugger off and defend yourselves'.

However, NATO would likely be the biggest victim of an SDSR retreat and Britain's influence within it. I am the lead writer a major new report on NATO Strategic Adaptation. The Steering Committee comprises some of the Alliance's leading

diplomatic and military figures. The message is clear; the Alliance must be properly 'adapted' to meet the manifold challenges, risks and threats of the twenty-first century. At the very least that means all the NATO nations spending 2% GDP on defence as a minimum and spending it well. Britain has a chance to lead by example. It must not miss that chance.

What options are available to London to fix the crisis? Diverting some of Britain's enormous aid budget is one option, at least for a time. Now, I am not one of those who get too exercised by the solemn commitment of London to spend 0.7% GDP on aid and development. The power and influence a state exercises comes in many forms, and one such lever is effective aid spending. Unfortunately, Britain's aid spend too often works against Britain's security and defence interests. The absence of a coherent strategy and the need to meet a fixed spending target leads to a mad scramble at the end of each financial year to find projects upon which to spend. Consequently, as the House of Commons has shown, millions of pounds of unaudited British taxpayer's money probably finds its ways into the coffers of despots, criminals, and even terrorists. It is for that reason a direct link can be established between the amount London chooses to spend on defence and the amount it spends on aid.

Uncomfortable policy choices will now need to be made. The options are fourfold: withdraw from SDSR 2015 and face a concomitant loss of influence and credibility; increase taxes to ease the defence funding crisis; move moneys from other parts of the foreign and security policy budget; and/or drive further 'efficiencies' in spending. If SDSR 2015 is to be salvaged, and with it Britain's defence credibility, London must contemplate acting on at least three of the four options; raising taxes, driving forward efficiencies, and shifting some money from the aid budget. After all, the first responsibility of the state is the defence of the realm.

For Britain to withdraw from its SDSR 2015 commitments at this particularly 'strategic' moment would be a dereliction of national duty and once again reveal the strategic malaise at the heart of Whitehall; a Britain that recognises only as much strategic threat as political short-termism can afford. It is time for London for once to be grown-up about defence.

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