



## Developments in U.S. Defence Spending: Implications for NATO

Artur Kacprzyk

After a few years of increases, U.S. defence spending is likely to stagnate. At the same time, the needs related to the U.S. priority of deterring China will grow. The effect will be that the U.S. will continue to call for a greater contribution of NATO members to their own defence, even given the softening of transatlantic tensions and positive signals regarding the U.S. military presence in Europe.

On 9 April, the Biden administration unveiled an outline of its 2022 budget request. It calls for \$715 billion for the Department of Defense, along with an additional \$38 billion for other defence-related spending, mainly maintenance of nuclear warheads by the Department of Energy. The Pentagon would thus receive nominally 1.6% more funding than this year's \$704 billion, but in real terms with inflation taken into account, this would amount to a decline of about 0.5%. It would also be slightly less than the \$722 billion planned for 2022 by the Trump administration. Biden's proposal broadly highlights the defence investment priorities, which will be more detailed in the full budget request in May-June. More complex and long-term changes could later follow from the new [U.S. National Defense Strategy](#) and other strategic documents.

**Defence Investments under Trump.** During the presidency of Donald Trump, U.S. defence spending increased significantly. The additional funding was first and foremost to facilitate the adaptation of the U.S. armed forces, which had been focused on the war on terror for almost two decades and weakened by 2009-2015 budget cuts, to competition with strategic rivals, especially China but also Russia. North Korea, Iran, and terrorist groups were placed further down the list of threats. Between the first and last year of Trump's term, the Pentagon's funding rose by around 10% in real terms, from almost \$666 billion in 2017 to \$733 billion in 2020 (in 2021 constant prices). However, the 2021 budget adopted while Trump was still in office represented an almost 4% real decline. The volume of defence spending depended ultimately on Congress, but

the administration also seemed to constrain its ambitions given the growing budget deficit. The Trump administration planned relatively stable defence spending levels (when adjusted for inflation) in 2022-2025.

The additional funding allowed a strengthening of the U.S. armed forces, but not to the extent declared by Trump and sought by the Pentagon. Attempts to quantitatively expand forces and reverse the cuts that followed the 2007-2008 financial crisis turned out to be way too ambitious. In 2017-2020, the U.S. Army grew from 476,000 to 485,000 soldiers on active duty, while its leadership argued for at least 500,000 and Trump pledged 540,000. The U.S. Navy increased from 279 to 296 manned ships, but was unable to present a credible plan to reach its 355-ship goal. Although the U.S. Air Force declared in 2018 the need for 386 operational air squadrons (including National Guard and Reserve aircraft), the total remained static and it had 312 of these units in 2020. Greater progress was achieved in restoring the readiness of the armed forces—their capability for quick operational use. Apart from the replacement and repair of equipment and filling personnel gaps, these efforts also included an increase in munitions stocks and number of exercises. Arms procurement covered mostly equipment that had already entered production (e.g., F-35 fighters) or was later upgraded (e.g., Abrams tanks), although the Trump administration also invested substantially in research and development of new systems. In the 2020 budget, this line item received record funding of some \$107.5 billion.

**Biden's Announcements.** President Joe Biden's initial budget proposal reflects the reluctance of his administration to make significant cuts in defence spending. It lists the same military threats as during Trump's term, also clearly recognising China as the biggest of them (that country is the world's largest military spender after the U.S., with \$209 billion to be spent officially in 2021, although the Pentagon has long disputed these figures as understated). At the same time, the Biden administration argues that in recent years internal policies (including healthcare, education, housing, science, environmental protection), diplomacy, and development and humanitarian aid were underfunded and not treated on par with defence. In effect, it requests a nominal 16% increase in non-defence spending, to \$769 billion. Biden's proposal attempts to find middle ground between the political extremes of progressive Democrats and many Republicans. The former seek at least a 10% cut in defence spending, although they do not constitute a majority of their own party. Republicans, in turn, demand annual real 3-5% increases. During Trump's term, the Pentagon saw this as necessary to effectively compete with the growing military power of China and other adversaries.

The Biden administration's approach to defence spending appears to stem also from putting the quality of armed forces above size. The initial budget request prioritises the development of a new generation of arms and equipment, utilising innovative technologies (e.g., artificial intelligence, quantum computing). This implies an acceleration and broadening of works conducted during the Trump administration. The proposal also continues the focus on investments in long-range missiles (including hypersonic ones). It also suggests that the Navy will grow further, although to lesser extent than planned so far and with an emphasis on unmanned systems and submarines.

Increased modernisation efforts are to take place at the expense of the earlier retirement of (unspecified) "legacy systems", and presumably personnel cuts as well. This might mean a return, though on a bigger scale, to recently proposed and considered reductions of systems perceived as too vulnerable on the modern battlefield (especially given the growth in missile capabilities) and/or too expensive to maintain, for example, A-10 close air support aircraft, 4<sup>th</sup> generation fighters, cruisers, or aircraft carriers. Discussions in the U.S. also increasingly see suggestions to

cut the funding for land forces, as less important for operations in the Indo-Pacific than naval, air, and space and cyberspace capabilities. It is unclear which steps would be accepted by Congress, as it recently has blocked or limited retirement of equipment and cuts in procurement that would risk reducing the armed forces or losing jobs in the U.S. There are also uncertainties regarding the final scale of the nuclear forces modernisation programme. It is currently under review, and a significant number of Democrats find some of its elements to be too expensive and/or unnecessary.

**Implications for NATO.** While the Biden administration clearly sees countering the threat from China as its top priority, it also stresses it will seek to deter Russia. [The U.S.](#) is also trying to [ease transatlantic tensions](#), which increased during Trump's presidency. These factors argue against potential reductions in the U.S. military presence in Europe. Moreover, the Pentagon confirmed the enhancement of defence cooperation with Poland and declared it will deploy an additional 500 troops in Germany. It halted [Trump's decision](#)—which had elicited bipartisan criticism in Congress—to reduce the U.S. presence in Germany through the relocation of some units within Europe and replacing others with rotations from U.S. territory. The conclusion of the global force posture review and decisions on force structure in Europe are expected in the summer.

Nonetheless, the U.S. focus on Indo-Pacific will limit its ability to deploy additional forces to Europe in case of simultaneous crises in both regions. This problem could be alleviated by a significant increase in the size of the U.S. armed forces (unrealistic in the current budgetary environment) and deepened by reductions (although exact implications would depend on the scale and targets of the cuts). For NATO's Eastern Flank states, the financing and organisation of the U.S. Army will be particularly important, although potential cuts could be targeted at capabilities less important for that region and related to the continued decrease of the U.S. presence in the Middle East. While U.S. engagement in NATO will remain key for deterrence, and the declared acceleration of U.S. armed forces modernisation will be beneficial for the Alliance, its members need to further enhance their own defence capabilities. The Biden administration has continued to call for such efforts, albeit in a much softer way than Trump.