

Annual Defence Report 2018: The Americas

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In the Americas US forces began in earnest the process of re-adapting their force structure to again face down a high-end threat in 2018, while Canada committed to a series of long-term procurement projects. Some Latin American countries managed to enhance their capabilities, but more crucially the region remained free of open conflict. *Michael Fabey, Pat Host, Ian Keddie, Gabriel Porfilio, Ashley Roque, and Daniel Wasserbly* report

US mid-term elections on 6 November altered the balance of power in Washington, DC, with Democrats set to take the reins of defence spending and policy in the US House of Representatives in 2019. The move will require House Democrats and their Senate Republican counterparts to compromise on major issues such as nuclear modernisation, the US Navy's bid for a 355-ship fleet, and arms sales to Saudi Arabia, and more.

Each chamber writes and votes on its own authorisation and appropriations bills, which then must be reconciled before a single version is passed and sent to the president to be signed into law. Both chambers will also need to compromise on setting defence spending levels since congressionally mandated budget caps are set to return in fiscal year 2020 (FY 2020) unless Congress acts.



USS Harry S Truman (CVN 75) is deploying in the Atlantic Ocean to combat a more competitive Russian naval force. (USN)

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Regardless, Pentagon planners are drafting two budgets for FY 2020 because US President Donald Trump said every government department must cut 5% from its budget in the next year. The White House's Office of Management and Budget directed the Department of Defense (DoD) to cut its topline number about a month before the Pentagon was expected to complete its FY 2020 proposal, Deputy Secretary of Defense Patrick Shanahan said in October. Accordingly, the DoD, as it has done in several recent years, is working on two FY 2020 budgets: one with its original USD733 billion top line and another set at the new USD700 billion level directed by the White House.

Shanahan suggested that planned modernisation funding (science and technology, research and development, and procurement) might take the heaviest cut. "[It] comes down to really a judgement call. How fast do we modernise?" he said. "That's probably the biggest knob we have to turn."

Meanwhile, the US government's current FY 2019 budget and near-term spending plans were notable for adding significantly to public debt, accelerating trends that defence officials previously feared could jeopardise long-term discretionary defence spending. In 2010, for example, then-chairman of the Joint Chiefs of Staff Admiral Michael Mullen called the national debt "the most significant threat to our national security". His concern was that interest payments on the debt would squeeze out military resources.

The US Congressional Budget Office (CBO) projected in March 2017 that rising interest rates and growing federal debt would push net interest costs over the long term to 21% of total federal spending by 2047, up from 7% in 2017. In other words triple the amount of funding would be necessary to pay interest on the debt, meaning less funding would be available for discretionary spending on personnel, training, equipment, modernisation, and maintenance, among other things.

In December 2017 Congress passed the Tax Cuts and Jobs Act, which the CBO projected would add about USD1.455 trillion to the national debt over 10 years. The 2018 Bipartisan Budget Act then raised mandated discretionary funding caps for 2018 and 2019 by about USD296 billion. All this increases the US public debt, while interest on that debt also increases – meaning resources will continue to be squeezed from the Pentagon and other government agencies.

Asked by *Jane's* in February this year if the DoD was planning for future pressure on discretionary spending, Pentagon Comptroller David Norquist said he was more concerned about economic growth. Defence outlays in FY 2019 were projected at about 3.1% of GDP. If an economy is growing, then defence outlays become a smaller share of the budget and there would be more room to address deficit spending or lower the debt, Norquist said.

Meanwhile, there are increasing demands on the Pentagon's budget.

The White House has proposed a new 'Space Force' as an independent sixth branch of the US armed forces, which would include its own overhead costs. The Pentagon is also working to address potential new hypersonic weapon technology being explored by China and Russia while preparing for a potential arms race in intermediate-range ballistic missiles (IRBMs) as the US-Russia 1987 Intermediate-Range Nuclear Forces (INF) Treaty, as of this writing, appeared headed for its demise.

The INF Treaty bars ground-launched ballistic and cruise missiles with ranges of 500–5,500 km. On 20 October, however, Trump suggested that the US would withdraw from that treaty, which it first accused Russia of violating in 2014.

US officials have long charged that Russia is not complying with the INF Treaty by fielding its 9M729 (SSC-8) ground-launched cruise missile, which is thought to be based on the Russian Navy's 3M-14 Kalibr land-attack cruise missile. Moreover, China has built significant numbers of IRBMs that would contravene the INF Treaty, although it is not party to the agreement.

If the US withdraws from the INF Treaty a ground-launched IRBM arms race could then occur between Washington and Moscow and potentially also Beijing. There are many US options for developing new systems, such as the US Army's Precision Strike Missile (PrSM) programme, or modifying systems such as the Tomahawk cruise missile, the Standard Missile-3, the Standard Missile-6, or the forthcoming Long-Range Stand-Off cruise missile (LRSO). Additionally, missile defence systems in Asia and Europe are also likely to be a factor.

US aviation

US aviation this year was highlighted by a handful of major contract awards, all won by Boeing. The US Air Force (USAF) awarded the company a contract for T-X, its new advanced pilot training system, and the UH-1N replacement, which is a new nuclear surety and VIP transportation helicopter. The US Navy (USN), meanwhile, awarded Boeing a contract for its MQ-25A Stingray Unmanned Carrier-Launched Airborne Surveillance and Strike (UCLASS) effort.

The T-X contract is worth USD9.2 billion with an initial USD813 million up front for engineering and manufacturing development (EMD). Boeing and Saab AB teamed to offer a clean-sheet aircraft design, beating out rivals Lockheed Martin/Korea Aerospace Industries (KAI) with their T-50 and Leonardo with its T-100.

The UH-1N award, meanwhile, is worth USD2.4 billion for up to 84 aircraft, with USD375 million up front. Boeing offered a militarised version of AgustaWestland's AW139, which prevailed over rival bids offered by Sikorsky and Sierra Nevada Corp (SNC).

Boeing triumphed over rivals General Atomics and Lockheed Martin to secure the MQ-25A award, which could be worth as much as USD805 million. The MQ-25A will be launched by a USN carrier-based air-vehicle operator and will land using the Raytheon Joint Precision Approach and Landing System (JPALS). The USN expects the first MQ-25A flight to occur during FY 2021.

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