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ANALYSIS OF THE ADMINISTRATION'S FY 2003 SUPPLEMENTAL REQUEST FOR THE WAR WITH IRAQ

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On March 25, 2003, the Bush Administration submitted a \$74.7 billion fiscal year (FY) 2003 supplemental appropriations request to Congress. The measure includes \$62.6 billion for the Department of Defense (DoD) primarily to support military operations in Iraq.¹ It also includes \$5 billion in foreign aid for friends and allies in the region, \$4.3 billion for homeland security, and \$2.4 billion for relief and reconstruction assistance.² The request represents the administration's best estimate of what DoD and other federal departments and agencies will need to cover costs associated with the war against Iraq and its immediate aftermath, as well as other costs related to the global war on terrorism, through the end of the fiscal year (September 30, 2003). In brief, this analysis finds that:

- The request appears to represent a reasonable estimate of the costs DoD will incur in FY 2003 related to the war in Iraq and its immediate aftermath. However, additional funding could be required this year, depending how the war with Iraq progresses and the level of effort needed to wage the global war on terrorism (in Afghanistan and elsewhere).
- However much the war in Iraq costs this year, significantly more funding will clearly be needed in coming years.
- Occupation costs could substantially exceed the direct military costs of the war itself. A reasonable estimate of the average number of troops that might be required for occupation and peacekeeping duties might be 20,000-90,000 over the a period of five years. This would equate to five-year occupation costs of some \$25-105 billion.
- Additional funding will also be needed for reconstruction and other kinds of non-military assistance in coming years. The \$2.4 billion included for relief and reconstruction in the FY 2003 supplemental request may represent only a small down-payment on the total amount of funding that will ultimately be required to cover these costs.

COST OF THE WAR

The administration's supplemental request includes \$62.6 billion in DoD funding for "military operations to disarm Iraq and other activities related to the war on terrorism."³ Although some of this funding would also be used to support military operations in Afghanistan and elsewhere, DoD officials have made clear that the vast majority of this funding would be used to pay for military operations in Iraq. DoD's cost estimate assumes a "relatively short, highly intense period of conflict" of *less* than "several months,"⁴ followed by a period of "transitional and stability operations" which would involve efforts to "root out terrorist networks and deal with any remaining pockets of resistance, humanitarian

assistance, and operations to search and destroy Iraqi weapons of mass destruction (WMD).”⁵ The estimate also includes costs associated with mobilizing and deploying US forces to the region, bringing some of those troops back home after the war, and reconstituting those forces once they are back in the United States (e.g., repairing equipment used in the operation).

This estimate of the cost of military operations in Iraq in FY 2003 seems reasonable. Currently the United States has about 250,000 troops deployed in and around Iraq. In February, CSBA estimated that a war against Iraq involving some 250,000 troops and lasting two months would cost roughly \$35 billion.⁶ Assuming most of those troops (e.g., 150,000-200,000 personnel) would remain in Iraq through the end of FY 2003, carrying out “transitional and stability operations,” another \$15-20 billion might be needed. This would bring total DoD costs for the year to \$50-55 billion.⁷ On the other hand, if US forces are engaged in intensive combat operations through the remainder of FY 2003 or a substantially larger number of troops are required, the FY 2003 costs of military operations in Iraq could well exceed the \$62.6 billion included for DoD in the administration’s supplemental request.⁸ For example, a six-month conflict involving 350,000 troops might incur costs of some \$85 billion in FY 2003.⁹

COST OF THE GLOBAL WAR ON TERRORISM

Whether the administration’s FY 2003 supplemental request will prove adequate to cover the costs associated with the war in Iraq may also depend in part on how much funding is needed to cover the cost of the global war on terrorism, including Operation Enduring Freedom (OEF) in Afghanistan and some homeland security activities. The administration has emphasized the need for the proposed FY 2003 supplemental to pay for operations in Iraq, both in its testimony and budget documents. But the administration has also indicated that funding in the supplemental would be used to pay for other military operations related to the global war on terrorism. Whether the funding in the supplemental, combined with funding already provided in the FY 2003 Omnibus Appropriations Act passed in March, is expected to cover all of the costs related to the global war on terrorism is unclear. During a DoD briefing on the supplemental request, a senior DoD official stated that the request was “directed to the Iraqi requirement,” but he also noted that “we hope we will have enough to cover OEF” as well.¹⁰

Prior to the war in Iraq, the administration had indicated that DoD was spending an average of about \$1.5 billion a month to carry out various operations related to the global war on terrorism, suggesting annual costs of some \$20 billion.¹¹ The FY 2003 Omnibus Appropriations Act included about \$6.1 billion to cover the costs of the global war on terrorism. These figures suggest that DoD might need to use as much as \$14 billion of the \$62.6 billion included in the FY 2003 supplemental request to pay for military operations *outside* of Iraq. This would leave roughly \$50 billion to cover DoD costs related to the war in Iraq and its immediate aftermath. On the other hand, the cost of the global war on terrorism may be less than earlier indicated by DoD.¹²

If executing the global war on terrorism does end up costing as much as \$1.5 billion a month this year (thus requiring as much as \$14 billion more than has already been provided for the effort) and military operations in Iraq cost more than roughly \$50 billion, DoD would likely have to submit another FY 2003 supplemental request later this year to cover those additional costs (since total funding requirements would exceed the \$62.6 billion included for DoD in the recently proposed supplemental).

OCCUPATION COSTS

The administration's supplemental request is only intended to cover those costs associated with military operations in Iraq or the global war on terrorism that have been, or are expected to be, incurred this year. However, the administration has indicated that US forces will remain in Iraq for a considerable period of time after the war. In February, Marc Grossman, Undersecretary of State for Political Affairs, testified that "even under good circumstances it would probably take two years or more for the [US] military to transfer control of many ministries to Iraqi officials."¹³ Given recent experience in Bosnia, where US forces have been deployed as part of an international peacekeeping force since 1995, it is quite possible that US forces will remain deployed in Iraq for five or more years.

There is also considerable disagreement and uncertainty concerning the size of the occupation force the US military will need to maintain in the country after the war. In late February 2003, General Erik Shinseki, Army Chief of Staff, suggested that "several hundred thousand soldiers" would be needed to occupy the country after the war, noting that it "takes a significant ground-force presence to maintain a safe and secure environment, to ensure that people are fed, that water is distributed, all the normal responsibilities that go along with a situation like this."¹⁴ Two days later, Paul Wolfowitz, Deputy Secretary of Defense, stated that the general's estimate was "wildly off the mark"¹⁵ and press reports indicated that the Joint Chiefs of Staff were tentatively planning for a post-war occupation force of 45,000-65,000 Army troops.¹⁶

Given these significant differences concerning both the duration of the post-war occupation and the size of the US force needed to effectively occupy the country after the war, the potential cost of this mission can be only very roughly estimated. A reasonable range of estimates might be that an *average* of as few as 20,000 US troops or as many as 90,000 troops would need to be kept in Iraq in the five years following the end of the war.¹⁷ These averages would be consistent with a variety of different possible deployment profiles. The high-end estimate, for example, would be consistent with a deployment profile that included 150,000 troops the first year, 100,000 troops the second year, and 65,000 troops in the third and subsequent years. The low-end estimate would be consistent with a deployment profile that included 50,000 troops in year one, 25,000 troops in year two and only some 10,000 troops by the third and subsequent years. Data provided by the Congressional Budget Office (CBO) suggests that the five-year costs associated with these different scenarios would range from about \$25 billion to over \$105 billion (see table).¹⁸

Estimated 5-Year Costs of US Occupation of Iraq

Average Number of Troops	Estimated Cost (FY 03 \$)
20,000	\$25 billion
40,000	\$45 billion
90,000	\$105 billion

Source: CSBA based on CBO and DoD data.

These figures suggest that the direct military costs associated with the post-war occupation of Iraq could exceed the cost of the war itself. They also point to the importance of gaining substantial support among US friends and allies to help with the occupation mission after the war.

NON-MILITARY COSTS

In addition to funding for DoD, the administration's FY 2003 supplemental request contains \$12.1 billion for a variety of other departments and agencies. Specifically, the request includes the following:

- About \$5 billion in military and economic aid for a number of countries in the Middle East which have provided some level of support to US forces in the conflict with Iraq and the global war on terrorism (Israel, Jordan, Turkey, Afghanistan, and Egypt).¹⁹
- Some \$4.25 billion to address homeland security requirements, including \$3.5 billion for the Department of Homeland Security.²⁰
- Roughly \$2.4 billion for relief and reconstruction in Iraq, including about \$1.7 billion to help repair infrastructure functions, such as sanitation and transportation, and \$543 million in humanitarian assistance. According to the administration, about \$1.1 billion of the funding provided for DoD is also related to reconstruction activities, bringing the total level of relief and reconstruction assistance included in the supplemental request to \$3.5 billion.²¹

As in the case of post-war military occupation costs, the administration's FY 2003 supplemental request appears to represent only a down-payment on the non-military costs associated with the war in Iraq. In particular, substantially more funding will likely have to be provided for humanitarian assistance and, especially, reconstruction. By one estimate, the total cost of rebuilding Iraq and providing humanitarian and other assistance, as well as aid to friends and allies in the region, could range from some \$20 billion to as much as \$135 billion over a period of years.²² Among other things, the low-end estimate assumes a relatively modest rebuilding program, while the high-end estimate would fund something akin to the Marshall Plan with which the United States helped rebuild Europe after World War II. In addition, some relief might have to be provided to address Iraq's enormous foreign debt and other financial claims against the country.²³

It is important to understand that these costs would almost certainly not be borne by the United States alone. US friends and allies as well as international financial institutions would likely bear a substantial portion of these costs—although just how much of these costs other countries would be willing to cover is impossible to know at this time.

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¹ Funding including in the supplemental is intended to cover the "incremental" costs of these military operations (i.e., costs above and beyond those normally incurred by DoD in peacetime).

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- ² Office of Management and Budget (OMB), “Request for FY 2003 Supplemental Appropriations,” March 25, 2003, pp. 1-5.
- ³ DoD, “FY 2003 Supplemental Request for Military Operations in Iraq and the Global War on Terrorism,” March 25, 2003, p 4.
- ⁴ DoD, “Background Briefing on Budget Supplemental,” News Transcript, March 24, 2003, p. 4.
- ⁵ Secretary of Defense Donald H. Rumsfeld, “FY 2003 Emergency Supplemental,” Testimony before the Senate Appropriations Committee, p. 2.
- ⁶ Steven M. Kosiak, “Potential Cost of a War with Iraq and Its Post-War Occupation,” *CSBA Backgrounder*, February 25, 2003.
- ⁷ This estimate assumes roughly five months of peacekeeping in FY 2003 and costs of about \$19,000 per troop. This estimate is derived from data provided by the Congressional Budget Office (CBO). Dan Crippen, Director of CBO, Letter to Senator Kent Conrad and Representative John Spratt concerning the cost of possible military operations against Iraq, September 30, 2002, p. 5.
- ⁸ At press time, the administration had reportedly decided to increase the number of US troops in Iraq by at least 30,000 troops. “US Calls Up 30,000 New Troops,” *Times Online*, March 27, 2003, www.timesonline.co.uk/printFriendly/0,,1-6047-625152,00.html.
- ⁹ Kosiak, p. 3.
- ¹⁰ DoD, Background Briefing, pp. 7-8.
- ¹¹ *Ibid.*, p. 8.
- ¹² According to a senior DoD official, among other things, costs may be lower in part because some of the troops in the Middle East region that were earlier expected to be used in OEF are now instead being used in support of the war in Iraq. *Ibid.*, p. 8. In any case, DoD has provided little explanation in the past for its estimate that \$1.5 billion per month was required to pay for the global war on terrorism. Based on the cost of past military operations and the relatively small number of troops currently deployed in Afghanistan, it is unclear whether even half this amount would be needed to cover those costs.
- ¹³ James Dao, “US Officials Disclose Plans To Rebuild Iraq, Seeing 2-Year Occupation,” *New York Times*, February 12, 2003.
- ¹⁴ “Thousands More Troops Needed for Iraq,” *NewsMax Wires*, February 26, 2003, p. 1, www.newsmax.com/archives/articles/2003/2/25/205859.shtml.
- ¹⁵ Eric Schmitt, “Pentagon Contradicts General on Iraq Occupation Force’s Size,” *New York Times*, February 28, 2003.
- ¹⁶ David Moniz, “Army’s Top Leaders, Rumsfeld Lock Horns—Again,” *USA Today*, March 14, 2003, p. 5.
- ¹⁷ Kosiak, pp. 3-4.
- ¹⁸ *Ibid.*
- ¹⁹ OMB, p. 3.
- ²⁰ *Ibid.*, p. 5.
- ²¹ *Ibid.*, p. 6.
- ²² Gordon Adams and Steven Kosiak, “The Price We Pay,” *New York Times*, February 15, 2003, p. A31. These figures are the authors’ estimates based on data from a variety of sources, including the Asian Development Bank, the Center for Strategic and International Studies, CBO, the Council on Foreign Relations, the United Nations, the World Bank, and economist William D. Nordhaus.
- ²³ Iraq’s total foreign debt amounts to about \$62 billion. In addition, Iraq owes as much as several hundred billion dollars related to reparations payments to Kuwait, and other claims and contracts. Adams and Kosiak.