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## **POTENTIAL COST OF A WAR WITH IRAQ AND ITS POST-WAR OCCUPATION**

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The Bush Administration has made clear that it expects to soon begin military operations against Iraq, very possibly within the next several weeks. One of the factors that should be considered before a decision is made to initiate a war with Iraq is the likely financial and economic costs of such a war, as well as the costs of any post-war occupation, humanitarian assistance and reconstruction activities. In deciding whether to begin this war, it may be appropriate to give greater weight to political, strategic and humanitarian interests than to the likely financial and economic costs and consequences of the war, but those costs should at least be considered. This *Background* provides a range of estimates related to a subset of those potential costs. Specifically, it focuses on the direct military costs to the United States of a war with Iraq and the post-war occupation of the country. It also briefly discusses some of the non-military costs that might be incurred in the aftermath of a war.

This analysis finds that:

- Given the great amount of uncertainty surrounding the size of the US force that will be required, the level of resistance that will be offered, the duration of the conflict, the level of allied participation, and other factors, it is impossible to provide more than a very rough estimate of even the direct military costs of a war with Iraq and its post-war occupation.
- Based on publicly available information, a reasonable estimate of the number of US troops that might ultimately be deployed to the Gulf region would be 175,000 to 350,000. Assuming the war were to last from one to six months, this suggests that the direct military costs of the war could range from as little as \$18 billion to as much as \$85 billion, roughly the cost of the 1991 Gulf War.
- Occupation costs could far exceed the direct military costs of the war itself. A reasonable estimate of the average number of US troops that would be required for occupation and peacekeeping duties after a war might be 20,000 to 90,000 over the next five years. This would equate to five-year costs of roughly \$25-105 billion.
- Even a relatively small occupation force could greatly exceed the size of past US deployments to peacekeeping missions (e.g., in Bosnia and Kosovo, where the US military has had an average of about 10,000 troops stationed over the past few years). The need to maintain this presence over a period of years could impair the ability of the US military to recruit and retain quality personnel, and to carry out some other important military missions. On the other hand, the fact that the US military would no longer have to plan and prepare for a possible future war with Iraq might offset the risks associated with lower readiness levels.

- Although the focus of this analysis is on direct military costs, it is important to understand that those costs could be substantially exceeded by various non-military costs associated with the war and its aftermath. By one estimate, those costs include roughly \$6-10 billion for aid to allies in the region, \$1-10 billion for humanitarian assistance, \$5-12 billion for governance activities, \$10-105 billion for reconstruction and recovery, and \$62-361 billion for debt relief and related costs.<sup>1</sup> On the other hand, these costs would almost certainly be borne not just by the United States, but by US friends, allies and international financial institutions.
- In weighing the merits of military action, it is also important to understand that there could be substantial financial costs associated with foregoing or delaying military action. It is clear that Iraq's willingness to accept the return of UN weapons inspectors has been due largely, if not entirely, to the existence of US military forces in the region and the threat of imminent attack posed by the US military. Maintaining this posture could cost a billion dollars a month, or more. In addition, over time, it could have a deleterious effect on the readiness of the US military. More generally, if an effective and durable peaceful solution to the current crisis cannot be found, it is possible that the failure to take military action today could necessitate waging a war in the future that would be even more expensive, both in terms of direct military costs and non-military costs.

## **HOW MUCH IS A WAR LIKELY TO COST?**

The direct military costs of a war with Iraq can be only very roughly estimated. There is substantial disagreement and uncertainty concerning the size of the US force that will be required to fight the war, the level of resistance that will be offered, the duration of the conflict, the level of allied participation, and other factors that could significantly affect the cost of the war. The approach used in this analysis was to generate three different scenarios which appear to represent a reasonable range of possible requirements, both in terms of force levels and conflict duration.

The first scenario assumes the war would involve 175,000 US troops deployed to the Persian Gulf region and would last one month, about two weeks less than the 1991 Gulf War. The second scenario assumes that a total of 250,000 US troops would be deployed to the region and that the war would last about two months, two weeks longer than the last Gulf War. The third scenario, assumes that a total of some 350,000 US troops would take part in the war, and that the conflict would last about six months. Most military experts appear to believe that such a lengthy war is unlikely. However, given the level of uncertainty inherent in any major military operation (especially, perhaps, one in which chemical or biological weapons might well be used), the possibility of a prolonged conflict should be considered.

In order to estimate the direct military costs of each of these scenarios two sources of data were relied upon. One source is a range of estimates derived by the Congressional Budget Office (CBO) concerning the costs of various aspects of a possible military operation against Iraq.<sup>2</sup> This data is supplemented by Department of Defense (DoD) estimates of the direct military costs of the 1991 Gulf War. In both cases, the estimates reflect the extra or *incremental* costs of conducting military operations—costs above and beyond those that would be incurred by DoD as part of its normal peacetime operations.<sup>3</sup>

According to CBO, deploying a force of 250,000-350,000 US troops to the Gulf region, would cost about \$9-13 billion, the war itself would cost roughly \$8-9 billion for the first month, and \$6-8 billion for subsequent months, and redeploying troops back to the United States would cost \$5-7 billion.<sup>4</sup> These estimates suggest that the cost of the scenarios outlined above would range from about \$15 billion to

\$68 billion. Another approach to estimating the costs of the a war with Iraq would be to assume that it will cost roughly the same amount as the 1991 Gulf War, adjusted for differences in the size of the US force involved and the duration of the conflict. This would suggests that the three scenarios outlined above would incur direct costs ranging from about \$22 billion to \$100 billion.

Rather than choosing one of these two approaches, this analysis assumes that actual costs for the three scenarios would range from about \$18 billion to \$85 billion, with these figures representing roughly the midpoint between the estimates derived through the two different approaches. In the 1991 Gulf War, US friends and allies covered almost 90 percent of the incremental costs incurred during the operation. By contrast, it seems unlikely that contributions from other countries would cover much, if any, of the costs incurred by DoD in a second war against Iraq. Table 1 summarizes the three scenarios and the costs associated with each one.

**Table 1: Rough Estimate of Direct Military Costs of a War in Iraq**

Number of Troops	Duration of War	Estimated Cost (FY 03 \$)
175,000	1 month	\$18 billion
250,000	2 months	\$35 billion
350,000	6 months	\$85 billion

Source: CSBA based on CBO and DoD data.

## **HOW MUCH IS THE POST-WAR OCCUPATION OF IRAQ LIKELY TO COST?**

As with the costs of the war itself, the direct military costs of occupying Iraq in the war’s aftermath can be only very roughly estimated. The level of disagreement and uncertainty surrounding the size of the occupation force that may be needed in Iraq and the duration of that occupation is, if anything, even greater than the uncertainty surrounding the war itself. Among other things, the size and duration of the US occupation force required after the war would depend on four factors: the attitude of the Iraqi population toward the US presence; the amount of tension or hostility between different ethnic groups within Iraq; the degree of participation by US friends and allies in carrying out occupation duties; and the goals of the occupation—the more ambitious the goals, the larger and longer the occupation that would likely be required.

According to Bush Administration officials, current plans call for a US general to be placed in overall charge of Iraq for at least two years.<sup>5</sup> The administration, has not, however, indicated the overall size of the US force that would be needed for peacekeeping or the likely length of the occupation. Estimates of the size of the occupation force that might be needed range from about 75,000 to 200,000 troops.<sup>6</sup> Past experience in Bosnia, Kosovo and elsewhere, suggests that the size of the force could be reduced over time. Thus, for example, while a force of 75,000 troops may be required the first year after the war, it might be possible to cut the size of the occupation force to 50,000 troops the second year, and to 25,000 troops over the following three years. Such a deployment profile would result in an *average* of some 40,000 troops being stationed in Iraq over the next five years.

As in the case of estimating the cost of a war with Iraq, the approach used in this analysis to estimate the potential cost of the post-war occupation of the country is to consider a range of possible requirements. Table 2 shows the costs associated with maintaining *average* forces of between about 20,000 and 90,000

US troops in Iraq over the next five years. 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. The cost estimates for these force levels are based on CBO estimates of the incremental costs of peacekeeping operations.<sup>7</sup> As Table 2 indicates, the five-year costs associated with these different scenarios range from about \$25 billion to over \$105 billion.

**Table 2: 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 potential importance of gaining substantial support among US friends and allies for a war in Iraq. In Kosovo, for example, the US military fought and won the war almost single-handedly, but was able to rely on friends and allies to provide the vast majority of the follow-on peacekeeping force. The situation in Bosnia followed a similar pattern. In both countries, today US troops account for only 15-20 percent of the overall peacekeeping force. It seems doubtful that the US military will be able to hand over responsibility for the occupation of Iraq in a similar manner. However, the more support the Bush Administration can generate among friends and allies for the attack, the more likely it is that non-US forces will be able to relieve the United States of a significant portion of the burden of occupation—and the more likely it is that US costs will range toward the low end, rather than the high end, of the estimates provided in this analysis.

## **POTENTIAL IMPACT OF THE POST-WAR OCCUPATION OF IRAQ ON THE READINESS OF THE US MILITARY**

In addition to financial costs, the long-term occupation of Iraq by US troops could have a negative impact on the ability of the US military to recruit and retain quality personnel, and to carry out some other important military missions. During the Clinton Administration, the US military became involved in long-term peacekeeping missions in Bosnia and Kosovo. Some military leaders and others argued that involvement in these operations was causing significant strains in the US military. Among other things, they argued that involvement in these operations: resulted in lower mission-capable rates for many weapons systems (because of higher usage rates); reduced the time available for combat training; limited the ability of the US military to redeploy forces in the event of war; and led to personnel retention problems, as troops had to spend more time away from home. In the 2000 presidential campaign, candidate-Bush was among those who raised concerns about the impact of peacekeeping missions on military readiness.

If the US peacekeeping presence in Bosnia and Kosovo—which has involved an average of about 10,000 troops in recent years—has indeed significantly undermined the readiness of the US military, it follows that a long-term occupation of Iraq, which might well involve several or even many times that

number of troops, could do a great deal more damage. Military officials have in the past stated that in order to maintain a single unit overseas, another two or three units must typically be available as a rotation base.<sup>8</sup> In other words, supporting 10,000 troops overseas could require a total of as many as 30,000-40,000 troops. If this same metric were applied to potential occupation force in Iraq, it would suggest that supporting a force of 20,000 to 90,000 troops in Iraq would actually affect the readiness and availability for other missions of 60,000 to 360,000 US troops.

On the other hand, these figures may overstate the impact of a long-term occupation of Iraq on the readiness of the US military. Notwithstanding the concerns raised by candidate-Bush in 2000 and others throughout the late 1990s, it is not clear that US involvement in peacekeeping operations in Bosnia and Kosovo had a significant negative impact on military readiness. Overall, the impact of these operations on military readiness appears to have been relatively modest, and in some cases, mixed. Perhaps more importantly, if the US military were to defeat Iraq, one of the most significant major regional powers against which the US military has, for the past two decades, planned and prepared to fight, would disappear as a military challenge. The disappearance of this threat might offset at least some of the risks associated with the lower readiness levels that might result from the occupation of Iraq.

## **POTENTIAL NON-MILITARY COSTS OF REBUILDING IRAQ**

Although the focus of this analysis is on direct military costs, it is important to understand that those costs could be substantially exceeded by various non-military costs associated with the war and its aftermath. By one estimate,<sup>9</sup> non-military costs incurred over the next five years or so could include:

- \$6-10 billion for aid to friends and allies in the region, especially, Turkey, Jordan and Israel. In part, this aid is needed to gain access to bases in the region for US forces.<sup>10</sup>
- \$1-10 billion for humanitarian assistance. These funds would, for example, be needed to pay for emergency food and medical supplies for the Iraqi civilian population.
- \$5-12 billion for governance activities, such as paying Iraqi civil service and police salaries.
- \$10-105 billion for reconstruction and recovery. 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.<sup>11</sup>
- \$62-361 billion for debt relief and related costs. The low-end estimate represents Iraq's foreign debt. The high-end estimate also includes both settled and unsettled claims, and reparations to Kuwait.

It is important to understand that these costs would almost certainly not be borne by the United States alone. US friends and allies, and international financial institutions would likely bear a substantial portion of these costs. Although just how much of these costs the United States could avoid would likely depend, at least in part, on how successful it was in gaining broad international support for the war.

Over the long term, at least, Iraqi oil production would be expected to increase, and oil production would presumably remain the core of the Iraqi economy for the foreseeable future. However, it would probably be a mistake to assume that Iraqi oil revenues could be used in the post-war period to

reimburse the United States for any costs it incurred in waging the war to oust Saddam Hussein, or in the subsequent occupation mission. Depending on how extensively Iraq's oil production capabilities were damaged during military operations (or intentionally sabotaged by Iraqi forces), it could be years before production levels could be increased beyond today's levels. More importantly, given the enormity of Iraq's reconstruction requirements and the size of its foreign debt, if the Bush Administration's goal is to turn Iraq into a stable, pro-US democracy, it would probably prove counterproductive to use Iraqi oil revenues to reimburse DoD for its costs.<sup>12</sup>

In addition to the non-military costs outlined above, it is possible that a war with Iraq could have broader economic consequences. Estimating these costs is even more speculative than estimating the costs of military operations or the cost of rebuilding Iraq after a war. Nevertheless, the costs could be significant. By one estimate, if a war with Iraq were to substantially disrupt oil supplies, it could cause an "oil shock" that could result in a reduction in real national income for the United States of \$175 billion the first year and billions more over the course of the decade.<sup>13</sup> Moreover, the oil shock could, in turn, tip the US economy into recession, causing economic losses of another \$391 billion.<sup>14</sup> On the other hand, if the war is short and decisive, the impact on oil prices and the US economy could be very modest, and might even be modestly positive.<sup>15</sup> Moreover, in the context of a US economy of some \$11 trillion annually, even a relatively severe oil shock might not prove too disruptive or costly.

## **POTENTIAL COSTS OF INACTION**

In weighing the merits of military action, it is also important to understand that there may be substantial financial costs associated with foregoing or delaying military action. It is clear that Iraq's willingness to accept the return of UN weapons inspectors has been due largely, if not entirely, to the existence of US military forces in the region, and the threat of imminent attack posed by the US military. This strongly suggests that sustaining an enhanced inspection regime over the long-term would require maintaining a substantial US presence in the region as well. Just how much of a presence would be required is unclear. It might not be necessary to maintain a force as large as the force the US military now has in the region, which consists of perhaps 175,000 service men and women.<sup>16</sup> However, even assuming that only some 75,000 troops would be required (triple the number of US troops normally present in the region), the annual incremental costs to DoD might amount to some \$10 billion a year.<sup>17</sup>

In addition, over time, maintaining such a heightened near-war posture could have a negative impact on the readiness of the US military—both to fight in Iraq and to carry out other missions. By giving the Iraqi military more time to prepare for an attack, any delay could also reduce the odds of winning the war quickly and decisively, especially if Iraq were to use the time to improve its WMD capabilities. More generally, it is possible that the failure to take military action today could necessitate waging a war in the future that would be even more expensive, both in terms of direct military costs and the non-military costs discussed in the preceding section of this analysis.

## **CONCLUSIONS**

As the analysis in this *Backgrounder* suggests, the United States is likely to incur substantial financial costs if it invades Iraq. Moreover, the cost of occupying Iraq after the war could exceed the cost of the war itself. And non-military costs associated with rebuilding Iraq and providing other kinds of assistance could well exceed the direct military costs of both the war and the subsequent occupation of the country. However, it is impossible to determine with much certainty and precision just how much a war with Iraq

would cost, or how much would need to be spent on peacekeeping or reconstruction and other non-military activities after the war. This is because there is substantial uncertainty surrounding a wide range of variables that could affect these costs, such as the size of the US force that would be required for the war and occupation duties, the level of resistance that will be offered, the duration of the conflict, and the level of participation by US friends and allies.

The degree to which one can usefully conduct a cost-benefit analysis to help determine the wisdom of launching a war against Iraq is also complicated by the fact that there could be substantial financial cost associated with a failure to act, or a decision to defer an attack, as well. This does not mean that the financial costs discussed in this analysis have no bearing on the merits of a decision to go to war. It does, however, suggest that, by themselves, these considerations do not offer a clear-cut answer to the question of whether or not such a decision is in the best interest of the United States. Thus, in the end, in making this decision, it may be appropriate that political, strategic and humanitarian interests be given greater weight than the likely financial and economic costs and consequences of the war. Whether those interests provide greater support to those advocating war, or those advocating alternative approaches to resolving the current crisis, is of course a question that lies far beyond the scope of this analysis.

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<sup>1</sup> Gordon Adams and Steven Kosiak, "The Price We Pay," *The New York Times*, February 15, 2003, p. A31.

<sup>2</sup> 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, 2007.

<sup>3</sup> Incremental costs include, for example, costs associated with activating reserve personnel, operating equipment more intensively than normal, combat pay, and expending munitions in wartime. They do not include military pay for active duty personnel, the cost of equipping US forces, or the cost of regular day-to-day operations, since those costs would be incurred by DoD even absent a war.

<sup>4</sup> CBO, pp. 9-10.

<sup>5</sup> Barbara Slavin, "US General Would Run Iraq," *USA Today*, February 13, 2002, p. 1.

<sup>6</sup> CBO, p. 5.

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<sup>7</sup> Ibid.

<sup>8</sup> The rotation base consists of units preparing for upcoming deployments and recovering from past deployments.

<sup>9</sup> Adams and Kosiak, p. A31. These figures represent the authors' estimates. They were derived from a variety of sources, including the Asia Development Bank, the Center for Strategic and International Studies, the Congressional Budget Office, the Council on Foreign Relations, the House Budget Committee Minority Staff, the United Nations, the World Bank, and economist William D. Nordhaus.

<sup>10</sup> At the end of February, the United States offered Turkey up to \$6 billion in aid plus perhaps \$20 billion in loan guarantees for Turkish support in the event of a war with Iraq. [www.economist.com/agenda/displayStory.cfm?story\\_id=1591496](http://www.economist.com/agenda/displayStory.cfm?story_id=1591496).

<sup>11</sup> Among other things, these estimates include the cost of repairing and rebuilding Iraqi oil production capabilities. The high-end estimate is taken from William D. Nordhaus, "The Economic Consequences of a War With Iraq," in *War With Iraq: Costs, Consequences, and Alternatives* (Cambridge, MA: American Academy of Arts and Sciences, 2002), p. 66.

<sup>12</sup> In any case, it is unclear how much Iraqi oil production could or would (given the inverse relationship between oil production levels and price) likely be increased after a war. For a discussion of this question, see Nordhaus, pp. 68-73.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., pp. 74-76.

<sup>15</sup> Ibid., pp. 68-76.

<sup>16</sup> On the other hand, since even the presence of roughly 175,000 US troops in the region today has not led Iraq to fully cooperate with UN weapons inspectors, it is unclear whether a smaller force would suffice.

<sup>17</sup> This assumes that 50,000 more troops would be deployed to the region than is typical in peacetime and that the per-troop costs of maintaining this force would be roughly the same as the per-troop costs CBO estimates for peacekeeping missions.