

II. US military expenditure

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Military spending by the United States declined by 7.8 per cent in real terms in 2013, to \$640 billion. Total US military spending includes core spending by the Department of Defense (DOD)—the ‘base budget’—plus spending by the Department of Energy on the nuclear arsenal, spending by the Department of State on foreign military aid and the costs of Overseas Contingency Operations (OCO, foreign military operations).¹ Decreased spending on OCO accounted for around \$20 billion of the total nominal-terms fall of \$45 billion in US military spending in 2013 (see figure 4.4).² This fall was largely the result of US withdrawal from Iraq at the end of 2011; since the US financial year (FY) 2012 ran from October 2011 to September 2012, this was the last financial year in which US troops were present in Iraq, and was when much of the costs of the withdrawal itself fell.

FY 2013 was also the first year in which the US defence budget was subject to the automatic, across-the board spending cuts (‘sequestration’) specified in the 2011 Budget Control Act.³ The Congressional Budget Office (CBO) has estimated that these cuts reduced military spending by a further \$16 billion.⁴ As a result of a new deal agreed by the Congress in late 2013, the cuts from sequestration due to be applied for FYs 2014 and 2015 will only be applied partially.

The 2014 budget deal⁵

Congressional budgetary gridlock continued in 2013, with no budget passed by the Congress by the time that FY 2014 started at the end of September. The failure to even pass a ‘continuing resolution’ to temporarily allow

¹ Table 4.4 below presents data on ‘outlays for National Defense’ as reported by the Office for Management and Budget (which includes the base budget, OCO, nuclear spending and some other items). It does not include spending on military aid (i.e. foreign military finance, international military education and training, and peace operations), which amounted to \$6.8 billion in 2013, or 1.1% of total US military spending.

² The Congressional Budget Office estimates that \$115 billion of the total in 2013 was spent on OCO. US Congressional Budget Office (CBO), *The Budget and Economic Outlook: 2014 to 2024* (US Congress, CBO: Washington, DC, Feb. 2014), pp. 11, 68.

³ Budget Control Act of 2011, US Public Law no. 112-25, signed into law 2 Aug. 2011, <<http://thomas.loc.gov/cgi-bin/bdquery/z?d112:SN00365>>. See also Sköns, E. and Perlo-Freeman, S., ‘The United States’ military spending and the 2011 budget crisis’, *SIPRI Yearbook 2012*; and Sköns, E., ‘US military expenditure’, *SIPRI Yearbook 2013*, pp. 135–39.

⁴ Congressional Budget Office (note 2).

⁵ Figures in this subsection refer to budgetary authority requested by the president and approved by the Congress in its decisions on the defence budget. Budgetary authority gives the DOD permission to spend money for specified purposes, either in the same or in subsequent financial years. In particular, budgetary authority for procurement spending is often used over a number of years. SIPRI figures for US military expenditure, however, relate to outlays for ‘National Defense’, that is,

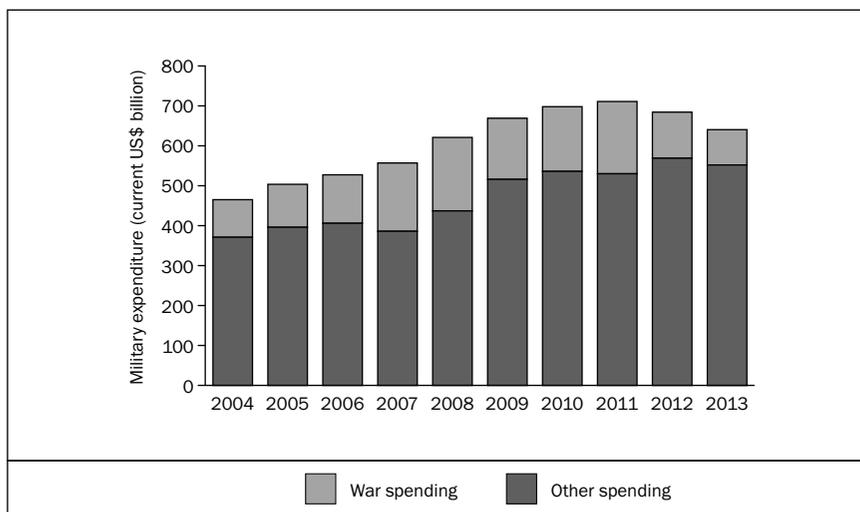


Figure 4.4. US military spending, 2004–13

‘War spending’ refers to spending on the ‘Global War on Terror’ (up to 2008) and Overseas Contingency Operations (from 2009). This includes spending on the wars in Iraq and Afghanistan and on enhanced base security. ‘Other spending’ includes outlays from the base defence budget, by the Department of Energy on the US nuclear weapon programme, by the Department of State on foreign military aid and small amounts of military spending by other departments.

Source: SIPRI Military Expenditure Database, <<http://www.sipri.org/databases/milex/>>.

spending to continue at the previous year’s levels led to a 16-day partial government shutdown in October. The impact on military spending was limited, however, as military personnel and ‘essential’ civilian DOD personnel continued working, although they could not be paid until the end of the shutdown.⁶ In addition, procurement was able to continue as funds appropriated in previous years could continue to be committed. However, 400 000 civilian DOD staff were ‘furloughed’, that is, given unpaid leave of absence.

Following a temporary deal to end the shutdown, a resolution to the budget dispute was agreed by congressional Democrats and Republicans on 10 December 2013, providing for a full funding of the FY 2014 budget.⁷ A spending bill for the whole government, implementing the deal, was passed in January 2014, with \$605.9 billion of budgetary authority for ‘National defense’, including \$85.2 billion for OCO. Discretionary outlays for the year

the money that is actually spent in a given financial year for military purposes, either by the DOD or by other government agencies.

⁶ Weisberger, M., ‘DOD to award contracts throughout shutdown, but won’t announce them’, *Defense News*, 1 Oct. 2013.

⁷ Weisman, J., ‘Capitol leaders agree to a deal on the budget’, *New York Times*, 10 Dec. 2013.

were projected to be \$609 billion, down from an estimated \$629 billion in 2013.⁸ The base DOD budget, at \$487.6 billion, was \$39 billion below the \$526.6 billion in the administration's budget request—which had sought to remove the limits imposed by sequestration altogether—but still \$22 billion higher than what would have been allowed had the sequester been fully imposed. Moreover, the figure for OCO was \$6 billion higher than the administration had requested and included more than \$6 billion in procurement funding, partially offsetting reductions in the base budget.⁹ Several commentators suggested that, since the limits placed on the base defence budget by the Budget Control Act do not apply to OCO, the OCO budget was being used to circumvent those limits.¹⁰

The bill passed by the Congress also raised the spending cap on the defence budget for FY 2015, that had been imposed by the sequester, by \$9 billion.¹¹ While there can be no certainty about what will or will not be agreed by the Congress in 2014 regarding the FY 2015 budget, the tendency implied by the budget deal suggests a relaxation of sequestration in the future as well. While US military spending is still likely to fall in coming years, with the planned withdrawal of most or all US troops from Afghanistan at the end of 2014 (see below), it is likely that these falls will be lower than if the Budget Control Act, including the sequester, had been fully applied. The Budget Control Act, including the sequester, would, nonetheless, have left US military spending comfortably above its level (in real terms) in 2001, before the terrorist attacks of 11 September 2001. Projected outlays for 2014 would leave US military spending slightly above the level of 2004, the first full year of the Iraq War, in real terms (see table 4.4).

Afghanistan

At the time of writing, it is not known how many US troops, if any, will stay in Afghanistan following the withdrawal of most US and International

⁸ Congressional Budget Office, 'Status of discretionary appropriations: FY 2014 Senate', 30 Jan. 2014, <<http://www.cbo.gov/publication/44399>>. Discretionary spending is budget authority that is provided and controlled by appropriation acts and the outlays that result from that budget authority. In contrast, mandatory (or direct) spending is the budget authority provided by laws other than appropriation acts and the outlays that result from that budget authority, such as the more long-term rules for pension and health care spending. Mandatory defence outlays were projected to be an additional \$6.7 billion in 2013. Military aid is not included in either of these figures (see note 1).

⁹ US Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2014* (US Government Printing Office: Washington, DC, 2013), pp. 69–74; Congressional Budget Office (note 8); Bennett, J. T., 'Omnibus spending bill calls for \$93 billion for Pentagon procurement', *Defense News*, 13 Jan. 2014; and Garamone, J., 'U.S. DoD submits requests for 2014 overseas funds, 2013 reprogramming', Press release, US Department of Defense, 20 May 2013, <<http://www.defense.gov/News/NewsArticle.aspx?ID=120087>>.

¹⁰ Bennett, J., 'War funding climbs in omnibus bill for first time since 2010', *Defense News*, 14 Jan. 2014.

¹¹ Congressional Budget Office (note 8).

Table 4.4. US outlays for the Department of Defense and total 'National defense', financial years 2001, 2004 and 2010–14

Figures are in current US\$ b. unless otherwise stated. Years are financial years (starting 1 Oct. of the previous year).

	2001	2004	2010	2011	2012	2013	2014 ^a
DOD, military	290.2	436.4	666.7	678.1	650.9	607.8	593.3
Military personnel	74.0	113.6	155.7	161.6	152.3	150.8	154.3
O&M	112.0	174.0	276.0	291.0	282.3	259.7	272.8
Procurement	55.0	76.2	133.6	128.0	124.7	114.9	92.1
RDT&E	40.5	60.8	77.0	74.9	70.4	66.9	56.0
Other DOD military	8.8	11.8	24.4	22.5	21.2	15.5	18.1
Atomic energy, defence	12.9	16.6	19.3	20.4	19.2	17.6	18.4
Other, defence-related	1.6	2.8	7.5	7.1	7.8	8.0	8.8
Total 'National defense' outlays	304.7	455.8	693.5	705.6	677.9	633.4	620.6
At constant (FY 2009) prices	406.6	533.0	691.3	692.6	659.0	606.6	585.9
As a share (%) of GDP	2.9	3.8	4.7	4.6	4.2	3.8	3.6
As a share (%) of total government outlays	16.4	19.9	20.1	19.6	18.2	18.3	17.0

DOD = Department of Defense; FY = financial year; GDP = gross domestic product; O&M = operations and maintenance; RDT&E = research, development, test and evaluation.

Note: In accordance with SIPRI's definition of military expenditure, SIPRI's figures for total US military expenditure include foreign military aid provided by the US Department of State, in addition to the figures shown here.

^a Figures for FY 2014 are estimates.

Source: US Office of Management and Budget, *Historical Tables: Budget of the U.S. Government, Fiscal Year 2015* (US Government Printing Office: Washington, DC, 2014), tables 3.2 and 6.1.

Security Assistance Force (ISAF) troops at the end of 2014.¹² This will have a significantly impact on US military spending in 2015 and beyond. The USA and Afghanistan agreed the draft text of a Bilateral Security Agreement (BSA) in November 2013 that would provide for a number of US troops to remain in Afghanistan after 2014 in training and support, but not combat, roles.¹³ The number of troops was not specified, but figures of around 8000–10 000 have been suggested. The BSA was approved by a Loya Jirga, a national council of 2500 Afghan political and tribal leaders, in November, but at the time of writing Afghan President Hamid Karzai had still not signed the agreement, saying that it should be the task of the next president, to be elected in 2014.¹⁴ The USA had said that the BSA must be

¹² See chapter 3, section I, in this volume.

¹³ Security and defense cooperation agreement between the United States of America and the Islamic Republic of Afghanistan, Pre-decisional document, Nov. 2013, <<http://mfa.gov.af/en/news/bsa>>.

¹⁴ Popolzai, M. and Brumfield, B., 'Loya jirga approves U.S.–Afghan security deal; asks Karzai to sign', CNN, 24 Nov. 2013, <<http://edition.cnn.com/2013/11/24/world/asia/us-afghanistan-security-agreement/>>.

signed sooner than this, as otherwise it would not have adequate time to plan for a continued presence and would thus have to withdraw all of its troops.¹⁵ Due to the uncertainty, the US administration's budget proposal for FY 2015 included a 'placeholder' for OCO equal to the 2014 level, pending resolution of the question.¹⁶

Regardless of the fate of the BSA, the USA is likely to continue providing substantial military aid to Afghanistan in the years to come. In FY 2012 the US DOD spent \$6.6 billion on the Afghanistan Security Forces Fund, which rose to \$8.3 billion in FY 2013, although this is projected to fall to \$4.7 billion according to the administration's FY 2014 budget request.¹⁷

¹⁵ DeYoung, K., Londoño, E. and Sieff, K., 'Karzai is unlikely to meet deadline on signing long-term security deal, U.S. envoy says', *Washington Post*, 10 Jan. 2014.

¹⁶ For the DOD budget for FY 2015 see US Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2015* (US Government Printing Office: Washington, DC, 2014), pp. 57–62.

¹⁷ US Office of Management and Budget, *Appendix: Budget of the U.S. Government, Fiscal Year 2014* (US Government Printing Office: Washington, DC, 2013), pp. 233–320.