

Reorganizing the Budget to Meet New Missions

Adrian Kendry

Senior Defence Economist

NATO HQ

1110 Brussels

a.kendry@hq.nato.int

The Security Gap between the
Military and Law Enforcement in
Counter-Terrorism: INSS/NDU
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What are the Budgets? Can they be reorganized?

- NATO defense budgets
- The transatlantic gap
- What is the way forward in bridging the budgetary and financial gap in security provision and capability?

What are the new missions?

- The Prague Summit
- The Helsinki Headline Goals
- TMD capabilities to meet WMD
- The War on Terrorism

What are the Gaps?

- The Transatlantic capabilities gap
- The Intra-European credibility gap
- The Transatlantic policy gap
- The Enlargement gap
- The Security gap

The US Defense Budget: the provision for Counter-Terrorism

- FY2003 Request: \$379 bn: [plus \$14.1bn in supplemental 2002 spending plan] 15% above Cold War average for the United States
- Main categories for expenditure:
 - ◆ Transformation capabilities
 - ◆ The War on Terrorism
 - ◆ Pay, Health care and Housing
 - ◆ Substantial increase in Procurement Budget [Legacy and Transformation capabilities]

The US Defense Budget: the provision for Counter-Terrorism

- \$137bn increase in defense expenditure through 2007 [36% above current level]
- \$48bn increase in FY2003: How much is to be spent on Counter-Terrorism?
 - ◆ \$9.4 bn including \$3.2bn for Counter-Terrorism initiatives

The US Defense Budget: the provision for Counter-Terrorism

- Budgetary Request also includes \$38bn for Homeland Security [50% represents new pending]:
 - ◆ Securing Borders \$10bn
 - ◆ Aviation Security \$5bn
 - ◆ Crisis Management \$3bn
 - ◆ DoD Initiatives \$7bn
- Is the balance between expenditures on offense and defense optimal?

The United States Fiscal Balance

■ CBO Estimates:

◆ March 2002:	Surplus of \$5bn	2002
◆ Sept 2002:	Deficit of \$157bn	2002
◆	Deficit of \$145bn	2003
◆	Deficit of \$111bn	2004
◆	Deficit of \$ 39bn	2005

Non-Federal and Private Expenditures from 9/11

■ Direct Costs:

◆ Deaths and Injuries:	\$40bn
◆ Foregone economic output:	\$47bn
◆ Property Damage:	\$13bn
◆ Damage to Public assets/vehicles	\$ 2.35bn
◆ Loss of corporate equipment/software	\$ 3.2bn
◆ Loss of 4 aircraft	\$.4bn

Non-Federal and Private Expenditures from 9/11

- Indirect Costs:
 - ◆ International Trade
 - ◆ Travel and Tourism
 - ◆ Global Insurance
 - ◆ Excessive production and consumption of security

Are Defense Budgets fungible?

- What is meant by defense expenditure? The NATO definition and experience
- What is happening to European defense budgets? Is there evidence of capabilities improvements?
- Can Europe afford the Headline Goal force: or a NATO raid response force?
- How do we account for Carabinieri, Guardia Civil, Border Guards and interior forces?
- Given Europe's border structures, can budgets be directed toward more paramilitary capabilities for security enforcement?

Budgetary Allocation and the efficient resource management of defense and security

- Europe's armed forces
- Redefining the commitments: capabilities to meet WMD and other asymmetric threats
- Can dual use capabilities be acquired? Internal and External security capabilities?
- Changing European and US perceptions on partnership in defense and security

The Transatlantic Capabilities Gap

■ The Transatlantic Gap:

- ◆ US Defense Expenditure: 2001 \$306bn
- ◆ US Defense Expenditure: 2003 \$380bn
- ◆ Europe Defense Expenditure: 2002 \$159bn
- ◆ EU spends a little more than 40% of US
- ◆ EU projects 10% of US capabilities
- ◆ US expenditure per soldier \$ 28,000
- ◆ Europe expenditure per soldier \$ 7,000
- ◆ 2001: EU defense R&D fell by 2%
- ◆ 2003: US defense R&D to rise by 11% [\$13bn equal to R&D in Germany and France]