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Iraq Cost Could Mount to \$100 Billion

Impact on Other Programs Feared

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The cost of the war and occupation of Iraq could reach \$100 billion through next year, substantially higher than anticipated at the war's outset, according to defense and congressional aides. This is raising worries that other military needs will go unmet while the government is swamped in red ink.

The cost of the war so far, about \$50 billion, already represents a 14 percent increase to military spending planned for this year. Even before the United States invaded Iraq in March, President Bush had proposed defense budgets through 2008 that would rise to \$460 billion a year, up 74 percent from the \$265 billion spent on defense in 1996, when the current buildup began.

At the same time, the federal budget deficit is exploding. This week, officials expect to announce that it will exceed \$400 billion for the fiscal year that ends Sept. 30, the largest in U.S. history by a wide margin. Former White House budget director Mitchell E. Daniels Jr. said last month the deficit should be smaller next year, but economists at Goldman Sachs Group Inc. -- factoring rising war costs -- said Friday the deficit may climb even higher than their previous \$475 billion estimate.

"It's already unclear whether [the Bush defense buildup] is sustainable," said Steven M. Kosiak, a defense budget analyst at the Center for Strategic and Budgetary Assessments. "Add another \$50 billion, and it's doubly unclear."

Administration officials concede that spending levels in Iraq are considerably higher than anticipated. At the onset of war, Dov Zakheim, the Pentagon's chief financial officer, said post-combat operations were expected to cost about \$2.2 billion a month. By early June, he had adjusted that forecast to \$3 billion. But with about 145,000 U.S. troops still in Iraq, some under fire, costs have continued to climb.

The average monthly "burn rate" from January to April, a span encompassing the "heavy combat" phase of the war, was \$4.1 billion, Zakheim said. That is not much higher than current expenditure rate of \$3.9 billion a month for the occupation, even though most of the Navy and Air Force contingents have been sent home.

"We've peaked out," Zakheim said, "but we are still there in a way that we perhaps didn't think we would be at this point."

Defense experts worry that the cost of actual operations in Iraq understates the impact of those operations on military and federal spending. Indirect costs of a protracted conflict could include new funding for military recruiting and the retention of exhausted troops ready to leave the services, Kosiak said.

If 100,000 or more troops remain in Iraq a year from now, there will be political pressure to increase the overall size of the Army. Rep. Duncan Hunter (R-Calif.), chairman of the Armed Services Committee, said Friday he would seek to add two new heavy divisions to the existing 10, or as many as 32,000 troops. Hunter inserted language in the defense authorization bill pending in Congress to prohibit any

base closings that would harm the Army's ability to field 12 divisions.

During the 2000 presidential campaign, Republicans contended that President Clinton had stretched the military too thin with the deployment of 10,000 troops in the Balkans, Kosiak noted. Now, there are 16 times that many soldiers in Iraq and Afghanistan alone, and the grumbling is beginning again. Sens. James M. Inhofe (R-Okla.) and Jack Reed (D-R.I.) practically pleaded with Defense Secretary Donald H. Rumsfeld for a larger Army when he appeared last week before the Armed Services Committee.

"I know your close communications with the [Army] Reserve component will convince you, as it's convinced me and many of the members of this panel, that there's got to be relief," Inhofe told Rumsfeld.

Right now, the Army's 3rd and 4th Infantry divisions, 3rd Armored Cavalry Regiment, 2nd Armored Cavalry Regiment, 101st Airborne Division, 1st Armored Division and 173rd Airborne Brigade are all serving in Iraq, as are elements of the Army's V Corps, according to the Army. Nineteen of the Army's 33 brigades are deployed abroad. Only one division, the 1st Cavalry, is being held in reserve.

Rep. John M. Spratt Jr. (S.C.), the ranking Democrat on the House Budget Committee and a member of the Armed Services Committee, said the war will likely lead to delays in new weapons purchases and some weapons development.

Loren B. Thompson, a defense analyst at the conservative Lexington Institute, said elements of Rumsfeld's "transformation" of the military into a smaller, quicker force will undoubtedly have to be put on hold.

"The big budgetary question is not what it's costing us today," Thompson said. "It's the costs of reservists not reenlisting. It's the cost of active-duty [troops] giving up on a career that proved just too difficult to sustain, and the costs of equipment that is not being maintained at any level that can be considered adequate."

Pentagon officials are not nearly so pessimistic. Although Zakheim refused to venture how many troops would be in Iraq in a year, Defense Department documents sent to Congress last week indicate the Pentagon "assumes that only a limited number of U.S. forces will remain" there by September 2004. However, Gen. Tommy R. Franks, the retired commander of U.S. forces in Iraq, told lawmakers last week that troops could be in Iraq as long as four years from now.

Zakheim strongly dismissed concerns over morale, troop retention and recruiting.

"The people on the ground really seem to want to stay there," said Zakheim, who recently returned from Baghdad. "Even the people I visited in hospital, their number one objective is to get back into theater. People sign up to do just what they're doing."

Such comments have fueled Democratic criticism that the administration is not facing up to the facts in Iraq, nor is it addressing the hard choices they present.

"It's been hide the ball every step of the way," said Sen. Kent Conrad (N.D.), ranking Democrat on the Budget Committee. "They've consistently understated the cost by a factor of several-fold, and they've done everything they can not to share information."

Said Spratt: "Fifty billion dollars to a \$400 billion deficit -- that's a significant addition that should have

some bearing on tax cuts and other spending decisions."

Two antiwar activists, Elias Vlanton of Takoma Park, and Niko Matsakis of Boston, are keeping a running tally of the war costs on their www.costofwar.com Web site. Among the site's assertions: the \$67 billion spent this year on the war and Iraqi reconstruction could have put 9.5 million more children in Head Start, financed the hiring of 1.3 million schoolteachers, or covered the health insurance costs of 29 million children.

Next year's costs are more difficult to discern. Although the administration has "a pretty good sense of what's going to be on the ground" Sept. 30, Zakheim said, it will not request funding now for Iraqi operations in the fiscal year that begins Oct. 1. The defense spending bills for fiscal 2004 pending in Congress do not provide money for the occupation.

"We at least need to have some good estimates," Spratt said. "This is a big footnote to the budget. The budget does not adequately reflect all the costs that we know are going to be incurred in the coming fiscal year."

Even Republican aides on Capitol Hill complain that the Defense Department has been far too reluctant to own up to the budgetary costs of the war.

Zakheim defended the administration's budget policymaking as "open" and "above board," saying that ongoing military operations have traditionally been funded through emergency budget requests, not the base Pentagon budget.

"It is far more responsible to the taxpayer for us to get a better fix on what the costs are going to be, then come in" with a request, he said. "Maybe in two months' time, things will be so different that everything we're talking about now will be seriously OBE'd" -- overtaken by events.

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