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Down Payment *Defense Guidance, 2013 Defense Budget and the Risks of Sequestration*

POLICY BRIEF



By Travis Sharp

The Pentagon's new strategic guidance and fiscal year (FY) 2013 budget request signal the end of the post-9/11 era for the U.S. military. The guidance endeavors, in its own words, to transition the "[d]efense enterprise from an emphasis on today's wars to preparing for future challenges."¹ Together, the guidance and budget aim to shift the U.S. military's focus from a decade spent fighting two ground wars to a new era in which the United States hopes to spend more time preventing and deterring conflicts than fighting them.

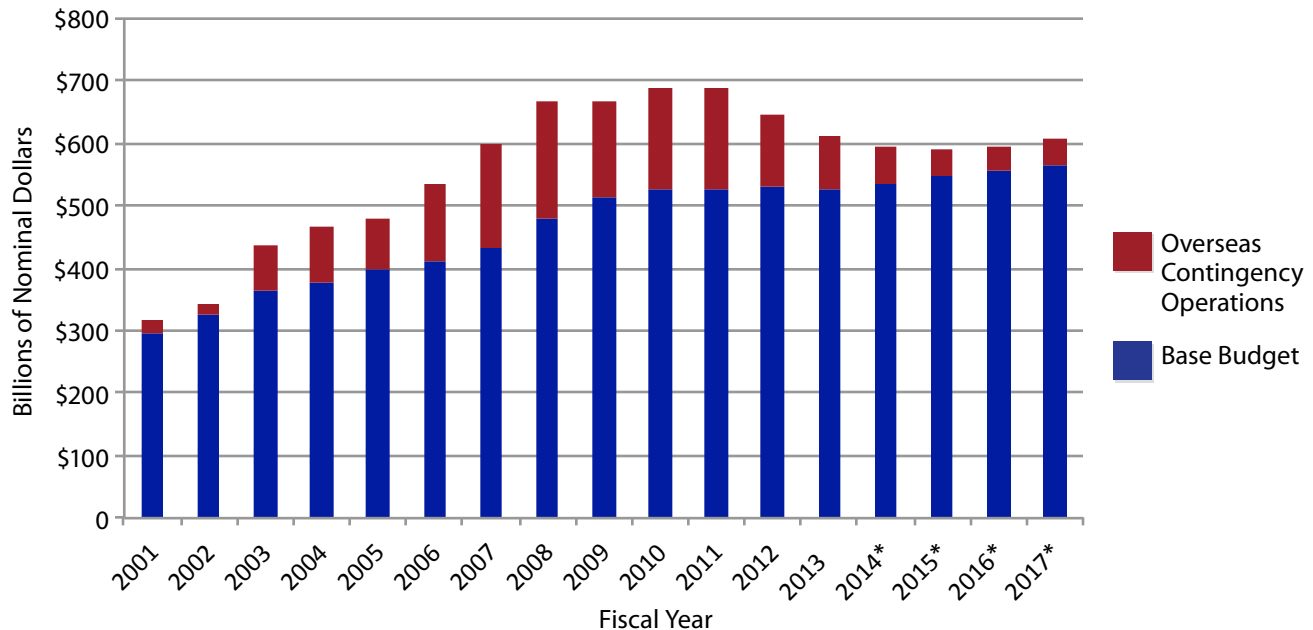
The guidance and budget reflect \$487 billion in cuts over 10 years imposed by the Budget Control Act approved in August 2011 by Congress and President Barack Obama. Instead of taking the easy way out and eliminating expensive military force structure to produce the required cuts, the Department of Defense (DOD) combed through its programs to find other ways to achieve savings, such as adopting better business practices, making small-but-significant reforms to military compensation and benefits, and changing weapons programs to make their development schedules more sustainable.

Embracing these relatively modest and low-risk reforms did not lead to many splashy newspaper headlines, but that is a good thing. Instead, the guidance and budget avoid major disruptions to current U.S. defense plans, which would inhibit America's ability to serve as the linchpin of international peace and security.

However, the guidance and budget make only a down payment on the defense budget cuts that may eventually be imposed through sequestration – the automatic reductions triggered last fall by the failure of the congressional "super committee" to reach a political compromise on deficit reduction. Starting in January 2013, sequestration will increase the amount of defense cuts mandated by the Budget Control Act from \$487 billion – the level reflected in the guidance and FY 2013 request – to at least \$950 billion, according to Pentagon estimates.²

Sequestration is an irresponsible way to reduce defense spending for three reasons. First, the large amount of cuts imposed by sequestration will make it difficult for the U.S. military to pursue its long-standing and generally successful strategy of global engagement.³ Second, the sudden and inflexible process for implementing cuts under sequestration will unnecessarily damage U.S. defense capabilities. Third, sequestration already has failed to achieve

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Sources: Data from Department of Defense and Congressional Budget Office. FY 2001 to FY 2012 are approved budget levels. FY 2013 to FY 2017 are projected levels.

* Supplementals from FY 2014 to FY 2017 are estimates of future levels by the Congressional Budget Office.

its sole purpose, which was to encourage the “super committee” to compromise.

For these reasons, Congress should pass bipartisan legislation to repeal sequestration as soon as possible, and President Obama should sign it. Congress and President Obama should replace sequestration with a bipartisan process to negotiate a comprehensive deficit-reduction package. This type of process has failed before and probably will not make much progress during a presidential election year. Nevertheless, it is the most responsible framework for pursuing changes to federal budgetary priorities. In the meantime, the Budget Control Act’s \$487 billion level of defense cuts should stand. If Congress and the president decide to make further defense cuts beyond that level, they should implement those cuts gradually and

flexibly, while remembering that they must accept more national security risk as the amount of cuts increases.

The remainder of this policy brief will summarize the guidance and budget, analyze their implications for the U.S. military and outline the risks of sequestration.

Summary of Guidance and Budget

To prepare the new defense guidance and FY 2013 budget request, DOD conducted a top-down review that involved the key representatives from the military services and incorporated both strategic and budgetary considerations. In terms of strategy, DOD addressed several major developments since the 2010 Quadrennial Defense Review, including the Arab Spring, China’s

quickenning rise, global economic uncertainty, the death of Osama bin Laden, the U.S. withdrawal from Iraq and the accelerating drawdown in Afghanistan. DOD also revised its five-year spending plans to comply with the Budget Control Act, which requires DOD to reduce its base budget (excluding war costs) by \$487 billion over the next decade.

Some observers have criticized the Obama administration for conducting a review that was purely budget-driven.⁴ Yet this critique overlooks the rigorous review completed by the Pentagon and ignores the fact that bipartisan majorities in the House and Senate endorsed the Budget Control Act that forced DOD to reduce its budget. More generally, it is wrong to criticize defense reviews for incorporating fiscal constraints. A true strategy connects ends, ways and means. Any defense review that ignores real-world budgetary constraints resembles a dream journal more than a military strategy.⁵

By explicitly identifying the Asia-Pacific and the greater Middle East as the two most important regions, the guidance sets clearer priorities than most previous defense planning documents. The new guidance embraces what is best described as a “pivot but hedge” approach to global engagement: The U.S. military will pivot to the Asia-Pacific region but hedge against potential threats in the greater Middle East and elsewhere.⁶ Accordingly, the guidance declares that “U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations” like those undertaken in Iraq and Afghanistan.⁷ Instead, the U.S. military “will of necessity rebalance toward the Asia-Pacific region” by emphasizing current regional alliances, expanding cooperation with emerging partners and making investments as required “to ensure its ability to operate effectively in anti-access and area denial (A2/AD) environments.”⁸ At the same

time, the guidance states that the U.S. military will continue “to place a premium on U.S. and allied military presence in – and support of – partner nations” throughout the greater Middle East.⁹

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The FY 2013 defense budget supports these strategic objectives, but it does not include plans for how DOD would manage sequestration if Congress and President Obama fail to repeal it. The FY 2013 request asks for \$525 billion for DOD’s base budget, which is \$6 billion smaller in nominal terms than the approved FY 2012 budget of \$531 billion.¹⁰ To comply with the \$487 billion in cuts imposed by the Budget Control Act, the FY 2013 request cuts \$259 billion from DOD’s FY 2013 to FY 2017 base budget plans. Despite this reduction to the planned level of spending, DOD’s base budget will still grow modestly each year, reaching \$567 billion in FY 2017.

Implications for the U.S. Military

“Pivot but hedge” is the correct approach for the U.S. military to pursue given its impending transition out of Afghanistan and the emerging trends in the international security environment. As the Asia-Pacific region becomes the centerpiece of the 21st-century global economy, the United States should strengthen its diplomatic and military presence there to protect U.S. economic interests. A bolstered U.S. presence in the Asia-Pacific, featuring increased engagement with all stakeholders,

will clearly convey to allies and potential adversaries that America remains committed to a peaceful and prosperous regional order. Meanwhile, instability across the greater Middle East – from Tunisia to Pakistan – still makes it the most volatile region in the world. The U.S. military must remain ready to protect American interests in the region, which include ensuring the free flow of energy, halting nuclear proliferation and countering violent terrorist organizations.

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Different geographic theaters of operation require different mixes of military forces. While a military operation in any region is likely to require substantial participation by each service, the Asia-Pacific is a vast maritime region that requires strong naval and air forces to project military power. Meanwhile, highly capable U.S. ground forces offer a credible hedge against growing volatility in the Middle East.

To execute its “pivot but hedge” approach under today’s fiscal constraints, the Pentagon’s guidance and budget prioritize naval and air forces and accept risk by cutting ground forces. “There are [many] fewer reductions, I would say, in the things that are focused on the Pacific, to include naval forces,” said Admiral James Winnefeld, vice chairman of the Joint Chiefs of Staff.¹¹ “I believe intuitively that you’ll find the Air Force and the Navy probably did a little bit better proportionally

and financially” because DOD decided not to “just hand out proportional cuts to the services,” he explained in a separate interview.¹² As a result, DOD proposed reducing the size of the active-duty Army from 562,000 to 490,000 and the size of the active-duty Marine Corps from 202,000 to 182,000.

By embracing this approach, Pentagon leaders have wisely broken the “golden ratio,” the historical pattern of allocating the defense budget in equal shares to each of the three military departments – Army, Navy and Air Force. Although maintaining highly capable naval, air and ground forces is necessary to protect America’s global interests, decisions about the services’ capabilities should be based on national security requirements, not on the simplistic idea that every service gets an equal share of the budget. Furthermore, if the United States faces an unexpected contingency in the future – as it inevitably will – additional ground forces can be built up more quickly than additional ships and aircraft, which take decades to design and build. The Army demonstrated this ability from 2007 to 2009, when it added 65,000 active-duty personnel as part of the “Grow the Army” initiative.¹³

Army and Marine Corps leaders express confidence that their forces will remain highly capable despite the personnel reductions. These leaders point out that the ground forces are seasoned by combat, feature more adaptable organizations and new equipment that did not exist a decade ago,¹⁴ and include experienced National Guard and Reserve personnel. The Army and Marine Corps also have vowed to retain more mid-grade officers, whose leadership will be essential to conducting complex operations and expanding the force in the future, should the nation choose to do so.¹⁵

While breaking the golden ratio makes sense in the emerging strategic and fiscal environment, the Pentagon’s approach will create challenges

for the ground forces. DOD intends to complete the planned reductions to the Army and Marine Corps by the end of FY 2017. Downsizing 72,000 soldiers and 20,000 Marines in just five years will require the U.S. military to release service members, some via involuntary separations, into a troubled domestic economy while still conducting intense military operations in Afghanistan. Congress and DOD should work to mitigate the additional stresses that these reductions will place on U.S. ground forces that have borne a tremendous burden over the past 10 years.

Breaking the golden ratio also carries strategic risks that Washington policymakers should not ignore. Although the United States may seek to emphasize the Asia-Pacific, security threats elsewhere – particularly in the greater Middle East – may be more likely to require a military response over the next decade. Making additional cuts to the size and capabilities of U.S. ground forces, which the Pentagon will be forced to do if Congress and President Obama do not repeal sequestration, may leave these forces undersized and ill-equipped for certain types of major contingency operations in the future.¹⁶

Sequestration's Flaws

Despite their merits, the Pentagon's guidance and budget present a bundle of contradictions. The documents seek to project confidence in order to reassure foreign leaders, American citizens and members of Congress who are concerned about defense budget cuts. The documents assert that the cuts will not prevent the United States from continuing to undergird global peace and prosperity at a time when there is growing unease about Iran's nuclear program and China's intentions. President Obama raised the stakes by placing his political imprimatur on the new guidance and budget during a presidential election year. In fact, he spoke at the Pentagon press conference

held to release the new guidance – the first time a president has ever done so.¹⁷ At the same time, the documents express concern about further cuts in order to encourage allies to carry more of the international security burden by increasing their own military capabilities and to motivate Congress and President Obama to repeal sequestration.

By trying to signal confidence and concern simultaneously, the guidance and budget may not deliver either message effectively to U.S. allies, the American public or Congress. Statements made to date by several U.S. allies suggest that they are uncertain about what actions they should take based on the documents.¹⁸ Recent polls show that Americans disagree sharply about whether reducing defense spending will erode current levels of military effectiveness.¹⁹ Few members of Congress have spoken out so far in response to the guidance and budget. Most of those who have commented did so primarily to voice their opposition to DOD's proposal for a new round of base realignment and closure (BRAC), not to address the broader impacts on the U.S. military.²⁰

In a perverse twist, the guidance and budget may have made sequestration *more* likely because they did not propose the types of major cuts to military force structure that might have spurred opposition from members of Congress. With the exception of the reductions to ground forces – which are being downsized because the United States is transitioning away from two ground wars – the budget largely avoids cuts to high-profile forces such as carrier strike groups, fighter wings and combat vehicles. Most lawmakers hate to cut these types of forces because they signal geopolitical strength and create jobs. Other than concerns about BRAC, many members of Congress may look at the proposed cuts, think

that they seem pretty painless, and assume that more painless cuts might be achievable.

It would be unfortunate if DOD's reward for preparing responsible plans for an age of austerity was additional austerity imposed through sequestration, a truly flawed policy. Sequestration would push the defense budget off a cliff in FY 2013 by requiring the Pentagon's annual base budget to be cut from about \$530 billion to \$472 billion, an 11 percent real reduction that DOD must implement in a matter of months.²¹ If President Obama exempts military-personnel costs from these cuts – as he probably will – all other defense programs will be cut by 23 percent in FY 2013 to make up the difference, according to DOD estimates.²² Cutting this much so suddenly would inhibit DOD from implementing cuts flexibly and strategically over the next decade. For example, with more freedom, DOD could sequence the reductions so that more cuts occur after 2014, when the U.S. military will be less involved in Afghanistan and thus able to trim capabilities integral to the war effort. Sequestration undermines this common-sense approach by forcing the Pentagon to absorb large cuts abruptly in FY 2013.

Sequestration also requires DOD to allocate cuts in equal percentages to every program, project and activity in its budget during FY 2013 and possibly beyond.²³ Every weapons system, research and development initiative, and training program would be reduced by the same amount regardless of its importance to U.S. security. For example, the training budget for special-operations forces, such as those responsible for killing Osama bin Laden, would be cut by the same percentage as the training budget for military bands. With all due respect to our military musicians, this is a prescription for mindless slashing, not strategic choices that preserve important programs. Yet this exact approach is enshrined in law and will take effect

in January 2013 unless new legislation is passed or the executive branch pursues greater flexibility by exploiting controversial loopholes, such as policy apportionments and budget reprogramming.²⁴

For these reasons, leading defense budget experts almost universally agree that a more gradual and flexible process is far better than the sudden, inflexible cuts built into sequestration.²⁵ Even independent analysts who favor steeper military budget reductions argue that sequestration is a suboptimal way to downsize defense spending.²⁶

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Some observers argue that the debate over sequestration is a meaningless fracas because Congress is unlikely to go through with it.²⁷ Yet even if Congress and President Obama do repeal sequestration – which is by no means guaranteed – it has already disrupted DOD's planning efforts. Sequestration wastes time and money that would be better spent on other things. As DOD Comptroller Robert Hale remarked, "This past year's budget uncertainty, including no fewer than four threats of a government shut-down, which in some cases generated enormous planning efforts, and now the prospect of sequestration, has drained valuable time and leadership attention from many initiatives, including our commitment to audit readiness."²⁸

At this important moment of transition for the U.S. military, which has sacrificed so much over the past decade, American political leaders need to set aside their ideological differences on this issue for the good of the nation. Congress

and President Obama should repeal sequestration as soon as possible and work to develop a bipartisan, comprehensive deficit-reduction package. Meanwhile, the Budget Control Act's \$487 billion level of defense cuts should stand. If Congress and the president decide to make further defense cuts beyond that level, they should implement those cuts gradually and flexibly, while remembering that they must accept more national security risk as the amount of cuts increases.

Travis Sharp is the Bacevich Fellow at the Center for a New American Security.

ENDNOTES

1. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* (January 2012), 1.
2. Throughout this analysis, I use the same figures that the Pentagon uses when discussing defense cuts. I do this because these figures are used commonly in the public debate, not because I endorse the Pentagon's use of the FY 2012 defense budget request as a baseline for measuring reductions, a methodology that makes the amount of cuts appear larger than they would if compared to the actual FY 2012 spending level approved by Congress. For DOD's position on the impacts of sequestration, see Leon E. Panetta, "Effects of Sequestration on the Department of Defense," November 14, 2011.
3. David W. Barno, Nora Bensahel and Travis Sharp, "Hard Choices: Responsible Defense in an Age of Austerity" (Center for a New American Security, October 2011), 5-6.
4. See, for instance, Kim R. Holmes, "Obama Defense Strategy a Masquerade," *The Washington Times*, January 11, 2012.
5. As the eminent strategist Bernard Brodie put it, "Strategy wears a dollar sign." Bernard Brodie, "Strategy in the Missile Age" (RAND Corporation, January 1959), 358.
6. For analysis of this approach, see David Barno, Nora Bensahel and Travis Sharp, "The Pentagon's Way Forward," *NationalInterest.org*, January 26, 2012; David Barno, Nora Bensahel and Travis Sharp, "You Can't Have It All," *ForeignPolicy.com*, January 6, 2012; and David Barno, Nora Bensahel and Travis Sharp, "Pivot but Hedge: A Strategy for Pivoting to Asia While Hedging in the Middle East," *Orbis*, 56 no. 2 (forthcoming Spring 2012).
7. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, 6.
8. *Ibid.*, 4-5.
9. *Ibid.*, 2.
10. Department of Defense, *Defense Budget Priorities and Choices* (January 2012).
11. Ashton B. Carter and Admiral James A. Winnefeld, Jr., "Major Budget Decisions Briefing at the Pentagon," January 26, 2012.
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16. For an overview of potential contingencies, see Nathan Freier et al., "U.S. Ground Force Capabilities through 2020" (Center for Strategic and International Studies, October 2011), 19-61.
17. Barack H. Obama, "Defense Strategic Guidance Briefing from the Pentagon," January 5, 2012.
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20. Author interview with senior Senate staffer, January 2012.
21. Todd Harrison, "Five Facts about Defense and Sequestration" (Center for Strategic and Budgetary Assessments, November 2011), 1.
22. Leon E. Panetta, "Effects of Sequestration on the Department of Defense," November 14, 2011.
23. Ibid.
24. For more information on these loopholes, see Emelie Rutherford, "Admin Would Have Flexibility in Applying DoD Sequestration Cuts," *Defense Daily*, January 18, 2012.
25. Clark A. Murdock, Kelley Sayler and Kevin Kallmyer, "Defense in an Age of Austerity: Conference Proceedings, Presentations, and Key Take-Aways" (Center for Strategic and International Studies, October 2011).
26. Matthew Leatherman, "A 1% Solution Gives Pentagon Strategic Choices," *Bloomberg Government*, November 21, 2011.
27. Gordon Adams, "The FY 2013 Defense Budget ... and Beyond: Promising, but Dangerous," *The Will and the Wallet*, January 26, 2012.
28. Kate Brannen, "Without Sustained Leadership, Pentagon Could Miss Audit Goals," *Defense News*, January 24, 2012.

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Center for a New American Security
1301 Pennsylvania Avenue, NW
Suite 403
Washington, DC 20004

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org
www.cnas.org

Press Contacts
Shannon O'Reilly
Director of External Relations
soreilly@cnas.org
202.457.9408

Sara Conneighton
External Relations Associate
sconneighton@cnas.org
202.457.9429

Defense Secretary Leon Panetta and Joint Chiefs Chairman Gen. Martin E. Dempsey outline the main areas of proposed spending cuts during a news conference at the Pentagon, January 26, 2012.

(PABLO MARTINEZ MONSIVAIS/Associated Press)