
National Security on a Budget

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The defining feature of U.S. foreign and defense policy over the next decade will be the tightening fiscal environment. Every senior national security leader in Washington is struggling with how to allocate the shrinking resources on hand to address an expanding set of challenges. Much of this belt-tightening will lead to a leaner, more efficient government with a clearer set of priorities. It also will undoubtedly expose the United States to new risks—some expected, some difficult to discern from today's vantage point.

The Department of Defense will likely bear the brunt of the spending cuts. So long as Congress remains unable to strike a compromise between reducing entitlements and raising new revenue, the only way to reduce the deficit will be to gut discretionary accounts. Defense occupies roughly 60 percent of overall federal discretionary spending.¹ Whether the target is \$450 billion in cuts over ten years or the \$1 trillion mandated by the super committee's failure in November 2011, the specter of a looming drawdown will force prioritization. Already, the Pentagon is orienting more toward the Western Pacific and away from Southwest Asia, with commensurate benefit to air and sea assets.

The Intelligence Community (IC) will likely be hit hard as well despite the critical role it plays in the shadow war against al Qaeda and its affiliates. Tens of billions of dollars will probably be cut over the next decade for the sixteen agencies that rely on the annual intelligence budget of \$80 billion. Reduced budgets will mean tradeoffs. The Arab Spring chastened the IC since most of its assets in the region were focused on

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counterterrorism (CT) and counter-proliferation. Now policy-makers are demanding a greater focus on the region's nascent transitions. How well the IC balances growing collection priorities such as the Arab Spring, China, or cyber security with ongoing efforts on CT and battlefield support will be a primary challenge going forward.

Despite hefty cuts to Defense and Intelligence, both will come out of this budget drill in better shape than the State Department and USAID, which have no enduring bipartisan constituency on Capitol Hill. The House and Senate Appropriations Subcommittees have already proposed deep cuts to the Administration's Fiscal Year 2012 (FY12) requests. State's annual budget of \$50.6 billion could have as much as \$11.2 billion stripped away next year, and USAID funding could fall below one billion for FY12. Whether these cuts end up at five percent or 20 percent, the real challenge will be long-term: how to maintain the tools of U.S. soft power over the next decade and effectively do more with less. In such an environment, no one ought to expect a new Marshall Plan or full implementation of last year's Quadrennial Diplomacy and Development Review (QDDR) any time soon. It is difficult to invest in new capabilities and initiatives when core activities are under threat.

In the past, similar budget drawdowns emerged on account of policy failure (Vietnam) or a peace dividend (the Soviet Union). Today, the cuts are the result of a shaky economic situation. The financial crisis of 2008 threw the U.S. economy into recession and weakened the G7. Avoiding a double dip may still prove difficult given the struggle to contain the banking crisis in Europe, the lack of spending from the developed world during this time of austerity, and the potential that emerging markets—particularly China—could hit a wall and cease to act as the main engine of global growth. The more severe the global economic downturn, the more complex and dangerous the problem set likely to emerge, and the fewer tools at governments' disposal.

Traditionally, one way to mitigate risk brought on by budget crises has been to strengthen ties with allies and fortify partnerships. This is more difficult today given the political and economic difficulties of the United States' old friends in Europe and Asia. The United Kingdom, France, and Germany are all drastically reducing their defense spending and troop levels. The result is the U.S. share of NATO defense spending has risen from below 50 percent ten years ago to almost 75 percent today.² Japan is reeling from this year's triple disaster of the earthquake, tsunami, and Fukushima nuclear meltdown. It also has deep structural weaknesses after five prime ministers in five years and a decade of stagnant growth. The

capacity of these countries to help the United States is clearly diminished.

Likewise, the international institutions created in the post-World War II era are not up to the task—particularly at a time when new regional centers of power are rising in China, India, Turkey, Brazil, and elsewhere. The geopolitical map is not the same now as during the Cold War, or even during the immediate post-Cold War period. How well we understand this new geography and shape it to our interests will be a main test of U.S. leadership going forward.

Given this less-than-rosy global picture, it should not be surprising that there has been a steady stream of literature in recent years predicting America's decline, celebrating America's decline, or offering advice on how to forestall America's decline. The primary policy conclusion of these authors is the need for retrenchment or strategic restraint at a time of increasing multi-polarity: if the United States has overextended itself, government ought simply to do fewer things and do them well rather than pay any price or bear any burden. Political opponents of President Obama, however, have characterized this strategy as "leading from behind." Understandably, the President has not embraced this narrative, arguing frequently that U.S. leadership remains unmatched globally. Few politicians want to risk charges of defeatism: forecasting decline looks to political opponents like a self-fulfilling prophecy.

Although debates about U.S. decline are generally inward-looking and academic, the decisions U.S. allies and adversaries make depend in part on their assessments of the trajectory of American power. This, in turn, affects our national security. If regional

competitors judge the United States to be weakening, they will be less willing to compromise on issues of importance to Washington. If long-standing allies in Europe, Asia, or the Gulf begin to question America's security guarantees, they may hedge or drift from the U.S. orbit. Perceptions matter, and foreign assessments have real-world implications for future U.S. policy.

In 2010 and 2011, my research institution conducted a study sponsored by the National Intelligence Council to examine how the world sees the continuing capacity and relevance of U.S. leadership over the next

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decade.³ The study asked top area specialists to draw on their judgment and experience and to conduct interviews with a broad spectrum of foreign stakeholders to examine how certain pivotal countries view U.S. power and presence at this moment in time. The study included an Asia group comprised of China, Japan, Korea, Indonesia, and India; a Middle East group comprised of Israel, Iran, Saudi Arabia, the U.A.E., and Kuwait; and a Eurasia group comprised of Russia, Turkey, and Germany. Three questions drove the country studies: how are foreign views of U.S. power changing? What are the main drivers of these shifts? And what are the main implications for the United States?

What we found was somewhat surprising. Despite the “declinism” prevalent in Washington today, most of the participants did not anticipate a fundamentally new world order emerging in the next decade. In fact, particularly in Asia and the Gulf, expectations for the role of the United States remain quite high. In Asia, this is due to fears of China’s increasing assertiveness. In the Middle East, Israel and the Arab Gulf states continue to fear Iranian intentions and believe only the United States—albeit a weakened United States after the Iraq war and the Arab Spring—can play the role of external guarantor of security.

Additionally, the study found that participants worry most about U.S. intentions, not U.S. capabilities. Foreigners do not question U.S. capacity, but U.S. resolve. This leaves the next administration—whether a second Obama term or the first term for an incoming Republican—in a particular bind, given the fiscal situation in Washington. How does the United States continue to lead in a time of austerity without looking like it is managing decline? The paradox is that as our allies and adversaries perceive the United States to be scaling back our overseas commitments, demands on U.S. power will only increase as allies grow more anxious and adversaries more assertive.

Thus, the challenge for the United States going forward will be to make future decisions of force posture, diplomatic presence, and economic assistance from a comprehensive, strategic perspective rather than in an ad hoc manner. Decisions to lower troop levels abroad, scale back collection and analysis capabilities, surrender the diplomatic initiative, or slash foreign aid may be budgetary necessities in this new era, but every action will send a signal overseas that will have consequences. Mapping these risks—and indeed, managing them—will not guarantee a safe and prosperous world, but it will certainly be better than the alternative. ■

ENDNOTES

- 1 David Berteau, "Deficit Spending and Deficit Reductions: Funding the Future," in Craig Cohen and Josiane Gabel, eds., *Global Forecast 2011: International Security in a Time of Uncertainty* (Washington, DC: Center for Strategic and International Studies, 2011).
- 2 Heather A. Conley and Tim Adams, "Debt or Defense: Difficult Choices of a Financially Constrained NATO," in Craig Cohen and Josiane Gabel, eds., *Global Forecast 2011: International Security in a Time of Uncertainty* (Washington, DC: Center for Strategic and International Studies, 2011).
- 3 Craig S. Cohen, ed., *Capacity and Resolve: Foreign Assessments of U.S. Power* (Washington, DC: Center for Strategic and International Studies, 2011).