

## **Chapter 8**

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### **The United States: Addressing an Increasingly Harsh Strategic Environment**



While the Barack Obama administration is pressed to deal with the highly tense situation that continues in Ukraine, Afghanistan, and Syria, it is advancing its rebalance to the Asia-Pacific and making ongoing efforts to achieve this. However, the administration is confronting difficulties in its policy toward China, which is a key factor determining Asia-Pacific policy. US concerns and dissatisfaction are further heightened by China's actions including the theft of US corporate trade secrets through cyber attacks, and the building of artificial islands in the South China Sea through land reclamation on partially submerged geographic features as well as the erection of facilities. US relations with China have both a cooperative side and a competitive and confrontational side, but recent years have seen a tendency for the latter side to drive a greater portion of the relationship.

In his speech at Arizona State University on April 6, 2015, Secretary of Defense Ashton Carter raised the development of effective future capabilities in the Asia-Pacific and movement of additional platforms to the region as the "next phase" of the rebalance to the Asia-Pacific. Following this, Aegis cruisers, including ballistic missile defense (BMD) ships, were additionally deployed to Yokosuka, and in October, the USS *Ronald Reagan* arrived in Yokosuka to replace the USS *George Washington*, which departed the port for refueling and complex overhaul (RCOH). In addition, strategy to address anti-access/area denial (A2/AD) challenges had, up to now, centered on the Air Force and the Navy, but recently the United States has been studying a new role for the Army in the context of A2/AD in the Asia-Pacific, including antiship strike capabilities, and has been advancing attempts to improve operational resilience, such as hardening its military bases in Guam and other sites, and examining ways to disperse operations of combat aircraft.

Developments around and after the March 2014 release of the *2014 Quadrennial Defense Review* (QDR) revealed the increasingly severe security environment for the United States. In particular, the actions of Russia had a large impact on US threat perception. In the *National Military Strategy* (NMS) published by retiring chairman of the Joint Chiefs of Staff (JCS) Martin Dempsey in July 2015, Russia was the first to be mentioned as one of the states that "are attempting to revise key aspects of the international order and are acting in a manner that threatens our national security interests." Such a view was also repeated at confirmation hearings for incoming JCS Chairman Joseph Dunford and others. Future developments must be closely observed as to whether such perceptions will force

a change in the national defense strategy outlined in the QDR.

With September 2015 marking the end of the two-year deal for the budgets of fiscal years 2014 and 2015 (fiscal year will hereafter be referred to as FY) agreed to in December 2013, the future of the federal budget's austerity measures, which had been imposed since FY 2013, became the center of public debate. The Obama administration requested that caps be raised for spending in both the defense and nondefense categories. However, Congress took the policy of not touching the caps, opting instead to shift required national defense spending to the Overseas Contingency Operations (OCO) fund, which was not subject to the caps. President Obama clarified his stance of not accepting this policy of the Republican-led Congress by exercising his veto power over the defense authorization bill for FY 2016, the fifth time for him to do so since his inauguration. The following negotiations between the administration and Congress resulted in agreement to raise the caps on discretionary spending in both the defense category and nondefense category for the two years of FY 2016 and FY 2017. On the other hand, in order to make investments to address future challenges under the limited budget, measures such as reining in increasing personnel and healthcare costs, and reducing force structure while advancing the realignment and closure of surplus facilities would be necessary, but these are not necessarily receiving the support of Congress. What countermeasures the United States will set forth under the increasingly harsh strategic environment and the difficult domestic situation will be closely watched.

## **1. Developments in Asia-Pacific Policy**

### **(1) Competitive Relationship Emerging in China Policy**

The US relationship with China is one of the key factors determining the Obama administration's Asia-Pacific policy. Against the backdrop of China's steadily increasing military strength capabilities and an economy that has become the world's second largest, the impact this relationship has on US security is increasing. US policy toward China has two key challenges. One is to have China play an active role in solving international issues while observing international rules and norms. The other is to ensure that China does not take actions that go against the interests of the United States. The Obama administration should not face any problems in achieving these goals in cooperative areas such as stable growth of the

global economy, measures to address climate change, and nonproliferation of weapons of mass destruction. Nevertheless, in competitive and confrontational areas such as those described below, the administration is facing frustration in solving the difficult challenge of how to achieve these policies. US policy to China is developing under such a cooperate-compete relationship.

In the National Security Strategy released in February 2015, the Obama administration states that the United States “welcomes the rise of a stable, peaceful, and prosperous China,” indicating expectations toward the formation of constructive relationships with China in cooperative areas.<sup>1)</sup> On the other hand, a strong sense of caution is also expressed in the same report with, “we will manage competition from a position of strength while insisting that China uphold international rules and norms on issues ranging from maritime security to trade and human rights.”<sup>2)</sup> In the context of China’s actions in the South China Sea, the Obama administration has been increasing its concern and dissatisfaction toward China’s actions since 2010, and this trend continued in 2015. In the background are China’s actions on cybersecurity, expansive actions through land reclamation in the South China Sea, and ongoing efforts for military modernization that lack transparency.

In particular, the issue of cyber attacks has been a matter of concern in policy toward China since the June 2013 US-China Sunnylands summit in California. In May 2014, five Chinese PLA personnel were indicted on charges of launching cyber attacks to hack into US corporate systems and steal sensitive information, heightening the Obama administration’s sense of vigilance against China. In the NSS as well, the section on relationships with China notes that, “we will take necessary actions to protect our businesses and defend our networks against cyber-theft of trade secrets for commercial gain.”<sup>3)</sup>

This issue was raised as a key topic at the US-China summit talks held in Washington, DC, on September 25, 2015. At the joint press conference held with President Xi Jinping, President Obama announced that, “We’ve agreed that neither the U.S. or the Chinese government will conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information for commercial advantage.”<sup>4)</sup> However, as President Obama himself states, “...the question now is, are words followed by actions,”<sup>5)</sup> the focus is on whether China will actually uphold these agreements.

A matter of even more mounting concern to the Obama administration than the issue of cyber security is China’s actions in the South China Sea—rapid and

large-scale land reclamation conducted over reefs, construction of facilities such as airstrips, and militarization (see the following section for details). In May 2015, Secretary of Defense Carter, at the Fourteenth Asia Security Summit (Shangri-La Dialogue) hosted by the UK's International Institute for Strategic Studies, strongly criticized China's actions of developing and reclaiming land on islands and reefs that are also claimed by Vietnam, the Philippines, Malaysia, Taiwan, and others, and reclaiming more land than all other claimants combined in just the past eighteen months, as making this stretch of water "the source of tension in the region."<sup>6)</sup>

Moreover, the Obama administration is also closely observing China's ongoing military modernization and the expansion of its range of activity. It is strongly concerned about not only the air force and navy capabilities of the People's Liberation Army (PLA), but enhanced missile capability that forms the core of A2/AD capabilities.

However, bilateral negotiations between the United States and China are being implemented in a stable manner. The seventh joint meeting of the US-China Strategic and Economic Dialogue (S&ED) was held in Washington, DC for two days from June 23, 2015. At this meeting, which was co-chaired by Secretary of State John Kerry (special representative of President Obama) and Secretary of the Treasury Jacob Lew for the United States, and Vice Premier Wang Yang (special representative of President Xi Jinping) and State Councilor Yang Jiechi for China, discussions were held on issues including cybersecurity, the South China Sea, and climate change. The fifth round of the Strategic Security Dialogue (SSD) was also held on June 22. This dialogue was co-chaired by Deputy Secretary of State Antony Blinken for the United States and Executive Vice Foreign Minister Zhang Yesui for China, who were joined by Under Secretary of Defense for Policy Christine Wormuth, PLA Deputy Chief of General Staff Admiral Sun Jianguo, and other relevant officials from the two countries. Discussions were held on confidence-building measures. At the SSD, it was decided to continue negotiations with the aim to reach an agreement by September 2015 on an air-to-air encounters annex to the memorandum of understanding on the rules of behavior for safety of air and maritime encounters, which was signed by the US and Chinese defense authorities in November 2014.

On September 25, 2015, the US-China summit meeting was held between President Obama and President Xi Jinping on the occasion of his state visit to

Washington, DC. At the meeting they discussed issues including the economy, cybersecurity, climate change, confidence-building measures between the two militaries, security in the East China Sea and South China Sea, and human rights. It is viewed that the Obama administration aimed to use this occasion, which marked the sixth time for the president to meet with Xi when including his visit as vice president, to clearly convey US concern and dissatisfaction over China's actions, and to strongly request change in future actions. In the joint press conference held after the meeting, Obama stated that the United States welcomed the rise of a China as a responsible player in global affairs. Although the meeting showed a certain amount of progress in areas such reaching agreements on addressing climate change and the mechanisms for building trust between the two militaries such as will be discussed later here, as well as agreement on rules for appropriate conduct in cyberspace, no significant accomplishments were made in the pending issues of the South China Sea.

Against the backdrop of such emerging competitive aspects, the Obama administration is making ongoing efforts to build a stable and substantial framework of dialogue between the military authorities; deepen cooperation in areas of mutual interest such as humanitarian assistance and disaster relief (HA/DR); prevent accidental incidents, conflicts, and miscalculations; and manage competition and friction in security matters. One accomplishment of such efforts was the agreement reached with China in September 2015 on rules of behavior for safety of air-to-air encounters, following the June decision at the SSD.

## **(2) Mounting Concern over the South China Sea Disputes**

The United States is growing increasingly concerned over the issues in the South China Sea as challenges facing the security of the Asia-Pacific. In the background is China's rapid and large-scale advancement of land reclamation and construction of port facilities and airstrips from the end of 2014. With regard to this issue, at a meeting held at the Australian Strategic Policy Institute (ASPI) on March 31, 2015, Admiral Harry Harris, Commander of the US Pacific Fleet, criticized China for building artificial land by "pumping sand on to live coral reefs—some of them submerged—and paving over them with concrete," and "creating a great wall of sand, with dredges and bulldozers." This statement garnered attention as a direct public criticism of China's reclamation activities by a high-ranking US government official. Obama also expressed his displeasure over China's attempt to use its

“sheer size and muscle” to force other states around the South China Sea to accept its claims.

Other senior administration officials have also indicated one after another that China’s actions in the East China Sea and the South China Sea are becoming key challenges to US maritime security. Daniel Russel, assistant secretary of state for East Asian and Pacific affairs, in a testimony before the Senate Committee on Foreign Relations on May 13, 2015, stated, “China continues to take actions that are raising tensions and concerns throughout the [Asia-Pacific] region about its strategic intentions.” At the same hearing, David Shear, Assistant Secretary of Defense for Asian & Pacific Security Affairs, pointed out that China’s actions could prompt other regional governments to respond by strengthening their military capabilities at their outposts, which would increase the risk of accidents or miscalculations that could escalate, and criticized that these actions “have the potential to disrupt regional security.”<sup>7)</sup>

Such concerns within the US government are spreading in the form of Congress’s heightening interest in maritime security. Sec. 1259 of the FY 2015 National Defense Authorization Act enacted in December 2014 requires submission to Congress of a report outlining the strategy of the Department of Defense (DOD) with regard to maritime security in the Asia-Pacific region. Based on this, on August 21, 2015, the DOD released the Asia-Pacific Maritime Security Strategy, which indicates US recognition of this issue and its policy to address it.<sup>8)</sup>

The South China Sea issues are disputes concerning territorial claims by China and some Southeast Asian countries. Included are (1) dispute among China, Taiwan, and Vietnam over the sovereignty of the Paracel Islands, (2) dispute among China, Taiwan, and the Philippines over Scarborough Reef, and (3) dispute among China, Taiwan, Vietnam, Brunei, Malaysia, and the Philippines over all or some of the Spratly Islands, which are made up of more than 200 islands, reefs, and sandbars. The Obama administration maintains the position of taking no sides in these issues of territorial sovereignty. At the same time, it is requesting the countries concerned to address and resolve the disputes in a peaceful manner in accordance with international law, rather than through conflict or coercion.

The United States itself recognizes that land reclamation and facility construction in the South China Sea was conducted by the Philippines in the 70s, Malaysia in the 80s, and Vietnam and Taiwan upon entering the 2000s, on islands and reefs that they occupied. However, the reason why the Obama administration



views the actions of China as provocative is because the scale and the speed of implementation, and the contents of the actions are overwhelming the other countries. At the hearing before the Senate Armed Services Committee on September 17, 2015, Shear revealed that China has “now reclaimed more than 2,900 acres [about 12 square kilometers], amounting to 17 times more land in 20 months than the other claimants combined over the past 40 years, and accounting for approximately 95% of all reclaimed land in the Spratly Islands.”

Of further concern to the United States is the fact that China is using the facilities built on these “artificial islands” to strengthen its militaristic influence. Shear, at the hearing in May, pointed out that, “Militarily speaking, China’s land reclamation could enable it, if it chose, to improve its defensive and offensive capabilities, including: through the deployment of long-range radars and ISR aircraft to reclaimed features; ability to berth deeper draft ships at its outposts and thus to expand its law enforcement and naval presence further south into the South China Sea; and, airstrips will provide China with a divert airfield for carrier-based aircraft, enabling China to conduct more sustained air operations.” Moreover, at the hearing in September, he concluded that, “China has clearly stated that the outposts will have a military component to them, and by undertaking these actions, China is not only unilaterally altering the status quo in the region, they are also complicating the lowering of tensions and the resolution of South China Sea disputes.”

To counter the actions of China in the South China Sea, through initiatives to strengthen military capabilities and presence, build the capabilities of allies and partners, and reduce the risk of miscalculations and disputes, the Obama administration aims to achieve its objectives of safeguarding the freedom of the seas, deterring conflict and coercion, and promoting adherence to international laws and standards.<sup>9)</sup> With regard to the strengthening of US military capability and presence, the US forces are implementing the US Freedom of Navigation (FON) Program in which US military ships and aircraft are operated in the sea and airspace over which some coastal states have asserted maritime claims that the United States considers to be excessive, in order to secure the rights, freedoms, and uses of the sea and airspace guaranteed to all states under the international law of the sea.<sup>10)</sup> This FON program includes US military actions within 12 nautical miles of land built artificially through reclamation by China, which take on importance as activities expressing that the United States does not recognize



**Defense Secretary Ashton Carter after his visit to the USS *Theodore Roosevelt* deployed to the South China Sea (November 5, 2015)** (US Air Force/Senior Master Sgt. Adrian Cadiz)

these lands as the basis of claims for territorial sovereignty under international law. On October 27, 2015, the *Arleigh Burke*-class guided-missile destroyer USS *Lassen*, which was deployed to the South China Sea as a part of the FON program, sailed within twelve nautical miles of Subi Reef, a low-tide elevation that was built up by China.

Regarding the second point, Carter announced at the Shangri-La Dialogue that the United States would be launching a Southeast Asia Maritime Security Initiative (MSI), which aims to strengthen training and exercises, humanitarian assistance, and maritime domain awareness capabilities of the countries in the region. The MSI will provide assistance (provision of equipment, supplies, training, and small-scale military construction) and training to “national military or other security forces of” Indonesia, Malaysia, the Philippines, Thailand, and Vietnam “that have among their functional responsibilities maritime security missions.” This concept of assistance to the Southeast Asian countries has already been included in the FY 2016 NDAA under the name of the South China Sea Initiative.<sup>11)</sup>

### **(3) Initiatives to Strengthen Relationships with Allies and Partners**

The Obama administration continues to take initiatives to strengthen relationships with its allies and partners as the foundation of its Asia-Pacific policy. With regard to relations with its allies, it is working to modernize alliances with the aim to make changes so that they can cope with situations in which new threats constantly emerge, and to develop a regional and global cooperation platform.

Regarding Japan-US relations, the Japan-US Security Consultative Committee (“2+2”) was held in New York on April 27, 2015, with agreement reached on the new Guidelines for Japan-US Defense Cooperation (Guidelines). The Guidelines indicated initiatives to strengthen the whole-of-government alliance coordination mechanism of both governments to allow seamless response in all phases from peacetime to contingencies, and the forms of cooperation to deal with threats to

Japan's peace and security and armed attacks. At the Shangri-La Dialogue, Carter made a positive assessment of the Guidelines, stating, "Through the recently updated Guidelines for US-Japan Defense Cooperation, the United States and Japan will be able to do more as an alliance in the region and beyond." At the Japan-US summit meeting held on April 28



**President Obama and Prime Minister Abe at the Japan-US Summit Meeting (April 28, 2015)** (Official White House Photo by Chuck Kennedy)

during Prime Minister Shinzo Abe's visit to Washington, DC, with regard to security and regional affairs, it was confirmed that the deterrence and response capability of the Japan-US alliance would be further strengthened under the new Guidelines and agreed that the two countries would maintain and develop a free and open Asia-Pacific region based on the rule of law.

With regard to US-Australian relations, the Australia-United States Ministerial Consultations (AUSMIN) was held in Boston on October 13, 2015, with the participation of Australia's Minister for Foreign Affairs Julie Bishop and Minister for Defence Marise Payne. The joint statement included matters such as strengthening interoperability of military forces and intelligence cooperation, strengthening collaboration on policy, planning and capability development, and continuing high level exchange in defense science, technology, and industry. Regarding US-Republic of Korea (ROK) relations, on October 17, 2015, the US-ROK summit meeting was held in Washington, DC, between President Obama and President Park Geun-hye. In the joint fact sheet released after the meeting, it was noted that the US commitment to the defense of the ROK remains unwavering, and the two countries confirmed that the kill chain, a rapid preemptive strike system, and Korean Air Missile Defense (KAMD) systems, which are currently under development by South Korea, will be interoperable in the future. In addition, a joint statement on North Korea was also released in which it was indicated that the United States and the ROK will jointly counter the threat posed by North Korea's nuclear and ballistic missile programs and provocative actions, and achieve the "complete, verifiable, and irreversible denuclearization" of North Korea in a peaceful manner.

The Obama administration is not only strengthening such bilateral alliances, but is making consistent efforts to bolster the framework of trilateral cooperation with its three allies of Japan, Australia, and South Korea. In his speech at Arizona State University on April 6, 2015, Carter stated that the United States is networking its alliances, indicating that “with Japan and Australia...we’re cooperating to strengthen maritime security in Southeast Asia and explore defense technology cooperation” and “with Japan and Korea, we’re building on a first-of-its-kind information-sharing arrangement that will help us collectively deter and respond to crises.”

On May 30, 2015, on the occasion of the Shangri-La Dialogue, the Japan-US-Australia and the Japan-US-ROK defense ministers meetings were held. At the Japan-US-Australia defense ministers meeting, Japan and the United States affirmed their shared intent to promote trilateral and multilateral security and defense cooperation with Australia, regional allies, and partners, and underscored their shared interest in the maintenance of peace and stability; respect for international law; commitment to upholding freedom of navigation and overflight; and unimpeded commerce in the East China and South China Seas. At the Japan-US-ROK meeting, the North Korean threat, the regional security situation, and trilateral defense cooperation were discussed.

Other than with its allies, the United States is working to strengthen its relations with key partners in the Asia-Pacific region and its involvement with regional institutions such as the ASEAN Regional Forum (ARF), East Asia Summit (EAS), and the ASEAN Defence Minister’s Meeting (ADMM-Plus), convened by the Association of Southeast Asian Nations (ASEAN). Among such relations, the relationship with Vietnam, which marked its fortieth anniversary of the end of the war and twentieth anniversary of normalization of diplomatic relations, has been showing steady progress since the Comprehensive Partnership Agreement was concluded in 2013.

On June 1, 2015, Carter visited Hanoi and met with General Secretary Nguyen Phu Trong, President Truong Tan Sang, and Defense Minister Phung Quang Thanh. It was agreed that the United States and Vietnam would deepen their defense relationship. On July 6, Trong visited the United States and had a meeting with Obama. A joint vision statement was released after the meeting in which it was noted that relationships between the two countries would be deepened over the long term.

The Obama administration is also working to strengthen relations with India as a key partner in the region. For three days from January 25, 2015, Obama visited India with the First Lady Michelle Obama, where he had a meeting with Prime Minister Narendra Modi, and participated in various events including the Republic Day military parade. At this visit, the two governments announced the India-US Delhi Declaration of



**Defense Secretary Carter inspecting the CSB-8003 patrol boat that was rammed by a Chinese government vessel in May 2014, during his visit to the Vietnam Coast Guard High Command in Haiphong, Vietnam. (May 31, 2015) (DOD photo by Glenn Fawcett)**

Friendship and agreed to strengthen their long-term strategic partnership. On June 3, Carter visited India, and had meetings with Modi and Minister of Defence Manohar Parrikar. At the meeting with Parrikar, the framework for the India-US defense relationship was extended for the next ten years. This agreement included matters concerning defense cooperation such as permanent implementation of joint exercises, strengthening exchanges between the armed forces of both countries including training and education, expanding partnerships with other countries to promote regional and global peace and security, continuation of talks between the two militaries, and joint development of defense equipment.

Regarding relations with ASEAN, in early November 2015, Carter visited Malaysia to participate in ADMM-Plus. There, while pointing out the importance of ASEAN as both the source of international rules and steward of rules-based regional order, he revealed that the United States will work to build its partners' maritime capacity and capabilities, will promote the development of confidence building measures through agreement on shared rules of the road by leveraging defense diplomacy, and is adjusting US military presence, posture, and operations to deter aggression and support its allies and partners. Obama visited the Philippines on November 18 to participate in the Asia-Pacific Economic Cooperation (APEC) Summit, and on the 21st visited Malaysia to attend the EAS and US-ASEAN Summit, among others. At the US-ASEAN Summit it was decided that the relationship between the United States and ASEAN will be elevated to a strategic partnership, and it was announced that the relationship will

be further deepened centering on economic cooperation and cooperation in maritime issues. As one facet of this, on February 16, 2016, Obama hosted the ASEAN leaders in the United States and held the US-ASEAN summit conference at Sunnylands, California.

## 2. US Military Policy in the Asia Pacific

### (1) The Asia-Pacific Rebalance and Strengthening of Military Presence

Defense Secretary Ashton Carter gave a speech at the McCain Institute, Arizona State University on April 6, ahead of his tour of Japan and South Korea. As concrete examples of the “next phase” of the rebalance to the Asia-Pacific, he spoke of acquisition of future capabilities that will be relevant in the Asia-Pacific, fielding more already developed key capabilities to the Asia-Pacific, adapting US defense posture in the Asia-Pacific to be “geographically distributed, operationally resilient, and politically sustainable,” and strengthening alliances and partnerships in the Asia-Pacific.<sup>12)</sup>

Reflecting such policies, the *Ticonderoga*-class guided-missile cruiser USS *Chancellorsville* (CG62) and the *Arleigh Burke*-class guided-missile destroyer USS *Benfold* (DDG65) arrived in Yokosuka from their homeport of San Diego on June 18 and October 19, 2015, respectively, to join the forward-deployed naval forces.<sup>13)</sup> The *Chancellorsville* was upgraded with the latest Aegis Baseline 9 combat system, and the *Benfold* received the Baseline 9 upgrade and BMD upgrade. With their addition, US Navy Aegis-equipped ships homeported in Japan increased from nine to eleven. An *Arleigh Burke*-class guided missile destroyer ship that has undergone a Baseline 9 upgrade and BMD upgrade is scheduled to be added in 2016 and in 2017 (of which one will replace the USS *Lassen* which is not a BMD-capable ship), bringing the scheduled total of BMD ships deployed in Japan in summer 2017 to eight.<sup>14)</sup> Moreover, the USS *Ronald Reagan* left its homeport of San Diego to arrive in Yokosuka on October 1. It replaced the USS *George Washington*, which had already left Yokosuka for scheduled RCOH in fall 2016, to assume the role of forward-deployed aircraft carrier homeported at Yokosuka.<sup>15)</sup>

In addition, since 2001, the United States has been deploying nuclear-powered attack submarines (SSN) to Guam. Three submarines had been forward deployed

to Guam, but in response to then Deputy Secretary of Defense Ashton Carter's announcement in April 2013 of plans for forward deployment of a fourth submarine to Guam, on May 29, 2015, the *Los Angeles*-class submarine USS *Topeka* (SSN 754) arrived at US Naval Base Guam.<sup>16)</sup>

No specific landing ship had been assigned to the US Marine Corps, which has been deployed to northern Australia as the Marine Rotational Force-Darwin (MRF-D) every year since 2012 for six-month rotations from March to September. In response to this situation, in August 2013, Chief of Naval Operations Admiral Jonathan Greenert revealed the policy of providing "amphibious lift for US Marines operating out of Australia by establishing a fifth ARG [Amphibious Ready Group] in the Pacific by FY2018"<sup>17)</sup>, and in March 24, 2015, he disclosed that the new amphibious assault ship, USS *America* (homeport: San Diego), which was commissioned in October 2014, was the "prime candidate" to be sent to Australia at the same time as the MRF-D.<sup>18)</sup> It is planned to forward deploy this ship to the Asia-Pacific region by 2020.<sup>19)</sup>

Since 2004, the US Air Force has been implementing continuous bomber presence (CBP) operations by deploying strategic bombers from the US mainland to Andersen Air Force Base (AFB) in Guam as part of its strategic deterrence mission. This is mainly done in the form of six-month rotational deployment of a package of six B-52s and more than 320 personnel including maintainers to Andersen AFB from squadrons of the 5th Bomber Wing (Minot AFB, North Dakota) and the 2nd Bomber Wing (Barksdale AFB, Louisiana).<sup>20)</sup> Deployment from the continental United States (CONUS) had involved all the necessary personnel, but it was decided in 2015 to have a thirty-four-person permanent party operations and maintenance detachment deployed to provide continuity.<sup>21)</sup> In addition, Congress approved the funding request for a low observable/corrosion control/composite repair shop construction program as one of facilities that support CBO and other missions at Andersen AFB in the FY 2016 Military Construction and Veterans Affairs Appropriations Act. This facility will not only provide environmentally controlled areas for on-aircraft corrosion/composite treating and repair, but also for reapplication of radar absorbent material that allows for stealth capabilities.<sup>22)</sup> B-52s have formed the core of CBP operations, and while the B-2 stealth bombers had participated before, this was only for a few weeks.<sup>23)</sup> When considering the fact that expanded participation of B-2s in CBP missions is under study,<sup>24)</sup> it is believed that by constructing the aforementioned

facility, the United States is attempting to build a system for a more sustainable and stable forward deployment of aircraft including stealth aircraft.

## **(2) New Developments in Counter-A2/AD Strategy**

As can be noted by the Air-Sea Battle (ASB) concept, air and sea capabilities up to now had been central to the US approach to counter A2/AD threats. In an article co-authored by Greenert and Gen. Mark Welsh, chief of staff of the US Air Force, ASB was positioned as a concept for “defeating threats to access and enabling follow-on operations” and “breaking the [adversary’s] kill chain.”<sup>25)</sup> In the summary of the Air-Sea Battle Concept and the Air-Sea Battle Master Implementation Plan (FY 2013) released in May 2013, as a means to obstruct the adversary’s sequence of actions (kill chain), or the process from finding to engaging US forces, it was proposed that a concept of attack-in-depth, including physical attacks and cyber attacks, be conducted across domains to disrupt adversary command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR); destroy adversary A2/AD platforms and weapon systems; and defeat adversary employed weapons and formations.<sup>26)</sup> However, since 2014, the DOD has been showing movements, albeit in the concept stage, to give the ground forces a more active role in countering A2/AD threats, especially in their long-range precision strike capability.

In a speech at the annual convention of the Association of the United States Army (AUSA) on October 15, 2014, Secretary of Defense Chuck Hagel proposed that with the rebalance to the Asia-Pacific, the US Army could “broaden its role by leveraging its current suite of long-range precision-guided missiles, rockets, artillery, and air defense systems” in the Asia-Pacific. According to Hagel, these capabilities would have benefits such as hardening the defenses of US installations and supporting the operations of Navy Aegis destroyers and other joint force assets. He pointed out that historically the Army had been similarly tasked with America’s coastal defense for some 100 years up to the end of WWII.<sup>27)</sup>

Such thinking was not singular to Hagel, but was also noted within the Army. In the executive report of the Unified Quest 2013 Deep Future Wargame held by the Army in 2013, the year before Hagel’s speech, it was stated that, “The Army’s ability to contribute to power projection in anti-access and area denial (A2AD) environments requires improved technology. The Army requires more capable Army air and missile defense capabilities to overcome enemy A2AD. These



capabilities could include landbased antiship ballistic missiles; maritime autonomous target recognition; guided-multiple launch rocket system; and directed energy anti-ballistic missile systems.”<sup>28)</sup> The Army Capabilities Integration Center, after noting that although modernization and renewal of the Army’s long range precision fires (LRPF) capabilities such as the tactical missile system and multiple launch rocket system had been stopped due to budgetary restrictions, states that “because US military strategy emphasizes the importance on A2/AD in the PACOM [Pacific Command] AOR [area of responsibility] the DoD is keenly interested in determining potential roles for Army rockets and missiles,” with it possible that “ground-based antiship missiles [could be developed] for use in coastal defense and interdiction of warships.”<sup>29)</sup>

In an article contributed to the *Joint Force Quarterly* published by the National Defense University, Brig. Gen. Kimberly Field, then deputy director of strategy, plans and policy at the Army Staff, wrote that the ASB is an operational concept that assumes a scenario of early attack on targets related to C4ISR conceivably deployed on the Chinese mainland in order to disable China’s A2/AD capabilities. This could present strong rationale for China to make a preemptive strike before their capabilities are neutralized by a US attack, and could cause a crisis to rapidly spin out of control. Because of this, according to Field, unless the United States is prepared for such an escalation, it will not be able to launch operations based on the ASB concept in the first place. The situation would bind American strategy in a straightjacket and the ASB concept might ultimately be seen as “an empty threat.”

Field then argued that building a resilient and economical military posture that does not drive rapid escalation is necessary for the United States to be able to fulfill its security obligations to its allies in the western Pacific and to ensure the free flow of commerce. As such a military posture, she proposed that a network of acoustic sensors capable of detecting submarines and a hardened communications infrastructure that is not dependent on satellites be built along the chain of islands in the western Pacific; austere airstrips be utilized for aircraft operations; and land-based anti-air and antiship missile systems be deployed on these islands. She states that these systems will cost less than investments under the ASB concept, and since they can be hardened and dispersed, they are more survivable than ships and do not drive rapid escalation.<sup>30)</sup>

Against the backdrop of such developments, in the FY 2016 budget request, the Army raised LRPF as a priority in the science and technology budget.<sup>31)</sup> In

response, the House Committee on Armed Services (HASC), in a report to the House, directed the Secretary of Defense to study the “feasibility, utility, and options for mobile, landbased systems to provide anti-ship fires” and submit a report to the congressional defense committees by March 1, 2016.<sup>32)</sup>

Another point of recent emphasis concerning A2/AD is securing the operational resiliency of the US forces. The Pacific Air Forces (PACAF) has raised integrated air and missile defense (IAMD) as its “top priority.”<sup>33)</sup> According to PACAF headquarters (HQ), IAMD entails “active defense,” including missile defense and attack operations against enemy’s air and missile capability. But in addition to these, they argue, “the combination of missile quantity [targeting US bases] and proximity to US assets in the Pacific theater has driven the need for more complete passive defense planning,” specific measures of which include securing expeditionary, redundant fuel systems at all planned air bases, hardening facilities, dispersing basing and operation of combat aircraft, and recovering and reconstituting facilities damaged by an attack.<sup>34)</sup>

The focus here is Guam, which along with Hawaii and Alaska, is positioned in the current PACAF strategy as the “centerpiece of our footprint in the Pacific.”<sup>35)</sup> However, Guam differs from other two in that it could be targeted by medium-range ballistic missiles from the Chinese mainland and air-launched land-attack cruise missiles.<sup>36)</sup>

Since FY 2014, PACAF has been advancing its Pacific Airpower Resiliency (PAR) program, a comprehensive initiative for “hardening critical infrastructure including select hangars” and strengthening “dispersal and rapid recovery capabilities after attack,” mainly at the Andersen AFB in Guam.<sup>37)</sup> The construction of a hardened maintenance hangar in Guam for bombers, transport aircraft and aerial refueling aircraft deployed to the base for CBP and other critical missions, and the hardening of fuel systems in this program were approved for FY 2014 and has been implemented at the base.<sup>38)</sup> In FY 2012–15, funding for the hardening of a fuel systems maintenance hangar for inspection and repair of the fuel systems of bombers deployed for CBP and other aircraft was enacted, and construction is scheduled through March 2017.<sup>39)</sup> The FY 2016 budget requests were approved for hardening of the Wing Installation Control Center, which gathers the command post, crisis action team, and emergency operations center in a single location at Andersen AFB as the center for emergency response, and the construction of a contingency repair parts warehouse (as existing material warehouses are at

capacity) to store the paving materials and spare parts needed to restore airstrips and fuel systems should they be damaged by an attack.<sup>40)</sup> In addition, the 554th RED HORSE Squadron (Rapid Engineering Deployable Heavy Operations Repair Squadron Engineer, RHS), the Air Force's highly mobile civil engineering response force with the capability of expeditiously repairing damages



**At Andersen AFB, airmen of the 38th Civil Engineering Squadron train in the latest airfield damage repair technique using rapid-setting concrete (January 23, 2014)** (US Air Force photo/Airman 1st Class Emily A. Bradley)

in the event the air force base was attacked and damaged, was reassigned to Guam from the ROK in January 2008,<sup>41)</sup> and since then construction of a RED HORSE airfield operations facility has been underway.<sup>42)</sup>

With regard to the dispersed basing and operation of aircraft, which is one form of passive defense in IAMD, there is the Rapid Raptor concept to enable Hawaii- and Alaska-based F-22 stealth fighter planes to deploy within the minimum time and with the smallest footprint to the Asia Pacific. This concept aims to have a package of four F-22 aircraft and a C-17 transport aircraft, carrying the necessary maintenance personnel and equipment for their operations, deployed and ready to start flying sorties within twenty-four hours.<sup>43)</sup> In the Rapid Raptor concept, since the necessary staff, materials and equipment for F-22 operations are transported by the C-17 that accompanies them, it broadens options for runways that can “become a launching point for F-22 training and combat operations.” As this feature makes it difficult for the attacker to identify the launch point for the F-22s, it is said to be “especially useful in an antiaccess/area-denial environment or during threats by medium- and long-range missiles.”<sup>44)</sup>

### **3. The Shifting Security Environment and US Defense Posture**

#### **(1) The Emerging “Russian Threat” and Its Impact on Defense Planning**

In March 2014, the DOD published its Quadrennial Defense Review (QDR), a

report on the latest round of assessments of future security challenges and examination of the capabilities needed by the US Armed Forces looking twenty years into the future. However, the developments around and after that time revealed an increasingly severe security environment for the United States. In particular, the actions of Russia in Ukraine and Syria had a large impact on US threat awareness. Notably, it was stated in the NSS that “in the realm of inter-state conflict, Russia’s violation of Ukraine’s sovereignty and territorial integrity—as well as its belligerent stance toward other neighboring countries—endangers international norms that have largely been taken for granted since the end of the Cold War.”<sup>45)</sup>

In the foreword to the NMS, released for the first time in four years on July 1, Martin Dempsey, then chairman of the JCS, stressed that, “since the last National Military Strategy was published in 2011, global disorder has significantly increased...We now face multiple, simultaneous security challenges from traditional state actors and transregional networks of sub-state groups...”<sup>46)</sup> In particular, the NMS underscores the threat from states, saying, “today, the probability of US involvement in interstate war with a major power is assessed to be low but growing.”<sup>47)</sup> The NMS especially placed Russia at the top of the list of states “that are attempting to revise key aspects of the international order and are acting in a manner that threatens our national security interests.” It further notes that Russia “also has repeatedly demonstrated that it does not respect the sovereignty of its neighbors and it is willing to use force to achieve its goals,” and that “Russia’s military actions are undermining regional security directly and through proxy forces.”<sup>48)</sup>

Heightening awareness of Russia as a threat was also seen at the series of confirmation hearings held at the Senate Committee on Armed Services (SASC) in July. At the hearings, the nominees for JCS Chairman, Gen. Joseph Dunford, JCS Vice Chairman, Gen. Paul Selva, Army Chief of Staff, Gen. Mark Milley, and Marine Corps Commandant, Lt. Gen. Robert Neller, positioned Russia as presenting the “greatest threat” to US national security because “Russia possesses the conventional and nuclear capability to be an existential threat to this nation should they choose to do so,” and because of its belligerent acts as can be seen in its aggression toward neighboring Georgia in 2008 and Ukraine in 2014.<sup>49)</sup>

Furthermore, although China was the country often raised as seeking to counter US strengths by using its A2/AD capabilities,<sup>50)</sup> in association with military

actions taken by Russia in Ukraine and Syria, Russia had also come to be recognized as a threat to US access.<sup>51)</sup> On September 28, 2015, Gen. Philip Breedlove, USAF, commander of the European Command, in a speech given in Washington, DC, noted that Russia had established “A2/AD bubbles,” in three regions. One was in the eastern Mediterranean near Syria, where Russia had deployed its troops along with the military actions launched at end September. To the north, Russia has an A2/AD bubble in the Baltic Sea, based out of the Russian enclave of Kaliningrad on the Baltic coast, where the Russian Baltic Fleet is headquartered. This is the oldest of the three, having existed since the Cold War. And looking toward the south, by securing a forward base in 2014 through the annexation of Crimea from Ukraine, he said, “Russia has developed a very strong A2/AD capability in the Black Sea.”<sup>52)</sup>

Moreover, against the backdrop of an increasing sense of threat from Russia, there is even the development of an operational concept that assumes a Russian attack on US forces in Europe. In a coauthored paper presented in the May/June issue of the *Air & Space Power Journal* of the Air University, Maj. Gen. Charles Brown, director of operations, and Brig. Gen. Bradley Spacy, director of logistics, both of the HQ, US Air Forces in Europe, and Air Forces Africa (USAFE-AFAFRICA), introduce a “new concept” called untethered operations (UTO). UTO calls for a package of fighter aircraft and a C-17 transporting the necessary ground support personnel and maintenance materials, to continue air operations by moving from base to base for refueling and maintenance, among the many smaller air bases of the member states of the North Atlantic Treaty Organization (NATO). According to them, given that most of the main operating bases (MOB) of the US forces in Europe are within the range of Russian ballistic and cruise missiles, if a conflict arises with Russia, they could be subject to attack by Russian forces. In order to ensure the continuation of air operations within such a situation, they say that it would be necessary to decrease dependency on the limited number of MOBs and disperse operations to a larger number of comparatively smaller bases, and this is reason for considering UTO.<sup>53)</sup> UTO developed into the Rapid X concept with work in progress for its materialization. Revealed by USAFE-AFAFRICA Commander Gen. Frank Gorenc at the annual convention of the US Air Force Association on September 14, this aims for rapid deployment of combat aircraft to Europe or Africa within 48 hours. It is already scheduled for inclusion in the FY 2017 budget request.<sup>54)</sup> These concepts apply the Rapid Raptor concept undertaken

by PACAF (see section 2) to Europe.<sup>55)</sup> Such developments suggest that the “Russian threat” is having a concrete impact on US military posture as well.

With regard to whether the actions of Russia and developments such as the growing power of the Islamic State of Iraq and the Levant (ISIL) in the Middle East will compel changes to the strategy set forth in the QDR, Deputy Secretary of Defense Bob Work stated on January 28, 2015, that the order of priorities listed in the QDR still apply, and the strategy is not subject to change, “at least not yet.”<sup>56)</sup> Along with the rebalance to the Asia-Pacific, the QDR lists “maintaining a strong commitment to security and stability in Europe and the Middle East” as strategic priorities, and response to Russia and ISIL could fall under that category. The issue would probably be how to respond to a security environment that is worsening through the more tangible threats emerging since the preparation of the QDR.

In response to the Ukraine crisis, as a “demonstration of our continued commitment to the collective security of NATO” the United States is implementing a series of rotational deployments and bilateral and multilateral exercises, under the banner of *Operation Atlantic Resolve*, mainly in the Central and Eastern European NATO member countries—the three Baltic states, Poland, Bulgaria, and Romania. Since FY 2015, these initiatives have been budgeted along with enhanced prepositioning and improved infrastructure as the European Reassurance Initiative (ERI). The fact that these initiatives have been started does mark a change, but the budget request for FY 2016 shows no significant increase, and falls below both the funds requested and enacted in the previous fiscal year (see Table 8.1).

There is, however, the possibility that these circumstances will change. In the answers to the advance questions for Dunford and Milley, submitted to the SASC prior to their confirmation hearings, they stated that the QDR and the *Defense Strategic Guidance* (DSG, released January 2012) on which it was based did not “fully anticipate” circumstances such as the acts of “aggression” by Russia or the growing power of ISIL, and that “some of these assumptions now appear optimistic,” hinting that there will soon be a review.<sup>57)</sup>

On June 23, Carter revealed that agreement was reached with the Central and Eastern European NATO member countries of the three Baltic states, Bulgaria, Romania, and Poland, on plans to preposition tanks, infantry fighting vehicles, artillery and other equipment of company to battalion size to each country, for a total of one armored brigade combat team (BCT)-worth equipment.<sup>58)</sup> Based on

**Table 8.1. European Reassurance Initiative (requested and enacted)**

(USD million)

Category	FY 2015 requested	FY 2015 enacted	FY 2016 requested
Increased presence	440	423.1	471.4
Additional bilateral and multilateral exercises	75	40.6	108.4
Improved infrastructure	250	196.5	89.1
Enhanced prepositioning	125	136.1	57.8
Building partner capacity	35	13.7	62.6
ERI transfer fund	—	175	—
<b>Total</b>	<b>925</b>	<b>985</b>	<b>789.3</b>

Sources: OUSD(C), *Counterterrorism Partnership Fund and the European Reassurance Initiative: Department of Defense Budget Fiscal Year (FY) 2015, 2014*, p. 1; OUSD(C), *European Reassurance Initiative: Department of Defense Budget Fiscal Year (FY) 2016, 2015*, p. 1.

the assumption that permanent bases will be difficult to establish, these prepositioning initiatives are recognized to cover for permanent bases, and further strengthening of such efforts is being considered.<sup>59)</sup>

However, arguments are increasing in the United States that because of the limited scale of current rotational deployment to these countries, more robust presence is needed in these countries, including stationing at permanent bases.<sup>60)</sup> The RAND Corporation, in its report released on September 23, 2015, estimates that if Russia takes military action against the three Baltic states, under the current conditions, its forces could reach their capitals within thirty-six to sixty hours. In order to prevent this situation from occurring, (even if increased support is provided in contingencies,) it would be necessary to rotationally deploy or permanently station forces that can prevent this rapid overrun by Russia. Specifically, the report estimates that three armored BCT



**A convoy from Lightning Troop, 3-2 Cavalry Regiment passes the city of Krakow, Poland as part of Operation Dagoon Ride, a 1,800-km maneuver stretching across six European countries from Estonia to Germany (March 26, 2015) (U.S. Army photo by 1st Lt. Henry Chan, 16th Sustainment Brigade public affairs, 21st Theater Sustainment Command)**

and forces supporting them, a total of some 40,000 soldiers, need to be deployed to the three Baltic states.<sup>61)</sup>

If it is decided to have more robust, permanently deployed military presence in these countries, this has the potential of pushing up the level of defense funds required.<sup>62)</sup>

## **(2) “BCA Caps” Debate and the Defense Budget from FY 2016**

The US federal government has been placed under fiscal austerity since FY 2013, when budget sequestration went into effect, but in 2015, debate arose over its continuation. Specifically, the point at issue was whether or not to raise the BCA caps, limits placed on discretionary spending of the federal budget, under the 2011 Budget Control Act (BCA). (Unless otherwise noted, defense spending in this section is discretionary spending within defense spending, which also includes mandatory spending, and is expressed as rounded numbers.)

This arose with the approaching expiration of the budget agreement for the two fiscal years of 2014 and 2015 stipulated in the Bipartisan Budget Act of 2013 (BBA 13), which was enacted at the end of December 2013, but another contributing factor was that the economy and fiscal situation as of 2015 had greatly improved compared to immediately after the financial crisis. According to the *Budget and Economic Outlook: 2015 to 2025*, prepared by the Congressional Budget Office (CBO) in January 2015, economic growth in 2008 when the financial crisis occurred had fallen to as low as minus 2.8 percent, but following this, in 2010 the economy recovered to a 2.7 percent growth, and since then has been generally growing at a rate of at least 2 percent annually.<sup>63)</sup> Reflecting this, the fiscal deficit, which had expanded to as high as 9.8 percent of GDP in 2009, had also shrunk to 2.8 percent in 2014, a level similar to the average 2.7 percent in the years from 1965 to 2014.<sup>64)</sup> And according to the CBO, the US economy “will grow at a solid pace” over the next few years.<sup>65)</sup> Indeed, because the federal debt is not expected to shrink significantly over the next decade from its sharp increase after the financial crisis, with projections that it will continue at 70-some percent of the GDP, from a long term view, it would be necessary to maintain a certain level of fiscal discipline. However, in the short term, the situation does not require further fiscal austerity measures to be taken.<sup>66)</sup>

Arguments for raising the defense budget also came from the National Defense Panel (NDP), which was set up to assess the 2014 QDR. In a report submitted to



Congress in July 2014, the NDP indicated that the capabilities and capacities called for in the QDR “clearly exceed” the budget resources made available to the Defense Department. And, in light of the actions taken by China in its surrounding waters, the “aggression” of Russia in Ukraine, and nuclear proliferation on the part of North Korea and Iran, the gap between resources and mission are, it says, “disturbing.” The NDP report argued that the defense spending should be returned to the levels proposed in the Future Years Defense Program (FYDP), which was prepared along with the FY 2012 defense budget request. In the FY 2012 FYDP, the DOD budget (051), National Defense (050), and total defense including overseas contingency operations (OCO) fund were estimated to be \$610.5 billion, \$637.5 billion, and \$687.5 billion, respectively, in FY 2016. According to the NDP report, the FY 2012 FYDP released in February 2012 was the “last time the Department was permitted to engage in the standard process” of budget formation, i.e., analyzing threats, estimating needed force, and proposing necessary budget levels. Budget proposals that followed were formulated after the BCA was enacted in August 2011, and budget “reductions since then have been imposed with no analysis of their impact on short or long-term readiness.” Thus, the NDP report positioned the FY 2012 FYDP budget baseline as the minimum amount required.<sup>67)</sup>

## Explanation of Terms

### **Future Years Defense Program (FYDP)**

Under law, when the President’s Budget is submitted to Congress, the Secretary of Defense must submit to Congress a future-years defense program outlining the DOD’s estimated expenditures and proposed appropriations for that fiscal year and at least the four succeeding fiscal years.<sup>68)</sup>

### **Budget Function 050 “National Defense”**

Federal spending is categorized into 21 budget functions, with each given a code number. Defense spending is categorized as National Defense (050), which is further divided into subfunctions: DOD military activities (051), atomic energy defense activities (053), and defense-related activities of other federal agencies (054).<sup>69)</sup> Subfunction 051 accounts for about 95 percent of function 050.

### **“Discretionary Spending” and “Mandatory Spending”**

Federal spending is classified into “mandatory spending” and “discretionary spending.” Mandatory spending is primarily benefit programs funded through permanent legislations that set amount, rates and eligibility. It does not require enactment of regular appropriations acts. Discretionary spending is determined

through annual appropriation acts. Of the FY 2015 federal budget totaling \$3.7 trillion, for example, mandatory spending was \$2.3 trillion and discretionary spending was \$1.2 trillion. For National Defense (050), 98.2 percent is discretionary spending and the remainder is mandatory spending.<sup>70)</sup>

#### **Budget Control Act (BCA) of 2011 and BCA Caps**

The BCA divides annual discretionary spending from FY 2012 through FY 2021 into the “Defense” category (discretionary spending within National Defense (050) function) and “Non-Defense” category (all other discretionary spending), and sets spending limits called BCA caps on each category. For FY 2014 and afterwards, BCA caps in both categories will be reduced by the Joint Committee sequester (annual reductions will be calculated by the Office of Management and Budget [OMB]). The BCA caps after the reduction will be the ceiling for after-session sequester (see the following item regarding the two types of sequestration). BCA caps will be revised upwards only for the appropriations designated by Congress and the President as OCO fund. This is why it is generally said that OCO fund is not subject to BCA caps.<sup>71)</sup>

#### **Sequestration**

Sequestration is a process of applying across-the-board, automatic cuts to appropriations previously enacted by Congress down to the levels of “programs, projects, and activities.” There are two types: Joint Committee sequesters and after-session sequesters. The former was established by the BCA, and levies the same amount of cuts (\$54.667 billion each) for the “defense” function and “non-defense” function spending (discretionary and mandatory) over the nine years from FY 2013 through 2021. Within each function, it proportionally allocates cuts to discretionary and mandatory spending according to their respective scale. With regard to discretionary spending, this Joint Committee sequester was implemented in FY 2013 in the form of the above-mentioned sequesters, and from FY 2014-21, this will be implemented in a form in which the BCA caps (see the previous item) are reduced by the amount of discretionary spending reduction calculated by the above method. The Joint Committee sequesters for mandatory spending will be implemented every year from FY 2014, and the period has been extended by four years to FY 2025.<sup>72)</sup>

After-session sequester applies only to discretionary spending. If the BCA caps (to be lowered by the above-mentioned Joint Committee sequestration) are breached by actual appropriations enacted by Congress, this sequestration will be triggered to enforce the caps.

There were members of Congress who announced their support for the NDP recommendation, including Senator Marco Rubio, a Republican candidate for President.<sup>73)</sup> And ahead of the FY 2016 budget process, the House and Senate Armed Services Committees expressed their views that the National Defense (050) funding (not including OCO) should be returned to \$577.0 billion if not to

the FY 2012 FYDP level of \$644.2 billion.<sup>74)</sup> This would mean an upward revision or elimination of the BCA caps. There was also support for raising BCA caps for national defense within the Republican-dominated Congress.

In the President's Budget for FY 2016 submitted to Congress on February 2, the Obama administration proposed that BCA caps for both "defense" and "non-defense" categories be increased by \$37.9 billion and \$36.5 billion, respectively, and that the BCA caps be extended from FY 2021 to FY 2025<sup>75)</sup> (see the column for "defense" and "non-defense" categories). In addition, the Obama administration requested \$560.9 billion for National Defense (050) (same amount as the proposed BCA cap), and \$50.9 billion as OCO (for DOD programs), for a request totaling \$611.9 billion.<sup>76)</sup> The policy of the Obama administration is to raise spending limits for both the "non-defense" and "defense" categories. In his remarks when the FY 2016 budget was sent to Congress, Obama hinted at the possibility of a veto in an effort to contain Republican movements to separate the two and save only "defense."<sup>77)</sup>

However, Congress did not accept the Obama administration's proposal. On May 5, Congress approved the FY 2016 budget resolution, which specifies budget totals and allocates spending among budget functions as Congress's first step in the budget process leading to the appropriation bills. Here, National Defense (050) spending was kept within the BCA cap (\$523.1 billion), and the amount exceeding the cap was transferred to the OCO account, which is virtually not subject to BCA caps. As a result, the budget resolution allocated \$39.1 billion more to OCO (DOD programs) than the President's Budget of \$50.9 billion, bringing this to \$90 billion. When the base budget and OCO funding are combined, it can be seen that the total is about the same for the President's Budget and the budget resolution, with a difference only existing in which account the fund is allocated (see Table 8.2). The bills for the DOD Appropriations Act and the National Defense Authorization Act (NDAA), which were subsequently prepared and submitted, were also compliant with the total amount indicated in the budget resolution.

In response, the Obama administration argued that the relabeling of non-war costs as OCO violates the OCO's essential purpose of funding the costs of overseas conflicts. Stating that the non-defense category is still restricted by the BCA caps, the administration raised specific areas such as national security activities conducted by such non-defense agencies as the State Department,

**Table 8.2. FY 2016 defense budget (Note 1)**

Category	Appropriations Account	FY 2015 Enacted (Note 2)	BCA Cap (Note 3)	FY 2016 Requested	Budget Resolution (Note 4)	BBA 15	FY 2016 Enacted	Change FY 15 – FY 16	Change Requested and Enacted
(USD million)									
DOD (051)	MILPERS	134,982		136,735			135,330	0.27%	-1.03%
	O&M	195,364		209,834			197,469	1.08%	-5.89%
	Procurement	93,587		107,735			110,737	18.33%	2.79%
	RDT&E	63,500		69,785			68,778	8.31%	-1.44%
	Revolving and management fund	2,134	—	1,787	—	—	1,176	-44.90%	-34.20%
	MILCON	5,431		7,024			6,910	27.23%	-1.63%
	Family housing	1,127		1,413			1,261	11.92%	-10.74%
	Total	496,106		534,313			521,662	5.15%	-2.37%
	Atomic energy defense activities (053)	17,846		19,134			18,860	5.68%	-1.43%
	Other federal agencies (054)	7,720	—	7,545	—	—	7,060	-8.55%	-6.43%
	Total	25,566		26,679			25,920	1.38%	-2.84%
Base Budget									
National Defense (050) Total									
OCO	MILPERS	5,033	523,091	560,992	523,091	548,091	548,091	5.06%	-2.30%
	O&M	50,981		3,205			3,223	-35.97%	0.55%
	Procurement	7,686		40,207			46,966	-7.88%	16.81%
	RDT&E	322		7,257			8,129	5.76%	12.01%
	Revolving and management fund	91	—	191	—	—	231	-28.13%	21.17%
	MILCON	221		89			89	-2.36%	-0.17%
	Total	64,334		0			0	-100.00%	—
				50,950	90,000	58,798	58,638	-8.85%	15.09%
	Total	586,006	—	611,941	613,091	606,889	606,729	3.54%	-0.85%
	Total								

Sources: OMB, OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2016, 2015, p. 9, table 3; OUSD(C)/CFO, National Defense Budget Estimate for FY 2016, 2015, pp. 14, 15, table 1-9, p. 18, table 1-11; US Congress House, Conference Report to Accompany S.Con.Res. 11, H. Rept. 114-96, 114th Cong., 1st Sess., pp. 10, 15, table 6; US Congress, Concurrent Resolution on the Budget for Fiscal Year 2016, S. Con. Res. 11, 114th Cong., 1st Sess., sec. 6217(b); Bipartisan Budget Act of 2015, Public Law 114-74, sec. 101; OUSD(C)/CFO, Defense Budget Overview: United States Department of Defense Fiscal Year 2017 Budget Request, 2016, pp. A-2, A-3, tables A-4, 6.

Notes: 1. Discretionary spending only 2. FY 2015 OCO includes Ebola response funding 3. Amount before revision by BBA 15 4. Budget resolution for total OCO funding was USD 96.287 billion (Section 1102 (21)), but shown here is the estimated USD 90 billion for DOD in Section 6217 (b) 5FY 2016 Defense Spending Policy."

USAID, Homeland Security and others, as well as education, research and development, and infrastructure in underscoring that it is not willing to lock in sequestration or accept fixes to defense without also fixing non-defense.<sup>78)</sup> As this illustrates, the major dispute between the administration and Congress was not about defense spending per se, but rather, concerned the point of raising BCA caps for budgets in the “non-defense” category in the same way as the “defense” category. The Obama administration warned that the president would veto the NDAA and DOD Appropriations Act bills, as well as the other appropriation and authorization bills, for not confronting the BCA caps.

Congress and Obama were failing to narrow their differences, but when Obama vetoed the FY 2016 National Defense Authorization Bill (HR1735) on October 22, the day after it was sent in by Congress,<sup>79)</sup> talks immediately accelerated between the administration and Congress. The subjects of negotiations were the general framework of the budget, including how to deal with the BCA caps, and raising the debt limit. Regarding the FY 2016 budget, continuing resolution, a stopgap funding measure, was enacted on September 30, extending appropriations through December 11. However, full-year appropriation acts needed to be enacted by then in order to not repeat the government shutdown that occurred in October 2013.<sup>80)</sup> This made it necessary to reach an agreement on the issue of raising the BCA caps as groundwork for agreeing on appropriations measures. Regarding the other point at issue, the debt limit, which sets a statutory ceiling on the total amount of money the federal government can borrow, this limit was suspended through March 15, 2015, with enactment of the Temporary Debt Limit Extension Act in February 2014. But with its expiration on March 16, as the amount of obligations incurred up to that point became the debt limit, it became necessary to employ “extraordinary measures” to continue to finance the government, including decreasing the amount invested in particular intragovernmental accounts and suspending and postponing debt auctions.<sup>81)</sup> In the letter to Congress from the Secretary of the Treasury on October 15, it was revealed that cash generated from extraordinary measures is estimated to be exhausted no later than November 3, making it necessary to raise the debt limit without delay.<sup>82)</sup> Talks between the Obama administration and Speaker of the House John Boehner and other Congressional leaders reached an agreement on October 26, and based on this, the Bipartisan Budget Act of 2015 (BBA 15) was enacted on November 2.<sup>83)</sup>

BBA 15 incorporated the requests of the administration and raised the BCA

caps in both the defense and non-defense categories by \$25 billion for FY 2016, and \$15 billion for FY 2017 (see Table 8.3). Furthermore, it provided guidance by setting OCO funding targets at \$58.798 billion for the DOD, and at \$14.895 billion for other departments such as the Department of State for both fiscal years. (Note: The enacted OCO funds need to be designated as such by both Congress and the president, in order for them to be exempted from BCA caps.)<sup>84)</sup> This resulted in a total FY 2016 defense spending of \$606.889 billion when the base budget and OCO are combined. Although this was about \$5 billion below the President's Budget, it did, by and large, reach the level of the budget requests (see Table 8.2). Regarding the other point of dispute, the debt limit, although BBA 15 did not revise the statutory debt limit, the act suspended it through March 15, 2017.<sup>85)</sup> In BBA 15, it is estimated that the \$80 billion increase in spending generated by raising BCA caps over these two years will, for the most part, be offset by the extension of sequestration of mandatory spending by one year to FY 2025, stronger revenues through increased pension and Medicare premiums, and others.<sup>86)</sup>

Following the enactment of BBA 15, with regard to appropriation acts, Congressional negotiators picked up the Military Construction and Veteran Affairs Act (HR2029)—the only FY 2016 appropriations act to pass both houses after passing the Senate on November 10— as the legislative vehicle for a full-year omnibus spending measure consolidating eleven remaining appropriation acts.<sup>87)</sup> Talks between the Republican and Democratic parties were advanced while extending the deadline of the continuing resolution twice,<sup>88)</sup> and on December 18, the Consolidated Appropriations Act of 2016 was enacted<sup>89)</sup> (for details, see Table 8.2). In this act, the total of National Defense (050) (\$548.0 billion) and OCO (\$58.6 billion) came to \$606.7 billion in defense spending, the same as the amount in BBA 15. This was a 3.54 percent increase compared to the amount enacted in the previous fiscal year, and while it was \$5.2 billion, or 0.85 percent, less than the budget request, the total was around the amount requested

**Table 8.3. Bipartisan Budget Act of 2015 and revised BCA caps**

(USD million)

Fiscal Year	FY2016		FY2017	
Category	Defense	Non-Defense	Defense	Non-Defense
Before Revision	523,091	493,491	536,068	503,531
After Revision	548,091	518,491	551,068	518,531

Source: *Bipartisan Budget Act of 2015*, Public Law 114-74, sec. 101(a).

(see Table 8.2). On the other hand, although the Obama administration had criticized Congress for shifting items that should be in the base budget into the OCO account in the budget resolution, the appropriations act shows that this issue has not been completely resolved, with the base budget's enacted amount being \$12.9 billion below the amount requested while the enacted amount for OCO spending was \$7.7 billion more. It can be seen in the appropriations act that in order to stay within the framework of the BBA 15 budget, operations and maintenance (O&M) spending of \$7.02 billion (Army \$2.2 billion, Navy \$2.2 billion, Marines \$420 million, and Air Force \$2.2 billion) was shifted from the base budget to the OCO account.<sup>90)</sup>

For the appropriations accounts, as opposed to the reduction or leveling in military personnel (MILPERS) and O&M spending, procurement and research, and development, test and evaluation (RDT&E) increased by 18.3 percent and 8.3 percent, respectively. The DOD had requested an increase in Procurement and RDT&E spending in the FY 2016 budget request in order to “reverse recent under-investment in new weapons systems by making target investments” (the total of the two accounts is a 13 percent increase over the previous fiscal year).<sup>91)</sup> In addition, while the enacted amount for total defense spending fell below the request, these were the two accounts where the enacted amount exceeded the request (see Table 8.2). This is due to Congress adding items beyond that included in the DOD budget request, and appropriating more funds than were requested. Examples include construction of amphibious assault ships including a Joint High Speed Vessel (\$1.3 billion), cyber vulnerability assessment of all major weapons systems (\$100 million), additional procurement of EA-18G Growlers (seven units), F/A-18 Super Hornets (five units), and F-35s (six Bs, two Cs), strengthening research in traumatic brain injury and psychological health, and strengthening basic research for each Service (\$220 million) (parenthesis are quantity or funds added by Congress).<sup>92)</sup>

However, with regard to the next FY 2017, divergence from the FY 2016 FYDP is projected to expand, with the BBA 15 setting the base budget for National Defense (050) at \$551.1 billion, which is \$21.9 billion short of the \$573.0 billion estimated in the FY 2016 FYDP. As a means to accommodate for the lack of funds, Under Secretary of Defense (Comptroller) Mike McCord, upon noting that (1) it would be difficult to achieve short term budget savings through force cuts, (2) military readiness is not negotiable, and (3) the near-term impact of military

**Table 8.4. DOD budget categories**

Appropriation Account	Contents
Military personnel (MILPERS)	Pay for uniform personnel, housing and uniform allowances, bonuses, contribution to retirement funds, travel for permanent change of station, TRICARE for Life accrual
Operation and maintenance (O&M)	Maintenance and repair of equipment, purchase of spare parts, fuel and supplies, training of military units, pay of DOD civilians (770,000), minor construction, base management, Military Health System
Procurement	Purchase of weapons systems, munitions and other equipment, upgrade of existing equipment
Research, development, test and evaluation (RDT&E)	Research, development, testing and evaluation of weapons systems and other equipment by the DOD
Revolving and management fund	Funds that supports semi-autonomous DOD activities, such as Navy shipyards and logistics operations, that involves reimbursement for service payment among DOD components
Military construction (MILCON)	Planning, designing, and construction and repair of military installations
Family Housing	Construction, improvement, operations, maintenance and leasing of military family housing

*Sources:* Jerry L. McCaffery and L.R. Jones, *Budgeting and Financial Management for National Defense*, IAP, 2004, p. 58; CBO, *Long-Term Implications for the 2015 Future Years Defense Program*, 2014, pp. 6, 7, 41, 42; Mary T. Tyszkiewicz and Stephen Daggett, "A Defense Budget Primer," *CRS Report for Congress*, RL30002, December 9, 1998, pp. 15, 16; OUSD(C)/CFO, *National Defense Budget Estimate for FY 2016*, 2015, p. 260, Table 7.5.

compensation reform will also be marginal (see next section), stated that this can only be done through some slowdowns in the modernization programs, including the Air Force's Long-Range Strike Bomber.<sup>93)</sup>

### **(3) "Structural Reform" of Defense Spending**

The Department of Defense is advancing the Defense Innovation Initiative (DII), "an ambitious, department-wide effort to identify and invest in innovative ways to sustain and advance America's military dominance," announced by then Defense Secretary Chuck Hagel on November 15, 2014.<sup>94)</sup> Defense Secretary Ashton Carter positioned the "ultimate aim" of the DII as to craft "offset strategies" that maximize US strengths and exploit the weaknesses of potential adversaries (see last year's chapter on the United States).<sup>95)</sup> And, according to Deputy Secretary of



Defense Robert Work, the offset strategy is focused on to strengthen conventional deterrence against “great powers” such as China and Russia, thus making it necessary to “offset” their capabilities.<sup>96)</sup> To this end, Work raised the area of human-machine collaboration using artificial intelligence as a priority area of investment, pointing out that this will enhance decision making and efficiency of operations.<sup>97)</sup> Furthermore, the DOD established the Defense Innovation Unit-Experimental in Silicon Valley as a local “point of presence” to build relationships with the startups and uncover new technologies.<sup>98)</sup> It was also decided to invest in In-Q-Tel, a venture capitalist, to facilitate investment in promising technologies to roll out the offset strategy.<sup>99)</sup>

Although it is the intention of the DOD to accelerate these innovative initiatives, because the budget in FY 2017 will actually become tighter than the FY 2016 budget, Work also admits that this is not going as fast as wished. This makes it necessary to secure funding to address national security challenges, including implementing the offset strategy, within an environment that contains competing items of priority. It was here that spending on personnel and base operations became the subject of debate. On April 29, 2015, nine leading national security think tanks in Washington, DC, jointly sent an open letter titled “Defense Reform Consensus” to the Secretary of Defense and chairmen and ranking members of the Armed Services Committees and Defense Appropriations Subcommittees of the House and Senate. In it they said that “too much of the defense budget is currently consumed by institutional inefficiencies, some of which are mandated by law,” and called for reform by suggesting closure of excess bases in the United States, rightsizing the civilian workforce, and comprehensive modernization of the military compensation system. These nine think tanks made the same argument in an open letter in 2013, but stated that now, two years later, the urgency for change is even greater.<sup>100)</sup>

In its annual reports on the FYDP, the CBO has been pointing out every year that within defense spending, funding needed to maintain the current size and operations of the US forces, in other words, O&M and MILPERS, has been steadily increasing since the end of the 90s, even after removing the effects of inflation and war costs.<sup>101)</sup> A CBO report, which analyzed the causes for the growth in US defense spending since the 9/11 terrorist attacks, pointed out that the real growth rate in the MILPERS budget was 46 percent from 2000 to 2014, a larger rate than the other accounts. The report revealed that contributing factors

included basic allowance for housing (BAH), accounting for 24 percent of the growth, basic pay for active-duty personnel, 18 percent, and the TRICARE for Life program, 16 percent. During the same period, funding for O&M increased by 34 percent, procurement by 27 percent, and RDT&E by 23 percent. The growth of MILPERS funding is striking even when compared to these categories.<sup>102)</sup>

The DOD, as well, is concerned that if MILPERS costs are left to grow, it could “eat into the training and equipping portions of the budget,”<sup>103)</sup> and launched various measures to curb personnel costs in the FY 2016 budget request. Similar measures were already included in the FY 2015 budget request submitted at the same time as the 2014 QDR. As Congress had rejected many of them, proposals similar to the FY 2015 request were again included in the FY 2016 request.<sup>104)</sup>

Focus was first placed on military compensation (basic pay and allowances). Because the basic pay for military personnel was relatively low in the late 1990s, starting then into the 2000s, basic pay was increased at a pace exceeding the level of growth of private industry wages and salaries. This led to military compensation falling into a high percentile relative to the rest of the working population. When the compensations of mid-grade personnel are compared to similarly educated and experienced workers in the United States, compensation for officers and enlisted personnel, which had placed in the 58th and 50th percentiles, respectively, in 2000, had risen to the 90th and 83rd percentiles, respectively, by 2009.<sup>105)</sup> Factors pushing up military compensation include basic allowance for housing (BAH) for personnel living in off-base housing. Up until the late 90s, BAH covered only about 80 percent of their housing costs, but by 2005, BAH rates had been increased to nearly completely cover housing costs. The increase in number of personnel receiving BAH is also a contributing factor.<sup>106)</sup>

The policy the DOD is trying to take to address this growing MILPERS cost is to not directly reduce the costs, but restrain its growth. For instance, by law, unless statutorily provided otherwise, the basic pay of military personnel is raised every calendar year at the same rate as the Employment Cost Index (ECI), which indicates the rate of increase in wage and salary levels of private industry workers.<sup>107)</sup> However, in its budget requests the DOD proposed 1.0 percent increases for 2014 and 2015, and not the 1.8 percent increase of the ECI.<sup>108)</sup> As this did not receive the support of Congress, in order to keep the basic pay increase at 1 percent, the DOD was forced to have the President exercise authority for an alternative pay adjustment.<sup>109)</sup> Regarding the basic pay raise for 2016 as well, the

DOD had proposed a 1.3 percent increase, not the 2.3 percent increase of the ECI, but as this again did not receive the support of Congress even during the process of deliberations on the NDAA, Obama consequently exercised presidential authority to achieve this 1.3 percent raise.<sup>110)</sup> With regard to BAH, on the other hand, because of the median 100 percent coverage of housing, the DOD had proposed restraining growth to lower this to 5 percent out-of-pocket costs, and this was recognized in the FY 2016 NDAA.<sup>111)</sup>

However, a major chasm has formed between Congress and the administration over the TRICARE healthcare program for military personnel. According to the CBO, because Congress expanded TRICARE benefits to provide coverage to military retirees, and members of the National Guard and Reserves, and because of expanded use of the program due to the low share of health care costs paid by the beneficiaries—about one-sixth of the costs of similar coverage in a civilian health insurance plan, during the period from FY2000 to FY 2012, funding for military health care increased by 130 percent, after excluding the effects of inflation.<sup>112)</sup> As a result, the military health care-related budget, which had accounted for only 4 percent of total defense spending in FY 1990, rose to 10 percent in FY 2014. The DOD then in its budget request for FY 2016, presented a proposal to Congress in which TRICARE's three major plans were streamlined and the total share of costs paid by users were raised. But although the FY 2016 NDAA included an increase in co-pays, decisions on TRICARE were postponed, with studies for reviewing the program to start in FY2017.<sup>113)</sup>

Another issue is the realignment and closure of excess bases in the United States. Since the DOD announced its policy of reducing total force in the 2012 DSG, reduction of force structure in each military service has been underway, with it mentioned in the 2014 QDR report that “the Department estimates that we already have more infrastructure than we need; our excess capacity will grow as we reduce force structure.”<sup>114)</sup> The DOD has been requesting Congress to approve a Base Realignment and Closure (BRAC) round since FY 2013, but this has been refused each time. The BRAC round is a process in which a bipartisan BRAC commission draws up recommendation for realignment and closure based on proposals from the DOD, with this proposed to Congress in the form of a bill for deliberation by Congress under special expedited procedures. This has taken place five times in the past, in 1988, 1991, 1993, 1995, and 2005. In the FY 2016 budget request, DOD requested a BRAC round in 2017, but Congress opposed

this by including a provision in the NDAA prohibiting a round.<sup>115)</sup>

In the QDR, the DOD shows the policy of preparing for future challenges by generating funds to finance modernization programs by reducing force structure, but this policy is not necessarily receiving the support of Congress. In the QDR, the retirement of the entire A-10 fleet (283 planes) was raised as a representative example of reducing force structure. In the FY 2016 request, the DOD reiterated its plans to retire all of its A-10s over a period of four years, and it presented its plan of beginning by retiring 164 planes in FY 2016.<sup>116)</sup> In response, Congress prohibited the retirement of the A-10, and at the same time, made it mandatory to secure a minimum of 171 A-10 aircraft as “primary mission aircraft inventory.” A provision prohibiting significant reduction to manning levels with respect to A-10 aircraft squadron or divisions was also included in the FY 2016 NDAA.<sup>117)</sup> Congress also included provisions in the NDAA prohibiting the retirement of the EC-130H Compass Call aircraft, Joint Surveillance Target Attack Radar System (JSTARS), and Airborne Warning and Control System (AWACS), which the Air Force was planning to retire.<sup>118)</sup>

One case of the DOD being forced to reduce its plan to generate funds through force reduction due to opposition from Congress is the Phased Modernization Program (PMP) for the *Ticonderoga*-class guided missile cruisers. The PMP was proposed by the DOD in the FY 2015 budget request. This program called for standing down eleven, or half of the current twenty-two *Ticonderoga*-class guided missile cruisers all at once and placing them in a five- to twelve-year long-term layup status to undergo phased modernization on a one-by-one basis.<sup>119)</sup> The FY 2015 NDAA, however, restricted the number of cruisers that could be laid up for phased modernization.<sup>120)</sup> In response to this opposition from Congress, the DOD revised the plan in its FY 2016 request to have no more than two cruisers placed in phased modernization each year, reduce the period of layup for phased modernization from five to twelve years to no more than four years, and have no more than six in phased modernization at the same time. Despite the fact that eleven cruisers will not be undergoing modernization over the same period, the PMP sought to place them in layup status at the same time because this had the advantage of saving on operation and personnel costs. The Government Accountability Office also estimated that the size of cost avoidance would be halved through the reduction of the number of cruisers and a shortening of the layup time.<sup>121)</sup>

In response to these actions of Congress, Obama, in his statement at the signing of the FY 2016 NDAA, criticized that, “I am also disappointed that the Congress failed to enact meaningful reforms to divest unneeded force structure, reduce wasteful overhead, and modernize military healthcare. These reforms are essential to maintaining a strong national defense over the long term.”<sup>122)</sup>

While the strategic environment grows increasingly severe for the United States, on the other hand, as can be seen in the confrontation between the Obama administration and Congress concerning the FY 2016 federal budget, there is also no consensus on how the United States should resource its responses to these difficult challenges. It is likely that the government will continue to be pressed to make difficult decisions on how to respond to various incidents.

Abbreviations in the notes are as follows.

Chairman of the Joint Chiefs of Staff [CJCS]; Congressional Budget Office [CBO]; Department of Defense [DOD]; Department of the Air Force [DAF]; Department of the Army [DA]; Department of the Navy [DON]; Headquarters, Department of the Army [HQDA]; House Committee on Armed Services [HASC]; *National Defense Authorization Act* [NDAA (fiscal year is added)]; Office of Management and Budget [OMB]; Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer [OUSD(C)/CFO]; *Political Transcripts by CQ Transcriptions* [PTCQT]; Senate Committee on Appropriations, Subcommittee on Defense [SAC-D]; Senate Committee on Armed Services [SASC]; Senate Committee on Foreign Relations [SFRC]

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