IV. Economics

THE COSTS OF WAR ARE THE DEBT TRAP

20 Years' NATO Wars vs. 8 Years' New Silk Road

by Hussein Askary

Sept. 8—According to well-documented statistics provided by American research institutions and universities, the human, economic, and financial costs of all wars the United States has launched since the terror attacks of September 11, 2001, are in the millions of killed, maimed, and traumatized (mostly civilians); destruction of infrastructure in the hundreds of billions; and financial cost for the war effort itself in the trillions of U.S. dollars. Added to that is a lost economic opportunity in dozens of countries and regions. These wars and regime-change operations started with Afghanistan (and Pakistan) in October 2001, and continued to Iraq in 2003, Libya, Syria, and Yemen, in addition to so-called anti-terror operations in Africa that are continuing to date.

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Begun in 2002, wars and regime-change operations have devastated Afghanistan, Iraq, Libya, Syria and Yemen. Shown is a typical scene in Syria as of August 14, 2017.

In the meantime China, which has been more criticized in Western media than the United States, has invested about a trillion U.S. dollars in infrastructure projects around the world in the same period, predominantly since the launching of the Belt and Road Initiative (BRI) by President Xi Jinping in 2013. Instead of lives lost, the numbers in China's case are about the building of thousands of kilometers of railways and highways, numbers of ports and airports, megawatts produced in new power plants, dams, hospitals, schools, etc.

It should be obvious that the cost of construction is much lower and more beneficial than that of wars.

In this article we will focus more on the financial and economic aspects, although the human loss is obviously the most devastating and tragic one. But since there is no comparing "lives lost" in the U.S. wars and in the BRI, the comparison becomes disparate. The BRI has rather contributed to saving lives that would have been wasted by poverty, lack of clean water, electricity, and healthcare. That is not to say that extreme poverty is eliminated in the world, although it is in China, but that, imagining that America and other NATO countries had invested in similar infrastructure projects, that goal would without any doubt have been achieved today on a global scale.

Human Lives and Livelihood

While U.S. statistics about the number of American soldiers killed, injured, or committing suicide are well-documented, the number of civilians killed or injured is

DoD/Johancharles Van Boers

U.S. Army occupation soldiers conducting house-to-house searches in Samarra, Iraq, on October 1, 2004.

not accurately known and is subject to estimations and approximations. According to the Costs of War project at the Watson Institute of International and Public Affairs in Brown University, the number of American soldiers killed in Afghanistan and Pakistan between October 2001 and October 2019 was 2,298 soldiers and 3,904 private contractors providing logistics and security for the U.S. troops. However, the number of Afghan soldiers and police killed was 73,253. The numbers for Afghan contractors are not reported.

As for the numbers of civilians killed and injured directly by explosions and firearms, the U.S. Defense Department (DoD) does not keep records of those. The estimate in Afghanistan and Pakistan is 270,000. But these numbers are disputed. However, the indirect cause of death among civilians is estimated to be four and half times higher than those killed by direct bombing and shooting. Indirect deaths are a consequence of these wars and caused by destruction of infrastructure, lack of food and water, degradation of the environment and degradation of general health conditions, and lack of or loss of access to health care.

In Iraq, according to a paper, "Civilian Death and Injury in the Iraq War, 2003-2013: Costs of War, March 2013," by Professor Neta C. Crawford at Boston University, the numbers are even higher, since the sectarian war that resulted from the 2003 U.S.-British invasion multiplied the casualties.

In Syria, where America and its allies supported the regime-change war (2011 to date), an estimated 400,000 Syrians have been killed, of whom the majority were civilians. Moreover, the human suffering is much larger than what is being reported. The mental and psychological effects of wars also have a considerable effect in society. The Afghan Ministry of Public Health reported already in 2009 that fully two-thirds of the Afghan population suffer from mental health problems.

Another such indicator is the psychological impact of these wars on U.S. soldiers and their families. While the number of U.S. soldiers killed in the wars in Afghanistan and Iraq is about 7,000, the number of U.S. soldiers and veterans who have committed suicide is 30,000. The above-cited Crawford study reports that "between 1.9 and 3 million service members have served in post-9/11 war operations in Afghanistan and Iraq," and that "over 1.8 million veterans have some degree of officially recognized disability because of the wars."

As for the number of refugees created as a direct consequence of these wars, the Watson Institute states:

> Over 38 million people in the war zones of Afghanistan, Iraq, Pakistan, Yemen, Somalia, the Philippines, Libya, and Syria have been displaced, either abroad or within their own countries, and are living in grossly inadequate conditions. This is a very conservative estimate, and the figure could be as high as 49-60 million.

EPA/Balazs Mohai HUNGARY OUT

Over 38 million people have been displaced from the war zones. Here, migrants walk along a railway track near Budapest, Hungary, September 4, 2015.

A "brain drain" has been created in those countries as a side-effect of this mass migration.

History's Greatest Debt Trap: 'Credit Card Wars'

The financial cost by the U.S. alone of all these wars and "anti-terror" operations around the world since 9/11 is estimated at US$6.5 trillion.

One of the most outrageous aspects of this incredible waste is that this cost was not covered by the legendary "taxpayers' money," but by borrowing by the U.S. Treasury, shackling future generations with enormous burdens to avoid touchy political discussions in Congress and society in general.

When Western media attempted to make the term "debt trap" synonymous with the BRI (without evidence)[1], it appeared they were trying to cover for the historical debt traps set by the colonial powers for developing nations. America's "endless wars" set a trap for its own people. In November 2017, Harvard scholar Linda J. Bilmes presented a statement[2] to a Congressional briefing hosted by Sen. Jack Reed, in which she dramatically stated that the financing of the wars since 2001 "is the largest single deviation from standard budgetary practice in U.S. history." In all wars America had fought since 1812, U.S. governments "increased taxes and/or cut non-war spending" to finance them. Incredibly, from 2001-2003 the Bush Administration *cut* taxes overall. So, how were war costs covered? "Since then, we have paid for these wars by piling up debt on the national credit card," Bilmes explained, calling them the "credit card wars."

The trick was that these warfighting costs were not integrated into the regular defense budget as in previous wars, but instead made a special category called "emergency and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) bills."[3] These bills, according to Bilmes, "are exempt from spending caps and do not require offsetting cuts anywhere elsewhere in the budget." The costs of these wars became almost invisible, as congressional committees concerned with fiscal matters were no longer concerned with financing the war in the budget—although increas-

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"Credit card wars." Linda Bilmes testifies to Congress that financing of the wars since 2001 "is the largest single deviation from standard budget practice in U.S. history."

ingly, as the past two decades went on, individual members of Congress demanded, without success, to see "consolidated" defense budgets including the OCO account. The OCO warfighting costs were instead revealed only after the end of each fiscal year. The consequence of this funding policy "has been to transfer the financial cost—including not only the trillions of dollars of current spending, but also the long-term liabilities such as veterans' care—to future generations," she asserted.

A Present and a Future Debt Burden

Here are the underlying facts.

Total U.S. Federal spending (in 2009 dollars) grew for all purposes between 1980 and 1990 by $500 billion, from $1.6 trillion to $2.1 trillion. Then in the decade 1990-2000—after the Soviet Union collapsed—it grew just $150 billion, to $2.25 trillion. But from 2000-2010, Federal spending expanded to $3.5 trillion. From 2010-20 there was a wind-down of the programs such as TARP and the FDIC bank rescues, after the 2008 global financial crash; but despite those subtractions, total spending rose another $800 billion to $4.3 trillion.

So, there was a 35% increase in the 20 years *to* 2000, and a 90% increase in total spending in the years *since* 2000. This clearly reflects the costs of wars. The total of *deficits* (necessary Treasury borrowing from the public) in the past 20 years has been on the order of $10 trillion; the total costs of the "endless wars" has been estimated at $6.5 trillion.

These general borrowings by the Treasury are done

1. This author has researched the question of the BRI "debt trap" and reviewed similar research by celebrated think tanks and research centers in the U.S. and Europe that completely debunks this myth.
2. Linda J. Bilmes, "The $5.6 Trillion Price Tag of the Post-9/11 Wars and How We Will Pay for It."
3. U.S. Congressional Research Service, "Overseas Contingency Operations Funding: Background and Status," September 6, 2019.

Estimate of U.S. Spending on Post-9/11 Wars

$ Billions

Dept. of Defense Overseas Contingency Operations (warfighting budget)	2,101
Dept. of State Overseas Contingency Operations (warfighting budget)	189
Increased Dept. of Defense base spending	884
Homeland Security counter-terror spending	1,117
Iraq-era veterans' care (2001-2020)	465
Iraq-era veterans' care obligations (2021-2050)	2,200
Interest on Federal debt incurred	1,087
TOTAL	8,043

Source: Watson Institute, Brown University: Costs of War project.

by issuing bills, notes and bonds bought by American institutions, individuals and households, and by many other nations' central banks, sovereign funds, financial institutions and individuals. In recent years roughly 70% of the Treasury debt has been bought by the American public and by U.S. trust funds responsible for Social Security and disability benefits, etc. U.S. Federal revenues from taxes have grown since 2000 from $2.1 trillion to $3.4 trillion (estimate for Fiscal Year 2022), according to the U.S. Treasury; but as a share of GDP, the Tax Policy Center estimates this represents a large *drop* from 20% to 16%. Thus the very large share of war costs secured by Federal borrowing, as shown by those *warfighting* costs (not Defense Department budgets overall) being equal to 65% of budget *deficits* (and therefore borrowings) over the past two decades.

This is clearly a debt trap whose costs will be economically unbearable not only for future generations, but at some point very soon. The pie chart shown in the Watson Institute's "Costs of War" study shows that the costs of foreign warfighting alone since the 9/11 attacks (the Defense Department and State Department OCO accounts combined) has been about $2.3 trillion. When the interest accrued on this debt is added, as well as the direct costs to date of medical care of veterans fighting in *these* wars, we have costs of roughly $4 trillion, without considering the "base cost [Defense and Homeland Security] increases" of everything from new weapon systems procurement for the wars to greatly increased National Guard costs as they train much more intensively and deploy almost as frequently as the regular military. Remember that U.S. Treasury borrowing over that period since Sept. 11, 2001 is about $10 trillion; we are well over half that for fighting the "endless war on terror."

This imposes three burdens:

First, unlike previous extended wars from the U.S. Civil War to the Vietnam War, the present American adult population has paid very little in taxes for these wars; rather, those taxes will be paid in the future.

Second, the very large Federal debts accumulating over the past two decades has been one powerful motivation—but one almost never admitted—for the Federal Reserve indefinitely to continue what is called the "zero interest rate policy" (ZIRP). The U.S. interest burden on federal debt is now about $200 billion annually, despite Treasury securities interest rates which average less than 1%, indicating one reason why the Fed insists on keeping rates this low. And this policy badly injures citizens near or in retirement, commercial and community banks, pension funds, etc.

And third, again very different from the other major, extended wars in American history, the huge war expenditures of the 20-year "war on terror" have not been accompanied by rapid increases in industrial productivity due to technology spinoffs. On the contrary, the period since 2000 is acknowledged to feature the lowest rates of labor productivity growth and of total-factor productivity (or technological productivity) growth in U.S. history. This has meant no real wage growth. And it provides no prospect that a new, higher level of productivity in the next generation will make this debt burden easy to bear, as was the case after the Civil War and after World War II, for example.

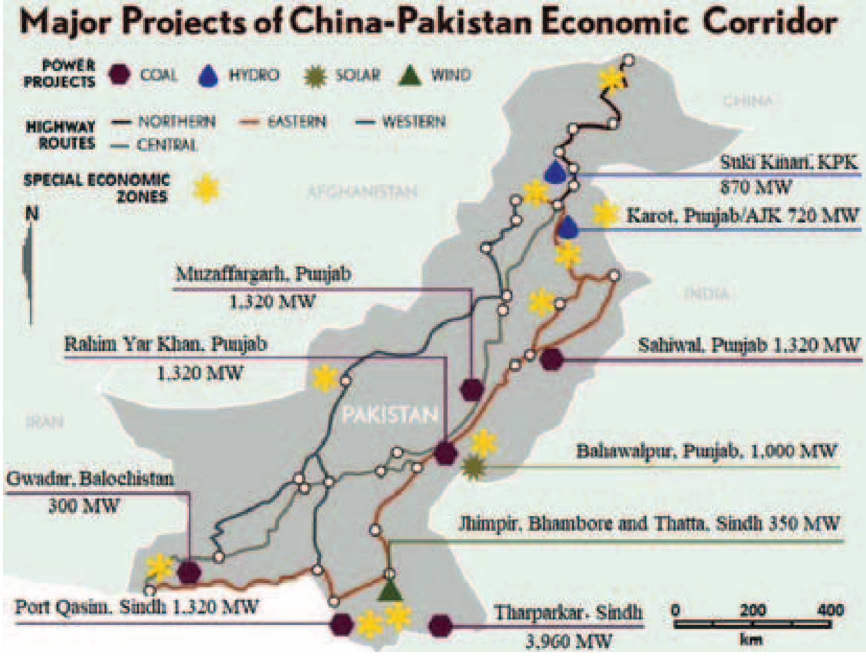
The weapons and other expenses to launch the wars were not the only cost. It is important to measure the cost to the nations *affected by* these wars, where the bombs fell and violence broke out. The terrorism that mushroomed out of these very wars had also a devastating impact on these nations, including a massive cost in lives, property, and infrastructure to get rid of terrorists, like ISIS in Iraq and Syria.

For example, a World Bank study in 2017 on Syria, "The Toll of War: The Economic and Social Consequences of the Conflict in Syria," concluded that "From 2011 until the end of 2016, the cumulative losses in gross domestic product (GDP) have been estimated at $226 billion, about four times the Syrian GDP in 2010."

In Iraq, most modern infrastructure was destroyed since the "shock and awe" bombing campaign during the 2003 U.S.-British invasion. Since then, the lack of investment in infrastructure has further degraded the remaining infrastructure.

There are no reliable studies for the destruction cost in Iraq, but it is estimated to be above US$1 trillion. The damage caused by the conflict with ISIS between 2014 and 2017 alone was US$45.7 billion, according to a January 2018 World Bank study, “Iraq Reconstruction and Investment—Part 2: Damage and Needs Assessment of Affected Governorates.”

There is also, obviously, the damage caused to the economies of Afghanistan, Pakistan and Libya, and indirectly to their neighbors, that has not been accurately estimated.



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The way out of the tragedy: Major projects of the China-Pakistan Economic Corridor (CPEC) include electric power, roads, and industrial parks.

China’s Development Project Investments Since 2001

While it is difficult to summarize all the investments China has made in the past 20 years, Western institutions have studied the period since the launching of the Belt and Road Initiative. Although most of this research is intended to put a negative light on China’s influence and impact in the world, nevertheless it is useful if we just look at the facts presented.

The Global Development Policy Center at Boston University manages a suite of interactive public databases, termed the Global China Initiative. Although the focus is mostly on the loans provided by two of the largest Chinese “policy banks,” the China Development Bank (CDB) and the Export-Import Bank of China (ExIm Bank), the numbers are impressive.

Looking at the electrical power generation capacity these Chinese loans have built, it states that at the end of 2018, “Chinese capital is involved in upwards of 777 power plants overseas, providing a total of 186.5 GW of power generation capacity.” Among these power plants, Chinese participation includes foreign direct investment (FDI), mergers and acquisitions (M&A), and greenfield investments. Breaking down the projects financed by the CDB and ExIm Bank, these are:

- Hydropower: 205 projects with total capacity of 50,000 MW
- Windpower: 200 projects; 12,200 MW
- Solar: 132 projects; 8,000 MW

CGTN

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From 2008 to 2018, China financed and built 858 projects in Africa, valued at $462 billion, most in transportation, power generation, telecommunications and information technology, and water management. At left, a railway nearing completion in Nigeria in 2014; at right, a floating bridge under construction in Kenya in 2021.

- Coal: 107 projects: 74,000 MW
- Nuclear: 5 projects: 5,800 MW
- Oil, gas, biomass: 10,000 MW

One third of these power projects are in Africa.

China in Africa

According to the School of Advanced International Studies (SAIS) at Johns Hopkins University, "Between 2000 and 2019, SAIS-CARI estimated Chinese financiers signed 1,141 loan commitments worth US$153 billion with African governments and their state-owned enterprises."

In addition to loans for projects built by Chinese companies—both state-owned enterprises (SOEs) and private companies—there were direct investments too. In total, from 2008 to 2018, China financed and built 858 projects worth US$462 billion. Most of the projects are in the infrastructure sectors of transport, power, telecommunications and information technology, and water. Mining investments were worth US$18 billion. It should be recalled that Britain and the United States, in addition to Canada and Australia, are the largest investors in Africa, but their investments are almost solely concentrated in mining and extraction sectors, with little benefit for the populations of Africa.

In the 2018 Beijing summit of the Forum on China-Africa Cooperation (FOCAC), President Xi Jinping pledged another US$60 billion in loans and investments in Africa in the next 5 years. Chinese loans and investments in Africa helped build thousands of kilometers of highways, railways, roads, and 27,000 MW power generation capacity.

SAIS also reports that "Chinese global foreign aid expenditures increased steadily from 2003 to 2015, growing from US$631 million in 2003 to US$3 billion in 2015." Chinese aid peaked at US$3.1 billion in 2019, making it one of the largest aid providers to Africa. China is now the number-one infrastructure builder and trade partner of Africa.

In these 20 years, China also invested heavily in its internal development, lifting 800 million out of extreme poverty and building the most sophisticated infrastructure network and the largest industrial production capacity.

Conclusion

Putting the horrific legacy of war behind us, and the positive role of China and the BRI before us, we can embark on a new era in global relations, with "peace through economic development and cooperation." The immediate necessary humanitarian aid for Afghanistan, Yemen, and Syria should not be interrupted, and financial and economic sanctions should be lifted. Then these nations should as soon as possible be empowered to move away from aid into sustainable self-reliance.

This can be enabled through a reconstruction process for Afghanistan, Iraq, Syria, Yemen, Lebanon, and Libya, which might cost up to US$1 trillion. But before bookkeepers get a heart attack, it should be mentioned that these nations do have the natural and human resources to repay that credit, if and only if their infrastructure platforms are developed enough to utilize their resources. This process should be financed and built with the participation of all the major economic powers, especially China, Russia, the United States, the European Union, Japan, and India. How this would work is the subject of a separate article.

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