Estimating the Economic Benefits of Forward-Engaged Naval Forces

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In preparing for the 1997 quadrennial defense review, US Navy leaders asked us if we could quantify the economic benefits of forward-engaged naval forces and communicate them to policy makers. Until this point, the only evidence of such benefits was anecdotal. Forward-engaged naval forces are US-based ships deployed to such areas as the Mediterranean Sea, the Persian Gulf, or the western Pacific Ocean. Forward engagement affords the opportunity to work with regional states in shaping the international security environment and also enables rapid response to unexpected crises. Using a methodology based on oil-futures prices, we estimated the economic benefits of crisis response by forward-engaged naval forces for the 1990 Iraqi invasion of Kuwait. We showed that the economic benefits to the United States and its trading partners are conservatively in the tens of billions of dollars.

In the spring of 1996, US Navy leaders were preparing for the upcoming quadrennial defense review (QDR). The QDR would be the 1997 version of the Bush administration’s base force study of 1991 and Secretary of Defense Aspin’s bottom-up review (BUR) of 1993. These reviews were enormously important because they set the force levels of the military services. After the Cold War, the US trimmed its military forces and the 1997 QDR could result in further reductions. The de facto unit of