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NEW DEMANDS ON THE MILITARY AND THE 2017 NATIONAL DEFENSE AUTHORIZATION ACT

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Welcome to Brookings. Thank you for joining us. I'm Martin Indyk, the executive vice president and it is a real honor to welcome Senator John McCain back to the podium here at Brookings. We are celebrating our centennial -- our hundredth year -- of our existence and our mission throughout that time --

SENATOR MCCAIN: I was here at the beginning.

MR. INDYK: (Laughing) I wasn't. So I can't testify to that. But our mission from our inception has been to improve governance. And there is probably no one that has done more to wage a determined effort to improve governance than Senator John McCain. You all know his record as a war hero, as a great senator, as chairman of the Armed Services Committee. But today, as chairman, he's come here to speak to us about the 2017 National Defense Authorization Act, which is before the Senate at the moment, which he has played a major role in crafting, and it is innovative and reformist in its efforts to improve governance. And that is why we are particularly eager to hear what's involved in that, the rationale for it, the prospects for its success.

Senator McCain is going to address those questions, issues first and then he's very kindly agreed to engage in a conversation with Mike O'Hanlon. Mike is probably also well known to you all. He's the co-director of our 21st Century Security and Intelligence Center, the author of many books on military affairs and policy -- particularly on the issues of military reform. So, without further ado, ladies and gentlemen, please welcome Senator John McCain.

SENATOR MCCAIN: Well, thank you, Martin, for that kind introduction. It's good to be back at Brookings among so many old friends and enemies. And I think it is appropriate to mention 100 years -- this institution has provided a form for ideas, for thoughts for scholarly discourse and a place for open and honest debate and I think the country and specifically the Congress is better off for it. So I'm very pleased to be here at Brookings.

Last week, the Senate Armed Services Committee approved the National Defense Authorization Act for fiscal year 2017 with a strong bipartisan vote of 23 to three. Many of you may know that for the last 53 years, the Congress has passed and the president has signed a Defense Authorization Bill. It's literally the only authorization bill that is able to claim anywhere near that record and I think it's

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obvious because it has so much to do with our ability to defend the nation and a great deal to do with the men and women who defend it. So I'm pleased to see that we passed through the Committee a strong bipartisan vote of 23 to three.

I'm tremendously proud of the legislation, which includes major reforms that I want to discuss with you today. However, I must begin with one challenge that the Committee could not address in the NDAA and that is the dangerous mismatch between growing worldwide threats, as we have just seen an example of tragically in the last few hours, and arbitrary limits on defense spending and current law.

Too often we lose sight of the fact that the debates we have here in Washington have very real consequences to the thousands of Americans who are serving in uniform and sacrificing on our behalf all around the nation and the world. From Afghanistan to Iraq and Syria, from the heart of Europe to the seas of Asia, our troops are doing everything we ask them of them and we must ask ourselves are we doing everything that we can for them? The answer I say, with profound sadness, is we are not. We are not.

For the past five years, the Budget Control Act has imposed arbitrary caps on defense spending. This year's defense budget is more than \$150 billion less than fiscal year 2011 and we all know that the world has grown more complex and dangerous over the past five years -- not less so. Despite periodic relief from these budget caps including the bipartisan budget act of last year, each of our military services remains underfunded, undersized, and unready to meet current and future threats. Two recent television reports portrayed the terrible consequences of this folly.

The first story detailed the crisis in Marine Corps aviation. Years of budget cuts have left us with a Marine Corps that is too small and has too few aircraft. The aircraft that it does have are too old and can barely fly. And, as the story depicted, only by cannibalizing parts from other aircraft, pilots cannot train and receive fewer flight hours a month than their Chinese and Russian counterparts. Young Marines are working around the clock to keep planes in the air with shrinking resources knowing that, if they fail, their comrades flying and riding in those aircraft could pay a fatal price.

A similar story showed what it really means to have the oldest, smallest, and least ready Air Force in history as our nation now does. That service is short 700 pilots and 4,000 maintainers for its

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fleet, which is smaller than its mission requirement and lacks the spare parts it keeps flying. It's so bad that Airmen -- and I'm not making this up -- are stealing parts from retired aircraft in the boneyard of my home state of Arizona and even museum pieces just to get their planes back into combat. Our aircraft are aging. But even worse, our Airmen are left "burnt out and exhausted."

The story is similar in the Army where only two -- count them, two -- out of 60 brigade combat teams are the highest level of readiness, which led the Army's chief of staff to testify last month that the force is at "high military risk." The story is also similar in the Navy, which can no longer provide constant carrier presence in the Middle East or the western Pacific. The Navy is 36 ships below its requirement of a 308 ship fleet -- a requirement that many think is years out of date.

In short, as threats grow and the operational demands on our military increase, defense spending and constant dollars is decreasing. How does that make any sense? The President's defense budget request follows the bipartisan budget agreement, which is \$17 billion less than what the Department of Defense planned for last year. My friends in the House and I share the same goal of restoring these arbitrary cuts to military capability and capacity. The House has adopted one approach. The Senate has adopted a different path to reach the same objective.

The Senate National Defense Authorization Act, at present, conforms to last year's budget agreement. But when the legislation comes to the floor next week, I will offer an amendment to increase defense spending above the current spending caps, reverse short sided cuts to modernization, restore military readiness, and give our service members the support they need and deserve. I don't know whether or not this amendment will succeed. But the Senate must have this debate and senators must choose a side.

At the same time, as I have long believed, providing for the common defense is not just about a bigger defense budget -- as necessary as that is. We must also reform our nation's defense enterprise to meet new threats today and tomorrow and give Americans greater confidence that the Department of Defense is spending their tax dollars efficiently and effectively. That is exactly what the NDAA does.

The last major reorganization of the Department of Defense was the Goldwater-Nichols Act, which marks its 30th anniversary this year. Last fall, the Senate Arms Services Committee held a

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series of 13 hearings on defense reform. We heard from 52 of our nation's foremost defense experts and leaders. We lowered these standards only once so that Mike O'Hanlon could testify.

Goldwater-Nichols responded to the challenge of its time. Our goal was to determine what changes need to be made to prepare the Department of Defense to meet a new set of strategic challenges. As Jim Locher, who was the lead staffer on Goldwater-Nichols, testified last year, no organizational blueprint lasts forever. The world in which DOD much operate has changed dramatically over the last 30 years. Instead of one great power rival, the United States now faces a series of transregional, cross-functional, multi-domain, and long-term strategic competitions that pose a significant challenge to the organization of the Pentagon and the military, which is often rigidly aligned around functional issues and regional geography. Put simply, Goldwater-Nichols was about operational effectiveness, improving the ability of the military services to plan and operate together as one joint force. The problem today is strategic integration -- how the Department of Defense integrates its activities and resources across different regions, functions, and domains, while balancing and sustaining those efforts over time.

The legislation would require the next secretary of defense to create a series of cross-functional mission teams to better integrate the Department's efforts and achieve discrete objectives. For example, you could imagine a Russian mission team with representatives from policy, intelligence, acquisition, budget, the services, and more. There is no mechanism of this kind of integration at present. The secretary and the deputy have to do it ad hoc, which is an unrealistic burden.

The idea of cross-functional teams has been shown to be tremendously effective in the private sector and by innovative military leaders such as General Stan McChrystal. If applied effectively in the office of the secretary of defense, I believe this concept could be every bit as impactful as the Goldwater-Nichols reforms. The legislation would also require the next Secretary to reorganize one combatant command around joint task forces focused on discreet operational missions rather than military services. Here, too, the goal is to improve integration across different military functions and do so with far fewer staff than these commands now have.

Similarly, the NDAA seeks to clarify the role of the chairman of the Joint Chiefs, focusing this leader on more strategic issues while providing the chairman greater authority to assist the secretary

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with a global integration of military operations. The NDAA also seeks to curb the growth and civilian staff and military officers that has occurred in recent years.

Over the past 30 years, the end strength of the joint force has decreased by 38 percent, but the ratio of four-star officers to the overall force has increased by 65 percent. We've seen similar increases among civilians at the senior executive service level. The NDAA therefore requires a carefully tailored 25 percent reduction in the number of general and flag officers, a corresponding 25 percent decrease to the ranks of senior civilians, and a 25 percent cut to the amount of money that can be spent on contractors doing staff work.

And in what I expect to be a contentious provision with the White House, the NDAA caps the size of the National Security Council policy staff at 150. The NSC staff has steadily grown over administrations of both parties in recent decades. It has gotten so bad -- so bad -- that all three leaders who served as secretary of defense under the current administration recently blasted the NSC's micromanagement of operational issues during their tenures. The NDAA seeks to begin reversing this trend and return the NSC to its original strategic mission. Integration, as I have said, is a major theme in the NDAA and another is innovation.

For years after the Cold War, the United States enjoyed a near monopoly on advanced military technologies. That is changing rapidly. From China and Russia to Iran and North Korea, we see militaries that are developing, fielding, and employing long-range precision guided weapons, advanced fighter aircraft, anti-access in area denial systems, growing space and cyber capabilities, and other advanced weapons. The result is that we are at real and increasing risk of losing the military technological dominance that we have taken for granted for 30 years.

At the same time, our leaders are struggling to innovate against an acquisition system that too often impedes their efforts. We recently had a hearing on the F35. This aircraft has been in development for 15 years. I get a new smart phone every 18 months. We should be able to upgrade our weapons in a similarly rapid turn. I applaud Secretary Carter's attempts to innovate and reach out to nontraditional high-tech firms. But it is telling that this has required the Secretary's personal intervention to create new offices, organization, outposts and initiatives all geared on moving faster and getting around the current acquisition system.

Innovation cannot be an auxiliary office at the Department of Defense. It must be the central mission of its acquisition system. Unfortunately, this is not the case with the Office of the Under Secretary of Defense for Acquisition Technology and Logistics or AT&L. It has grown too big, tries to do too much, and is too focused on compliance at the expense of innovation. That's why the NDAA seeks to divide AT&L's duties between two offices -- a new undersecretary of defense for research and engineering and an empowered and renamed undersecretary of management and support, which was congressionally mandated two years ago.

Reform bills on our previous efforts. Whereas last year's NDAA sought to rebalance authority for acquisition from OSD towards the services, this year's NDAA seeks to rebalance the acquisition mission within the OSD toward innovation. The job of research and engineering would be developing defense technologies that can ensure a new era of U.S. qualitative military dominance. This office would set defense-wide acquisition and industrial based policy. It would pull together the centers of innovation and the defense acquisition system and it would oversee the development and manufacturing of weapons by the services. Secretary Carter was unfortunately misinformed this week when he suggested otherwise. In short, research and engineering would be a staff job focused on innovation, policy, and oversight of the military services and certain defense agencies such as DARPA.

By contrast, management and support would be a line management position. It would manage the multibillion dollar businesses, such as the Defense Logistics Agency and the Defense Commissary Agency, that buy goods and services for the Department of Defense. It would also manage other defense agencies that perform other critical business functions for the Department such as performing audits, paying our troops, and managing contracts. This would not only enable research and engineering to focus on technology development, it would also provide for a better management of billions of dollars of spending on mission support activities.

These organizational changes complement the additional acquisition reforms in the NDAA that build on our efforts last year. This legislation creates new pathways for the Department of Defense to do business with nontraditional defense firms. It streamlines regulations to procure commercial goods and services. It provides new authorities for the rapid prototyping, acquisition, and fielding of new capabilities. And it imposes new limits on the so-called cost-plus contracts. The overuse

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of these kinds of contracts and the complicated and expensive government bureaucracy that goes with them serves as a barrier to entry for commercial, nontraditional, and small businesses that are driving the innovation that our military needs.

The final major reform in this year's NDAA is the most sweeping overhaul of the military health system in a generation. This bipartisan effort is the result of years of careful study. We have incorporated the best practice and recent innovations of high performing private sector health care providers. Taken together, these reforms can improve access to and quality of care for service members, retirees, and their families, improve the military and combat medical readiness of our force, and reduce rising health care costs for the Department of Defense.

This entails some difficult decisions. We make significant changes to the services medical command structures. We seek the right size of the cost military health infrastructure and, yes, we will ask some beneficiaries to pay more. But what we can promise in return is that our service members, their families, and retirees will all receive greater value, better access, better care, and better health outcomes.

These are major reforms. And when taken together with other equally significant reforms in this NDAA, including a modernization of the Military Justice System, and the most significant reform of defense security cooperation in two decades, this is an important piece of legislation. But I want to make two points in closing.

First, no one should think that the work of defense reform is finished. Far from it. This will continue for years to come as it must. Like Goldwater-Nichols and other previous reforms, the changes we are making will require dedicated follow through by the Department of Defense and vigilant oversight by the Congress. Reform is not a singular event. It's a long, winding, and challenging process.

Second, reform is not a substitute for sufficient resources. As Secretary Gates has said, "the proverbial low-hanging fruit have not only been plucked, they've been stomped on and crushed. What remains are much needed capabilities." Former chairman of the Joint Chiefs of Staff, General Martin Dempsey, described last year's defense budget as -- and I quote -- "the lower ragged edge of manageable risk." And yet here we are, one year later, with defense spending arbitrarily capped at \$17 billion below what our military needed and planned for last year.

I don't know what lies beneath the lower ragged edge of manageable risk, but this is what I fear it means. That our military is becoming less and less able to deter conflict and that if, God forbid, deterrence does fail somewhere and we end up in conflict, our nation will deploy young Americans into battle without sufficient training or equipment to fight a war that will take longer, be larger, cost more, and ultimately claim more American lives than it otherwise would have. If this does not compel us to change course, I shudder to think what will.

I thank you very much for your attention.

MR. O'HANLON: Well, thank you, Senator McCain.

SENATOR MCCAIN: Thank you, Mike.

MR. O'HANLON: Let me join Martin in welcoming you to Brookings and we're all thrilled to have you here. It's a special honor for me. And I'd like to begin my part of the conversation, before we go to many of you, where you did with the big picture. And, so before we come to the specifics of this very interesting and innovative fiscal 2017 bill, I don't want to necessarily ask you weigh in to Trump versus Clinton, but speaking to the general --

SENATOR MCCAIN: Thank you.

MR. O'HANLON: -- speaking to the general debate and the nation as a whole with your record of service and all you've contributed over the years, looking at the strategic moment we're in now, I guess one way to put the question to you would be how much bigger should we think about making the military or the defense budget? I mean you haven't had time to do your own quadrennial defense review. You've been working on a specific budget. But in just broad terms, intuitively, what's your rough sense of how much bigger or more expensive we need to be?

SENATOR MCCAIN: Michael, I don't think we need to be so much bigger. I would stop this cut in the size of the Army. I wouldn't -- in fact, one of the efforts that I'm going to make in this \$17 billion trying plus-up would be to stop the reduction in the size of the Army. As much I would believe that we have to have an overall strategy -- particularly in the Middle East, particularly where Iraq and Syria are concerned, and then shape a military that meets that strategy -- I think you and I would agree that we seem to be practicing what we saw many years ago during the Vietnam War that we called mission creek or graduated incrementalism. And I think that would give us a better handle.

But I also think that there is a minimum level -- and we've reached it -- where, as I mentioned, many of you saw those pieces that were on Fox. The Marine Corps squadron that simply -- they're flying five hours a month. There's some old pilots in this room that know that you can't maintain proficiency flying five hours a month. And the thing that always suffers first, as we all know, is operations and readiness, because that's easy to cut, where you don't have to cancel a weapons system et cetera.

I would say that we need at least the \$17 billion additional dollars to keep us at a level of last year. I also think that we need to make a lot of these reforms so that we are not having this tremendous cost overruns associated with acquisition. My dear friends, I love aircraft carriers. I used to fly off of them. Now, admittedly, my number of landings don't match the number of takeoffs, but -- but an aircraft carrier that was scheduled to cost \$10 billion and then costs \$12 billion, my friends, it's hard for me to go back to Arizona and tell people that their defense dollars are being appropriately spent.

So I think we need to level the spending and then, at the same time, institute reforms that can literally save billions of dollars -- not millions, not hundreds of millions -- billions of dollars if we start doing -- look at the size of the staffs. Look at the tooth to tail ratio. Look at all of these -- all of these things that have gradually crept up over the years.

I'm sorry for the long answer.

MR. O'HANLON: That's a great answer. Let me -- let me also ask before we get down to the specifics of your bill that you and Senator Reed and so many others worked and that you shepherded through, let me ask about if you do look to the future -- the next three, five, ten years -- is there a specific threat that you're specifically most worried about that you think we're underpreparing for? Whether it's Russia, whether it's China, whether its high technology innovation, I realize it may be a little bit of all of the above, but I'm just curious. Because we've got the opportunity now to discuss this, as we get into a general election season, what should the candidates be talking about in terms of big threats?

SENATOR MCCAIN: You know, it was interesting that in the confirmation hearings recently of all of our service chiefs and the chairman of the Joint Chiefs of Staff -- there's been literally a turnover in the last year or so in all of them -- the same question in the hearing was asked them. What do you view as our greatest threat? And a lot of people in this room, including perhaps me sitting on the other side of the dais, would have said Isis. Every one of them said Russia. They didn't say Iran. They

said Russia.

I thought that was very interesting -- the perspective of the -- of the leading war fighters in our military. And I have a tendency to agree. I have a tendency to agree because I don't think Isis is 10 feet tall. I don't think they're that strong. I think that they are a virus which has affected the Middle East, which will be hard to stamp out over time. Look at the way they're metastasizing, But I don't think they're that strong.

But when we look at Russia and the increasing capabilities that they have and they're behavior patterns, which are, you know -- I mean buzzing American ships and this kind of in your face kind of behavior of theirs and Vladimir Putin is clearly on the move in trying to restore what he believes is the legitimate role of Russia and the Russian Empire. Talk to our friends in the Baltics about the pressures that they are feeling. Look at what's happening in Moldova. Every few weeks in Georgia, the Russians move the fence a little further into Georgian territory. You look at the way that Vladimir Putin succeeded in inserting the Russians into the Middle East for the first time since Anwar Sadat threw them out of Egypt in 1973.

I think it's very interesting and Vladimir Putin doesn't make a lot of bones about it -- about what his ambitions are. Now your friend and mine, General Petraeus, said that the Russians are going to suffer from a very significant economic crisis. And that may be. And that could possibly affect Russian behavior. But I note, with some interest, that the Russian people -- still about 85 percent of them, with a declining economy, still have a strong allegiance to Vladimir Putin because of this sense -- well, obviously, as you know, the Russian national pride.

So I believe that it's -- that it -- I agree with our military leaders. I would just say ISIS is this virus we're going to be fighting. For as long as you and I are alive, this radical Islam terrorism is going to be with us. And then I just want to mention China, if I could.

There's no doubt, again, that China views the last 200 years as an aberration of history as far as their role in the Far East is concerned. And we're now seeing the behavior of their leader, Mr. Z, in a way that we haven't seen since Deng Xiaoping announcing that he's the Commander in Chief of the military, appearing in uniform, filling in of the islands -- all the behavior that they're exhibiting. And I'm glad the president is going to Vietnam.

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And all of these things, I am not predicting conflict. But I am predicting that there are challenges -- their assertive behavior -- that we are going to have to be very innovative, very capable, and have leadership that will understand the nature of the challenges and devise ways to try to address them. And so, we're going to make American great again and it's going to be huge. So that's all you have to it. (Laughter)

MR. O'HANLON: I've got one more medium to longer term question, which the next president, whoever he or she may be, will have to think about, but it's sort of on the way to the fiscal 2017 budget, because it is a budget question. Would you like to see the next president and next Congress -- whoever they will be led by -- would you like to see the Budget Control Act repealed, modified? Are these, you know, Ryan, Murray and Obama, Ryan band-aids okay if we just increase the numbers a little bit? You know, these two year bridging deals? Or do we just have to get rid of the Budget Control Act altogether next year?

SENATOR MCCAIN: I think you will recall that the Budget Control Act was something that was never going to happen, because it was the sort of Damocles that was out there if they didn't agree on an overall deficit reduction package that a group of senators and congressmen were convened in a bipartisan basis.

Well, much to everybody's astonishment, they didn't reach an agreement. So guess what? Automatic sequestration kicked in. Now, my friends, it's an act of cowardice. I just outlined to you a whole lot of savings that we can make in a selective fashion. But to do it with a meat ax is an insult and, frankly, puts this nation in greater danger. It's disgraceful conduct. You know, I don't want to get into the political season, but what has surprised many of us -- including this one -- is the anger and frustration out there amongst the American people. And there's a variety of reasons for it. But one of the reasons, I think, is because they see a Congress in gridlock. And if there's ever an example of the gridlock, it's the Budget Control Act, where rather than negotiate -- sit down and negotiate to a conclusion -- we just throw up our hands and said, okay, start the cutting. That's a disgrace. And it's dishonorable to the men and women who are serving in uniform.

Could I just say a word? When I painted this kind of bleak picture a bit for you -- just one point I'd like to make. One, I believe that it's important that we are now energy independent. Some of us

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here are old enough to remember waiting in gas lines for hours to fill up our gas tank because somebody in the Middle East had turned off the spigot. That'll never happen again. We'll be an energy exporter.

I'd like to point out also that one of the problems that we're facing is that they aren't manufacturing jobs and some of them have moved. But also I point out that our manufacturing technology is superb and we can compete with anybody in the world.

And finally, third of all, my friends, this is changing the world. This is changing the world and maybe we don't appreciate it so much. But its knowledge, information -- upsides and downsides -- that I believe over time will lead to -- information will lead to knowledge and knowledge will lead to freedom at some point for people all over the world. And I'm -- so, when I mentioned to you in the words of Chairman Mao -- it's always darkest before its totally black -- I would like to point out that there is a reason. And would you rather be China? I've been to Beijing. Some of us have here. Where you can't see a block, where thanks to the one child policy, they're going to have an aging situation which is incredible? Would you like to be the Europeans, who right now, General Breedlove, said are being torn apart -- the EU by the refugee situation? Where would you rather be? I'd still rather be in the United States of America.

MR. O'HANLON: Well said. Let me ask two questions about this year's bill that you've just been working on and put through a Committee and then open it up to others. I want to ask about military health care reform, but I know has been -- as you said in your remarks -- a big effort, a long research-driven effort. Do you see it as a big money saver either for the Department of Defense as a whole or for the men and women of the military individually with their families? Or is more about improving quality? I mean I realize it doesn't have to be either or, but what drives your motivation?

SENATOR MCCAIN: I think it's both and I think they're inseparable. If you provide people with quality care, then they are more -- they are healthier and they, obviously, then are not dependent on using that health care. And I, you know, right now I think there's something like 12,000 people who are working in the medical corps that have nothing to do with medicine. They're simply bureaucrats that work in these various headquarters and agencies, while we're taking out all those different ones and combining them in one service and I think that's going to be a significant money raiser.

I also think that if we adopt some of these proposals, the quality of the care will be

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dramatically increased. My friends, it's not an accident that people, when they're really ill and they have enough money, come to the United States of America for their treatment. And that's because we have the highest quality health care providers -- the Cleveland Clinic, Mayo. We all know the names of them. We want them to adopt the kind of practices that have made those outfits the best in the world. And that's what the objective of this is.

MR. O'HANLON: So my last question is about these cross-functional teams that you're promoting, which sounds like a very good idea, and also the reduction of the National Security Council staff -- another reform you're proposing. And the question that occurs to me, do you have in these -- on these teams, any notion of combining expertise from other departments, other agencies? Because I think you've contributed to this -- the Congress and under both President Bush and President Obama, we figured out how to apply economic sanctions -- probably more effectively than before, I would argue -- and it seems that they've become a tool of national security policy. Because we're sometimes applying them, you know, maybe not always the optimal way, but with North Korea, with Russia, with Iran, we've made quite frequent use and presumably this is going to be one of the tools we're going to want in the future. Where -- but where is the organization going to happen under these current reforms that will allow the sanctions conversation to be in the same room with the use of force conversation?

SENATOR MCCAIN: As you know, right now, Michael, every time there's a tragedy, what do we do? We form up a joint task force. Right? And they take people from different agencies to combat whatever that current crisis is. And that's because, as we know, these co-coms are basically stove-piped. And so what we're trying to do is at least one significant experiment with having all these different capabilities together with a certain area of national security. For example, Russia. Can't we get together the smartest people we can find in all different aspects of Russia and the possible threats that they have and how we can best address them? We're asking for at least one of those.

On the NSC, when Henry Kissinger was national security advisor, there were 50 members on the staff. When George Herbert Walker Bush, they were 150. Then it's doubled and doubled and redoubled. So what you get is micromanagement from the NSC staff. You've heard the stories. I've heard former Secretary Gates tell the story 50 times about how he was in Afghanistan, walked into an office and there was a phone there. And he said, what is that? And he said, oh, that's our

line to the NSC staff. And Secretary Gates said rip that out.

I'm sure you heard Chuck Hagel say that he used to go to these endless meetings in the NSC and he said and all it was was 35 year olds talking all the time so they could tell you how smart they are. And, of course, we now know The New York Times story of how Mr. Rhodes has gotten into the micromanagement of basically making decisions that must be made by operational commanders in the field. And they are making them from the NSC staff. It's really disgraceful.

So, I think we have to adjust this to this new form of warfare. If this -- if this aircraft is indeed a terrorist act that was just shot down, how do we respond to something like that? Where did these people come from? Where did they get their information? This is -- this is a kind of a new stateless terrorism that certainly doesn't lend itself to UCOM or PACOM or -- we've got to adjust to these new challenges. But at the same time, if you accept our previous conversation that Russia is still the greatest threat, we're going to have to have that structure in place as well. So the complexities, I will admit, are probably more greater than we have seen at least -- at least in my study of history.

MR. O'HANLON: Excellent. Thank you very much. So let's open it up. We'll start with the gentlemen here in the fourth row. Please wait for a microphone and then give your name and make the question brief, please, so we can have a few.

MR. NICORADZI: Thank you. My name is David Nicoradzi. I represent Georgian television station (inaudible) Washington, D.C. Senator, I was wondering if there will be any remarks in the National Defense Authorization Act about Russia's neighborhood. I mean Ukraine, Moldova, Georgia. Thank you, sir.

SENATOR MCCAIN: Well, we will again authorize the provision of defensive weapons to Ukraine, which we have refused -- this administration has refused to do. On Georgia, on the defense bill, we will not probably do anything except many of us will argue that Georgia must at least see a path to be become part of NATO. That is not popular in Europe and is not going to happen, but I will still advocate for the people of Georgia.

I think one of the tragedies of recent history is that -- whether it was provoked or not -- Putin invaded Georgia and now occupies a good section of its sovereign territory -- in the case of Abkhazia and South Ossetia -- and that is disgraceful and, frankly, I don't think we do enough about it.

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But we are appreciative of the continued presence of Georgian troops in Afghanistan. They do a great job and I think they deserve to be -- the country deserves to be rewarded in some way.

MR. O'HANLON: Next question here. Woman in about the sixth row. Yes, please.

MS. BROWN: Senator, in the 2016 NDAA, there was --

MR. O'HANLON: Please identify yourself.

MS. BROWN: -- I'm sorry, yes. I'm Sara Brown, with Ward Circle Strategies and I'm currently working with Military Health System on their transition to becoming a higher reliability organization. And in the 2016 NDAA, there was a section that authorized the formation of a model on a value based care for joint replacement. And this is something that's currently being done in CMS. I'm curious if you are looking at any other models that the Centers for Medicare and Medicaid Services are currently doing as a way to increase value in the MHS? Thank you.

SENATOR MCCAIN: Honestly, we are not doing more this year because we want to -- haven't seen the results of what we have done last year. But I think it's viable and I think it's -- we will pay close attention to it.

MR. O'HANLON: We'll stick with that same row. The gentlemen next to her.

MR. SMITH: Hi, my name is David Smith of the Guardian from the UK. It's been touched on multi times. I just wanted to --

SENATOR MCCAIN: A well-known outfit.

MR. SMITH: -- can I ask what -- what do you think are the implications of this presidential election for these issues you're talking about in terms of a Clinton presidency or a Trump presidency? And to put it bluntly, do you share the view expressed by some of the -- you know, Donald Trump as a security risk?

SENATOR MCCAIN: Obviously, I have significant disagreements with Mr. Trump on a number of issues. I also have some disagreements with Secretary Clinton as well. One of my disappointments, I say very frankly to all my friends, is Secretary Clinton's switch on the issue of TPP. We're not talking about military -- we're talking about military here. But I think a devastating blow to us in Asia would be a failure to enact TPP.

As far as Mr. Trump's views are concerned, I'm not exactly sure what some of his views

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are because sometimes he makes contradictory statements. I agree with him to this extent that our NATO allies should pay more and I have been urging that -- all of us have -- for years and years. But let's not forget that after 9-11 -- 9-11 the United States of America was attacked. The Europeans weren't attacked. And yet we invoked Article 5 and all those European countries came to our aid and sent troops to Afghanistan. And you know over a thousand of those NATO troops -- non-American -- were killed and several thousand wounded. So maybe we ought to also show some appreciation for what our NATO allies did for us in Afghanistan.

So all I can say is, Mr. Trump, I understand, met with Henry Kissinger today. That's one meeting I am sorry I was not able to sit in on. I hope that -- here's my hope. And I think -- and I ask this of both candidates. I hope that you would sit down and bring in some of the finest military and diplomatic leaders that this country has ever been graced with -- David Petraeus, Ryan Crocker, Jim Mattis. We could name -- I could name you five or six --

MR. O'HANLON: John Allen from Brookings.

SENATOR MCCAIN: John Allen. John Allen is a great leader -- great leader in Afghanistan. So I would recommend to either Hillary Clinton or to Donald Trump, call in these smart people. They've lived it. They've lived it for the last 15 years -- some of them as junior officers and some of them as junior diplomats. And they can give you the advice and counsel you need to shape a national security strategy. That's why one of my disappointments about this administration is that they haven't called in those people. And they really are the -- one of the great honors of my life is being around members of the State Department and diplomatic corps and military leaders that are just -- I've been honored to be in their company. And we should make use of that talent and knowledge, I believe, whoever the next president of the United States is. And that does not mean he has to go for any information from Congress. That's a joke.

MR. O'HANLON: The woman in the red hair. Right back next to you there. Yes. Thank you.

MS. INSINNA: Hi, Senator. Valerie Insinna, with Defense Daily. I was wondering if you could shed some light on the amendment that you'd be offering next week. Are you going to be looking for more base funds or OCO and would you be supportive --

SENATOR MCCAIN: Seek an increase in authorized funding.

MS. INSINNA: Okay. Would you be supportive of adding more funds to nondefense if it meant that you got a boost for the military? And why are you looking for \$17 billion and not \$18 billion like the House?

SENATOR MCCAIN: Maybe it's 18, but -- the second question. Tell me the second question again real quick.

MR. O'HANLON: Domestic funding. Whether that should go up.

SENATOR MCCAIN: Oh. I believe that we have -- we need to increase the spending on a number of the agencies that are important to national security. I'm talking about the CIA. I'm talking about DNI. I'm talking about FBI. Obviously, we know that the threat crosses boundary lines and so I would like to see those agencies of government, besides the Department of Defense that contribute directly to defense, because I believe that's our greatest challenge today. And that's -- so I would certainly recommend increases in funding on certain on nongovernment -- non DOD agencies that are not associated -- that are associated with national security.

MR. O'HANLON: Okay. Over here. The gentlemen -- I'm sorry, up front. About two rows. Right here.

QUESTIONER: Senator, what's your opinion on inviting China --

MR. O'HANLON: Identify yourself.

QUESTIONER: (Inaudible) from Hong Kong Phoenix TV, reporter here. What's your opinion on inviting China to the RIMPAC 2016 and arm sales to Taiwan?

SENATOR MCCAIN: Well, I think when the Chinese are sending their airplanes out to intercept our aircraft in international air space when they are conducting exercises that have their aircraft directly flying over and endangering our pilots as well as theirs, that that kind of behavior does not warrant their inclusion in RIMPAC in my view. Their behavior continues to be one that is of great disturbance to me, particularly, when I believe that they are in violation of international law when they fill in these islands and claim sovereignty. And I believe that the tribunal that has been meeting will report out exactly that. In other words, I don't believe that Chinese behavior warrants joint exercises with the United States because they're acting in a way that, in my view, is in violation of international law.

MR. O'HANLON: Let's go here in the front row. Do you want to take two at a time? Should we take both these questions?

SENATOR MCCAIN: Sure.

MS. KASAM: Thank you. Senator McCain, my name is Samir Kasam and I'm a student at the George Washington University. My question for you is about nuclear proliferation. In your way, what is the best way we can address nuclear proliferation and, in your opinion, what role do you see nuclear technology playing in the future?

MR. O'HANLON: Then go ahead, sir. Why don't you just go ahead and add yours?

MR. TOMICO: Hi, Senator. My name is Nate Tomico, a recent graduate of GW. I'm currently in the process of joining the Navy via OCS and was just informed this week that the Service Warfare billet has actually been closed for the rest of 2017 because they're just not taking new officers. So my question is do you believe that there is any way that the military can reorganize to kind of use the resources it has to accomplish the mission or is it absolutely necessary for us to increase the budget and reverse the cutbacks that we've seen in recent years?

SENATOR MCCAIN: I think we have to reverse the cutbacks. I also think that we have to reduce these cost overruns. It's just not acceptable. Every new vessel or ship that we have authorized has had very large and unacceptable cost overruns. And that erodes the confidence of the American people and our ability to provide them with the protection that they need. So I think we need more ships. But we have to do it in a way that when they say this ship is going to cost x amount of money, then it does that.

My friends, cost-plus contracts are like crack cocaine. It's addictive. You know, you can come in and name any price for any weapon system if you know that it's cost-plus. Does anyone here know of a cost-plus contract that came out under cost? Please raise your hand if you did? By the way, if you approve of Congress, please raise your hand? Anyway -- if you just raised your hand, please do not drive in the metropolitan area. You're a danger to -- danger to others.

On the nuclear issue, I view it as two. One -- and that is the care of our nuclear inventory, which we are wrestling with -- a thing called MOCs and how we're going to store it and how we're going to comply with agreements with Russia and whether Russia is going to agree. And the other,

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of course, aspect of it is the nuclear triad. And we are sort of behind -- and when you look at some of the estimates as to what it would take to update the triad, would it be the long range bomber or missiles or new submarines? It's very, very, very expensive. And I mean when you look at the cost of this new submarine they want, it's extremely high. You look at the long range bomber. We're looking at tens of billions of dollars. And so, we're going to have to grapple with this. Do we really need the entire triad given this situation? How do we dispose of this nuclear material in a way that's not costing us twenty or thirty billion dollars?

So I think there's -- there's a number of aspects. Do I believe in nuclear power? Absolutely. And I think that it is still the cheapest and cleanest source of energy that we have, although it's not anymore because of all the regulations and hoops that have to go through. The last nuclear power plant built in American is in Arizona and it's done extremely well and our rates are much lower than they are from other sources of energy.

MR. O'HANLON: We have time for a couple more questions. I'm going to try to work a little bit further to the back of the room. Okay, the gentlemen that I can see here right across from you and then maybe one more after that.

MR. COOPER: Good evening, Senator. Scott Cooper. I'm a retired Marine Corps aviator actually and now at Human Rights First. I wonder if I could ask you about the Special Immigrant Visa Program for the Afghan terps and translators that worked with us. There's no language in the NDAA that passed on a committee on that topic. We've heard that maybe there will be an amendment on the floor, but if you could discuss that issue, I'd be grateful.

SENATOR MCCAIN: You know, General Petraeus had an article recently about our obligation to these brave men and some women, but almost all men that served as our interpreters -- not just for the military, but for USAID and other agencies of government. Any expert on Iraq or Afghanistan will tell you they're the number one target. They're the number one target of the terrorist because they cooperated with the United States. Isn't it unconscionable for us not to allow them to come to the United States if they want to after what they did for us? So we're fighting it hard. It's a bipartisan effort to get it done and I think we can succeed on the floor of the Senate because I intend to shame them.

MR. O'HANLON: Here in the red jacket, please.

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SENATOR MCCAIN: As you know, I'm always mild mannered and reserved in my --

MR. LEVINSON: Hi, senator. Rob Levinson, Bloomberg Government. Sir, on the reforms to AT&L or sort of splitting it up as you talked about, as you know, you mentioned Goldwater-Nichols, the Packard Commission -- they created AT&L because they saw some problems and your approach seems to be a little bit of sort of back to the future. I'm wondering how you think, you know, we won't reencounter the same problems that Goldwater-Nichols and Packard were trying to fix with AT&L?

SENATOR MCCAIN: Well, I think that we're dealing with a really different world today. And the challenges are greater. The present system to anyone's satisfaction, I believe, would argue for reform. When we have the \$2 billion cost over aircraft carrier, the cancellation of multibillion dollar programs, the Marine helicopter. You name it of all these. When Ash Carter came before the Committee for his confirmation, I showed him a list of \$40 billion spent on weapon system that never saw a single manufactured product. That's -- that is the system that we are under today. And I believe that we need somebody to oversee all of these huge amounts of contracts and Defense Logistics Agency and all of those organizations that require our funding and oversight.

And I also believe that we need to have a system as far as research and engineering where we can take advantage of innovation and we can move forward with the kinds of rapid technologies advances which characterize America and the world today. And right now, that is not the case. And so, you know, we'd be glad to hear the argument. Last year, as you know, when we reformed and put the services into the acquisition process, they all yelled. It was going to be the end of western civilization as we know it. And now they're claiming parenthood -- anyway.

MR. O'HANLON: Well, everyone is being so concise in the crowd and you are as well.

SENATOR MCCAIN: Good.

MR. O'HANLON: We have time for one last question.

SENATOR MCCAIN: Good.

MR. O'HANLON: And we'll go right over here in the second row.

SENATOR MCCAIN: Could I do two?

MR. O'HANLON: Okay. Good. Two.

MS. AMED: Hi. My name is Saba Amed. My question is about military investment. I

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mean, we're trying to fight Isis and all this. As you mentioned, radical Islam is a huge problem. My question was how are we countering it from the ideological perspective? How -- I mean, I only see the military fighting it. But what about the non -- information warfare? Like the -- as you mentioned, iPhone is the new thing. Everything is on social media. How are we investing in fighting Isis online and in social media and nonmilitary means?

SENATOR MCCAIN: Well, I believe that the Congress and the president have realized that that's the real struggle. I mean we can kill them with drones and we can -- and somebody will take their place. How many times have you read they killed the top fill in the blank with a drone? But somehow there are always -- there's always somebody there to take their place. So this is the struggle and, as you also know, it comes down to people that people of the Muslim faith listen to. And that's the clerics. And yet a lot of the clerics, understandably, in some countries are loath to speak out because they are going to be killed. And that's happened as you know in a number of places. So we're going to have to try to get the message out about that this is not -- this is not the Muslim faith. It's a perversion of it.

And we -- and I think that one of the ways we could do that, with the support of the clergy, is with these devices. Young Muslims are on the Internet. They -- just as much as any people of any other faith. They have these cellphones. So I would argue that our challenge is to try to -- particularly with millennials -- that we get into the business of social networking that they're engaged in and that's -- it's a long term struggle. But I don't -- please don't underestimate my dispensing this as something that's easy. This is a terrible struggle that we're in and a lot of it has to do with economies. It has to do with opportunity. It has to do with lack of opportunity and no future and all of those things that have bred this malevolence, which is metastasizing literally not just throughout the Middle East, but also Africa.

I do believe, amongst our leadership, that there is a recognition that we've got two fights. One is to kill the bad people -- the bad guys. But the other is to take on this struggle that's going to be with us for a long time.

Could I do one more?

MR. O'HANLON: Year, sure. About the eighth row back there. The gentlemen right here. Yes. Please.

MR. FEENEY: Thank you, Senator McCain. My name is Dan Feeney. I'm a recent college grad and I'll be going to OCS in the Fall. But my question is regarding space. You mentioned Russia as one of our biggest adversaries and why do we depend on Russian -- our D180 engines -- to launch stuff into space? I know you've been fighting in the Senate to limit that, but the House -- there NDAA has funding for 18 more missions. So if you could just elaborate on that. Thank you very much.

SENATOR MCCAIN: You know, President Eisenhower in one of his most remembered addresses to the nation, he warned us at the end of his eight years, about the military industrial complex. This isn't the military industrial complex. This is the military industrial congressional complex. This is corruption. This is -- what it's all about is ULA and its bases both in Alabama and in Illinois. And the incredible -- incredible continuation of purchasing Russian rocket engines when we really don't have to, even though it costs us more money. But we're sending at least -- if we buy all these rockets that they have now -- the House and our Appropriations Committee has tried to get -- will put another billion dollars or so in the pockets of Vladimir Putin's cronies.

I don't get it. I don't get it. I've been fighting it possibly as hard as I could. And, by the way, there was a recorded remark of one of the executives of ULA, which were then published, where he said that the Defense Department leaned as far as they could in the direction of ULA as opposed to SpaceX. Do you know we're paying these people just to build rocket engines when Jeff Bezos and his outfit -- they're building rocket engines. They're not getting any money from the federal government to do it.

Elon Musk has just revolutionized the whole business because now you can recover the whole rocket. I mean it's incredible. As somebody described it, we used to take what was equivalent of a 747 and fly it once and crash it. Now we can use that over and over again. That had nothing to do with ULA. That had nothing to do with the Pentagon. It had to do with a bright young man and some really smart people around him that developed this capability.

This is why we need this reform -- these reforms that I'm talking about -- because we need more Elon Musks and Jeff Bezos in the business, rather than the -- much as I love him -- rather than the traditional big five that control most of the contracts. This is the circle of the DOD, the Congress, and the industry. And it's disgraceful. It was a few years ago where there was an attempt at doing an

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Russian -- at a new tanker a few years ago and I fought it and fought it and fought it and people went to jail because of the corruption of that process. I'm telling you this process, in my view, is equally as bad.

SENATOR MCCAIN: Well, listen everyone. Thanks for coming. Please join me in thanking Senator McCain.

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