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DEFENSE STRATEGY FOR THE NEXT PRESIDENT

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PARTICIPANTS:

Moderator:

MICHAEL O'HANLON
Senior Fellow and Co-Director, Center for 21st Century Security and Intelligence, The Brookings
Institution

Panelists:

MACKENZIE EAGLEN
Resident Fellow, American Enterprise Institute

ROBERT KAGAN
Senior Fellow, Foreign Policy, The Brookings Institution

JAMES MILLER
President, Adaptive Strategies, LLC

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ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. O'HANLON: My name is Mike O'Hanlon. Welcome to Brookings. I am the Co-Director with retired General John Allen, who has just joined us but is not here today, of the Brookings Defense Center, the Center on 21st Century Security and Intelligence in our Foreign Policy program led by Vice President Bruce Jones. And I'm delighted today to be welcoming all of you to a discussion on U.S. Defense Strategy and the Defense Budget.

I'm joined by my very good friend and colleague, Bob Kagan, immediately to my left, and two other very good friends and remarkable defense thinkers, Jim Miller, the former undersecretary of defense for policy in the Obama Administration, and Mackenzie Eaglen, who's worked on the Hill, in the Pentagon, and at the American Enterprise Institute.

I'll say a brief word additionally about each of them, but first let me just frame what we're trying to accomplish this morning and we'll look forward to your help in the second half when we have time for your questions as well.

Even though it's February, even though it's Iowa Caucus day, and even though it's the week before the budget submission of President Obama, his final official budget request to the Congress for fiscal year 2017, we're not really thinking about those matters. We are thinking about defense strategy for the next president. And of course these topics can be interrelated, but we're trying to break free of some of the usual constraints. We know there is a bipartisan budget agreement from a couple of months ago that takes a lot of the drama out of just how much we'll spend on defense in 2017. And so we're not trying to just think about how we rearrange deck chairs within that particular top line figure, we're asking the bigger question, and it's the question I'm going to pose to each of my co-panelists in just a minute. What is the number one defense challenge facing this country and the next president, and what would you do about it? That's going to be the question of the day, and it's the question each one of them will launch into here with some opening thoughts in just a few minutes. After that we'll talk a bit amongst ourselves, and then as I say, go to you.

I'm going to start things in just a second with asking Bob to address that big question first, but let me say a brief word of introduction additionally about each one of them, because I'm really

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honored to have these three up here with me today. Bob Kagan is one of the best known authors on American foreign policy in the United States. He's written a lot of fantastic and bestselling books, including most recently "The World America Made." But my favorite book of all the ones that he has written is called "Dangerous Nation." And it's one of the 10 books I read in my life on American foreign policy that has fundamentally redefined how I think about the world going forward, and I know I'm not the only one in that category. So we're also waiting eagerly for the sequel to that book because "Dangerous Nation" only covered through 1900 or so. And so pretty soon, one of these years, you will see on your bookshelves -- and we'll invite you to events at Brookings discussing the sequel. But it's great to have Bob, and he will probably begin with some of the bigger grand strategy questions and historical questions that we should have on our minds as we think about defense strategy.

Jim Miller has a remarkable resume and remarkable accomplishments. He's the only person on the panel unfortunate enough to see me every Sunday morning at 7:00 a.m. when we share a tennis time, but despite that lack of good judgment on his part he has shown remarkable judgment and contribution to the country. Five years in the Obama Administration, the last two as undersecretary of defense for policy, the Department's number three ranking job. He worked for Les Aspin 25 years ago on Capitol Hill. He's taught at various universities and he now runs his own consultancy, Adaptive Strategies.

Mackenzie Eaglen is the only person on the panel unfortunate enough to have been my student and I see that she wisely did not include any reference to Georgetown University on her resume because that would run the risk of having her tainted by association. But as I say, she's accomplished great things since that time including, in addition to what I mentioned earlier, her various positions on the Hill and in the Pentagon, she was also a key staff member to the 2010 Independent Panel which reviewed the Pentagon's quadrennial defense review. And she has been one of the leading voices on how to think about everything from the big picture and grand strategy to the nitty gritty of how we take care of the troops, take care of their training, buy the right weapons for them, and everything in between.

So thank you as well to all of you for joining us. And without further ado, Robert, over to you.

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MR. KAGAN: Well, thanks, Mike; thank you for a very kind introduction and thank you all for being here and not being glued to your television sets with the Iowa caucuses which you made the right decision. Believe me I think this is definitely an improvement. (Laughter)

Mike is right. I'd like to start by pulling the lens back considerably and actually, if you'll forgive me, going to back to 1900. In 1900 there was something that you could have called a world order, a relative stability. The sort of global commons was policed primarily by the British Navy. The oceans were sort of kept free; the trading system was growing immensely. The world was having what we call a period of globalization. And on the European continent, you know, there was relative stability, although signs of potential instability as a result of the rise of Germany after the unification in 1871, which was causing increasing tension on the continent, but that was the order. And if you had asked people in 1900, especially Americans, looking out ahead they would have seen nothing but wonderful things ahead. America was growing immensely as an economy, but more than that the world seemed like a peaceful place. And you may recall in 1910 a guy named Normal Angell, a British scholar, wrote a book talking about how a war between the great powers was no longer possible because it was going to be so economically disastrous for them -- which it was, by the way.

Well, we all know what happened after that. But I just want to emphasize the degree to which not only could people not foresee what was going to happen 50 years ahead, they didn't even foresee what was going to happen 10 years ahead. And things were so much -- inconceivably worse than their worst imaginings could have been. Not just World War I of course, but World War II, the rise of fascism, the rise of totalitarianism in its various guises. And I say that as a cautionary note because I think that like at all times we human beings lack imagination. We have a better imagination for the good things that might happen. I think we tend to underestimate how bad things can get. And clearly we are not in the middle of a period that you might describe as like the 1930s, but we don't know how far off that is. And what happened, by the way of course, was the British power declined relative to its role in the world, its capacity to maintain both this global empire and some stability on Europe, it was ultimately inadequate. And when British power failed there was no one else to bring order to the system. And so what we had was 30 years of chaos, disaster, culminating in World War II, but just sort of imaginable

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horrors of that period because no one was able to step in and establish any kind of order in the system.

And what the United States did in the sort of "Churchill-ian" trying every other option before finally choosing the right one after World War II was to step in and rebuild an order, not entirely on its own, but very much dependent on American power. And what the United States did after World War II, having learned the lesson of two world wars, was decide that it was not sufficient to stay inside the continental United States and the western hemisphere, wait for the crises to develop, and then step in to deal with the crises. That's what we did in World War II. We waited and then had to send eight million soldiers overseas to fight that war at whatever cost. That was a policy which is not being recommended again by very smart people called off shore balancing. That's what is being recommended by our MIT professor friend -- I can't remember his name.

SPEAKER: Posen, Barry.

MR. KAGAN: Posen, Barry Posen and numerous others, as well I think by some presidential candidates if you really drilled down the idea that you sort of have your capacity, but then you wait for things to happen and hope that you can step in.

What Americans decided to do after World War II was not that, it was to forward position the United States, it was to move into Europe, which had gone through sort of almost endless cycle of military conflict ever since the rise of Germany, and put a cork in that conflict. It did the same in Asia where Japan and China had also entered a cycle of endless conflict, initiated almost entirely by Japan every time, but nevertheless numerous wars over a long period, and put a cork in that conflict such that -- and ultimately to take general responsibility away from the European powers and to maintain responsibility of the Middle East. So three areas where the United States basically took on the task of putting a lid on what had been, especially in Europe and Asia, sources of tremendous sort of disaster for the planet.

And that was the order. Now the order was not without conflict, it was not without mistake in wars, it was not without mistakes, because God knows America makes mistakes as much as any power does. But the order actually produced a great deal of good. It produced enormous growth in the global economy, it produced a long period of spreading democracy unprecedented in history, and it

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produced an end to what had been the period of great power conflict, especially in the first half of the 20th century, but going back centuries. We haven't had a great power war in this 70 year period since the United States took on that task. And that's what's at stake now. And the decision that Americans have to make now is whether they want to continue playing that role or not continue playing that role and go back to another kind of approach which was more reminiscent of what we were doing before World War II. If we want to continue to play that role, if we understand the value of playing that role, then we are going to have to fund our defense capabilities in order to allow us to do so. That's why when people say we spend more than the next 10 countries, of course we do because we are carrying out a role that no other power is even attempting to carry out, would attempt to carry out, and probably can attempt to carry out. The United States enjoys some unique advantages in playing this role.

But what I think we're seeing around the world right now, and I'll end on this, I think the signs are pretty clear that this world order that the United States created after World War II is at least cracking around the edges, if not moving toward a sort of a general breakdown. And the consequence of that breakdown, if allowed to occur, will not be a smooth transition into a nice post American world where things rebalance but things stay the same. Much more likely it will descend into some form of chaos, almost certainly large wars. That's the consequence of losing this order.

Now, we have the actual experts on the defense budget and capabilities, which I am not, but that it seems to me is the large choice, whether we want to maintain this order or not. And then I'm quite confident we are insufficiently funding our defense. And in a way that is what indirectly, and in some cases directly, is producing the increasing challenges to the order. I'm not saying that the crisis in Islam is a product of that, but the way we're responding to the crisis of Islam and our ineffectiveness in responding to it, is a product of that. Russia's growing assertiveness is a product of that. China's growth as a power is something that is independent of the United States, but what it chooses to do with that power will be a response to how strong the Chinese perceive the United State to be.

I've probably exceeded my eight minutes and I apologize, but that's where I would start.

MR. O'HANLON: That's perfect. And, Jim, before turning over to you, I should have added Jim is also a member of the Defense Science Board and has otherwise shown a lot of continued

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focus on technology issues in addition to everything else he things about.

But before we go to Jim -- and I don't want to follow up right now with a question, Bob, but it sort of seems to me a question that is naturally raised -- and, Jim, you can either engage this now or we can come back to it later -- is how do we know if we are under investing in defense? Even if one accepts that broad strategic requirement, what's the metric, what's the measure or the set of measures by which we determine that we're under investing and then how do we compensate? So I think that's the hardest question there is. So I'm delighted you teed it up, but why don't we proceed over to you, my friend.

MR. MILLER: Great, Mike, thank you. Let me follow directly on Bob's comments about uncertainty and about the breadth and depth of challenges that we face.

There is no doubt that the next president and secretary of defense and team will inherit a dynamic and dangerous world. Whether you look at the rise of Russia, revanchist Russia, the rise of China, you look at North Korea, you look at challenges associated with stability in the Middle East, including ISIL, but also the role of Iran. And we could go down a long list, it's a challenging and daunting set of propositions. But at the same time, as was the case historically, there are a lot of opportunities. While the military is not the only tool of national power, nor should it be at the forefront because of our great economic power and the appeal of the United States to so many of our allies and partners globally, it is a fundamental aspect of our power. And in my view, yes, we are under-investing, and we're under investing in large measure because of the political gridlock that we have in Washington. I won't go through the details of how we got into sequestration, except to say that at the time both sides said it was so stupid that there was no way possible that in fact this nation would pull the trigger on it. Obviously we've had that occur and we've clawed back some resources for defense. But American leadership is vital in the world. You only have to look at the world to see that. If you talk to our allies and partners, indeed to some of our potential adversaries, they see that providing that stability is an important role.

And can the United States afford three percent of GDP or so to go to defense and have a stable budget? Of course. We can't afford not to take that path. And so one of the things the next president and secretary will have to do just to jump in will be to make the strategic case for a strong

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America, for leadership. I think the Obama administration has in recent months increasingly made that assertion and continued to push for increased military spending. But the next president, whether Republican or Democrat, will have to make that case strongly and then will have to, I think, make a hard push with Congress to get increased and stable funding going forward. So to not do the one year deal, two year deals which we've had, which are beneficial as you said, Michael, but not sufficient. The opportunity costs in terms of wasted resources for not knowing where your defense program is going to be a couple of years down the road is very significant. The opportunity costs in implicit political costs internationally is even greater, where our allies and partners are wondering where are we going to be and are we going to be there, are our forces going to be there in the coming years.

So, first priority for the next administration, while it will do a big quadrennial defense review, well before that's completed it will need to articulate the broad strategy and strategic priorities for the administration in terms of national security and the role of the defense department and the military in that. There is a very geeky thing called the force planning construct. If you look at the last several quadrennial defense reviews you'll see a section devoted to it. Basically what that is, what that force planning construct does, is it says what are the things in broad measure that we want the military to be able to do, from large scale military operations to defeat an adversary, to stability operations, counter terrorism, to defend the nation. And how much is needed in terms of capability and what's the infrastructure needed to support that. In order to make a credible case for a new budget top line and a sustained top line that is very affordable for the nation, but perhaps \$30-40 billion per year above what is currently otherwise in the cards, the administration is going to have to make that case. It will have to not only describe the dangers of the world, but as Bob talked about historically, the opportunities as well, including opportunities to work more closely with our allies and partners to help build their capacity as many of them are stepping up to provide stronger militaries and more regional security as well.

The thing that the next administration will be able to turn most quickly on will be, even within a matter of days, in addition to strategy and budget, initial forays will be military operations. Now some of the candidates have said that they would immediately ramp up U.S. force posture and engagement in Iraq and in Syria. The Obama Administration has begun to do that, but I would expect

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across the board that that would be for the more likely candidates in both parties that that would be an early priority. And, Michael, as you've written about, also turning the dial a bit in terms of increased force posture and increased role in terms of advising in the field for our forces in Afghanistan. Those are potentially important changes. I think the Obama administration has set the table for sustained presence in Afghanistan after the President changed his mind; looked at the situation in Afghanistan, changed his mind and said we're not going to go down to zero by the end of 2016. And so he left that choice to the next president. That's a choice that will affect not only the balance in Afghanistan as the Taliban continues to be very problematic and as the government in Afghanistan struggles, but will affect stability in the region and will affect how the rest of the world sees the United States as well. There are some choices in the Middle East and elsewhere that are less subtle and would be plain stupid. And on the day of the primaries I'll say that anyone who suggests that we should start carpet bombing and see if the sand will glow, I think is saying something that's quite dangerous.

So the next administration will inherit a world full of problems. I think in any new administration there's a feeling that there are both enormous challenges and unique challenges, but also very significant if not unique opportunities. Well, it's been true at various moments in the past, there's virtually no doubt that that's the case today and the next administration will need to articulate that strategy of U.S. leadership, will need to describe how that translates into a force planning construct for the military and what that means for the size of the military and for key capability areas, and will then, in my view, to work hard to continue to partner with our allies and with our other partners to build their capacity. This administration took some important steps to reform our export control and technology security practices. The next administration won't be able to immediately make enormous progress, but they should take that on because it's been still the case that the system is built to say no and it's built to say no slowly. And we need a system that's built to say yes quickly to our allies and partners.

I want to raise one final set of issues that I think are worth real focus as we look forward to the coming years, and that is in particular for the defense capabilities associated with what I would call the most strategic capabilities, in the sense of nuclear forces, long-range strike missile defense, space capabilities, and cyber capabilities. In each one of those areas there are very significant changes

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underway with both Russia and China continuing to modernize their nuclear forces, Russia leaning further into nuclear as with the strategy so called escalate to de-escalate, and where the United States has modernization choices for each leg of the Triad that are on the table. My guess, given what I've said, I think it makes sense to go forward with those modernization programs and that would be correct. The next administration will have an early decision on missile defense and whether it will continue to hedge with respect to an east coast missile field or whether it will go forward with that. And that will send important signals across the globe as well. Long-range strike, there's this long-range strike bomber, the new bomber. When we have a large country that has friendly neighbor to the north, friendly neighbor to the south, a large ocean on the west, another fairly large ocean on the east, it's kind of important to have those long-range strike capabilities to be able to do stuff from secure basing. It's a fundamental program as well and the next administration will be well advised not just to continue but to look how to ensure that it stays on track.

And, finally, in space and cyber, I want to give credit especially to Secretary Ash Carter who has pushed hard on developing U.S. capabilities in both of those domains, space and cyber, working to strengthen our resilience, but also looking at what kind of deterrent posture we need in those areas. And without a doubt each of those is going to be a fundamental part not just of military operations, but of our national security for not just the first term, but for decades to come. We're in a period of incredible change there and this next administration will need to really build off the progress that I think, again, that Secretary Carter has really initiated on those fronts.

MR. O'HANLON: Excellent. Thank you, Jim.

One question I'm going to have -- I won't pose it now -- we'll go to Mackenzie for opening comments -- but one question I'm going to have that you really helped crystallize in my head is are we buying enough long-range strike bombers. Are there other kinds of long-range assets that we should be adding to the defense program? Is the question not just that we have some shortages in funds for the things we have on the books, but that we should be adding thing to the books that are not presently there. So that's a question you naturally provoked.

But, Mackenzie, over to you, and thanks for being here as well.

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MS. EAGLEN: Thanks for having me. I love coming over here; it's always a pleasure. I'm a good hybrid wrap up actually up here on this stage for sort of the big choices framing the next administration. And what's interesting is it's really agnostic to political party. The next candidate or president may think that they don't -- that they'll have more choices than the ones we've laid out, but truly these are the fundamental ones. You can ignore them of course and let atrophy or decline or the fraying of the international order persist or continue or accelerate, but nonetheless these are choices and they're not exclusive to either party or either president.

I would say the first one is with the White House. And Jim touched upon this, but the rationale is what Bob already laid out. So does the United States want to -- and I would look at American internationalism and leadership on a spectrum, so when I say resume or resurrect it, it doesn't mean that this president does none of that, it just means that the next one will choose to either continue the status quo on American internationalism and leadership of this president, or to more fully resume and resurrect that leadership much more robustly, much more assertively, more ownership over the unique role that America plays in the world and will it continue. That's a sort of framing global question for the White House. And if that's the case, if they say yes, we want to resurrect, resume, rebuild America, any of the "r"s, American internationalism, to help continue to maintain the world that America helped build, then the question beneath that is -- I should say the solution, there is no question beneath that -- then the solution is to rebuild the tools of American power. And that's something familiar to all of you already in this room. The U.S. military of course is only one tool, it's certainly the most visible and it's the most cutting edge, and tip of the spear, but there are many and they've all frayed over the last really two decades for a variety of reasons, including Iraq and Afghanistan. So that includes everything from our alliances and our alliance structure, whether those are groups of countries or bilateral relationships, to our tools of soft power and diplomacy, to our tools of hard power and everything in between.

All of that requires resources, but it requires a whole lot more. It requires sustained attention from leadership, it requires global push with our friends and allies to explain why and to get buy in from everyone else, et cetera. But just focusing on the last tool of hard power, so if you want to rebuild the tools of American power and statecraft then of course, as I already said, one thing you will need is

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more resources. So that gets to the fundamental question for the White House, what do you do about the Budget Control Act and sequestration. So it flows from these larger questions which will implicitly get answered by whether or not they do anything to just either kill it forever and just strangle this baby in the crib, known as sequestration/BCA revised, and come up with some larger debt deal, so some federal government spending/debt/taxes -- the whole enchilada -- to come up with a larger deal or not, or to keep living by these two year short-term cycles which do more damage to the Defense Department than any other federal agency for a litany of reasons, and it's uniquely destructive to the military to live under short-term budgets and short-term continuing resolutions and short-term certainty and planning.

So White House, that's their big framing choice. The next sec def, their choice will flow from of course these questions and these answers as laid out by their new president. And it's fundamentally then to -- if the choice is to rebuild then that secretary has to answer the question, to rebuild for what. Now, we've already said it's to help restore, resurrect, resume, rebuild, et cetera, American internationalism, but also more specifically to do what, to deter against what, to maintain what. That's always the fundamental defense planning question. And here's where we're seeing the current administration struggle, partly because resources are deciding the answer for them. It's an either/or proposition under this administration. And I guarantee the next one will want it to be "and", because wouldn't anybody want that choice? It cannot be posture versus presence, posture or presence, it has to be both. It cannot be high, tight, cutting edge technology and capability versus readiness, it should be both. Because if you're rebuilding you truly need to maintain a healthy investment in all three legs of the defense stool. One leg gets short, the whole stool falls over, it's just the way that it works. And those three legs of course are readiness, capability, and capacity. Readiness, how quickly can you get out there and get the job done, whatever that job is. Capability is how much of an edge do you have over your adversaries or not. And that's fraying quite rapidly in fact. We're surpassed now in several capability sets and it grows by the day. And capacity, how big are you to answer all of the questions of war and peace around the world for your military to sustain and meet its current requirements?

So in that realm it's also an either/or threat scenario and environment. And I suspect the next secretary of defense will want to explain that it's not. So this current set of Pentagon leadership and

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the Joint Chiefs will say the Islamic State is the most dangerous threat to America, but --excuse me, is the most immediate threat -- and Russia is the most dangerous. By extension what that means is because there are limited resources and financial dollars available to the Pentagon they have to focus on the most immediate when they want to do both. They want to fix the problem now against Islamic State, deal with it, ideally defeat it, but at the same time handle rising great power competition, potentially struggle, and potentially even more than that. And that would go beyond Russia, that would include Iran and China as well.

To get Americans to agree on what the threats are so that you can agree on what the military you need to deal with them should look like is incredibly difficult. And we haven't really seen that bipartisan consensus in national security exist for a quarter of a century now in answer to that question. While no one would ever long for the days of the Cold War, it certainly was clarifying and unifying in terms of what is the threat and what do we at least need to defeat it, maybe if not, how. We have not had a clear answer to that question in a bipartisan way ever since. So one person can say I'm going to carpet bomb, you know, the Middle East as Jim mentioned because they think that's the existential threat to America, but the military commanders might say well, it's actually this problem or that problem. And in the military -- nobody knows better than frankly on this stage, Jim, there really isn't a lot -- you don't get a lot of choices frankly. On paper we might say the military is never going to do this again, Iraq or Afghanistan or Viet Nam, as was the case three decades ago, but in reality the nation has yet to reign in its appetite to tell the military not to do anything. So meaning they will continue to do everything as needed.

So to unify and to make aware and figure out what are the threats to America, and make the case that it is not exclusive to radical fundamentalists, terrorism, whatever we want to call it, or a great power emerging potential, existing competition, if not conflict. It is a spectrum of challenges and problems. It's a very different military that does both well and they're going to have to do both.

So from there, finally, then flows -- so, okay, we want to resume, restore American internationalism. We want to fix the resourcing problem and rebuild the tools of statecraft, to do what -- to defeat, to maintain peace and stability, to potentially defeat some of these threats, to defer others, make

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sure they never actually become manifest or realized. Nobody wants a great power competition, so how do avoid that -- ideally it's partly through this rebuilding. And then from there I further will then answer the questions of a stable and robust investment in all three sets of requirements under the defense umbrella and not have these either/or conversations of capability or capacity or readiness, and allow the next administration to look into funding all three.

This administration with the help of both parties has had to decide that it's readiness first -- when there are declining resources there have been sacrificial lambs -- and capability second. But what we're increasingly finding, even if you just look at last week's Commission on the future of the Army, capability -- modernization was originally the bill payer since Budget Control Act came to be, but it was also the bill payer during Iraq and Afghanistan as well for the most part. And now capability has taken a hit for so long that it's becoming the new triage patient.

So that's where we will be and it will be to decide among those three priorities how to make the case for all of them equally.

MR. O'HANLON: Thank you. So this is great. And what I'd like to do now is just really pose one more question and then have a bit of discussion about it before going to you. And I think I'm probably not the only one here who has realized we have maybe four variants of hawk on the stage and one species or another. Maybe I'm the clipped wing cheap hawk version, but I think we have everybody calling for some increases in our defense capability. So recognizing that I want to pretend for a moment that I'm asking a question from the other side, and basically putting it as follows -- and this is going to be sort of in a way just to draw out some of the arguments. Let me sort of challenge the atmosphere that I guess I created on the stage in the first place by building this panel the way I did, we're all in favor of more defense resources to some extent. And again I am too, even though I'm a moderator for this panel. But let's look at the numbers. The numbers tell us the following: that yes we can argue there's not enough money for defense -- and I'll come back to that in a second -- but the numbers can also tell us that we spend a lot of money on our military. I share Bob's reservations about ranking us against the next whatever countries. In fact another point you could have made is that I think when President Obama first started using that particular metric it was 17 countries that we outspent, the next 17. Now we only

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outspend the next 8. So even if that were a good metric one should be at least a little nervous that in the space of five years we've gone from just outspending 17 to outspending 8, wondering where the trend line is taking us.

But we do spend a lot on our military, even relative to ourselves in the following sense: it's about \$600 billion a year right now. That does not include what we spend on veteran's affairs or homeland security. That \$600 billion is more than the Cold War average, even after you adjust for inflation. The Cold War average was \$525 billion. It's not that far off from the Reagan peak. The Reagan peak was about \$640 billion in the same constant 2016 dollars. It's a lot more than we spent; let's say in the early period of the 21st century, even under George W. Bush in the early years after 9/11, before Iraq really ramped up. And so by a lot of measures it's a lot of money. On the other hand, it's only three percent of gross domestic product and headed down to maybe two and a half percent by the end of the decade on the trend line we're on. And so it's not a huge burden on the economy as Jim was pointing out. It's also a very small force compared to anything we fielded since 1950.

So again I'm not going to pretend to be too innocent here -- I share the concerns of the panel -- but what would people say to this challenge from someone who is saying listen, we're spending a lot of money on the military already, why we can't we just do better with the resources we've already got? And, Bob, it's a little unfair to start with you because as you pointed out you don't really live in this world of defense budgets to the same extent, but if someone is going to challenge you on the basic contention that we under spend on our military, what's your fundamental response, and how will you know we're spending enough when you start to fix the problem?

MR. KAGAN: Well, you in trying to make the -- already answered half of the question. I mean we have a much larger economy than we did throughout the Cold War, and as a percentage of our overall GDP we are at a very low level historically. I mean in the Eisenhower years, the peaceful Eisenhower years, we were spending over 10 percent of GDP on defense. We had a million soldiers deployed overseas -- a million. This was in the Eisenhower peaceful period. We have about 200,000, and if we were not fighting wars it would be even lower than that in terms of sort of steady overseas deployments.

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And just to make another ratio point, when Eisenhower had a million deployed overseas it was in a population of out of 180 million. Today we have roughly 200,000 deployed overseas out of a population of 300 million. So if you look historically we're actually sort of spending less proportionally, deploying less proportionally than we did during a period than we did during a period when Americans were not complaining about defense spending or deployments at all. So you have to ask is it what we're doing that has changed or is it the way we feel about that has changed? And I think most Americans, they sort of accepted why we were doing things in the 1950s, and I think what's happening today is they're just saying well, why are we out there? Because the communist threat is gone, ISIS is not enough I think to explain to Americans why. And the hardest thing we all have to do is to say (a) because this world order is so beneficial to us, and your thinking clearly enough about what the loss of this order would entail, and I would say we should think even in terms -- when you get down to dollars you don't ask only what you're spending, you have to also ask what would be the cost if you don't spend it. You can buy a car and not get the insurance on it and save the money and you're fine until you get into an auto accident and then you don't have insurance. And I think that we should think of defense spending as insurance. It's much more costly to get into a war and fight a war than it is to deter it. The cost of fighting World War II I'm sure in some constant dollar term far exceeded what we would have to spend in order to deter the next. Now the problem of course is that no one can imagine that there is another conflict out there, but of course that's the failure of imagination that humans have had over and over and over again throughout a history in which one of the major constants has been war.

And so I would say you need to explain that we are actually saving money by spending what we do to maintain this order because restoring this order if it's lost will be a great deal more expensive. That's the main argument. But again in order to do that -- that's why I think history is useful in this regard because I think people don't imagine or don't remember how bad things can get.

MR. O'HANLON: Thank you. Jim, same question to you please.

MR. MILLER: Michael, let me make three points. First is why is the military so expensive, include relative to earlier? And I would highlight three factors. One is the all volunteer force. And as you look at the cost per individual; setting aside equipment and so forth, that's gone up

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consistently over time. And we've made a determination as a country that we want to treat our colleagues and friends in uniform fairly and compensate them well. And that includes not just their base rate of pay, but benefits over time. And the benefits, the social benefits associated with retirement and so forth have grown substantially. But it means that we have the most capable military I believe in our own history, and arguably in the history of the world in terms of the human capital.

The second aspect is as we continue to pursue more advanced technologies they are expensive to develop and expensive to procure. You'll remember Norm Augustine's law that basically looked at the unit costs of platforms and projected -- this was about 30 years as I recall -- projected by 2050 we'd be able to buy one aircraft carrier, one fighter aircraft, and so on. It's not quite that bad, but those costs are going up. And part of what the leadership of the department has worked to do and needs to continue to work to do is to push those down. You've seen that for the F-35, real efforts to drive down costs. Secretary Gates stopped the previous long-range strike bomber, the previous bomber, because he believed it was too expensive and we were trying to reach too far in terms of the requirements. Similarly brought down the requirements associated with the core of our nuclear deterrent, the Ohio Class Replacement, in order to contain costs. So that's a constant struggle. But buying advanced technology that continues to put us at the forefront of military operations and gives our people that military advantage is fundamental.

So those factors are both important. And the third aspect is that we happen to be in a period where we need significant recapitalization of our force as well as the investments in readiness that Mackenzie was referring to. That's a consequence of in part focusing on counter insurgency and drawing down the force as opposed to modernizing the larger force over a period of time. But in addition to the strategic nuclear system that I mentioned, across each of the services in their core areas, including fighter aircraft, including long-range air, including ships, and including the equipment ranging from tanks to infantry vehicles, there's a need for recapitalization. Need to do everything possible to hold those costs down and to hold contractors to the high performance standards and to make tough choices. Now the next administration will have to do that. So why is it so expensive? It's expensive because of the people, the equipment, and the particular situation we're in.

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The next administration, point two, is going to need to take on and continue to take on defense reform with gusto. Congress has added to the internal pressure the Department feels to do that, to draw down costs, to reduce headquarter size and expenses. I think there's more than can and should be done. That is a constant struggle just as it is in any business and the Department is going to have to continue to press on that. It will have some big choices in that regard, some of which the Senate Arms Services Committee hearings that Senator McCain has called for have teed up. So, reasons for increasing costs. A good reason to continue to press on defense reform.

And, third, to just reiterate, the fundamental point that the United States as a global power, as we work with our allies and partners, and even as we work -- indeed especially as we work to increase our allies' and partners' capacities, and help them develop more military capabilities so that they can perform increased roles in regional security, that is not an inexpensive proposition. No other country in the world has taken on the responsibilities of the United States. No other country in the world can fill that void. And it's not about chest thumping, it's not about wanting to be the strongest country in the world, it is that the United States fulfills a fundamental role in the international system. That international system is under stress and if we don't step up to the plate we will see immediate consequences and we will see knock on consequences as well to stability that will affect international trade, it will affect our relationships, and it will affect our security in much broader ways than just the military dimension.

MR. O'HANLON: Thank you. Mackenzie.

MS. EAGLEN: I would just say it's a true great irony, but it's so difficult to convey, particularly to a skeptic because just the sheer volume. The number is so high in terms of what we invest in military. And as Michael noted that is not even the full monty. The number is incredibly large, even if you include for accounting rules other funds we had to put aside in the Treasury for all of the benefits for veterans and other things, and investments as well, including DHS, our intelligence agencies, et cetera. But retrenchment and disarmament is not free. The cost, the financial costs of disarming are actually more than maintaining strength. And that is a counterintuitive argument unless you've lived through a World War I or World War II, or you've actually seen the benefits of a build up under President Reagan, and he's a president in the last half century who used the military the least, and he had a military that was

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at the time the strongest it had been. So to make that case to anyone frankly is very difficult. And to increasingly make it even in the Republican Party, which it was traditionally sort of a stalwart on these issues, is a challenge. So disarming, weakness, retrenchment, none of these are free or without cost. In fact they are much more expensive. So that's the fundamental point one.

Point two is this ain't your grandfather's defense budget. Jim already sort of outlined that. We've made a choice as a nation. We have a professional fighting force. So these are people who don't stay on the rolls very long, they have other things they want to get up and do. They want to serve one or two tours, get out. And that's expensive to maintain people, to churn that much every single year, to bring that many high quality people into the force, train them up, put them at the cutting edge, ask them to do a whole heck of a lot, ask their families to put up with a lot, get them out there in harm's way, and then get them out the door, is incredibly expensive. And that's again the choice we've made.

And then the other part of that choice is well if you have these incredibly capable people who could be doing other things with their time and we don't want them to, we want them to join, then you have to give them the best stuff. So that's really what your budget buys you: people and stuff. It's really that simple. And as a nation we've decided we don't want to put our troops in a fair fight, or at least historically we have decided that. I would argue right now we already aren't in fair fights if were to enter some of them, and the Chiefs have sort of alluded to this already, which is why I think we're staying out of certain areas and conflicts or potential challenges.

So those investments require resources. It comes down to those fundamental choices and the nation's decided they're not willing to give up either one of them, an all volunteer professional fighting force and a military that has supremacy, technological supremacy across the services and domains. Now, the reality is somewhat different, but those are the investment choices and why it costs so darn much.

MR. KAGAN: I'd like to make one other point, Mike.

MR. O'HANLON: Please, please.

MR. KAGAN: Which is that if the issue is spending, if it's the long-term budget deficits that we're worried about, going to the defense budget to address this problem is almost the last place you

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would go. I mean if you look at any of the budget commissions that were prominent a couple of years ago -- one of our colleagues, Alice Rivlin, was part of it -- and we've had this discussion ourselves, it's not the defense budget that is driving the enormous deficits that the United States is creating. There are many other much, much, much magnitudes larger elements of that. So if your issue is wanting to cut deficits you've got to look to other things. In the best of circumstances you're not going to squeeze enough out of the defense budget to be more than a drop in the bucket to the overall deficit crisis. So unless you have a particular allergy to spending money on the military, which some people do, if the issue is budgets the military is not the place we're going to balance our budget.

MR. O'HANLON: Thank you. So let's go to you. Please wait for a microphone and identify yourself before posing the question. We'll start here in the front row and then go to the gentleman here after that.

MR. CLARK: Good morning. Colin Clark, Breaking Defense. I'm really intrigued by the fundamental problem of conveying to people who know very little about the world outside of our borders and who know even less about history -- the majority of our voters now -- why we actually need to spend this money. I mean how do you make it concrete to people. The argument that it's cheaper to do it is I think very compelling to those of us who deal with this on a regular basis, but how do you make this point to somebody who knows much more about Kim Kardashian's clothes than they do about Chinese military capabilities?

MR. KAGAN: In some respects the answer is you're not going to succeed. And the reason I say that is because it's not just these Americans and Kim Kardashian. If you go back and look at the other Americans of the 1930s, I mean if you think about the difficulty that Franklin Roosevelt convincing an American public when Hitler was conquering Europe that this was something the United States needed to do something about -- and honestly I don't think Roosevelt ever actually persuaded the American people. You know, Japan persuaded the American people. And the general pattern is things have to get so bad before Americans realize what the real dangers are out there before they decide. Now, the good news about that is that after World War II there was a kind of strategic memory that Americans had which I think lasted even beyond the end of the Cold War. And a lot of the activity of the

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first Bush administration, the Clinton administration, won at least sort of marginal American public support. I think again because there was this memory that somehow America really did need to play this indispensable nation role. And then you have Iraq and Afghanistan. And then quite frankly -- again, I don't disagree with Jim or Mackenzie that Obama hasn't sort of abandoned the international role, but he has done very little as a political leader to explain to Americans why they do need to be engaged. In fact, you know, his most memorable statements are we need to be nation building at home, not nation building abroad, as if that's a binary choice. And I think he has -- you know some presidents go in the direction that the public is already going and encourage it, and I would say people like, you know, Warren Harding, Coolidge, and Hoover, and Roosevelt in his first term. And some presidents try to push back against it and try to say no, no, no, you're heading too far in that direction. I think the next president -- I say this with much more trepidation than I used to -- is likely to try to make the case to the American people again that they need to understand how important this is. There is no substitute for presidential leadership in these situations. That's the only person who can sometimes block Kim Kardashian out of the mind and make people pay attention. So if you don't have a president saying I'm sorry, this is why we need to be doing this, why should the American people come to the conclusion on their own? It's not their job actually.

So I would hope that that's going to be the answer, that the next president is going to make the case.

MS. EAGLEN: I would just say I fundamentally agree. I don't think necessarily the American people need to be persuaded, but they'll be happily led on the issue. And if you talk to politicians -- like over at AEI we have former Senator Jim Talent -- he will preach endlessly about the fact that there will never be -- there's no downside to a strong defense, there's never a primary ad, you're not going to get somebody -- you're not going to get primary for being a strong defense, voters don't ever think that's a bad thing, they will side with you on that choice and not hold it against you. Every other issue though you're on your own. So they don't have to be persuaded, they just need to be led and that's fundamentally out of the White House. No matter the secretary of defense, no matter the cult of personality around that person and how persuasive they are, there's never going to be a national debate

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like there is on gun violence, for example, right now in America I think on these questions. But leadership? Yes. Congress will go along and we saw that. President Reagan pushed through double digit increases, percentage terms on the defense budget. Congress didn't want to go along, but he was able to do that because he was able to lead issue out of the White House, to make deals and cut deals and other things.

So as long as they can be led and that choice is straight from the White House.

MR. MILLER: I have a somewhat different view than Bob and Mackenzie on this. And not going back into the history to World War II and taking that as a reference point, but looking at the more recent history of how we got into sequestration and having to deal with that, and that wasn't something inflicted by the White House by itself. That was something that is a product of a toxic relationship between Congress and the administration. And I grew up in Iowa and we had an interesting day obviously with the caucuses. You know, when I talk to my family they understand the need for a strong military. They believe it's the right thing for the country and they want the United States to lead. I don't think that that's difficult to explain. It's hard to explain where \$600 billion goes, right? It's a staggering amount of money, but that doesn't mean that cutting it to \$570 billion and then adding unpredictability is going to help in any regard. But I think it's fundamentally in recent years been a byproduct of the toxicity of the relationship between the administration and Congress, and to some degree because of the breakdown of bipartisanship within Congress as well. And I think that the next president is going to need to work very hard to do what President Obama came in thinking that he would do and actually made a priority, which is reaching across the aisle, including on national security issues, and attempting to make it so that security matters ended at the water's edge if you will, that we would come together. Not just recent history to World War II, but far deeper, there have been severe debates over what's the appropriate of the United States in the world, what's the appropriate level of spending and so forth, but there have been rare periods where we've had the toxicity both between administration and Congress and between parties in Congress that we currently have. It's beyond the scope of this panel to address that, but I think that one of the most important things that the next president and secretary will need to do is to build those bridges and to work with our elected representatives and senators in order to

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build a sustainable consensus on a range of these issues. We've done it at some points in time and in some areas in recent years. It needs to be a very significant effort and I hope that the next team will take that on as a fundamental mandate.

MR. O'HANLON: I'm going to add one thought here myself though. I wonder if, Jim, as a son of Iowa, wants to begin the reaching out process by giving an endorsement for the republican primary or caucus process today. (Laughter) Also, by the way I couldn't help when I was -- I'm not betraying any confidences here because it's well known that Bob Kagan and President Obama had lunch together from a *New York Times* report later, but I'm wondering if you used the Warren Harding analogy with him at that lunch (laughter) or if that was one you held back on at that moment?

Anyway, not that you quite said that. But the point I wanted to add here --

MR. KAGAN: I have written that, so.

MR. O'HANLON: The point I would add, as I listen to this particular presidential debate -- and so we will link to the Iowa caucuses with this comment too -- I think the candidates are being a little lazy in how they try to get into this issue. And I'm not trying to say any of them are wrong per se, they're being a little lazy. And what I mean by that is that -- I don't want to call for the return of Ross Perot and all of his charts, but I do think that getting a little more detail is something the American people are capable of absorbing. And so let me give one example, because I think it's actually good to be able to specify specific concrete defense needs that we're not currently fully funding. China's rise in the Asia Pacific. I think we can have a good relationship with China. I'm fairly optimistic on the relationship, but only if we work hard to uphold the order that Bob and others have pointed out is crucial to the way the international system works. And right now China is feeling its oats and trying to challenge that order in various ways, in the South China Sea in particular. And we can debate the tactics that U.S. Navy ships should use to push back -- that's a hard question -- but the capacity of the U.S. Navy to maintain supremacy in the western Pacific I think is a prerequisite, it's a requirement to being able to be effective in this. And as Mackenzie has said, already that is challenged, especially near China's shores, near the Asian Littoral. I think that's partly inevitable and partly a result of technology. We can't totally reverse that. But I don't like the idea of seeing the U.S. Navy continue to decline in size while the Chinese Navy continues to

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increase. So here's a very simple way to think about it, whether you could ships, count the tonnage of ships, count the number of our ships engaged in the western Pacific -- here I would like a couple of Ross Perot's graphs -- it's not that complicated to say, listen, we've at least got to reverse the decline in our Navy and the decline in its presence in the western Pacific and reverse that to some extent. That was essentially what President Obama said in his first term with his rebalance to the Asia Pacific policy. That has not really been a priority in his second term. Secretary Kerry barely talks about it. I think Secretary Carter is a little better. And Mr. Obama has gone to the region a couple of times, but the whole notion that the military is component of the rebalance, as Jim Miller and Michelle Flournoy and others developed in the first term, that has to be sustained. And you can actually reduce that to some extent to tangible defense debates and tangible defense needs, but we're not hearing that in the debate right now.

Here, in the third row.

SPEAKER: (Inaudible) *China Daily*. Mike, what you just said actually is what I want to ask about. I mean Henry Kissinger and Joseph Knight always talking about this (inaudible) against self fulfilled prophecy. I mean mostly in terms of China. I actually just listen the panels I think are (inaudible) in China, I mean it's considered potential at least adversary. And I saw James talk about China, Russia, I mean not just China the country, China, Russia modernizing their nuclear arsenal. But I mean the other side of the sea, I mean the Obama administration is planning to spend \$1 trillion in the next 30 years to modernize nuclear arsenal, and this is someone who won Nobel Prize for calling for a nuclear free world. And so the other argument, like the U.S. rebalance to Asia, the military components, every argument is about China. So what Chinese, I mean some Chinese at least, see what provides them ammunition for stronger military, more spending. And then you guys would ask for more spending. So this is really reinforcing each other. So how can we sort of have more wisdom in not going this vicious cycle?

Thank you.

MR. O'HANLON: Anybody care to start with that one?

MR. KAGAN: Well, just as a historical matter, this is exactly the way the whole rising power dynamic plays out. And I don't know that there's any way to avoid it. The simplest way to avoid it would be for China to make the decision that it's not going to challenge the existing balance in a military

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sense, that it's going to choose another path of growth and development which is primarily economic and political, and that it's just not going to fall into the same trap that Germany fell into, that Japan fell into, that the Soviet Union fell into, in trying to use military means to change the international system.

Now, I'm not overly optimistic that the Chinese will make that decision because if they did it would make them very unusual. Most countries in their position just want to increase their power because that seems to be the best way to get what they want in the world. You know, the powers of the early 20th century, Japan, Germany, and I guess you could say the Soviet Union, but no less importantly Japan and Germany were referred to the have not nations. They were the ones who were unhappy about the existing order. Britain had come to dominate things, or the Anglo Americas has come to dominate everything, and it wasn't fair. And so their way out of that was to build up militarily. Completely understandable and yet completely disastrous. And so the question is, can China, having watched that experience find a different way of emerging as a great power. Because I'm quite confident that the United States will, whether it consciously chooses to or not, will ultimately resist China becoming militarily hegemonic in East Asia. And therefore we will have a war over that if we don't find a way around it. Now, I think from the United States' point of view history suggests that staying ahead of the rising power militarily is the surest way of preventing that conflict from erupting, which may mean given the psychologies on both sides, yes, we're going to have an ongoing military race where one side is trying -- the Chinese are trying to catch up and the Americans are trying to stay ahead as far into the future as possible. That even in my view is preferable to the war that will probably come if and when the two sides become roughly equal, and then the temptation to challenge militarily arises. That's what history suggests, to me at least.

MR. O'HANLON: Jim?

MR. MILLER: Yes, I'll just add that obviously China is a rising great power. It's a great power that is continuing to rise in its economy and across the globe, including military capabilities. That is the reality. And it is in the United States and global interest, and I believe in Chinese interest, that this occurs in the context of supporting continued stability of the international system. Now, Michael, you said that China is feeling its oats. I think there is a degree of that. And I agree that the United States' policy

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and posture of sustaining significant presence in the region, asserting and working with our allies and partners, also to help them assert rights of international passage and so on, including in the South China Sea, is fundamental. And I do believe that based on both historical analysis and basic logic, that the risk will go up if the United States does not continue to sustain a strong military forward base with very significant capabilities.

Now we need to find ways to ensure that in this instance where China's military is increasing its capability, including its blue water capability to some degree, including as I mentioned before, it's nuclear capability, that we avoid inadvertent conflict. I think that is the most likely path to conflict in the future. It means that the types of conversations we've had in the security and economic dialogue, the broader and deeper conversations we have military to military, are fundamentally important. And it's going to be something where we need to continue those conversations on so called track 1 with government as well as track 1.5 and 2 think tanks and mixed groups. And both sides need to understand that there are real risks associated with this dynamic. Bob will know the numbers. I remember a Graham Allison article suggesting that 7 out of 10 -- and you may not agree with me --

SPEAKER: Yeah, I don't know what he's talking about, but that's okay.

MR. MILLER: But the prospects are real for stumbling into conflict and we need to take that seriously. We need to take it seriously both by sustaining significant military capabilities and continuing to strengthen our alliances and partnerships in the region, and by giving China every incentive to play and to succeed by playing according to the international rule set.

MR. O'HANLON: Mackenzie, care to comment?

MS. EAGLEN: No.

MR. O'HANLON: I'm going to add two points myself. I see my good friend, Ken Lieberthal, in the audience and he had a line that -- I don't want to associate him with my specific defense recommendations, but he had a line that's always stuck with me that the shadow of the future looms large in Asia. And one of the interpretations that I drew from that is that the pace of change matters. And if it looks in Asia as if China is rising and the United States is declining, then I think we have a problem irrespective of what you think the long-term relationship will be.

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And so in terms of arms races, if I could just add a couple of numbers in the spirit, China, as our colleague David Dollar and others have pointed out, has been holding steady at roughly two percent of GDP, maybe even a little less, that it devotes to its military. The problem is, from an American strategic point of view, the economy has been growing so fast and so consistently for so long, that's translated into a pretty big budget. But it's been holding relatively steady. And that's not uncharacteristic of what you would anticipate from a rising power. The United States however in the last 15 years has been cutting quite fast. And there's a good reason for that. We've been winding down the wars. That's a big part of the explanation as to why we've been cutting. And before that we cut because of the end of the Cold War. But we went from about four and a half percent of GDP on our military at the end of Bush and beginning of Obama, down to three percent now, headed for two and a half percent. That's still more than China's, but the pace of these changes I think is potentially unsettling. And so much of our military is focused on other parts of the world, obviously the Middle East, necessarily now on eastern Europe and Vladimir Putin. So I like the idea of more gradual hegemonic change, even if the change to some extent is inevitable. And I don't want to try to suppress China's rise. I think the pace matters in terms of who feels whose oats and in terms of how regional partners and allies respond and how they will react. So I think it's more stabilizing if we try to steady that pace of change, in my own view.

We'll go to Marvin here and then we'll start to work our way back.

SPEAKER: Thank you. During the Cold War we had an easy enemy to identify. And if you needed money to fight the Viet Nam war most of the time you got it because the enemy was there.

What today do you need as an equivalent to the communist menace that would make it easier to get more money for the military budget and to meet the challenges that you all so articulately laid out?

MR. O'HANLON: I'm going to start with Mackenzie on that one and then work this way on this question. If you want to begin with that.

MS. EAGLEN: I tried to get at your exact question in my remarks, which is the lack of an agreed upon threat to Americans is one of the reasons that we've seen an atrophy in defense, not just our investment in it but then what's happening underneath that investment across any measurable metric.

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And the truth is it is a spectrum. So we have these lower threats -- excuse, lower technology, less capable types of enemies. I would put in there of the likes that we've seen in Iraq and Afghanistan, to some extent terrorists, certainly small in number, depending on their reach and their technology, it's pretty localized, pretty centralized, all the way up into South China Sea. Russia, Ukraine, Estonia, their ability to freeze out whole governments, to shut down their networks, that they're ahead of us. Iran as well and other missile investments and capabilities. Space across all three of them, but especially China -- missiles, China in particular. And of course they sell their stuff to anybody else in the world. So even if we don't have some great power competition we'll still go to war with their stuff most likely, or try and defeat it on some battlefield somewhere eventually.

So trying to convey that from the big to the small so to speak is equally important these days is a challenge. I don't have the answer. I agree with you that it is a challenge.

MR. O'HANLON: Jim?

MR. MILLER: It's problematic to try to identify a single threat that one should focus on. I think it would be misleading. I bundle them a little different than Mackenzie, but cover the same territory. And for me you've got the threats which we need to defeat, and those are ISIS, Al Qaeda, and so forth in the Middle East, North Africa, and elsewhere. You've got what we used to talk about as rogue states, but we have midsized states that are developing capabilities that could threaten us and our allies and partners. And through a combination of posture, diplomacy -- in the case of Iran in particular -- and military capabilities we need to be prepared to deter them and if necessary defeat them. North Korea and Iran are the key cases there.

And then we have great power competition. One with the rising China and second with revanchist Russia. And our consistency not just in military spending, but in presence and in work with our allies and partners is fundamental to those relationships as well. And as Mackenzie indicated, cutting across all of them is not only advancing technology, but technology that is advancing at an increased pace which in addition to the implications for global communications means that the tools of warfare and - - people have used different terms -- hybrid war, gray area war, and so on, all those are coming to bear and they're coming to bear across each of those three categories. It's not a simple explanation, it gets to

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the earlier question about how do you get Americans to understand, but if one can understand that they're both significant threats but real opportunity and a need for American leadership, and that a strong defense is an essential component of that leadership, including to be able to achieve diplomatic objectives and strengthen our alliances and partnerships, then I'll tell you, my family and friends and I will get that. And they don't spend much of their time on national security, but they understand that framed in that way that it's important for the United States to sustain that leadership.

MR. O'HANLON: Robert.

MR. KAGAN: If you wanted to replicate the Cold War and particularly the first 20 years of the Cold War, you'd have to ramp up the hysteria level significantly. You'd have to be sounding the toxin about the threat of Chinese global dominance, you'd have to make up all kinds of stories about how the Chinese are infiltrating our economy, et cetera. Now you hear some of this stuff out on the fringe, but as a president, as an administration, you'd have to say that Islam is an existential threat to the United States. Because if you think back on that period in those first 15-20 years when the sort of Cold War took hold on the American imagination, first of all they just came out of World War II, a fight against a totalitarian system when the great lesson was the lesson of Munich, and if you let anybody take an inch then it's all over and you're in World War II. So you're poised in that regard. Then you have a global etiology of revolution which has directly targeted the American way of life and said we're going to undermine that everywhere in the world including at you. And even with someone like McCarthy able to plausibly point to Soviet spies in the American system. You put all those things together and you can get Americans to do a lot of things. I don't want to do it that way. I'm very glad that we've not painted -- it would be easy to a demagogic president or leader to say Islam is the threat. To say that to the American people, there's a lot of Americans ready to hear that. We have candidates who have said that, but we have not had the White House say that, thank god. But if you wanted to summon the American spirit, you probably could pull it off that way. I don't want to do that. I don't want to exaggerate the threat of China in a way that would be required if you wanted to get an easier passage of increased defense budgets. And so we're left with this much harder task of saying it's not as simple as that, folks. And I can only hope that we're able to pull this off.

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MR. O'HANLON: So what we're going to do now -- we have 10 minutes left -- I'm going to take three questions together and ideally what you could do is if you have one person in mind who should start the answer at least to your question, please identify that person. We'll take them all together and then we'll work through the panel and give everybody a chance to respond to whatever they wish, and add their concluding comments all at once. And with luck we'll hit 11:30 sharp.

So here in the second row, and then gentleman in the fourth row, and then -- let's see, I need one more hand -- okay, and then over here in the pink shirt. So that will be the three questions together.

MS. CARTIER: Thank you. I'm Veronica Cartier, researcher for International Conflict Management Initiative. We all agree that China hegemonic power ambition and our current situation in (audio interruption) --

MR. O'HANLON: Keep going. I'll repeat it if needed.

MS. CARTIER: (Audio interruption), and for that, but I think considering the current situation my question is how that American people (audio interruption) at least made a mistake in decision making and who has the complexity understanding of nuclear deterrents, morale, escalation, and preparedness of mass destructions in the time of need against U.S. enemy?

Thank you.

MR. O'HANLON: Thank you. General question about nuclear weapons and nuclear deterrents. The fourth row here please.

MR. FARMER: Thank you. Nick Farmer. It strikes me that the U.S. in the 21st century is not going to have the dominant position it had in the 20th, or that the British had in the 19th. And while we do benefit from a stable world order, I would posit that the European Union and the Gulf Cooperation Council benefit even more from stability in the Middle East and Africa. And that Japan and Korea and Australia and India benefit even more from stability in Asia. Do you think that there is a way that the U.S. can provide overall leadership but get a better balance of burden and benefit with these other parts of the world?

MR. O'HANLON: Thank you. And then the final question will be over here in the sixth

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row, I guess; the gentleman in the pink shirt.

SPEAKER: Hi, my name is (inaudible). We talked about the potential of serious conflicts in the Middle East and Asia and U.S. by itself cannot have whole burden on itself. You did not talk about two key elements there which can be counter to both China's rise, is Israel and India. They are both very strong partners. So, that's the question.

MR. O'HANLON: Thank you. And I'm going to now turn to Mackenzie and then work down, but I'm going to add one more question which people can free to blow off because they've heard enough from me already. But I think a panel on defense strategy and budget we should at least have the question out there, is there any big defense capability that we're actually over purchasing that we could cut or cancel on the one side? Is there any big need that we're not even putting into the Pentagon's current requirements on the other side? So a more programmatic question in case anybody wants to turn to that. But again, pick and choose as you wish.

Mackenzie, over to you.

MS. EAGLEN: Great. I'll take two and four and leave the really hard questions to my colleagues.

You know, that's the problem with defense policy and frankly a lot of times foreign policy. To get at what Marvin was stating earlier, and even Colin and the rest of you, defense is just not subject to easy bumper stickers that are translatable and quick to comprehend, unless they're the wrong ones like carpet bomb and make sand glow. To try and summarize it quickly, in a talking head sound bite, it's just - - unfortunately I hate that that's the case. In fact I think that's partly why there's some fraying in this bipartisan consensus we all talked about, but it is the case and it goes to that question as well in terms of look there's a lot of freeloading on a system that the vast majority, the plurality of nations and the real benefit from that we help primarily invest in -- we're the long pole in the tent in that liberal order, and helping not just to build it but to maintain it. No doubt about it, absolutely 100 percent true. I think every administration of both parties has seen that freeloading on the system. For example, look at NATO. Is there any better example than the NATO alliance with 24 of the 28 countries not meeting the stated commitment to be a member of that, with the U.S. overwhelmingly disproportionately paying to keep up

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the capability within the alliance? So, yeah, is there freeloading? Absolutely. But in the naked self interest why does the United State seek to maintain that order? Because it's in our best interest. It just so happens that others will be free riders, but hey, stability -- you can't put a price tag on it and the maintenance of it and avoiding wars. So we're just going to have to live with that I think as part of the answer and continue to push all of our friends and allies to step up and do their part.

And to Michael's last question, I mean, I don't -- it's strange. In an area of bipartisanship, I think under the defense world umbrella I think there actually is consensus everywhere but at the Pentagon. That the Joint Strike Fighter is eating the lunch of everything else, and that it needs -- it's ripe for review. And even Congress things so. It actually put into this year's defense bill signed into law that the Pentagon has to recertify the total of 2,443 jets. I want quantity. The Air Force needs just straight capacity in the tactical fighter realm. They can't even meet the war plans as they are now. So I'm not saying I don't want this capability and in certain quantity, the problem is if you just take the Air force, for example, and you just project out five years and then you look ten years, it's half of their procurement budget, and they need to buy this bomber. And they need to do a lot of things in space. Maybe you saw the 60 Minutes piece. We're already losing in many ways in space, but also in terms of missiles and other capabilities, cyber, that the Air Force is uniquely in charge of these global enabling capabilities. And so it can't -- even if you were to dramatically grow the defense budget, that number is going to be eaten up by the Triad investment that's requested that Jim's already started to outline, of which of course the bomber is one, but it doesn't come on line first. So the Ohio Replacement will suck all of the money out the room so to speak.

So we need to have a real, honest conversation. This administration is politically committed. I think that's because they don't want this program to be like a sweater, you pull the thread and watch it fall apart. And if we change our buy the allies will change their buy and then boom, poof, everything, the costs rise for the tax payer. But it's also ridiculous to think that our single largest weapons program is untouchable when everything else -- everything else has taken a dramatic hit.

MR. O'HANLON: Thank you. Jim.

MR. MILLER: To your question, I think it's essential both for the credibility of the

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Department and the administration and for the principle of good governance, as well as to pull up resources to continue efforts of defense reform. And no system should be off the table. The Triad is not the holy trinity. I've been a Triad advocate forever. I hope it's okay to make that reference. But hard choices have to be made within even a defense budget that's five or ten percent larger than today's and even in a sustained defense budget that has fewer efficiencies. I won't go through the "eaches", but I will say that to the extent that we're able to knock down the barriers, both to getting capabilities more rapidly to our allies and partners, and to working with them in developing those capabilities, through more pushing on export control reform and more on an arcane area called technology security and foreign disclosure. If we can make the default answer be yes rather than no for our allies and partners, we're going to be able to work more effectively with them. And it means also that their defense industries will be able to participate more than has been the case. I think that will be valuable and it will strengthen our alliances and partnerships.

To that point I agree with the premise that we have strong allies and partners. Each of them is unique, but if you look at the overall military spending, among the GCC states, the Gulf Cooperation Council states, it's risen dramatically over the last decade. And I think that there is a desire there. I know that there is a desire there for sustained American presence and leadership. The same is true in Europe where we see a couple of countries, for example, Poland and Estonia in particular, stepping up to meeting their NATO spending targets. And the Brits now as well, and others beginning to at least have the discussion. That's a challenging road and we need to keep pressing them. And I certainly agree with the assertion that -- and each of the -- each other region, Japan, South Korea, Australia, as allies. India is a critical partner. And add Israel to the Middle East as well. The fundamental situation in the United States is so different from any of our potential adversaries, not just because of our geographic location and strong military, but because we are part of strong alliances and partnerships that are fundamentally about promoting not just the security of our allies and partners, but promoting regional security and promoting the international system that we helped establish in the wake of World War II. That is an essential role for the United States and I do see many of our allies and partners standing up more and certainly both in and out of government have enjoyed working with them and we need to

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continue to knock down the barriers to that happening effectively.

MR. O'HANLON: Thank you. Bob.

MR. KAGAN: Well, let me just end saying I reject the notion that America is not as powerful relative to the rest of the world as it was. I reject it. If you look at, you know, basic measures like share of global GDP, the sort of stability of the American percentage of share of global GDP, despite predictions that it would be declining, now that the Chinese economy is slowing I think you'll see that it's basically what it's been for the last 20 years. In terms of military capacity, despite our concerns, it still is much greater both in terms of actual capacity, but also in terms of experience and quality of force. The alliances and partnerships that the United States has around the world is a great source of power. And sometimes when we think about what we've lost, we have very rosy tinted glasses about how powerful we were before. The notion that the United States was ever dominant and could get whatever it wanted is just a complete myth. If you go back to the 1970s when our two closest allies in the Middle East, our two closest allies, Iran and Saudi Arabia, were destroying our economy with an oil embargo. When we were at the height of Vietnam, when Nixon was about to resign, when the Soviets seemed to be on the march, I wouldn't trade our present position for that position. And I can go through several other periods during the Cold War when I would say: do I really want to have 300,000 Russian troops back in the heart of Europe? No, I'm happy with where we are. Our capacity to continue playing the role that we've played is undiminished. It is really only our will, in my view. Yes, there are challenges, there are always challenges. The rise of China is a challenge, ISIS is a challenge. I could name you many challenges during the Cold War that were at least as difficult to deal with as these, and we didn't always succeed that well in dealing with them. I really think it's up to us to decide whether we want to do it, not whether we're capable of doing it.

MR. O'HANLON: I think we will end there. Thank you all for coming, and please join me in thanking the panel. (Applause)

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