

THE BROOKINGS INSTITUTION

Brookings Cafeteria Podcast:  
Trump's national security and defense team

Friday, January 6, 2017

**PARTICIPANTS:**

**Host:**

FRED DEWS

**Contributors:**

MICHAEL O'HANLON

Senior Fellow, Foreign Policy, Center for 21st Century Security and  
Intelligence

Director of Research, Foreign Policy

Co-Director, Center for 21st Century Security and Intelligence

The Brookings Institution

DAVID WESSEL

Director, Hutchins Center on Fiscal and Monetary Policy

Senior Fellow, Economic Studies

The Brookings Institution

PHILLIPE LE CORRE

Visiting Fellow - Foreign Policy, Center on the United States and Europe

The Brookings Institution

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews. Happy New Year to all of you. Donald Trump's inauguration as 45<sup>th</sup> President of the United States is right around the corner, and so our focus turns to the end of his transition to the White House and the start of his administration. To help us understand the most salient foreign policy, national security, and defense issues in the transition and new administration, I'm joined by my friend and veteran of this program Michael O'Hanlon.

He's a Senior Fellow in and director of research for Foreign Policy, co-director of the Center for 21st Century Security and Intelligence, and he holds the Sydney Stein, Jr., Chair. Mike is also author of numerous books on defense and foreign policy, including the recent *The \$650 Billion Bargain: The Case for Modest Growth in America's Defense Budget*, and he is editor of and contributor to the forthcoming *Brookings Big Ideas for America*, a collection of essays to help inform the public and the Trump administration on the most pressing policy issues of the day.

Stay tuned in this episode to hear a new installment of Wessel's economic update on investments in human capital, and after the interview, Philippe Le Corre talks about China's global rise and how the US and the European Union can meet the challenge. Mike, Happy New Year to you, and welcome back to the Brookings Cafeteria.

O'HANLON: Thank you, Fred, and if I could just a really quick personal note in addition to those nice accolades you gave, I'd like to count myself as one of the good friends of Lois Rice, Susan's mom, who passed away yesterday, and she was a great hero at this institution as well as in American public policy life and obviously a proud mother and

grandmother as well. So that's news that's recent to the Brookings family, and even, I think the broader American public may be interested.

DEWS: I'm very sad to hear that, and my condolences go out to Susan Rice and her family and all those who loved and cared for Lois Rice. I remember her as a scholar here in the past. Thanks for that.

So we're here to talk about foreign policy, defense issues, national security, in the Trump transition and really in the new administration; it's almost with us. I'd like to get your thoughts first on some of the key personnel that we've heard talked about, both Cabinet-level and on the White House staff. We've heard Michael Flynn as NSC Director, James Mattis as Defense Department chief, Rex Tillerson as State; and some other names we've heard, K.T. McFarland, Monica Crowley. Mike, thinking about policy continuity or discontinuity, what do you expect to see in terms of policy changes with these people in the new administration?

O'HANLON: Well to lead into this big topic on a lighter note, I like to joke with John Allen, my co-director of 21 CSI, that he's the only four star Marine general who's got to share power these days because, as you say, General Mattis is now the designate for Secretary of Defense, General Kelly is a retired four-star Marine general who will head up Homeland Security if the Senate assents, and of course General Joseph Dunford is the current Chairman of the Joint Chiefs of Staff, still in uniform, another four-star Marine, and we were lucky to have one of that same generation with us at Brookings, as you know, retired General John Allen.

But I think, not just because I love Marines like a lot of Americans and happen to

know all these people I just mentioned and have had the privilege to do a little work with some of them, but I think they're just – because more generally I think they're all outstanding – I'm going to begin with the positive side. I think there are some reasons for concern, even within my world of foreign policy, on some of the Trump selections, but I think the Marines are outstanding.

And so Mattis is, you know, nicknamed Mad-Dog Mattis and people made a lot of that, and Trump likes him because he talks like George Patton and he doesn't mince words and he likes to talk about killing the enemy, and frankly all that's true. That is the way he talks to his younger Marines going into battle when he was in uniform himself – he retired in 2013 – but he's one of the most intellectual and erudite people that's ever worn a Marine Corps uniform. I think he's up there with John Allen, our colleague, for intellectual rigor and thoughtfulness, and for frankly restraint in the use of force and knowing the limits of what military force can accomplish. So even if Trump's going to listen to him largely because he thinks he's got Patton reincarnate, I'm very happy that he's actually got one of the country's best strategists at his side, and so that's very good news.

General Kelly is outstanding, he ran Southern Command for many years and in that capacity he thought a lot about the US southern border, and so I believe that he will take a very sophisticated, multilateral, multi-agency approach towards the Mexican-US border, which of course has been one of the areas where Donald Trump's made news in his campaign. I don't think Kelly has any simplistic illusions about how you secure that border, and in fact in the various workings I did with Kelly when he was head of Southern Command – that, arguably, is the most multi-lateral and well, certainly multi-agency minded combatant command of the United States. In other words, Southern Command works

closely with the Coast Guard, closely with DHS, closely with a number of other American agencies to handle what is often more of the law enforcement set of issues than strictly military set of issues, so he's already in the right mindset to be running something like DHS. On top of that he's enormously qualified and is just a very collegial and bright guy, so those are outstanding choices.

I think, you know, I could run through the others more quickly, perhaps. I was initially concerned about Mr. Tillerson and I still have some concerns, but when Bob Gates and Condi Rice vouched for him, knowing how much the two of them have going and how much they understand the requirements of American diplomacy, I felt a little better. And the fact that Tillerson, like Trump, is not immediately and instinctively anti-Russia I'm hoping could be a good thing. You have to be careful not to be naïve. I hope there's no illusions that these folks, that Tillerson and Trump, think that Putin's a nice guy or he'll be easy to work with or that he'll ultimately, you know, advance Russian policies that are consonant with our own. There are going to be a lot of challenges, but taking the whole level of animosity down a notch or two I think could be productive because some of the problem in the US-Russian relationship is a spiraling that's based on personalities that have sort of rubbed each other the wrong way, and so a fresh start there isn't such a bad thing. I could go on on Tillerson but that'll be, maybe, my main comment.

And then finally my good friend Lieutenant General Mike Flynn, retired. I've known General Flynn since he was Stan McChrystal's head of intelligence in Afghanistan back in 2009 and continued on in that role into 2010; of course later ran the Defense Intelligence Agency. I think of General Flynn as a disrupter – that's the personality type, that's the intellectual type. You know, I think he's made some mistakes in the past year or two in the

way he's handled himself in the political arena, and I am not a supporter of every word in his book that he wrote: a sort of, you know, really somewhat oversimplifying the struggle against broader radical Islam in ways that I didn't find completely convincing or accurate. But in his broader career, I think he's done a lot of good things. Again, that job of National Security Advisor may not be the first one you think of for a disrupter.

Disruptors are often people who you want to have at the table to throw in ideas but then somebody else with a sort of more moderate, balanced approach ultimately helps filter the good ideas and the bad ideas separate from each other. I think Flynn, therefore, may or may not prove to be the right personality to be optimal for the National Security Advisor job, but I do think highly of a number of his attributes and abilities. So that's my once-over on the Trump team. It's pretty good, it's better than I expected, it's got a lot of potential. We'll see how they do

DEWS: And how do you address some of the concerns some people have voiced that, "look at all these generals, he's staffing his national security team with all of these generals"; and also General Mattis has this thing where he retired only, what, 4 or 5 years ago, so there's supposed to be a seven-year gap between a general's retirement and coming into administration. Did you have any concerns about that?

O'HANLON: Well I think in a perfect world or in a theoretical kind of conversation I might support the law that says seven years is the right amount and not favor a waiver, but for a number of reasons I feel pretty good about this team. In fact, I was still hoping that General Dave Petraeus would be Secretary of State even after Flynn, Mattis, and Kelly had already been selected for those jobs. So I was willing to pile on even one more general given that he – if Mr. Trump tried to call me for my advice. But I think,

you know, in the abstract it's true that you could imagine scenarios where either there's a bit of a military cabal that forms even with people out of uniform and they sort of organize themselves and are in cahoots with each other and then sort of do end runs around the civilian leadership; or where military leadership is too inclined to think of military solutions to problems, but neither of those concerns applies here in my judgment.

Again, I think that Mattis himself, in particular, is very aware of the limitations of military force, very thoughtful about the broader instruments of American foreign policy, about how you do good grand strategy, and I don't expect him to have any of those sort of militaristic tendencies. If anything he might restrain Trump more than he eggs him on the use of military power. And these generals are not all of a single group, I think that – yes, Kelly and Mattis are both recently retired Marine generals and so I suppose that they plus General Dunford could be sort of seen as a group of friends who make up their own minds together and then try to figure out how to convince the rest of us – but I don't really worry about that knowing the individuals. Mattis and Dunford in particular have such integrity that I don't expect that kind of groupthink or effort at avoiding the proper channels for discussion will characterize this particular administration.

DEWS: On the interest of full disclosure I too was once in the military, but I never broke the rank of first lieutenant. Let's go back to General Flynn, but actually to the National Security Council. I want to make sure my listeners understand – I want to make sure I understand what the NSC and the National Security Advisor actually do, how it's staffed. It's not a Cabinet-level agency – we have the Secretary of Defense – it's something different. Can you talk about what is the NSC, and what does it do?

O'HANLON: Very briefly, it's essentially an organizing group that tries to

make sure the overall government is working together, and tries to tee up good policy choices and options for the president. So it is a small inner team. Now, it's become smallish rather than small. It began several dozen people, sort of, in the early post-World War II years, and now it's up to I think 400-ish but, you know, I think that includes a number of support staff. It's still smaller than Brookings, for example, and so it's not a place where you can say to a group of 30 or 40 researchers "go out and brainstorm and figure out a brand new set of proposals." So for example, if you want to apply new economic sanctions you ask the Treasury Department to figure out what those might be; if you want to think of targets to hit with a military campaign you ask the Combatant Command within the Department of Defense, you don't have the NSC do that, ideally.

Sometimes it does, but it really shouldn't. And so it's really a coordinating body, and it's the way in which the president exercises influence and control over the broader, you know, spraying government apparatus of many agencies and it's a way to tee up new ideas, new decision options, for president when you're at a juncture where that's needed as well. It should not be confused with an operational agency or even with a deeply-resourced think tank or policy development agency that does a lot of the original crafting of policy options from scratch.

DEWS: I've read somewhere that there's concerns that it maybe has become too political, that maybe a President Trump will want to shrink the staff – I think there's 400 or so. First of all, can a President Trump just unilaterally shrink the staff or does it have to go through legislation, and if so, does that have any implications for the effective coordination of security policy?

O'HANLON: I'm pretty sure you can shrink the staff without legislation, and I



could be wrong on this but, you know, this is an agency of the White House and the main concern, therefore, is going to be money. So if you want to grow it, you need a bigger budget to pay people and therefore you would need Congress's help, but if you want to shrink it, I don't think there's any particular problem in leaving certain positions unfilled or even eliminating them from an organizational flow chart. I think that is within Mr. Trump's power. Now, because the numbers are some relatively modest compared to the size of government, this is not a way to save money. It's not a way you save any meaningful chunk of change from the overall federal budget. You save a few million bucks if you cut this thing by, you know, ten or twenty percent. So the reason to do it would be for reasons of efficiency and the model by which you are making your decisions. You know, for example at the NSC there usually would be, let's say, within the European desk there's going to be a senior director who's responsible for organizing all input and coordinating, sometimes, with foreign governments to some extent. It's usually a State Department of Treasury or what have you role. But NSC could do that.

The senior director would be in charge of that within the desk of European Affairs, and there might be two or three or four people subordinate at the NSC who are working on one part of Europe or another, tracking things day-to-day, reading not just the diplomatic cables from the State Department but also looking at various economic issues from trade or from commerce or Treasury, what have you. So that's the kind of structure you've got. In theory, you could outsource more of those tasks and more those people back to their home departments, but then you've got sort of the senior director having to do more the coordination him or herself. Again, I don't know that there's really a perfect way to organize this and the money is not going to be the issue, so President Trump should do what serves

his interests, what he thinks is going to be most conducive to his decision-making style. I would give them a lot of leeway in making that kind of a determination.

DEWS: I'll bring it back to my conversation with Mike O'Hanlon in a minute, but now it's Wessel's economic update.

WESSEL: I'm David Wessel and this is my economic update. There is and will continue to be a lot of talk in Washington about increasing federal infrastructure spending on bridges, roads, airports, and so on; and if the projects are chosen wisely, big if, spending on infrastructure is an investment. It'll pay off in faster economic growth in the future. But some spending on people is also an investment – an investment in human capital – that'll pay off in higher wages and faster productivity growth in the future. At the Hutchins Center here at Brookings, we've taken a look at the evidence on that question for a conference we're hosting, because if you want to spend more you really want to look for the highest possible payoffs.

A few highlights: education is widely and rightly seen as an investment, spending today that pays off and higher wages in the future both for the individual and benefits for the overall society. In the US, education is largely a state and local matter, though a quarter of the money does come from Washington. American education gets a bad rap, but a paper we commissioned from Sarah Turner of the University of Virginia observes there are signs of progress: more kids in Pre-K, fewer teenagers dropping out of high school, a growing fraction of Americans earning four-year college degrees. But the gap between the years of schooling and outcomes of kids on the bottom rungs of the income ladder and those on the top is wide and growing, and that's a problem that will be hard for state and local governments to lick on their own. Turner says Washington is well-positioned to help gather

data across states to figure out what works and what doesn't to fund research and to find the better ways to compensate teachers, to investigate the strengths and weaknesses of charter schools to, encourage and systematically evaluate innovations so one school board can learn from another.

Now, education isn't the only form of investment in human capital. Better healthcare in-utero as well as in early childhood, better nutrition in the first five years of life, better parenting, more intellectual stimulation for little kids – they all pay off in adulthood, so federal spending to those ends appears worthwhile. As Kristin Butcher of Wellesley College says in the paper we commissioned, there is “mounting and dramatic evidence” that government benefits targeted at low income families early in their lives lead to improved outcomes later in life.

A dollop more cash from the earned income tax credit, for instance, reduces the incidence of low birth-weight babies and raises kids' test scores, both of which are associated with more success in adulthood. Still, there are a lot of questions. Why does moving to a better neighborhood seem to pay off so much for some kids and not for others? Is it better to give cash to poor families or to give them food stamps or health care? If benefits discourage parents from working, does that have harmful effects on them and their children? The bottom line: the case for more federal spending on infrastructure is strong, but we shouldn't overlook the case for investing more in people too.

DEWS: You can listen to all of David Wessel's commentaries on our Soundcloud channel, and visit the Hutchins Center on our website, [brookings.edu/hutchinscenter](http://brookings.edu/hutchinscenter). And now back to my conversation with Michael O'Hanlon.

Let's switch over to the intelligence community for a minute. Just today, in fact, we're

hearing a lot about how President Trump may want to try to reorganize the Office of the Director of National Intelligence, perhaps even the CIA. He's named a former member of Congress – maybe a current member of Congress – to direct the CIA. Mike, can you talk about first sort of what is this animal that is now called the DNI, the Director of National Intelligence? Where does it sit relative to the CIA and the other intelligence agencies, you know? We're also hearing a lot more about this in terms of what Russia has been doing, in terms of the hacking. The intelligence chiefs are testifying on Capitol Hill today. But focusing kind of on the operational structure of this intelligence community and what a President Trump might do with it after he becomes sworn in.

O'HANLON: Well, the Office of the Director of National Intelligence was created after the 9/11 Commission did its research, issued its report, and then there were legislative vehicles passed around 2005, as I recall, that instituted this. I remember testifying before Congress on this set of issues in 2004 with John Hamre who had been Deputy Secretary Of Defense for Bill Clinton, now runs CSIS, an excellent think tank down the road. And John Hamre, in response to a question, said "well, you know, both President Bush and then-Senator Kerry have endorsed the findings of the 9/11 Commission and the idea of creating a DNI and therefore it's almost certain to happen so, let's just get on with how we think about making it work rather than re-debating the merits of the idea in the first place" and by saying this Hamre was, I think, expressing some skepticism that it was a good idea because we essentially went from 16 intelligence agencies to 17 with the creation of this, if I have my count right.

And the thinking, of course, was that we didn't connect the dots before 9/11, we

didn't have the different agencies working together, having somebody looking at all of them. Also, we have gotten the WMD issue wrong in Iraq, and so putting somebody in charge of being an arbiter when there were disagreements but also requiring coordination and cooperation when some of the agencies preferred to act more on their own seemed like a good idea. except you already had CIA director who nominally had that responsibility himself before the legislation was passed and moreover, again, by creating one more layer of bureaucracy do you really necessarily solve the problem?

So I've continued to hear a lot of criticisms of the basic idea of a DNI irrespective of the quality of the person who's in charge of it as Admiral Clapper is now, and by most accounts he's an outstanding public servant. But I still think you can raise questions as to whether this is needed. Having said that, I would encourage Mr. Trump not to rearrange the deck chairs yet one more time, because it's distracting. It's distracting to create or to dismantle existing organizations. We're going to have enough distraction, apparently, with the dismantling of the Affordable Care Act and unless you have a really good reason to take something apart – you're absolutely persuaded that taking it apart will make things better – you might as well keep it. By the way, Mr. Trump's criticisms of the intelligence community often date back to the Iraq War issue and the WMD stuff, which is before we had a DNI.

So in a sense, to the extent Trump has any conviction about those criticisms he's going to be returning us, with the abolition of that office, back to the same intelligence architecture that gave us the mistake on Iraq. And so I don't see why he'd want to make that effort, even if it is marginally arguable and even if I could see the case, you know, from

a clean-sheet-of-paper point of view not to have that office, we've got it. I would suggest we just keep it.

DEWS: Let's stay in Virginia for a few minutes and go over to the Pentagon.

There we see that the Joint Chiefs of Staff and the Chairman of the Joint Chiefs of Staff – you just mentioned him earlier. Can you talk about, structurally, again, how that body of leaders interacts with an incoming president? Do they serve at the pleasure of the President or do they have a term of service? And what do you expect to happen in terms of interaction with the Joint Chiefs of Staff at the Pentagon and the incoming administration?

O'HANLON: Yes, normally the service chiefs as well as the Chairman and Vice-Chairman and then the head of the guard – so total of seven and then, you know, sometimes the Coast Guard Commandant is sort of treated in a similar kind of way – these people have tenures and terms that are separate from a political calendar, and they are not generally seen as political appointees. So let's focus on General Dunford for the moment, the Chairman of the Joint Chiefs of Staff. He began his term in office in the summer of 2015, so he's a year and a half in. It's a two-year renewable term, so normally a Chairman would spend four years in that job, and about half of them wind up straddling an administration.

So General Dempsey was the predecessor to General Dunford. He did not straddle the administration, he was pure Obama, but before him was Admiral Mullen who, of course, was the Chairman for both Bush and then Obama in the early years. And prior to Mullen was General Pace, a very fine Marine general who, however, was seen as not having done a great job on Iraq and Afghanistan and so he was not renewed. So when the Bush administration had the choice in the summer of 2007 to ask the Senate to confirm a second

two-year term for General Pace, the Bush administration with Bob Gates as the new Secretary of Defense chose to make a change. And they didn't make it into some big firing of Pace, it wasn't portrayed that way. Some people would view it that way or describe it casually that way in the media, but that's not the way that the Bush administration chose to do it. They just said, "Listen, we have a new strategy, we think the old one wasn't working so well." Whether it's his fault or not, General Pace was sort of part of that, complicit in that, and so let's just get a fresh start.

Now you also have the possibility for service chiefs or other members of the Joint Chiefs to be fired if they're not seen as doing their job well. So Bob Gates, early on in his tenure, fired the Air Force Chief of Staff and the Secretary of the Air Force, who's a civilian, for a combination of not having accurately tracked the whereabouts and whereabouts of nuclear weapons – we misplaced a few for a while as you may recall – and also for not having prioritized the wars in Iraq and Afghanistan sufficiently over the Air Force's long-term modernization ambitions. Ironically we've now gone back under Obama to trying to have more focus on the long-term modernization and the so-called near term threats – Russia, China etc.

So that Air Force general might almost look partially vindicated in broad historical perspective. But Gates said no, we've got Americans out there fighting and dying in both Iraq and Afghanistan and the Air Force has to prioritize the near-term fight more, and for that reason as well as the nuclear weapons mishap, I'm going to go to somebody new. So you can have that kind of a firing. Finally, last point would be, even though I said these jobs are not political, it certainly is the civilian leadership of any given administration that chooses who to nominate for these jobs, and so in that regard, even though they're not

usually chosen for their political pedigree and often the political affiliations of the generals and admirals aren't even known, it is ultimately the Ash Carters and Barack Obamas of the world who are deciding who's going to be the next person to fill job A, B, or C. So it's in a political context, but it's not a political selection per se.

DEWS: But whoever the next Chairman is has to have the respect of the other service chiefs as well, obviously.

O'HANLON: Well yes, although, yes and no. I mean, you wouldn't find a case too often where he or she did not have that respect, but it's not the other service chiefs choice.

DEWS: I'll stay at the Pentagon and talk about Defense Policy, and this is a subject that you've written and talked about a lot, a very specific military budget policy, and you've got a very recent piece on our website talking about the size and budget and scope of the military – the army, specifically. Can you talk about what plans you've heard come out of the Trump transition team and for the Trump administration in terms of the size of the armed forces, maybe specifically the army? And then what you think should happen.

O'HANLON: Yes, well, President-Elect Trump has said that he liked to grow the army by about fifteen percent, so the active-duty force would go from its current level of around 470,000 soldiers to about 540,000, which gets close to the peak that we had under Bush and early Obama but not quite, and still far less than we had the Reagan years, for example, or any other time in the Cold War. it's, you know, significant, but not huge. The problem is, however that Mr. Trump has those kinds of proposals for each of the services. So the Navy would potentially grow 350 ships from current numbers and ambitions, more like 300ish, for example. And yet another problem is that each of the services has plans



and ambitions that were not even fully funded by the Obama projected budget, and then we have the dilemma that sequestration could return because the Budget Control Act is still in place, which means that you could have yet another round of difficulties.

So any new dollars Mr. Trump devotes to the military, first he's got to overcome the threat of sequestration, get around the Budget Control Act; then he's got to fully fund sort of the Obama agenda, because that would be sort of the base from which Trump himself would proceed; and then he's got to consider, is he really going to add 15 to 20% to the whole defense budget? So we can do 15 to, you know, 16, 17% increases across all the services, that's getting to be 100 billion dollars, you know.

The annual budget today is in the low 600 billions, I've recommended that it be up around 650. If you do all the things Trump's proposing you get into the 700 billions and you have to stay there indefinitely. That's a lot of money when we have a deficit already six hundred billion in size, and Trump's not interested in cutting social security or other such things or raising taxes, so I think he may wind up being a bit more parsimonious and being a bit more selective. So even though on paper he has said he wants an army of 540,000 active-duty soldiers, I don't necessarily believe that's where we'll come out when he comes up with his first budget proposal in a couple months.

DEWS: Do you think, Mike, that there is perhaps something more important than just the sheer size of the various branches of the armed forces, such as readiness and training and equipment maintenance? Some things that aren't as interesting to talk about but are vitally important to the defense establishment?

O'HANLON: Yeah, it's a great question. I mean, when we think about the

military, just in broad categories, we think about its size and posture, you know, how many divisions or brigades, and where are they, and how many overseas bases. We think about the state of personnel: are we still attracting and holding onto the very best, and are we imposing a burden on them that's unreasonable either because it's causing huge personal issues for them or because it's leading people to quit the military in a way that hurts our own security. And then, how are the individual units training and maintaining their equipment; just sort of readiness issues, day-to-day, week-to-week, month-to-month. And then finally long-term innovation, modernization.

So that's sort of how I would create those four baskets, you know: size and posture, personnel, training/readiness, and modernization/innovation. And I don't think any one of them can be said to be inherently more important than the other three because obviously you could have the best military in the world and if it were too small, it might not be up to the job that's needed in a given crisis.

So the way I would prioritize things today is to say that generally speaking, the good news is today's military is in pretty good shape. We've asked a lot of our people, they're tired. I think the force is a bit too small for what it's being asked to do and what it's been asked to do in the recent past, but I think its readiness, the quality of its personnel, the training dollars, the state of the equipment: generally pretty good. There are gaps, there are looming issues, but the level of resources we're now providing, the strategy and the path that we're on – in these areas is pretty good. And even on the modernization front we've now got the procurement budget back, over a hundred billion dollars a year, which is a nice round number to think of as, generally speaking, the – sort of – the healthy range of where you want to be.

So I don't see any huge crisis in American defense policy. I do see a lot of challenges and a lot of strains and a force that's slightly too small, and so in this particular context I would probably put as high a priority on growing the size of the force a little bit as on anything else. But you're right not to just buy into that as the be-all and end-all issue.

DEWS: Another issue we often hear about is a comparison of US to national defense spending globally. So we're three times that of China's defense spending and maybe six to eight times that of Russia spending – maybe more than the next eight nations combined – these kinds of comparisons. Do you find those comparisons at all useful?

O'HANLON: Well, they're useful if you quickly balance them with other sort of factoids. I would put them in the category of factoids. By themselves they're not analytically that determinative of where the budget should be. We also – you mentioned the word globally – we operate globally. Nobody else does. Even China and Russia with their ambitions are operating regionally, and moreover those Chinese and Russian ambitions have become a little bit more prominent in recent years.

So even if we're not looking to fight either of those countries and not necessarily required to push back each and every place they exercise their muscles, they have made us live in a more complex and dangerous world. But the factoids that I would use to balance the ones that you just mentioned would be US defense spending as a percentage of our economy. It's now just three percent of GDP, that's a very modest burden compared to anything in the last 75 years.

There were a couple of brief moments in time in the 1990s we were down at about that level, I think maybe in the very late 1940s after World War II and before the Korean war, we were verging on that kind of a number, but look what happened, right? And so I

think that's a very, very bearable burden on the economy and I also think that what we've decided to do with an all-volunteer military is to keep a small but excellent force that's expensive on a per-person and per-unit basis, and I don't have any issues with that. I'd rather pay our people pretty well and equip them extremely well and train them very well, and I think that's what a democracy owes an all-volunteer military. I also think it's working pretty well. I think, you know, despite the problems we see around the world. there are not major wars involving the major powers and we've had a period of general peace for decades now in the world. There are a lot of individual conflicts within countries that are tragic and to some limited extent dangerous for us, but we don't have the kinds of Interstate wars that history is full of in the modern era.

And so I think whatever we're doing is actually working pretty well, and I've been thrilled to see President-Elect Trump really walk away from the language he used during the campaign in which he called into doubt many of our major alliances. And since he's been President-Elect, he's not doing that anymore. I think he figured out, you know what, system actually looks pretty good when you're in charge of it and you're helping keep the peace from Korea to East Asia to Europe to the Middle East. And yes, there are problems, certainly in the Middle East and even in the other theaters, that we can't prevent entirely but again, you don't have the major interstate war, commerce is working, oil is flowing, manufacturing goods are being transported in a globalized supply chain.

Our military is undergirding all of that by protecting the commons through which these goods move, by keeping a generally peaceful international order ,and we're doing it in conjunction with allies who themselves spend another six hundred billion a year, which may make one think, well, all the more reason why the Western alliance system is maybe

overspending. But I sort of like the fact there's a preponderance of power in the community of the major democracies. When we saw in history that there was a "balance" of power, this was almost an invitation for a country to test its mettle against somebody else. If it's a balance, after all, and you strike, first maybe you'll win. I'd rather not have a balance.

DEWS: Mike, let's look ahead briefly, as we wind down here, to some very specific challenges and issues that you think the new Trump administration, President Trump, will actually have to tackle as early as this spring, this summer.

O'HANLON: Well, yeah. First, let me start with a couple of the easy ones where I don't think he has to be in a hurry. I actually think we're doing okay in Afghanistan. It's a mess, it's been frustrating, it's been disappointing, but the basic strategy we're and following the resources committed to it might need some tweaking, but they don't need a radical revision. I think that our strategy towards China is going ok, where we have these various naval operations in the South China Sea. China's trying to partially militarize some of the islands even though it said it wouldn't, but we've got some assets there too and we're insisting on freedom of navigation and we're upholding that commitment.

I think the so-called European Reassurance Initiative, which is a NATO approach to shoring up our commitment to the Baltic States and Poland, is ongoing and smart. It's not all that big or ambitious, it doesn't poke a huge stick in the Russian eye, but it's enough to clarify our commitment to the security of those countries and remove any ambiguity that Putin might have thought he perceived. So I think that policy is looking okay. So yes, a lot of these need to be continually reexamined and modified, but the structure, the basic foundations of those – and probably also in dealing with Korea, we are in a generally sound

military posture even though we have to rethink the diplomatic approach to trying to stop their further nuclearization.

Where I think the biggest need for a rethink might exist is in the broader Middle East, certainly with Syria. Less so with Iraq, there are some problems with the sustainability of the defeat of ISIS in Iraq but I think the defeat will happen and is happening. And Syria's more complicated and we're going to need some kind of a political vision so that Sunni Muslims and Kurds in Syria don't have to live under Assad even if Assad is still president for some time to come. So we've got to think that one through. Maybe you need an Iraqi Kurdistan model, autonomy of some kind. And with Libya and Yemen, I think we are basically nowhere. Those strategies are simply failing at the moment.

So I think it's the broader Middle East where you need some completely fresh thinking. And then in regard to Russia, China, North Korea, Afghanistan, I think you need to tweak things but you don't have to be in a big hurry to revamp the whole operation.

DEWS: Speaking of fresh thinking, Mike, can you, as we end here, talk about this new volume that you're the editor of?

O'HANLON: Well as you know, Fred, we're lucky to have a lot of smart colleagues at Brookings and they work across many different issue domains. We have five research programs. Scholars from all five wrote for this volume. It's called *Brookings Big Ideas for America*. What we tried to do is identify 30ish of the biggest questions before the country, and then invite scholars who had a big idea or big proposal for what to do about this problem to write in the range of 3,000 to 4,000 words – long enough to provide some background but also in a pithy way that didn't get too much in the weeds – and try to develop their suggestion for what we might do.

And so, I mean, there's a lot of great articles in there. Ben Bernanke and Alice Rivlin and a whole lot of amazing scholars wrote, and some people from outside of Brookings who had been affiliated with us the past – like Doug Elmendorf, the former head of CBO, now the head of the Kennedy School at Harvard.

But one of my favorites is Carol Graham's work on happiness, and probably a number of your listeners are familiar with this work but she really gets to the heart of a lot of what's, you know, what's sort of stressful and anxious about life in the Rust Belt of the United States. The so-called Trump voter phenomenon, a lot of what you know JD Vance and others have written about – Carol's findings through surveys and through this happiness methodology, to me, are just as powerful and really should be up there on the required reading list, up there with Hillbilly Eulogy and one or two other things, for getting at what was behind this seismic set of events in the election of 2016.

So there are a number of other – Bob Kagan wrote a book about the future of the global order, sort of a warning to Donald Trump of how much harm he could cause if he really took some of this campaign ideas too literally. Richard Bush wrote in that same vein, so did Bruce Jones. And then there's some very specific country-by-country analyses. A bunch of the former Afghanistan commanders and ambassadors along with Bruce Riedel and Vanda Felbab-Brown, John Allen, and I wrote a suggestion for Afghanistan. So there are a number of things, you know, ranging far and wide, and we've got articles on infrastructure and criminal justice reform and a number of the other big issues facing this country at this crucial moment in our history.

DEWS: Well, that's *Brookings Big Ideas for America*. It's on our website, it's at

brookings.edu/americanfuture. I believe you can pre-order it now and get your copy. And I'll just mention, Carol Graham's episode of the Brookings Cafeteria podcast aired in October, and it's been one of the most popular, most downloaded of our episodes ever, so it is fascinating. Mike, I want to thank you for sharing your time and expertise with me today.

O'HANLON: Thank you, Fred.

DEWS: Finally today, Visiting Fellow Philippe Le Corre from our Center on the United States and Europe. He's the co-author of the recent book from Brookings Institution Press, *China's Offensive in Europe*, and with Senior Fellow Jonathan Pollack of the John L. Thornton China Center, he's co-author of a new paper on China's global rise and whether the European Union and the United States can pursue a coordinated strategy.

LE CORRE: Hello, I'm Philippe Le Corre, I'm a Visiting Fellow in the Foreign Policy program at the Brookings Institution and I'm the co-author with Jonathan Pollack, my colleague of the China Center, of a new Brookings report titled "China's Global Rise: Can the EU and the US Pursue a Coordinated Strategy" was published in October 2016. I'm also the author of a book by Brookings Press, *China's Offensive in Europe*, that came out in May of this year and is about China's investments in Europe.

Since 2001 when it joined the WTO, China has become the world's second-largest economy. China's GDP increased from 1.3 trillion dollars to 10.8 trillion-dollars between 2001 and 2015. It is the European Union's second-largest partner and the US's second-largest partner. China's economic footprint has also grown ever greater and more visible. The RMB, its currency, is becoming more international. China is also now the second largest source of outward foreign direct investment worldwide. China has a foot in many



international institutions and has even started its own institutions such as the AIIB. it is hard for the American President-Elect Donald Trump not to recognize this fact.

The US and the West in general have had to learn how to live with a much stronger China. Officials and experts on both sides of the Atlantic wonder about China's economic intentions, and political leaders, including Mr. Trump, begin to contemplate how they will deal with this increasingly important player. Take investment. Two weeks ago, the US authorities blocked the purchase of German chipmaker Aixtron by China's Grand Chip Investment following a review by the Committee on Foreign Investment in the United States, CFIUS. A statement by the US Treasury Department said that CFIUS and the president assessed that the transaction poses a risk to the national security of the United States that cannot be resolved through mitigation. By blocking the sale of Aixtron's US subsidiary, Washington is only confirming Berlin's own concerns regarding the acquisition of sensitive technologies by Chinese companies.

Amid concerns about German sensitive data and technologies, the German Ministry of Economics in late October withdrew its certificate of no objection to the sale of Aixtron. This follows last spring's acquisitions of Kuka, the cutting-edge German robotics firm, by China's Midea, which triggered intense debate within Germany's political and business circles.

Both the United States and Europe are now recipients of substantial Chinese investments. It is probably much higher in Europe, with major deals such as ChemChina's purchase of Italy's Pirelli, and possibly of agribusiness group Syngenta. There are also substantial stakes by Chinese state-owned enterprises in European energy, port, and infrastructures. At the same time, the European Union Chamber of Commerce and also the

American Chamber of Commerce in China have called for increased attention to the growing difficulties in gaining access to the China market, in fields ranging from construction to insurance and many high-tech sectors.

The complaints from both trade organizations are very similar. Foreign investment in China is fast declining, but Chinese companies continue to undertake massive overseas investment. Beijing's long-term strategy explicitly encourages major enterprises to acquire foreign technologies and brands to propel the Chinese economic engine. They haven't counted few obstacles especially on the European continent where many cash-starved governments have welcomed China's investment offers. In the US, CFIUS has been identifying potential national securities risk of FDI applications, and some Chinese companies have reconsidered various pending offers.

The lack of transparency has been an additional problem. Early this year, the Chinese insurance company An Bong decided not to sustain a bid for Starwood hotels after Wall Street analysts began to question the company's financial transparency and its ties to the Chinese state. After years of opening their doors to Chinese investors, Europeans have also started a debate about how to protect national brands, especially in the IT sector. In the, UK Prime Minister Theresa May stunned China by deferring approval of the 18 billion pound Hinkley Point nuclear deal. The project was to be financed by China General Nuclear Power Company with the backing of Chinese sovereign wealth firms. In the end, London reaffirmed the original agreement, but the government insisted that there will be reforms to the government's approach to the ownership and control of critical infrastructure, to ensure that the full implications of foreign ownership are scrutinized for the purposes of national security.

On both sides of the Atlantic governments have also been trying to discuss bilateral investment treaties with the Chinese authorities. With a new US administration about to take office, there is little chance for a BIT to be signed with China in coming months. The lack of reciprocity between China, the United States, and other major economies is worrisome. In the US, some experts are recommending that the United States consider amending the CFIUS legislation to limit acquisitions by state-owned enterprises from countries with which the US does not have a bilateral investment treaty.

European politicians are also speaking out. Before visiting China several weeks ago, German Vice-Chancellor Sigmar Gabriel asked officials at the Ministry of Economics to prepare proposals that would give European Union institutions greater power to block takeovers by non-EU firms in strategic industries. Ideally the EU would agree on a mechanism to protect industrial and technological assets, but getting the 20 nations to do this would be challenging. The more promising approach would be to establish a domestic agency with CFIUS-like characteristics in each recipient country.

But a much more serious and sustained transatlantic dialogue on managing China's global economy grabs seems long overdue. Without a more coordinated strategy between the EU and the US, the mounting dissatisfaction on both sides of the Atlantic will continue to increase. The upcoming US administration and future European leaders, several who will be elected in 2017, therefore need to engage much more fully on common challenges. Major issues, including investment, cybersecurity, and China's market economy status, seem the appropriate places to begin.

DEWS: Hey listeners, want to ask an expert a question? You can by sending

an email to me at [bcp@brookings.edu](mailto:bcp@brookings.edu). If you attach an audio file, I'll play it on the air. Then I'll get an expert to answer it, and include it in an upcoming episode. Thanks to all of you who have sent in questions already, I'm working to get them all aired on the show. And that does it for this edition of the Brookings Cafeteria, brought to you by the Brookings Podcast Network. Follow us on twitter @policypodcasts. My thanks to audio engineer and producer Gaston Reboredo, with assistance from Mark Hoelscher. Vanessa Sauter is the producer, Bill Finan does the book interviews and design the web support comes from Jessica Pavone, Eric Abalahin, and Rebecca Viser. Thanks to David Nassar and Richard Fawal for their support. You can subscribe to the Brookings Cafeteria on iTunes and listen to it in all the usual places. Visit us online at [brookings.edu](http://brookings.edu). Until next time, I'm Fred Dews.

[MUSIC]