

## **Center for Strategic and International Studies**

### **“Global Security Forum 2016: Welcoming Remarks and Plenary I - Navigating 21<sup>st</sup> Century Security Challenges”**

**Welcoming Remarks:  
Dr. John J. Hamre,  
President and CEO,  
CSIS**

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CEO,  
Leonardo North America and DRS Technologies, Inc.**

**Moderated Discussion Between:  
Leon Panetta,  
Former Secretary of Defense and  
Former Director of Central Intelligence**

**Representative Mac Thornberry (R-TX),  
Chairman,  
House Armed Services Committee**

**Location: CSIS Headquarters, Washington, D.C.**

**Time: 7:55 a.m. EST  
Date: Thursday, December 1, 2016**

*Transcript By  
Superior Transcriptions LLC  
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JOHN J. HAMRE: Good morning, everybody. We're delighted to have you here. Thank you very much for joining us for the – I think this is our eighth or ninth Global Security Forum, and we're very pleased to have you here.

And we're really kicking off today in such a marvelous way, to have – oh, I'm sorry, talk a little louder. So we have these two remarkable leaders who are going to take us through a dialogue of how they're thinking about national security at this very important time.

A little safety announcement: that's I'm responsible for all of you today. I will take care of you, but I'd ask you to follow my directions if we have anything that happens. Our emergency exits are here behind us, right here. The stairs that goes down is right basically behind that door, but use all of them. And, you know, we'll meet at – we'll go across to National Geographic and I'll order ice cream and we'll sing a praise, thanks for our survival, or something. I mean, we'll take care of it. Don't worry about it. Nothing's going to happen, but just follow me, OK? That's all I'd ask for.

This is – we've had a wonderful opportunity working with Bill Lynn and the folks at Leonardo. I had to remind myself to call it by its new name, Leonardo. It used to be Finmeccanica. And Leonardo is, of course the Italian aerospace company, with a very big footprint here in the United States, and they've been our sponsors for this conference for all eight years. And so I'm very delighted to have him here.

Bill, would you please come up and just say a word of welcome? Thank you.

WILLIAM J. LYNN: Thanks, John. I just want to make clear I've been following John's directions for 30 years now, so this – (laughter) – if there's an emergency, this won't be any trouble for me.

Thanks. Thanks again, John. This is a terrific conference. As you said, we've hosted it since the beginning eight years ago, and gone through a name change as you said. We're now Leonardo. And we've thought this conference is a particularly important one to sponsor.

It's every year I think been an agenda-setting conference, but this year I think in particular there's a need, as we go through the changes we're going, to understand the impact of those changes on the issues we face. Because although we've had a lot of changes in terms of politics – and not just politics in this country, but politics in Europe and in Asia – as well as the challenges that our alliances are facing, the challenges that we face from Russia and China and the Middle East, those things haven't changed. And so it's a question of how we marry the changes in the politics with the enduring challenges we have, and where does that take us, and how do we protect the country's interests in that.

And I think we couldn't have a stronger group to help elucidate those issues, starting with the first panel with Secretary Panetta and Chairman Thornberry. And so I'm looking very much forward to the day, and I'm sure you all will get a lot out of it. Thank you again. (Applause.)

MR. HAMRE: You know, there's – am I on? OK. There are two kinds of people in Washington. There are people that spend time shining a light on themselves so they look bigger and better than they really are, and then there are people who have a light that comes from inside because of their integrity and their character. And I think of these two gentlemen in that second category

singularly. They just are wonderful human beings, in addition to being very, very important leaders. And so I'm just very grateful that both of you would be here.

Let me start. I think I want to just kind of set the stage. We have a – we have a chairman of a – of an oversight committee. We have a former secretary of defense. Let's just pretend that we are meeting for the first time. You've got a new administration. And, Chairman Thornberry, what would be the three things that you would tell the new secretary of defense, Leon Panetta, should be his priorities when he's taking over? (Laughter.)

LEON PANETTA: I'm probably the only one who's not on the list. (Laughter.)

REPRESENTATIVE MAC THORNBERRY (R-TX): I could change that if you – (laughter).

Number one, we've got to rebuild the military. The combination of sequestration, budget cuts, as well as the pace of operations and so forth have really damaged readiness and other things. So our number one goal together – and, by the way, congressional CRs and not having the stabilized funding, that make it difficult to manage the department. So we've got to rebuild the military together.

Number two, we've got to work together to reform the institutions and processes in the building to be more agile for a volatile world. The organizations and processes that have been successful in the past are not going to get us through the challenges where we face such a wide array of threats.

And I guess I would say number three, because we have not yet come to grips with it, is together we've got to work out how we're going to deal with cyber. It poses some unique challenges, and what's the military's role in defending the country, especially defending private infrastructure. And together, how can we discuss this, help people in the country understand that we're not worried about your grandma's recipes; what we're trying to do is to defend the country. And who's going to do what, and how are we going to do it?

So I guess that would be the top three, obviously.

MR. HAMRE: And the secretary of defense designate is going to be meeting with his new overlord, and he's going to ask you for help. So, Secretary, what are the three things you would ask Chairman Thornberry to help you with?

MR. PANETTA: Well, you know, I think – I think there's two or three very key things that in many ways can determine whether or not the Defense Department can do the job that the chairman was talking about.

First and foremost, I guess my first question would be, to the – to the chairman, is the Congress and the president going to govern? Because, frankly, I think the biggest threat to national security is the dysfunction in this town, and the fact that neither the president or the Congress can get together to resolve issues. And I think that impacts not just on the domestic side, it impacts on our foreign affairs and our national security issues as well. And so I guess one of my first questions would be, you know, is there a – is there a chance, with a new president and Congress, Democrats, Republicans, that there will be a greater willingness to sit down, to be able to work through issues, and to be able to govern? I mean, I – you know, as John knows and Mac knows, I've seen Washington at its best and I've seen Washington at its worst. The good news is I've seen Washington work. And I guess my question

would be, can we get back to a Washington that works? Because that's going to be extremely important.

Because in line with that is the whole issue of the budget. There isn't a damn thing we can do to try to rebuild defense, try to deal with the challenges that we're facing – and this is a very dangerous world. We've got a lot of flashpoints in the world that we have to confront. We can't begin to do that if we have an uncertain budget. And the reality is we've had an uncertain budget for too long. The combination of not having a budget deal, the reality of sequester having impacted on the budget, there's a real danger that, in many ways, the readiness of the department has been hollowed out. And that's dangerous. And so if we – if we're going to begin to rebuild the military and do the things that we have to do to try to make sure we have a strong defense to deal with all of these challenges, we have got to have a budget – a certain budget, something that gives you five years of numbers so that you know where you're headed, so you can determine what kind of weapons systems you're going to get; you can determine, you know, what kind of expenditures you're going to be able to have for forces; et cetera. And so that would be – that would be question number two, is, you know – is there a chance that, you know, we're going to be able to get some kind of a budget deal that will give us some kind of certainty with regards to the future?

And I guess, lastly, I would agree with the chairman on this. With the number of changes that – in terms of the challenges we're facing, there's no question that, you know, right now we've got a Defense Department that has a high ops tempo and, very frankly, has low morale. And if we aren't doing something to try to change the personnel system to make it more adaptable, to make it more agile, to be able to reshape our defense system not only so that we can fight high-end wars, but can do counterterrorism, but can also confront a lot of these different challenges we face in the world, we're going to have to be adaptable. We're going to have to be agile. We're going to have to have a personnel system that isn't just locked into a set system. We've got to be able to make it work in order to adapt to all those challenges. And that's something I think I'd want to discuss with the committee, to see whether or not we would have their support on developing that plan.

MR. HAMRE: And in fairness, Chairman Thornberry set out his leadership role as chairman by wanting to reform, and so I think you would have a very willing partner to do that.

MR. PANETTA: I think that's right.

MR. HAMRE: Let me – you know, I could spin the globe and put my finger down anywhere, and there would be a crisis. But let me just start by asking you about Russia. What do we do about Russia? Chairman, why don't you start?

REP. THORNBERRY: Oh, I start with basics. And in Churchill's Iron Curtain speech, he says Russia appreciates nothing so much as strength, and has contempt for nothing so much as weakness, especially military weakness. So step one in dealing with Russia, as well as a variety of the other threats, is the rebuild the military. I just think it's essential.

And I completely agree with Leon about showing the world that our system works. That's also part of standing up to Russia, because Putin will take – is taking advantage of divisions through his propaganda and other methods.

So rebuild the military is essential. I think there's some particular areas of weaponry Russia is making investments in that we need to pay attention to.

But we also have to be more understanding and be able to deal with this what's called hybrid warfare that they excel at. We've had a number of hearings in the committee just to try to shine a light on the lies, the deception, the use of cyber, the – you know, the targeted assassination, the whole range of tactics that he's – he uses. So we need to understand it, but then we have to develop the mechanisms to deal with it as well.

MR. PANETTA: Russia is a country that, you know, going back to after we came out of World War II, there was a recognition at that time by Truman and the Truman Doctrine that you had to establish some lines with Russia. And if you established that lines and backed them up, then ultimately you could find a way to deal with them in certain areas. But you had to establish those lines. And if you don't establish those lines, and the Russians sense weakness as a result of the failure to do that, they will take advantage of you. That's what they do. They'll take advantage of the situation.

And I think, you know, a lot of what you're seeing today is Putin reading weakness into the United States and then taking advantage of it in terms of military actions, whether it's the Crimea or whether it's Syria or whether it's the hacking he's been doing or all of the other steps he's been taking. I mean, he's deliberately trying to take advantage of that opportunity, and to create instability. I mean, you know, that's what they're after.

So I think it's really important for the president of the United States, I think it's important for Congress to make very clear that there are lines that we are not going to allow the Russians to cross. And one of those is that Russia is not going to be able to simply walk into another country and take it over. And let's not kid anybody: Putin's main interest is to try to restore the old Soviet Union. I mean, that's what drives him. And he's going to try to take advantage of that situation. He did that in the Ukraine. You know, he's going to look for other opportunities. And I think that's a dangerous – this is a dangerous moment, where Putin could very well take advantage of that. So I think the United States has to make very clear that we're not going to – you know, we're not going to stand for that kind of new aggression, to invade independent countries. Those are countries that, you know, should – ought to be able to determine their own future and not have the Russians take advantage of that.

And so working with NATO I think is extremely important, making clear that we're not going to let them take advantage of that. We need to draw those lines. And if we draw those lines, then yes we can sit down and talk with them. We should. I mean, Putin is somebody you can deal with, but you have to deal with him from strength. You cannot deal with him weakness. And if we do that, I think there are some opportunities, then, to do some things on the diplomatic front. But unless we set those lines, unless we establish very clearly that we are not going to allow the Russians to do whatever the hell they want to do, then we're not going to be able to do it successfully.

MR. HAMRE: Let's just talk about Syria and Iraq for a minute. I mean, we're – I think we are defeating ISIS on the battlefield, but I'll be darned if I can figure out if we have a strategy. What should we be doing? It seems to me that Russia had a strategy, and with a fraction of the force that we put in place they have accomplished their goals and we haven't. What would we do? Secretary, let me start with you first.

MR. PANETTA: Well, look, both President Obama, President-elect Trump have said that our responsibility is to defeat ISIS, and it is. We have to defeat ISIS. ISIS is a threat to our national security. It's a threat to our country. And so we need to do that.

The key, obviously, at this point is to be able to push ISIS out of the territory that it occupies. And so it is very important to strengthen the effort that's going on now to be able to push ISIS out of Mosul, out of Iraq, to begin an effort to push them out of Raqqa. You've got to take their territory away, and then you've got to continue. Obviously, it's not enough just to push them out of those territories. You're going to have to continue strong counterterrorism operations to make sure that they never get any traction.

And it isn't just ISIS, very frankly. It's also Boko Haram. It's also al-Shabaab. We've got terrorism that's metastasized into a number of these different elements, and you cannot just assume that you can deal with ISIS and then not have to deal with Boko Haram. You've got to have a strategy that encompasses going after both.

And so the one thing that, frankly, has bothered me a lot is that, although, you know, we talk about support from other countries, we have not built a strong coalition of countries in the Middle East to take on these threats. I mean, we're doing – you know, we've kind of done it on a haphazard basis, you know, deciding what areas we go into and who can we try to get to help. In Yemen, the Saudis are going into Yemen. You know, everybody's kind of doing their own thing, and we have not coordinated a strong effort to go after ISIS.

So I guess one of the things I would urge – I've urged this administration and I would urge the next administration – is to build a strong coalition of moderate Arab countries, of Israel. I would include NATO as part of that coalition because we're all subject to threats from terrorism. And develop the kind of strong coalition that can not only work to take on military challenges – working together to do it – but to also be there when we defeat them to provide a support system for those countries so that they can survive and achieve stability, because now we beat them and then, you know, walk away, and instability comes back, and terrorists take advantage of instability. So we need a strong coalition of countries that are working together to go after these threats.

MR. HAMRE: Chairman?

REP. THORNBERRY: I think the secretary is right. We are making progress on the ground in Iraq. You know, it's block by block, and it's ugly, and it will get uglier as you get into the center of Mosul. But the Iraqi military forces, with our advice, is making progress, and I think will eventually clear ISIS out of Iraq. The big question there is, will the Iraqi government be inclusive enough for the Sunnis that they can govern after they've cleared them out, or are we setting up a situation for, you know, ISIS part three or whatever comes next.

I think Syria is much more problematic. With the Turkish involvement and all the different players, it's a little harder to see how that goes. There is hope that the Syrian Democratic Forces will come down and take Raqqa over time. And so, if everything just goes perfectly, we may be able to eliminate the geographic caliphate.

But we should not underestimate the fact that there will still be a virtual caliphate that ISIS uses to operate, encourage terrorist attacks here at home and around the world. And, as Leon says, you've got Boko Haram, al-Qaida in Yemen, you know, lots of other groups that are still there.

I think you're right; Russia has accomplished its goals, partly because its goals were much narrower than ours. They were – didn't really care about the consequences for civilians. So it is hard for me – you know, it looks like Assad's going to stay as long as Putin wants him to stay. Obviously,

the opposition forces to Assad have been taking a beating in Aleppo. And it's harder to see a resolution as far as the Assad issue, but hopefully if everybody can work to exclude ISIS that's a good thing.

One last point. I just want to emphasize my agreement with the secretary about the importance of working with others. It's messy. It's frustrating. NATO – other countries, most of them don't pull their fair share of the weight. But it's essential to have this alliance to counter Russia, and part of Russia's moves is to divide that alliance.

Similarly, in the Middle East, just like you were talking, it's difficult. Other countries have other agendas. But we have got to work with them for long-term stability in that region. We can't, you know, just keep coming in and out every time there's a – there's a –

And I also agree we've got to do better at developing the programs, institutions, and the patience to work with frustrating allies, because any ally's going to be frustrating. (Laughter.) And you know, one of the areas we are trying to look at, for example, are weapons sales, foreign military. It is incredibly frustrating for some of our best friends, who want to pay cash –

MR. PANETTA: That's right.

REP. THORNBERRY: – how long it takes for – to get American weapons. It's good for us to sell them. It creates jobs. It lowers the cost of our weapons. It helps enable and increase the capability of a friend. And we make it way too hard. So one area that we're trying to help is to streamline that a little bit, so people we know we're going to help, that we can help them faster.

MR. PANETTA: If you can do that, God bless you – (laughter) – because that's been – I got to tell you, that's been a real pain because, frankly, as secretary, going around and negotiating and using that as an important lever in dealing with other countries – I mean, you know, part of our responsibility, particularly in the world of the 21<sup>st</sup> century, is to help other countries develop their security capabilities. I mean, that, I think, is an important mission for the United States. And to do that and to be able to assist them and give them the weapons system, you know, means that you've got to be there.

And I can't tell you how many times I've gone to a country, we've worked out an agreement to be able to deliver a certain weapons system, and it's still not there, and it still hasn't moved, and it's been bogged down. And it really undermines our credibility with other countries when that fails to happen. So anything to expedite that process would be really important to our ability –

MR. HAMRE: That's something we should work on in our own organization. We just fail on this, and we could fix that.

MR. PANETTA: Yeah, it is.

MR. HAMRE: Let me – let me again spin the globe, but drop it right on the Korean Peninsula. And you talked about red lines, clear red lines. I don't know that we have clear red lines here. We've got a young, impetuous leader in North Korea who has conducted five times as many provocations as his father, and they're making astounding progress on missilery, you know. So I think you have to honestly say within months, maybe short numbers of years, there is an ICBM that could hit the United States with a nuclear warhead on it. What is the red line that we should contemplate here? What do we say?

MR. PANETTA: (Audio break) – that we're dealing with in the world. And there's no question we're dealing with a North Korea that is very unpredictable, very uncertain; has, you know, a leader who is very difficult to try to sense what direction he's going to head in. Anybody who gets along with Dennis Rodman raises a lot of concerns about – (laughter) – who the hell he's going to get along with.

But there's no question they are developing their missile capability, their intercontinental missile capability. They continue to test intercontinental ballistic missiles. They're developing a mobile missile system, which can be very effective as well. And they're developing that. They're trying to develop missile systems off submarines as well. I mean, they are clearly moving forward to develop systems to deliver, you know, a possible nuclear weapon. And they have nuclear weapons, added to all of that.

So how do you – how do you deal with this kind of situation, because you are dealing with somebody who is so unpredictable and threatening? Look, number one, there's no question we've got to maintain – again, talk about coalitions. We've got a strong coalition that's aimed at, you know, moving against North Korea if they try anything – working with the Japanese, working with South Korea, working with other countries in the Asia-Pacific region. And I think we need to maintain that. We need to maintain our presence in South Korea. We need to maintain our relationship with them to be able to make clear that we will support them if North Korea tries to take advantage of it. Let's not kid ourselves: it's been 60 years, and the reality is North Korea hasn't moved because they know damn well that it would mean a war that would destroy them. And that's what they have to know, that if in fact they try anything, that the United States will be there and that other countries will be there to respond. So that needs to be maintained.

Number two, we've got to continue to put pressure on China to try to exert pressure on North Korea. China's had a difficult relationship with North Korea. I've sat down with President Xi and talked about this problem. They recognize the uncertainty and the unpredictability and the danger that's there. At the same time, they are trying to protect a neighbor and they – you know, they'd rather have somebody who's within their sphere of influence. So it's been difficult. But I think we've got to put pressure on them to be able to put pressure on North Korea to try to be able to enter at least some sets of negotiations where we can put some limits here and try to push them back in terms of their nuclear capabilities.

Thirdly, you know, very frankly, from my old job, we just don't have the kind of in-depth intelligence that we need to understand what the hell they're up to. You know, we've been working at that. We've got, you know, some good capabilities. But very frankly, from an intelligence point of view, we really do need better information about what North Korea is up to and what's going on in North Korea. We get these hits and misses in terms of what they're doing – he's killing people, he's killing people in his own family. We don't know what all of this means. And very frankly, it's because it's a difficult target to be able to get the kind of intelligence you have to. But we need that. We need to really be able to surge our intelligence with regards to North Korea.

And you know, lastly, I do think we need to make – we're implementing sanctions on North Korea. I think that's fine. But I think, more importantly, we do have to set some limits with them, particularly with regards to their missile testing and missile capabilities. They're violating international law. They continue to do that every time they shoot a missile off. I think we've got to make clear that we're not just going to stand back and allow them to continue to do this without taking some action in terms of trying to make clear that we are not just going to tolerate their continual testing of

intercontinental ballistic missiles. But that takes firmness. It takes a strong line. But again, if you're going to deal with them, you better – you better set those lines.

REP. THORNBERRY: Yeah, I would just add two things.

One is emphasizing missile defense and other increased capabilities in the Asia-Pacific region. I mean, one of the problems when you get down to 270-something ships is you don't have very many ships to be in very many places. The geography of the place, it just emphasizes the need to have more capacity, a greater military force.

Second point is, obviously there's political challenges in South Korea right now. I don't know if it's going to be in Korea or where, but I believe there will be a real testing – maybe multiple testings – through this transition period. And it may well come with Korea. It may come with Russia. It may come with Iran. You know, I don't know where it's going to come. I think we're in a really delicate time right now, and the political instability in South Korea probably add(s) to that.

MR. HAMRE: You know, I would point out yesterday – it was at the United Nations – that the Security Council did vote –

MR. PANETTA: Sanctions.

MR. HAMRE: – and the Chinese did not block it, to block half of the exports of coal out of North Korea. Now, it's not as big as it could be, but it is an interesting step forward.

Let me ask, though, about eight, nine months ago, a very prominent – the largest Korean newspaper, in its editorial page, said they no longer trust America's extended deterrence guarantee, and that it's time for Korea to develop a nuclear weapon. There's a – there's a lot of questioning whether America really means it that it will put itself at risk in order to defend Korea, so that Korea doesn't have to develop – and we don't want them to develop nuclear weapons, but they don't have to. I was – I was up at the Senate Armed Services Committee the first year when we pulled the nuclear Lance, you know, that used to be in the Army, out of Korea. We withdrew it. Should we be making a more visible physical commitment of nuclear capabilities on the Korean Peninsula? Secretary, let me start with you and then I'll ask the chairman.

MR. PANETTA: Well, look, number one, you can't do much against any of our adversaries in the world if we are not credible in terms of what we say and what we do. If we draw lines, we've got to stick to those lines. If we say we're going to do something, we've got to do it.

The one – the one capability that the president of the United States has is to say to another country: this is what we're going to do, this is what we intend to do, and then do it. That is, in many ways, almost more powerful than, you know, whatever weapons systems you want to talk about. It's the credibility of the United States to be able to say and do, you know, what we commit to.

So it is very important, I think, for the United States to make clear that when we make these commitments, we will stand by those commitments, and to back it with action if necessary. And that's something that's going to have to take place over time. We're going to be tested. The new administration is going to be tested, new president's going to be tested, just like this president was tested. And that will determine whether or not we establish that kind of credibility, so that our allies understand that when we give our word we mean it and we'll stand by it.

Now, secondly, I just think that it is important that – with regards to North Korea, that they understand that we will not hesitate to respond in kind if they decide to take, you know, what we hope will never happen, but if they decide, you know, to deliver a nuclear weapon to another country using an intercontinental ballistic missile. We ought to make very clear to them that we will respond in kind. And whether it's by, you know, locating our nuclear weapons in South Korea – I mean, the reality is we don't have to locate them in South Korea. We have the capability to deliver nuclear weapons. We have a missile system that can help protect us under any circumstances. So I think, you know, we're strong enough to be able to respond in kind if we have to, but I do think we need to make clear to North Korea that they can't continue to test intercontinental ballistic missiles, cannot continue to develop nuclear weapons without crossing some lines that we have to make clear need to be established.

REP. THORNBERRY: I think this point on American credibility is so important, and I completely agree that it outweighs the capabilities of any particular weapons system whether people believe we mean what we say. And if we draw a red line in one part of the world, then folks completely on the other side of the world watch whether we keep our commitments or not. And they start to doubt we'll keep our commitments to them if we're not keeping our commitments somewhere else. And once this credibility is eroded, it takes time and it's hard to build it back up. But the fact is, a diminished U.S. credibility in the world equals a more dangerous world. And I'm afraid that that's part of the drift that we have seen recently.

The only other point I would make is our own nuclear deterrent has been allowed to atrophy over the years. We have not put the money and time and effort into the weapons, the delivery systems, and the nuclear command-and-control that helps build that credibility.

So there is a recognition of that. I think there – you know, we are trying to start a new Trident submarine, a new bomber. There are more resources that are starting to go into the nuclear weapons complex. But the fact is, we've got 1980s-version weapons that we are trying to keep alive. We're not making any new ones. Meanwhile, the Russians, the Chinese and others are cranking out new ones every day. So part of the credibility of our nuclear deterrent that keeps Japan, Korea and lots of other folks from having to have their own is dependent on how much time and effort we put into that part of our defenses.

MR. HAMRE: Chairman, let me just take you back to something you mentioned as one of your high priorities. That's cyber. Are we – as a nation, do we have the right organization to deal with this problem?

REP. THORNBERRY: I think the right organization evolves as our capabilities evolve and as the threat evolves. So, you know, the big story lately has been whether Cyber Command should be separated from NSA, and at some point that may make sense. If we – in my view, if we were to do it today, it would be enormously expensive – because you've got to duplicate all of this capability – and it would be disruptive, because what I really care about the most are the lives of the men and women on the front lines. They depend on the intelligence from NSA and the capabilities of Cyber Command to do their jobs, and to degrade either or especially both of those would increase the risk to their lives.

I think we have not yet – I forget how many years ago, four, six years ago, I had a hearing in a subcommittee trying to focus on the question of what the military's role is in defending private infrastructure. If a bunch of bombers were coming across the Houston Ship Channel to bomb a bunch of refineries, we would expect the United States Air Force to come defend them. If a bunch of packets

come against the same refineries, what is the role of the United States military to defend them? We've never grappled with that. And while we have increasingly sophisticated folks – not just Russia, China; others are playing in these spaces. And yet, we have not had – been able to have a rational conversation on government's role in cyberspace because of Snowden and irrationality and so forth.

So I think capabilities and people, we're the best. Organizations, processes, authorities? We're not there. And so there – and this is going to require discussion – public discussion, partly – and we need to advance that ball because the threat is moving faster than our capabilities.

MR. PANETTA: I think – no, I think Mac's right. Look, this is the battlefield of the future. It's the battlefield of the present, but it's clearly the battlefield of the future. I mean, the reality is that a cyberattack can literally paralyze this country. You know, we know about cyber denial-of-service. We know about cyber being used in a hacking process. We've seen a lot of that. But the reality is that we're now at a time when you can develop a sophisticated virus that can literally cripple computers. It can – it can destroy computers. I think it was Iran that developed the Shamoon virus and deployed it against Aramco Oil and took down 30,000 computers – destroyed 30,000 computers. You take that same virus and you deploy it to a computer system that runs our electric grid or runs our financial systems or runs our government systems or runs our banking systems, you can cripple this country. And you don't have to send a B-2 bomber, you don't have to send boots on the ground, you don't have to send an F-16; you can sit at a computer someplace else and deploy that kind of sophisticated virus.

This is a real threat. It is the threat that we're going to face in spades in the 21<sup>st</sup> century. So we need a strong defense.

I agree with Mac that, you know, we really do have tremendous capabilities, you know, with the NSA and others that are involved with our cyber capabilities. They are on the cutting edge, and we've got to make sure they stay on the cutting edge. We have some strong defense systems in the intelligence and defense areas. Very frankly, we don't have very strong defense systems in other agencies of the federal government, and the private sector is trying to deal with these threats, as well, on kind of a hit-and-miss basis. We need a greater coordination between the public and private sector. We need better coordination of cyber efforts at the federal level.

I mean, I know we've got good Defense agencies that are involved in it. I know we've got, you know, steps that are being taken to improve what we're doing. But, look, this is a – this is a – this is a problem area. This town, you know, doesn't pay attention to something unless they get hit in the face. That's the reality with Washington. You can sit around and we can talk about this. And I participated in meetings, we talked about this, and you talk about the importance of this, and it – and it turns to mush. You know, it doesn't happen.

And you know, do we need to have a cyberattack that cripples this country in order to wake up to the nature of this threat? I hope not. But to do that you've got to – you've got to put people in a room, you've got to say this is what we have to do, these are the defense systems we have to do, we've got to invest in this kind of cyber capability for the future. We've got to be able to invest in people that know what they're doing in this area. We've got to invest in a better defense system both at the Defense level and at the non-Defense level in government. And we have to develop a stronger public-private partnership so that we're exchanging information on the kind of attacks that we're receiving. We've got to do much better at coordinating the effort.

We all talk about cyber. Congress talks about cyber. Everybody talks about cyber. But the reality is we don't do a damn thing to really try to do some meaningful coordination to deal with this, and that's what has to happen.

MR. HAMRE: You know, Washington's a town with 15 goalies and no puck, you know – (laughter) – and everybody trying to protect their turf. But we need a leader, and Defense I think has to be that leader. I don't know who else it could be at this stage.

Let me ask about – my last time, and then I'll turn to – about space. Quite concerned about the reliability of our space assets, given the advances of potential opponents. Chairman, I know that this is a major issue that you've tackled here. Where do we go?

REP. THORNBERRY: It is a major issue, you're exactly right. Adversaries are developing capability to – well, back up. Adversaries have watched how we operate, and they know our dependence upon space. Therefore, they have made investments in capabilities to deny our ability to operate in space, and this is another area where we have not responded appropriately. We haven't – you know, we say, oh, well, isn't it interesting what they're doing, but we haven't taken action. It's turned to mush, as Leon says.

The other challenge we face is an industrial base issue. And this is really something that we've been grappling with in this year's defense bill and last year's defense bill, trying to make sure that we have assured access to space when, for example, we're dependent upon Russian rocket engines to get us to space right now. And so we've got industrial base issues.

I would say there's a – there's another category of challenges we face, and it's kind of cultural, for lack of a better word. We have come to depend on big, large, expensive satellites. And, therefore, they're expensive, they're an inviting target for adversaries, and we don't – we can't afford too many of them. There are other theories – and people are working on this – of small, distributed systems. It has its own challenges, but it's also a cultural change for us to think about that sort of approach rather than the big, multimillion-dollar. And the truth is, we probably need combinations of them. But still, we've got to be willing to break out of some of the models of architectures that we've depended on in the past.

MR. PANETTA: You know, it gets down to some of the same problems we talked about earlier. How the hell can you – (chuckles) – kind of focus on, you know, what kind of additional efforts we need to make in space when we're operating on a CR; we're operating, you know, with the potential of sequester; we've got no certainty with regards to the budget? How can you plan? I mean, this stuff we're talking about in space requires years of preparation. I mean, you got to plan it now, but it takes years to develop it and it takes years to then put it up in space. It's just the nature of the – of the beast that you're dealing with.

So, you know, if we don't – if we don't confront this budget issue, if we don't develop some certainty here, if we don't get a budget deal that kind of establishes, you know, a 5-year, 10-year path on the budget, you know, we – what's going to happen on space is everybody's going to go hat in hand up to the Congress, hope you can get whatever you're asking for put in. There's no certainty it'll happen. You may or may not get it. You know, my old agency will try to do its stuff; others will try to do their stuff. It'll all be very haphazard.

And if we're going to be able to compete in space – I mean, the Chinese, make no mistake about it, one of their primary investments is in space. You know, and they're developing capabilities that can literally impact on what we have in space. And whether or not we can defend against that, whether or not we can compete against that is a question mark right now.

So this is an area that I think is extremely important to our national security. It is very important that we try to be innovative and try to develop the kind of new satellites that we're going to need for the future, because that is the future. And if we don't compete, you know, make no mistake about it, the country that controls space in many ways will dominate security issues in this – in our world. And we have got to compete in that arena, but we cannot compete in that arena with one hand tied behind our back.

MR. HAMRE: You know, we had a commercial satellite that was in orbit, and all of a sudden a Russian-made satellite came up and sat right beside it. And so it moved; the Russian satellite moved. It moved again. It went on for about three months. That's a pretty clear signal that –

MR. PANETTA: You got it.

MR. HAMRE: – we've got to do something.

OK, colleagues, we've got a little bit of time, and I want to open up the floor if there are questions that people want to ask. I could go forever. But Farooq Kathwari. Let me – do we have a microphone? Right up here in the second row. My very dear friend Farooq. Thank you for coming, Farooq.

Q: Well, thank you. Thank you to have this great discussion.

My question is that while we must stake short-term steps with all the challenges, but how much are we thinking about long term and the unintended consequences of actions? For instance, out of the Second World War, when artificial lines were created in West Asia, South Asia, Central Asia, Africa, we are now seeing the consequences of that. So the question is, are we – as I said, we must take short-term action, but are we thinking through the unintended consequences of many actions we are taking and its impact next 10, 20, 30, or 50 years from now?

REP. THORNBERRY: I don't think so. You know, Americans have certain defining characteristics. One of them is very short-term view and impatience, and we have to fight against that.

There are those who are arguing that we have to do better about strategic thinking, and I think that's right. I worry that particularly the recent trend out of the National Security Council staff has been micromanagement of day-to-day operations in the world and not enough on the bigger picture and the longer picture. And that – you know, you cannot foresee what's going to happen in 20 years, but you need to at least think about the long-term consequences of what you do. And I don't think – my sense is we don't do that very well in government. Maybe there is something innate in our DNA that makes that hard for us, but we got to fight against it. What is – Eisenhower's line was plans are worthless, but planning is everything. And so I think just disciplining yourself to think about and to try to plan that longer, broader term is important.

MR. PANETTA: Yeah, the problem in government – and, for that matter, even in the business world – is that, you know, we all talk about the long term, but we live in the present. We don't live in the long term. And so it's all focused on what's happening today and what is the impact in the present.

But if we are – if we're going to be a strong country that provides world leadership, and I believe we should be, we have to got to look at consequences. What are the consequences of what we're doing, not just today but in the future? And we have not – you know, by nature we just have not spent that much time and effort in doing that. We attack crises on a crisis basis.

You know, we operate by crisis. I often tell the students at the Panetta Institute, you know, we govern either by leadership or crisis. If you're willing to exert leadership and take the risks associated with leadership, maybe you can avoid crisis. But if the leadership is not there to deal with it, then you deal with it by crisis. And so today, very often when a crisis appears, we go after the crisis, you try to deal with the crisis, and then you move on to the next crisis.

And we've paid a price for that, particularly in the Middle East, because the reality is, you know, as a result of the Arab Spring and the changes that occurred in the Arab Spring, there was really – you know, there was really no sense of how do we deal with the leftovers of the Arab Spring. I mean, how do we deal with the leftovers of what we do in Iraq or Syria or Afghanistan? We haven't really thought that out. And these are all countries – I mean, it's not so much now a question of drawing lines, it's a question of dealing with the countries that are there – dealing with Iraq, and trying to have an Iraq that can really govern itself, and bring the different tribal divisions in that country together. How do you deal with a Libya after you've brought Gadhafi down, and really try to establish a Libya that can ultimately be able to govern itself? How do you deal with a Tunisia? How do you deal with an Egypt? How do you deal with a Yemen? I mean, those are the challenges that are out there.

And, you know, if we just try to respond by putting out a fire and hoping that that takes care of it, it isn't going to resolve the issue. We've got to have a bigger strategy, and that's why I mentioned this kind of coalition of countries. We need to have a bigger strategy as to how we develop the support systems in these countries, whether it's Iraq, whether it's Afghanistan, whatever country – develop a support system that gives you half a chance that they'll ultimately be able to both govern and secure themselves. That's what we need. And the problem right now is we roll the dice, and that's – that produces even greater uncertainty and instability.

So, yeah, we really do need to focus on, you know, the long-term consequences. Same thing's, frankly, true even in terrorism. Tony Blair and I did this proposal – report for CSIS looking at how do you develop a comprehensive strategy, because yeah, you know, we can go to war against these guys and, you know, we can beat them. You know, we've got great counterterrorism capabilities. We've got great capabilities we've developed. We can beat them. But we'll never beat them if they continue to recruit new people as terrorists.

So we've got to develop a comprehensive strategy that not only includes how do you beat them on the battlefield, but how do you beat them in the battle for ideas. Both of that has to take place. We don't spend enough time on that second factor. Why? Because we're wrapped up in making sure we can beat them on the battlefield today. And I understand that, but we're never going to win, we're never going to be able to develop a more stable world unless we're looking at what are the causes and how do we deal with those causes so that we can have a better world.

So, you know, I mean, look, part of the problem is politics, let me tell you. Politics plays in the present. If something happens, there's a crisis, you try to deal with the crisis. If you try to stay stop, we really ought to think about what the hell we're doing in 20 years, everybody says: "Are you kidding? Just deal with this damn thing." That's the politics of the time. And until, you know, we're willing to really say stop, we should learn the lessons of history and really focus on that long-term approach because ultimately we'll never have real peace and prosperity without that.

MR. HAMRE: You know, Farooq, when Dwight Eisenhower created the NSC, he had – he had two halves. One was a J-3 function, the fight – the daily fight; and the other was a J-5 function, which is planning – long-range planning. And he spent as much time with the J-5 as he did with the J-3. It's really about – the president can make a difference here.

We've got time for one last question right back here in the fourth row. Yeah. The microphone's coming to you.

Q: Thank you. Robbie Harris (sp), a former naval person.

I'd like to follow up on the secretary's comment about the need for a predictable budget – a budget deal. And the question goes to the chairman: How likely is it that the defense provisions of the sequester or the Budget Control Act – how likely is it that those provisions will be lifted such that there can be a reliable budget?

REP. THORNBERRY: I think it is likely. There is a growing perception among – on both sides of the aisle and in both houses of Congress that we've cut too much from defense and that the Budget Control Act disproportionately damages defense. Remember, more than half of the discretionary budget is defense. So what are you hurting? You're hurting defense every time you go through this. And I think even budget hawks and people who believe in other priorities for spending have all mostly come to agree with that.

Now, I can't predict for you exactly how the implementation will go: OK, we'll get rid of the Budget Control Act and we'll put this in or do – you know, I hope that we begin to deal with the two-thirds of the budget that goes untouched, which are the entitlement programs, which is what we have to do. But I think there is a growing recognition that the Budget Control Act is – has unduly, disproportionately damaged our defenses, and the world has not gotten safer in the meanwhile.

So I'm, frankly, disappointed that we're not doing the appropriation for the rest of the year right now. We could do it, I think. But we also have the opportunity to do it soon, when we come back in January, finish up the fiscal year '17 appropriation, and then get the '18 appropriation done in time.

I think one of the most distressing things I have seen in the last several years is a refusal to pass a defense budget unless you agree with all the other budgets. In other words, we couldn't pass a defense appropriation bill unless all the other appropriation bills were all agreed to. That's holding defense hostage, and that is fundamentally wrong. I hope we have grown out of that with the change in administration.

And then we – because I think Leon is exactly right, this is a big deal, the stability/predictability to be able to manage these complex problems. And that requires our political system to function, which is kind of what we started out this about.

MR. HAMRE: I have a – let me just –

MR. PANETTA: Could I just –

MR. HAMRE: Please.

MR. PANETTA: I can't – I can't avoid – (laughter) – putting on my old budget hat as chairman, and then as head of OMB. And Mac's heard this and, you know, I continue to say it. Look, we've got a \$20 trillion debt. We're going to have a trillion-dollar deficit. We're on an unsustainable path.

And you know, I remember saying this to President Bush when he first got elected. If he doesn't deal with these issues – we don't deal with these issues, I don't care what the president's priorities are, they won't – that president will not have the resources to deal with it. I mean, you know, we're now talking about an infrastructure bill of a trillion dollars. You know, chances are, what, are we going to borrow a trillion dollars for infrastructure? Or are we going to do a tax cut that's going to add trillions to the debt as well?

If this thing is going to be dealt with, you have got to do what was done in the '80s. You got to sit down in a room – you got to have Republicans and Democrats sit in a room. You got to put everything on the table. You know, when you're dealing with a \$20 trillion debt, you got to deal with everything.

And Mac's right, two-thirds of the federal budget is entitlements. You think you're going to balance the budget on discretionary? You're crazy. So you got to put discretionary spending, both defense and non-defense, on the table. You're probably going to have to establish caps, the way we did. You're going to have to deal with entitlements. You have got to reform entitlements. You can't put – keep them on an unsustainable path. And we did that in the '80s. And you got to put taxes on the table. That's how you get a deal, and we did that in the Bush administration. The Clinton budget did that, and the result was we got a balanced budget and a surplus. And now we're back doing the same damn thing. And unless you're able to do that – and it takes the leadership of the president, it takes the leadership of the Congress to be willing to sit down and cut that deal. But if you don't cut that deal and you just try to play around with discretionary spending, you're kidding yourself; you will never resolve this issue.

So I really do hope that one of the things the president-elect realizes is he is going to have to confront this issue, because that's the only way we're going to deal with all of the things we talked about today.

MR. HAMRE: Chairman –

MR. PANETTA: Sorry for the lecture. (Laughter.)

MR. HAMRE: No, I – and, Chairman, I've heard you say the same thing.

REP. THORNBERRY: Look, of course, I have no doubt the speaker of the House is committed to doing exactly what Leon talked about. Tax reform is a major opportunity to put taxes on the table as part of this discussion.

MR. PANETTA: Exactly, exactly.

REP. THORNBERRY: And we have to deal with the entitlements, and that's the only path forward, absolutely.

MR. HAMRE: I screwed up, as I often do, and didn't realize I had another 10 minutes. And so I'm going to impose a little more torture on you guys – (laughter) – and see if there are other questions. John, right down here. Could we get a microphone over real quick.

Q: Oh, OK. John Luddy with Aerospace Industries Association. Thank you very much –

MR. HAMRE: We need to hear. We got thousands, millions of people listening in cyberspace. (Laughter.)

Q: (Comes on mic.) John Luddy with Aerospace Industries Association.

Thank you very much for your presentation this morning, and your comments about American credibility were very compelling. I'm wondering if you can identify – and this may be oversimplifying things – but is there some action that the new administration could take in the hundred-days model, whether it's a diplomatic initiative or a movement of forces or anything else, that would really set a tone and send the kind of message you're talking about about American credibility moving forward with the new administration?

REP. THORNBERRY: Well, for me, I would follow Teddy Roosevelt: speak softly and carry a big stick. We need to make our stick bigger. So I would say, if the new administration would submit a supplemental request for defense early on to give us a head start at building back some of this capability, that would be the first signal that you need to set. Before you start moving troops around or making more promises, you need to build up a bigger stick.

MR. PANETTA: I think – I think the president needs – the new president needs to – probably one of the first steps is whoever he ultimately appoints as secretary of state, he needs to designate either that person or somebody from his administration to go out into the world and to visit all of our key allies – to visit our moderate Arab country allies, visit Israel, visit key countries in Asia – and bring with him a clear message from the president that makes very clear what the president's position will be. I really do think that the world right now is wondering what the hell's going on, and it's a dangerous moment because they're not sure. I really think that the president has a responsibility, a first step, to send somebody out into the world to reassure them about what is United States policy going to be in dealing with a world that has all of these dangerous points.

MR. HAMRE: Ambassador Shoval, did you want to – I wanted – yeah. Right down on the first row, right down here in the front. Thank you. Former ambassador from Israel. Very, very dear friend.

Q: Thank you very much.

I was much impressed by both of you gentlemen, what you said about United States' credibility, which is a major element, certainly, in the Middle East and anywhere else. However, you also – both of you mentioned the importance of forging coalitions, or a coalition, with regards to ISIS. Of course it's important, very important, but there is a certain contradiction in terms because the moderate Arab

countries which you mentioned, and Israel, are much more worried about Iran even than about ISIS. We see this as an immediate and long-term threat, and there is the possibility – probably the probability – that the result of the victory – in parentheses – in Mosul will actually be strengthening Iran and the Shias once again, trying to create a corridor all the way to the Mediterranean Sea. So not only is this a contradiction in terms, but frankly, from some of the statements we've been hearing from the incoming administration, that sort of contradiction has not been resolved, maybe quite on the other side. And I would welcome to hear your comments about that. Thank you.

MR. PANETTA: Well, you know, I think one of the purposes of building the coalition that I talked about, and formalizing it – a coalition of moderate Arab countries and Israel – is because there are common objectives here that are involved, not only in dealing with terrorism, not only in dealing with ISIS, not only in dealing with the problems of instability in the Middle East, but also in dealing with Iran. I mean, the reality is that everybody recognizes the concerns about Iran. And I think it's better to deal with Iran together rather than have different approaches as to how we confront Iran.

I mean, look, the reality is that Iran does represent a continuing threat to stability in that part of the world. They're continuing to develop missiles. They're continuing to support terrorism. They support Hezbollah. They're continuing to be involved. I mean, I do think, frankly, on the – you know, we do have to be concerned about the nuclear potential out there. So I guess my view would be, you know, obviously enforce the nuclear agreement, but take steps to make sure they don't proceed to continue to support terrorism, that they don't develop the missiles systems that are in violation of international law, and to draw, again, some clear lines with regards to Iran and to the future.

But to do that, you've got to do that with a coalition of countries that are willing to stand by that. And you know, right now, you know, we have a – we have a nuclear agreement that involves five countries, but we really ought to be developing a strategy on Iran that involves all of those countries in the region to make very clear to Iran that they are not going to be able to just do whatever the hell they want.

REP. THORNBERRY: Yeah, I would just add I think the coalition for one purpose may be somewhat different from the coalition for another purpose, because the world is just so intermingled and that, you know, you're not going to have a permanent coalition that can deal with all of the problems. So that requires a little agility on our part to manage these things, and I think that's right.

The only other point I'd say is, for the reasons you mentioned, I think how the Iraqi government deals with the Sunnis in the coming days is really important for the stability of Iraq, related to the influence of Iran, about whether some of these key partners – you know, what their attitude is going to be, because they're looking to us to help encourage the Iraqi government to do the right thing and be inclusive. And that will be a key testing point in the months to come.

MR. HAMRE: I suspect I speak for all of you to say I feel so much better hearing these guys. You know, I mean, I feel like there's a sense of direction for the country.

MR. PANETTA: (Laughs.)

MR. HAMRE: I hope lots of people are listening, and I hope you're sought out by the new administration, by the Congress for helping us think through these critical moments.

Before I let you thank them with your applause, let me just say we're going to have to subdivide this room because we have a series of seminars that are following up here. So that wall's going to drop down from the ceiling. It'll take us about 15 minutes to do that. So we're going to break now. Get a cup of coffee. We've got a tremendous program lined up.

But there was no better way to get started than to hear the chairman and the secretary this morning really guide us to help us think more clearly. Would you please thank them with your applause? (Applause.)

(END)