

Center for Strategic and International Studies

Breaking New Ground: Preparing DoD for the Future with Secretary Ash Carter

Speaker:
Secretary of Defense Ashton Carter

Introduction and Moderator:
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(Applause.)

JOHN J. HAMRE: Good afternoon, everybody. Welcome. We're delighted to have you here. It was – it shouldn't be this cold, you know – (laughs) – in April. I came down from New York this morning and it was snowing in Wilmington. (Laughter.) I was like, what the hell, this is crazy.

But we're going to warm it up this afternoon. We're going to have an excellent opportunity to talk with Secretary Carter. Thank you all for coming.

A brief security announcement. He has a security detail. They're going to watch out for him. I'm going to watch out for all of you. So if we have a problem, I would ask you to follow my instructions. Our exits are right here behind us. This is the door that's closest to the steps that goes down to the street. If there's a problem out in the front, we're going to go in the back and we're going to go over to the National Geographic Society. We have an arrangement with them. If there's a problem in the back, we're going to go front and over to National Cathedral – or to St. Matthew's Cathedral, count heads and say grace. So anyway, we're going to be fine, but I look forward to – please follow my instructions.

Ash Carter is a man who I've had a privilege of working with for almost 30 years. We first met when he was at Office of Technology Assessment, very long time ago. And I do remember very distinctly once, when I interviewed – he interviewed me, I should say, for a job at then-called PA&E, and decided I really wasn't up to what it took to be a success at PA&E. (Laughter.) I do not resent that. I have no – (laughter, laughs) – since that time, we've had the privilege of working closely together for many years.

I'm very honored he's here. He's doing just a spectacular job. With your applause, would you please welcome Ash Carter and thank him for coming today? (Applause.)

SECRETARY ASHTON CARTER: Thank you.

Thanks very much, John, for that warm introduction, but more importantly for many, many years of friendship, of guidance, and wonderful service to our country over so many years, not to mention your leadership of this institution.

And it's a pleasure for me to be here at CSIS this afternoon. Since it was founded over 50 years ago, the Center for Strategic and International Studies has come to be considered one of the preeminent security-focused think tanks here in the nation's capital. You provide important ideas and scholarship on pressing issues ranging from matters of defense strategy and budget, to America's strategic future in the Asia-Pacific, to the growing threats we face in the domain of cyberspace, to reviewing the Goldwater-Nichols Act that makes up much of DOD's institutional organization. And it's because of that last piece of scholarship that I wanted to come here today.

As many of you know, I recently issued my posture statement for the Defense Department for fiscal year 2017, the first to describe how we're approaching five strategic

challenges: Russia, China, North Korea, Iran and terrorism. It is in this context that I want to speak to you today about some key long-term strategic management questions that DOD will be detailing and discussing with congressional defense committees in the very next coming weeks.

As a learning organization, the U.S. military and the Defense Department has a long history of striving to reform our command structures and improve how our strategies and policies are formulated, integrated and implemented. Indeed, even while World War – World War II was still being fought and before the Defense Department was even established, military leaders and policymaking officials were discussing how the military services could be unified, and exploring ways to develop stronger policy processes and advice. The result was the National Security Act of 1947 and its amendments, which, among other historic changes, established the position of the secretary of defense, the Joint Chiefs of Staff and the National Security Council. Later reforms, particularly Eisenhower-era changes, helped strengthen the offices of the defense secretary and gave new authorities to the chairman of the Joint Chiefs.

But it was the Goldwater-Nichols Act, enacted 30 years ago this fall, that's most responsible for today's military and defense institutional organization. With memories of Vietnam and the tragic Desert One raid still fresh, officials in defense and policymakers again considered reform. And after nearly four years of work – not to mention some strong opinions by my former boss, then-Defense Secretary Caspar Weinberger – the resulting transformation was what we now refer to as Goldwater-Nichols. It solidified the chain of command from the president to the secretary of defense to the combatant commanders. It affirmed civilian control of the military by codifying in law that the chairman of the Joint Chiefs of Staff is outside the chain of command, in order for him to be able to provide vital, objective, independent military advice to the defense secretary and the president. And at the same time, it also strengthened the chairman's role, created the position of vice chairman of the Joint Chiefs, and centralized the role and voice of the combatant commands. And it reinforced the concept of jointness, especially with respect to the careers of senior officers, by requiring them to gain professional experience outside of their service in order to advance further in their careers. All senior officers know these policies today, for they're integral to career advancement and achievement, and they reflect the reality of how our service members train and fight every day as a joint force.

Right around this time, albeit unrelated to Goldwater-Nichols itself, important changes were made to reform defense acquisition. These were based on the recommendations of the Packard Commission, led by former Deputy Secretary of Defense Dave Packard. As it happens, implementing the Packard Commission's recommendations was another one of the first challenges I worked on early in my own career.

As a whole, all these changes were overwhelmingly beneficial – a credit to the work of not only the members of Congress who passed the legislation, but also their staffs – John Hamre being one among them, I should say. What they put into law has given us generations of soldiers, sailors, airmen, and Marines who've grown accustomed to operating together as a joint force, overcoming many inter-service frictions of decades before. And it's enabled our nation to draw greater benefit from the advice of many valued chairmen – from General Colin Powell during Operation Desert Storm to General Joe Dunford today.

This year, as Goldwater-Nichols turns 30, we can see that the world has changed since then. Instead of the Cold War and one clear threat, we face a security environment that's dramatically different from the last quarter-century. It's time that we consider practical updates to this critical organizational framework, while still preserving its spirit and intent. For example, we can see in some areas how the pendulum between service equities and jointness may have swung too far, as in not involving the service chiefs enough in acquisition decision making and accountability; or where subsequent world events suggest nudging the pendulum further, as in taking more steps to strengthen the capability of the chairman and the Joint Chiefs to support force management, planning, and execution across the combatant commands, particularly in the face of threats that cut across regional and functional combatant command areas of responsibility, as many increasingly do.

With this in mind, last fall I asked DOD's Deputy Chief Management Officer Peter Levine and Lieutenant General Tom Waldhauser of the Joint Staff, to lead a comprehensive, department-wide review of these kinds of organizational issues – spanning the Office of the Secretary of Defense, the Joint Staff, the combatant commanders, and the military departments – to identify any potential redundancies, inefficiencies, or other areas of possible improvement. And I'd like to discuss that review's preliminary recommendations with you today.

Over the coming weeks, we will execute some of these decisions under our own existing authority. For others, where legislation is needed, we will work with the House and Senate Armed Services Committees on implementation as they consider this year's National Defense Authorization Act. Of course, both committees have their own important reviews of this issue underway as well – making this area ripe for working together, something I'm pleased to report we've been doing effectively and will continue to do on this topic. I applaud Chairman McCain, Senator Reed, Chairman Thornberry – each of whom I was able to speak to earlier this morning – and also Congressman Smith. And I look forward to continuing to work closely with all of them and their committees, because when it comes to these fundamental matters of our national security that's what we have to do – work together.

Now, let me begin with transregional and trans-functional integration and advice – an imperative considering that the challenges we face today are less likely than ever before to confine themselves to neat regional or functional boundaries. Our campaign to deliver ISIL a lasting defeat is one example. As we and our coalition partners have taken the fight to ISIL, both in its parent tumor in Iraq and Syria, and where it's metastasizing, our combatant commanders from Central Command, European Command, Africa Command, and Special Operations Command have had to coordinate efforts more than ever before.

Increasingly, I've also brought Strategic Command and Cyber Command into these operations as well, to leverage their unique capabilities in space and cyber to contribute to the defeat of ISIL. Beyond terrorism, we also face potential future nation-state adversaries with widening geographic reach, but also widening exposure – something we may want to take into account in order to de-escalate a crisis and deter aggression. And in other cases, we may have to respond to multiple threats across the globe in overlapping time frames. In an increasingly complex security environment like this, and with a decision chain that cuts across the combatant

commands only at the level of the secretary of defense, we're not postured to be as agile as we could be.

Accordingly, we need to clarify the role and authority of the chairman, and in some cases the Joint Chiefs and the Joint Staff, in three ways: one, to help synchronize resources globally for daily operations around the world, enhancing our flexibility and my ability to move forces rapidly across the seams between our combatant commands; two, to provide objective military advice for ongoing operations, not just future planning; and, three, to advise the Secretary of Defense on military strategy and operational plans – for example, helping ensure that our plans take into account in a deliberate fashion the possibility of overlapping contingencies.

These changes recognize that in today's complex world, we need someone in uniform who can look across the services and combatant commands and make objective recommendations to the department's civilian leadership about where to allocate forces throughout the world and where to apportion risk to achieve maximum benefit for our nation. And the person best postured to do that is the chairman of the Joint Chiefs of Staff. We will pursue these changes in line with Goldwater-Nichols's original intent, which is to enable the military to better operate in a seamless way, while still preserving both civilian control and the chairman's independence to provide professional military advice outside of the chain of command.

Some have recommended the opposite course – to put the chairman into the chain of command – but both Chairman Dunford and I agree that would erode the chairman's objectivity as the principal military adviser to the president and the secretary of defense. And we appreciate that CSIS reached the same conclusion in its own review of Goldwater-Nichols.

Second area where we need to make updates is in our combatant commands – adapting them to new functions, and continuing to aggressively streamline headquarters. Adapting to new functions will include changes in how we manage ourselves in cyberspace, in accordance with the emphasis I placed on cyber in my posture statement and that the president made in his fiscal year 2017 budget.

There, I made clear that in each of the five challenges facing DOD, we must deal with them across all domains – not just the traditional air, land, sea, and space – but also cyberspace, where our reliance on technology has given us great strengths and great opportunities, but also some vulnerabilities that adversaries are eager to exploit. That's why our budget increases cyber investments to a total of \$35 billion over the next five years, and why we should consider changes to cyber's role in DOD's Unified Command Plan.

As some of you may know, DOD is currently in the process of reducing our management headquarters by 25 percent – a needed step. And we're on the road to accomplish that goal thanks to the partnership of the congressional defense committees, which once again we deeply appreciate. We can meet these targets without combining Northern Command and Southern Command, or combining European Command and Africa Command – actions that would run contrary to why we made them separate, because of their distinct areas of emphasis and increasing demands on our forces in them.

And indeed those demands have only further increased in recent years, with each command growing busier. So instead of combining these commands to the detriment of our friends, our allies, and in fact our own command and control capabilities, we intend to be more efficient by integrating functions like logistics, and intelligence, and plans across the Joint Staff, the combatant commands, and subordinate commands, eliminating redundancies while not losing capability, and much can be done here.

And additionally, in the coming weeks the Defense Department will look to simplify and improve command and control where the number of four-star positions have made headquarters either top-heavy, or less efficient than they could be. The military is based on rank hierarchy, where juniors are subordinate in rank to their seniors. This is true from the platoon to the corps level. But it gets complicated at some of our combatant and component command headquarters, where we have a deep bench of extremely talented senior leaders. So where we see potential to be more efficient and effective, billets currently filled by four-star generals and admirals will be filled by three-stars in the future.

The next area I want to discuss today is acquisition. Thirty years after the Packard Commission's recommendations led to the establishment of an undersecretary of defense for acquisition, service acquisition executives, and the roles of program executive officers and program managers, it's clear we still can and must do more to deliver better military capability while making better use of the taxpayers' dollars.

Six years ago when I was undersecretary of defense for acquisition, technology, and logistics, DOD began what I call Better Buying Power, an initiative to continuously improve our acquisition system. And under the current Undersecretary Frank Kendall, we're now on the third iteration, Better Buying Power 3.0. And while we're seeing compelling indications of positive improvements, including areas like reduced cost growth and reduced cycle time, there's still a constant need for improvement – particularly as technology, industry, and our own missions continue to change.

One way we're improving is by involving the service chiefs more in acquisition decision-making and accountability, consistent with legislation Congress passed last year – including giving them a seat on the Defense Acquisition Board, and giving them greater authority at what's known as Milestone B, where engineering and manufacturing development begins. That is, where programs are first defined and a commitment to fund them is made. As I've discussed with the service chiefs, with this greater responsibility comes greater accountability.

The chiefs themselves, and their military staffs, will need to sharpen this skillset, which in places has atrophied over the years, to be successful in discharging their new acquisition responsibilities. And I also expect them to leverage the many lessons they've learned over the last 15 years as operators – many of them in war, where speed and agility are critical – to help our acquisition professionals deliver even better capabilities to our war fighters.

Another way we'll seek to improve is by streamlining the acquisition system itself. This will include evaluating, and where appropriate reducing, other members of the Defense

Acquisition Board. It's currently composed of about 35 principals and advisers, each of whom is likely to feel empowered as a gatekeeper for acquisition. Reducing these layers will both free up staff time and focus decision-making energy on overcoming real obstacles to program success rather than bureaucratic hurdles.

And we also intend to reduce burdensome acquisition documentation. Just for one example, in cases where the defense acquisition executive serves as the milestone decision authority, the current process dictates that 14 separate documents be coordinated within the department. Reducing these paperwork requirements in a meaningful way and pushing approval authority lower down when a program is on the right track will eliminate redundant reviews and shorten review timelines, ultimately getting capabilities fielded to our troops sooner, which our service chiefs and our combatant commanders desire and deserve.

The last major area where we need to update Goldwater-Nichols is in making changes to joint personnel management as part of what I call the Force of the Future, an endeavor I began last year to ensure that our future all-volunteer force will be just as fine as the one I have the privilege of leading today, even as generations change and job markets change. We've taken several steps already – building on-ramps and off-ramps so technical talent can more easily flow between DOD and America's great innovative communities; opening all combat positions to women who meet service standards to expand our access to 100 percent of America's population for our all-volunteer force; and doing more to support military families to improve retention, like extending maternity and paternity leave, and giving families the possibility of some geographic flexibility in return for additional commitments.

Now, one of the hallmarks of Goldwater-Nichols is that it made joint duty required for all officers who wanted to rise to the highest levels of our military. In so doing, it led to great advances in jointness across the military services such that almost all our people know why, and how, we operate as a joint team. And it's also significantly strengthened the ability of our chairmen, our Joint Chiefs, and our combatant commanders to accomplish their joint responsibilities.

As we've learned over the years what it takes to operate jointly, it's become clear that we need to change the requirements for joint duty assignments, which are more narrow and rigid than they need to be. Accordingly, we're proposing to broaden the definition of positions for which an officer can receive joint duty credit, going beyond planning and command and control to include joint experience in other operational functions, such as intelligence, fires, transportation and maneuver, protection and sustainment, including joint acquisition.

For example, while a staff officer in a combatant command would get joint duty credit, an officer in a combined air operations center, coordinating with service members in all different uniforms to call in airstrikes against ISIL, might not.

Take two cyber airmen working in a combatant command. One does cyber plans and gets joint credit, the other does cyber targeting and doesn't. And while a logistics planner at a combatant command doesn't receive joint credit, their operational plans counterpart does. So

what we're proposing will fix these discrepancies and fulfill the true purpose of Goldwater-Nichols, which was to ensure meaningful joint experience.

Additionally, we're also proposing to shorten the amount of time required to accumulate joint duty from three years to two years so top personnel have more flexibility to take on command assignments and other opportunities to broaden and deepen their careers.

Now, going forward it's important to make all these updates under the guiding principle of do no harm. Goldwater-Nichols took four years to write and it's been incredibly successful over three decades, to the credit of the reforms it put in place, which are not driven today by a signal failure, like Desert One. On the contrary, I'm deeply proud of how our people operated in Iraq and Afghanistan over the 15 years.

So we come at this from a different direction. And the updates we make now must not undo the many positive benefits that Goldwater-Nichols has had for DOD. Instead, they must build on them.

Let me close today on why we're doing this, why it's important that we deal with all the pressing challenges and threats we have to deal with every day, and that as we do that we take a moment to address the topic of our own organizational structure. We do this because our service members and the nation they protect deserve the best Defense Department and military we can give them, because they're giving their best day in and day out, all around the globe.

It's our job here, on both sides of the river here in Washington and both sides of the aisle, to come together, as Barry Goldwater and Sam Nunn did 30 years ago, to give our men and women in uniform what they need to succeed, from the right experience to the right capabilities to the right leadership structure to the right strategic thinking.

As long as we do, I'm confident that they will continue to excel in defending our great country and making a better future for our children.

Thank you. (Applause.)

MR. HAMRE: I don't want people to think we didn't pay our bill and that's why the lights went out. OK? (Laughter.) I mean, somebody leaned up against the button in the back.

And I should say, you were very gracious about my being on the Armed Services Committee, but we have John Warner over here.

SEC. CARTER: Yes, we do.

MR. HAMRE: And he was one of the architects. So we should say thank you to John Warner. (Applause.)

And I forgot one technical announcement. At the end of our presentation, I'm going to ask you to just stay here while we get the secretary out, and he needs to get a clear run out to the car.

So, a very substantive speech, Ash, and so much we could draw on. I wrote a couple of questions, and we're collecting questions from colleagues. We're doing it this way because we don't need speeches, you know, which is what tends to happen when we ask people to address from the floor. So I've got some good questions and I'd ask other people to submit them, just hold them up and we've got people that will come and get them.

Let me just start, Secretary, because you talked about a new Cyber Command. And this is a complicated thing. Probably any future war we fight will probably begin in the cyberspace, really. How do you see that we integrate the physical fight that's kind of led and planned and coordinated by regional combatant commanders with a Cyber Command? How is that going to work?

SEC. CARTER: Well, that is the question and that's the reason why we're looking at this. We have a Cyber Command today. And I have given Cyber Command in the counter-ISIL fight really its first wartime assignment. And we're seeing how that works out.

And what that means is to bring the fight to ISIL in Syria and Iraq. And what does that mean? It means interrupting their ability to command and control their forces, interrupting their ability to plot against us here and anywhere else against our friends and allies around the world, interrupting their finances, their ability to pay people, their ability to dominate the populations on whose territories they have tried to establish this nasty ideology. All that we can approach, in part, through cyber.

Now, you asked the question, well, what does that have to do with the CENTCOM, which is the geographic combatant command? And indeed, what it means is that CYBERCOM is in the service of that geographic commander. But it's more complicated than that, as you well know, John, because it's really not just CYBERCOM. Now there's AFRICOM, I mentioned that, there's EUCOM involved, as you see what happened in Brussels. And so we're increasingly finding the problem, not just of inter-regional integration, but of regional functional integration.

The lines are as clean as we can make them, and that's perfectly reasonable. You've got to divide up the pie somehow. But once you've done that, you need to make sure the slices are able to work together and you haven't artificially created barriers. That's what I'm looking to the chairman for, that's the change.

Now, the reality is I look to Joe Dunford for that every day anyway, so as a practical matter I've got to have that and I depend upon his professional military advice and his being in constant contact with all the COCOMs and integrating across them. But that's the role I want to make sure I clarify and strengthen. And I don't think that was as apparent to people back in the day. But the world has gotten more integrated and so we've got to get more integrated, too.

MR. HAMRE: Secretary, let me ask you because you've opened up this question about the power geometry in the Pentagon. Obviously, nobody questions the primacy of the secretary, but then there's a question of how important and how powerful is the chairman? How important, how powerful are the service chiefs? How important and powerful are the combatant commanders? What is your view about the right balance of this power geometry?

SEC. CARTER: Well, I look to each of them. And I don't personally, and I don't think institutionally we look at them, they have different principal responsibilities, but I look to the whole crowd to help in every respect.

Let me give you an example. This afternoon I'll be going with the whole gang, all the COCOMs, all the service chiefs, service secretaries, the senior civilians, over to meet with the president. We're going to spend the afternoon with him and then we'll have dinner with him. Tomorrow we'll spend all day together talking about everything from budget and programs through the wars and contingency planning and the whole deal.

So John, I'll just take each of the ones you named. The service chiefs, I look at, to be multi-dimensional and they are. I mean, these are fantastic people. I've had a whole bunch of compliments by the way, just kind of an aside, but it's worth saying, since I became secretary because I've had to name almost all the Joint Chiefs and the combatant commanders. And people say to me, wow, you got really great guys. And I say, you're right, aren't they amazing? But I say, I've got something else to tell you, which is if I had given you my second choices you'd say the same thing to me because the bench is so deep. These are incredibly gifted people. They didn't get there for no reason.

And so I look at the chiefs to operate as the Joint Chiefs helping the chairman provide professional military advice on operations. I look at them to help manage with their service secretaries their individual services. I look at them to take care of our people, because that, more than anything else, makes our military the greatest.

The combatant commanders, you know, necessarily are kind of focused on their day-to-day duties, but they increasingly – I need to hear from them about what they need. So they play a role that probably wasn't as apparent early on in what we buy and how we organize, train and equip. And so actually ask our people—they all have responsibilities written in statute, and they have those, but I ask the senior people to do it all. And most of them – in fact, without exception they're capable of doing that. But look, this is a huge set of responsibilities. So the idea that you – I look around the room, and there are, you know, 20, 25 people. And I always say, look around the room, gang. It's just us. And when you look at it that way, it doesn't seem like a very large group of people. And you're glad to have all the help you can get.

MR. HAMRE: Mr. Secretary, you talked about this complex new world. We get a radical jihadist element that's waging a more conventional fight in Syria and Iraq, a more insurgency set of activities in Northern Africa. Of course, that's in a different command – you know, the Africa Command. It's attacking our allies in Paris and Brussels. It suggests, by what you said, that you're going to have to put a greater focus on the chairman to be the integrator of these challenges. Could you amplify on that?

SEC. CARTER: Yeah, sure. I'll give you a few examples.

For example, ISR – intelligence, surveillance and reconnaissance – somebody's got to decide every day what we look at where. And that changes day-to-day. And we try to move things from one theater to another. And that has tremendous consequence. And of course, the answer – each individual COCOM naturally has a tendency to say: I need it all. You know, I desperately need it all. And it's human nature and it's what you want. They want to do everything they can to accomplish their mission. But we don't have an infinite amount of stuff. So there needs to be a global integrator of that.

That's not made clear. It's made clear in the original – it's made clear that the chairman is the principal military adviser to me and the president, and I respect that and very much want that. But it doesn't say he's also the one who's supposed to be every day and periodically as we move forces around, giving me that advice on where things ought to be and how they ought to be used. That is self-evidently required in today's world, and wasn't not part of the original conception.

Now, as a practical matter, everybody knows that I look to Joe Dunford to do that, but I think it's worth writing it down, because there'll be others who come along later and it's important to clarify that that is a requirement that a president and a secretary of defense will make of a chairman of the Joint Chiefs of Staff in today's world.

MR. HAMRE: I have a couple of questions here. And by the way, I don't know who's collecting them, but I could use some – you know, any additional of them. A couple of questions here about the battle against ISIL. There have been some very encouraging press reports recently about the momentum in the field against ISIL. And yet, also it's a metastasizing threat. Would you share with us how you're currently looking at this?

SEC. CARTER: Yeah. Well, I mean, we got to get this – these guys beaten, and as soon as possible, is sort of basically where I'm coming from. And we're looking for every opportunity we can take to do that. And of course, our overall strategic approach is not only just to – not just to defeat ISIL, but to keep them defeated, which means that you also have to look ahead to the next stage of who's going to keep the peace afterwards, which is why we try to work with local forces, where they can be made capable and motivated. And that's difficult in some places. But that's necessary – that's a necessary part of the strategy. But we're doing more every day and, John, we're looking for opportunities to do yet more, because we need to get this over with.

So I'm confident we'll defeat ISIL. No question in my mind about it. But the sooner, the better. And what that has us looking at is every conceivable way that we can do that. That's why I mentioned cyber, for example. Now, that, years ago – even a very few years ago wouldn't have occurred to a secretary of defense. Hey, let's get cyber in the game. But here we have a real opportunity. These guys are really using this tool, and we need to take it away from them. That, in addition to everything we do in the air and on the ground and so forth. So, yes, you

know, we are accelerating it. We're gathering momentum. But I want to see it over with, first of all in Syria and Iraq, and then everywhere around the world.

MR. HAMRE: Secretary, it's – I'm not going to drag you into American politics, but it's been startling to hear candidates talk about how NATO is no longer relevant. And I know you met yesterday with the secretary-general. How important is NATO now for our future? You've described a very challenging world. And where does NATO fit in that?

SEC. CARTER: I'll tell you that in one minute. Since you raised the former subject, let me just say once again something I've said on a number of occasions. And I really mean this both on my own behalf and on behalf of everybody else in my department. I know this is an election year. We have a tradition in this country, which is that we in the Defense Department stand apart from that. And so I'm going to be very careful about ever addressing anything –

MR. HAMRE: Sure.

SEC. CARTER: – as part of the political debate. Still less do I want any of our uniformed personnel put in that position. So I just need to preface –

MR. HAMRE: Of course.

SEC. CARTER: – anything I say on that basis. I did meet with Secretary-General Stoltenberg yesterday. In fact, he was in town. He met with the president also. And last night I had dinner with him and Secretary Kerry and National Security Adviser Rice. And we were talking about the things that NATO is doing and can do going forward.

And if you think about NATO, John, as you know – and you and I did this – NATO waged – and I would say it was successful in the – in ending the Cold War in a peaceful and principled way, and there's a lot of question at that time, what's going to be next. And then the Balkans came. And NATO turned out to be instrumental in that.

MR. HAMRE: Yeah.

SEC. CARTER: Afghanistan, NATO turned out to be instrumental, remains that way in that and in many other ways around the world. And today we're looking to it for two particular things, which are very necessary. One is to stand tall against the Russian – the possibility of Russian aggression in Europe, which I'm sorry to say is – has become again something that we need to be concerned about that we weren't for a while. And I regret it, but I – it is what it is. And also the possibility of so-called hybrid warfare, you know, "little green men" phenomenon – and so hardening our friends and allies against that.

And then secondly, helping us in the counter-ISIL fight. And I – now, you may say, why – all the NATO members are individually members of the counter-ISIL coalition. So you say, what difference does it make having NATO as NATO in the counter-ISIL fight? And the difference where it can add value – and that's the reason I was talking to the secretary-general about it yesterday – is that for a lot of the smaller countries, it's hard for them to do anything on

their own and to join something ad-hoc. But if they get into a NATO structure, it's easier for them to make a contribution.

And we're looking for all the contributions we can get. We're going to lead the way here, but as always we want others contributing. And NATO's a mechanism for doing that.

So that's what we were talking about yesterday. So it turns out that even after its founding mission was, so to speak, accomplished, that there have proven to be lots of ways where we and Europe have found it not only possible but necessary to come together.

And I guess one last note on that is, you know, you can't take for granted that – you know, one of the reasons that I think we do so well as a military – I'm just going to brag on the institution here a little bit – is, you know, as I said, first and foremost its people; second, that it lives in the world's preeminent innovative society, so it's always the first with the most, including in this domain, and that's good.

But the other thing is what we stand for. And I don't just say that – and my evidence of that is that we have a lot of friends and allies. And why is that? It's because they like what we stand for. They like our people. They love working with American service members. They think they conduct themselves well. They're not only competent, but they conduct themselves. And I think it's a great credit to these young men and women, how much liked they are to work with.

But you know, you can look around the globe, and you say, where is it that we deeply share values to which we're very committed? And Europe is a place like that. So something that brings us together, protecting something we share, is pretty important.

So for all those reasons, we had lots to talk about yesterday.

MR. HAMRE: Secretary, you've – you're up testifying these days on your budget. You've got a bit of a reprieve this year because there was a two-year agreement. But the program of record is larger than the budget caps that are in law.

SEC. CARTER: Yeah.

MR. HAMRE: You know, your successor is going to have to wrestle with a very difficult problem of we don't – we don't have enough money to do the things we have to do. What do you say to the American people here?

SEC. CARTER: That we need to come together as we did in the two-year way behind the bipartisan budget agreement. It's the only way. And you know, I can't do much about that as secretary of defense. But as a citizen – and if you have your eyes open, you know that – well, as secretary of defense, what I do know is our biggest strategic risk is the collapse of a bipartisan budget agreement –

MR. HAMRE: Yes.

SEC. CARTER: – going forward, the restoration of the sequester caps. We know we're in real trouble if that happens. And that's been consistent in my testimony, we've got to avoid that. We got a reprieve. I'm extremely grateful for people coming together, very grateful that it was possible to come together.

But we need to keep doing that. We all know, John – we can do the math. You can't balance the books on the backs of discretionary spending.

MR. HAMRE: Right, right, right.

SEC. CARTER: And so you've got to get in the other parts of the budget. Now, that's much bigger than somebody who has an executive branch responsibility, even a vital one like mine, can influence. But that's the way it has to be. And if we get back to sequester, we're in real trouble.

So for me and the rest of the department, our biggest strategic risk resides in the possibility of the collapse of bipartisanship and the – and a restoration of the sequester caps. We're in real trouble if that happens, as you indicate.

MR. HAMRE: Yeah. And I must – this is a comment – personal comment. I'm very disappointed this presidential debate isn't more about our national security obligations. It's a very, very big thing.

Secretary, you're going, I know, to Asia a couple of times this summer. We've got continued island-building in the South China Sea, lots of questioning about people in the region, where is America, is the pivot real. Can you share with us your thinking here?

SEC. CARTER: Sure. Sure. Well, we have a kind of new phase of the rebalance, to the posture statement. So we're doubling down on some of our investments, both qualitative and quantitative, in the Asia-Pacific region for the simple reason that it is the single region of most consequence for America's future, because it's where half of the world's population lives and half of its economic activity is. So it's absolutely essential.

And it's – and it's important there, as everywhere else, that there be a system of peace and stability. Now, America has been – and American military power has been a critical ingredient of that for 70 years. And in the rebalance, we want to keep that going.

Now, it's going to have to be different, of course, because different – the dynamics is different. But we have been instrumental to an environment, if you think about it, John, where first Japan rose, there was a Japanese miracle; then there was a South Korean miracle; then there was a Taiwan miracle, then a Southeast Asia miracle, and today an Indian and a – Chinese miracles, all of which is great. But you can't take for granted that the environment in which everybody was able to rise and fulfill themselves in their own way. That's been good for everybody.

But again, this is a – this is a region that has no NATO, where the wounds of World War II are still not healed. So you can't take that for granted. You mentioned – and the South China Sea is just one example of that.

Now, there are – there are a number of countries that have claims in the South China Sea, and some of them are pursuing military activities. China's not the only one. But far and away, particularly over the last year, China has been the most aggressive in that regard.

And – now, the – our president and President Xi were talking about this just a few days ago. We'll see whether China keeps the word that it made last time President Xi was here about military activities. But we for our part are reacting, and we're reacting as part of the rebalance unilaterally. But the most important thing is countries in the region are reacting. And that is why we are being asked so much more to do so much more.

And so you're right. I'll be traveling out in the region. What will I be doing? I'll be working with other countries who want to do more with the United States, particularly in the area of maritime security. And they want to do that because they want to keep a good thing going out there. And we're committed to that. We will do that.

MR. HAMRE: You mentioned India. And of course India has been an awkward partner through the years but increasingly getting close. You – I know you've devoted a lot of time thinking about India. Your thoughts?

SEC. CARTER: Yeah. Well, it – I do spend a lot of time. And I think the word I've used with respect to the United States and India is "destiny," that here are two great nations that share a lot: a democratic form of government, commitment to individual freedom and so forth. So I talked about values earlier on. And India is a place where it's – sure it's a different culture. It's actually many cultures all – but like us, it's a multicultural melting pot determined to work together.

And so we have a lot in common in spirit. And we also have a lot of common interests geopolitically and geostrategically. One of them is to keep a good thing going, as I said, in the whole Asia-Pacific – Indo-Asia-Pacific region. And so we're looking to do – to do more with India. Indians are, like many others, also proud. So they want to do things independently, and they want to do things their own way. They don't want to do things just with us. They want to do things with – all that's fine.

So we're not looking for anything exclusive. But we are looking for as close a relationship and a stronger relationship as we can, because it's geopolitically grounded.

The specific things we're doing with them are twofold. One is, you know, we have the rebalance, so to speak, westward from the United States. They have Act East, which is their strategic approach eastward. And these are like two hands grasping one another. And that's a good thing.

And second, we have our defense technology and trade initiative, John, which is an effort to work with India to do something they want to do, which is they want to improve the technical capabilities of their own defense industry and their own defense capabilities. But they don't want to just be a buyer. They want to be a co-developer and co-producer. They want that kind of relationship.

That very much – and that's what we're working with them on. And that matches very much up with Prime Minister Modi's Make in India initiative. And so in – we're very much aligned in terms of what the government there is trying to do strategically and economically and what we want to do with them defense-wise. So we've got a whole lot of stuff to do. And when I go over there, we've got a whole bunch of things that we'll be announcing at that time and I won't announce beforehand but that are new milestones in this relationship.

MR. HAMRE: We're coming to the – to the hour, Secretary. Let's – let me just shift very different to say a lot of concern about our dependence on space and the increasing vulnerability of space assets. How are you thinking about this?

SEC. CARTER: Space is a great strength of ours, but it is a vulnerability, and you have to think through vulnerabilities and when you have them in your military system. And it works like – I mean, a satellite is a fixed target in essence, right, I mean, in orbital mechanics terms, a fixed target. You know where it's going to be at all times. And there's no terrain to hide in. You can't dig a hole or anything up in space.

MR. HAMRE: Right.

SEC. CARTER: So there you are. And so it's an inherently vulnerable situation. That said, there are things you can do electronically and in terms of orbital maneuvers and so forth to make it difficult for somebody to interfere with your function. And we're doing that.

But at the same time, you have to ask yourself, what are you going to do if, as we do with all of our military capabilities.

MR. HAMRE: Right.

SEC. CARTER: What if it's disruptive? What if it's destroyed? What do we do then to make sure that we can accomplish something like the same function in some other way – this is to say, operate-through? So we're looking both at defense, if you like, and operate-through. And one thing I'll note for you, John, that you're probably aware of but others don't, but – because you know so much about what's going on in the department – I asked – we set up a couple of years ago a(n) operations center, the first time we've had one – I'll be there in, I guess, a couple of weeks, Colorado Springs, to see how they're doing – but whose job is very specifically to do that. I mean, the phrase is "fight the constellation," but if you know what that means, it means protect it insofar as that is possible from disruption or destruction and then think through what you'll do if, despite everything, the enemy has some success against that constellation. What do you do next to make sure we have a good operational answer to that?

MR. HAMRE: I've had the privilege of watching this remarkable intellect for almost 30, 35 years. And Ash, thank you for –

SEC. CARTER: Thank you, John.

MR. HAMRE: We're at the hour, and we have to let you go. Would you all please join me with your thanks and say thank you for – (applause).

(END)