

**CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**REBALANCING THE FORCE: MAJOR ISSUES FOR QDR 2010**

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JOHN HAMRE: Good morning, everybody. Thank you very much for coming. I thought this was going to be an important series; I had no idea it was going to be a popular series, and I think it's largely because we have Michèle Flournoy to kick it off here today. And I'm just very pleased that she could do this and come back to be with us for a little bit of time.

Welcome. Thank you all. This is going to be the start of a new series. And I want to thank our friends at Rolls-Royce, who have helped make this possible. We've had the Military Strategy Forum for a number of years, but we decided that we're at such a pivotal time now with the beginning of kind of a recalibration, you know, of where we are with our defense program, and we thought that we needed to really focus this in a much larger and deeper way.

And so we're going to have a very interesting program. I'm going to quickly turn to Dr. Maren Leed to really kick this off, but I wanted to say a word of welcome and thanks to all of you.

This session today – of course, this is the start and, I would argue, the most important part of it because we're trying to really say, what are we trying to do as a country? You know, where are we going, what are we really planning for? What kind of a future do we have to anticipate? And how do we structure that in this Quadrennial Defense Review? And no one is better positioned to help us think through that than Michèle Flournoy.

But let me turn to you, Maren, to get this going. Thank you all for coming. We look forward – please do come. We're going to have a series of this. We're going to have five or six of these sessions. We look forward to seeing all of you at those. Maren, why don't you get us going for real?

MAREN LEED: Good morning. Let me welcome to all of you. Thanks for coming today. As Dr. Hamre mentioned, in fact it's going to be a little more than five or six; it's now up to eight events. Hopefully you've all gotten the notification of those events. We just added one more this morning with the commandant of the Marine Corps on the 15<sup>th</sup> of May.

I believe there is some paper out in the front with a list of all the keynote speakers and dates and times, for those of you who may not have gotten the announcements. But we look forward to welcoming you back many times over the next few months as we continue to delve deeper into the QDR set of issues.

Just a few little technical notes. We have asked Secretary Flournoy to speak for about, I guess, 20 to 30 minutes and then we'll do some Q&A, after which we'll take a little break and then we will recommence with our panel discussion. So if you don't get a chance to ask you question to Secretary Flournoy, hopefully you can get it in, in the panel discussion that follows.

It's my distinct honor to welcome Secretary Flournoy this morning. She's approaching now I think her third month as the undersecretary of defense for policy, the principal advisor to the secretary, and the deputy secretary on all national security and defense policy matters.

Prior to her confirmation she served as the president of the Center for New American Security, and I'm sure all of you are well aware of all of the good work they are doing.

And before founding CNAS, or co-founding CNAS, she was a senior fellow here at – and senior advisor here at CSIS, where she worked on a wide range of defense policy and national security issues, to include QDR and just about everything else under the sun.

She has previously served as the principal assistant secretary and deputy assistant secretary of defense in the policy shop. And particularly relevant to our discussions here today, she co-founded and led a group at the National Defense University that provided input to the 2001 Quadrennial Defense Review for the chairman of the Joint Chiefs of Staff.

So, without further ado, let me turn it over to Secretary Flournoy. Thanks so much for coming.

(Applause.)

MICHELE FLOURNOY: Well, it is truly great to be here. It – excuse me – it always feels like coming home. I'm not getting emotional; I just need some water.

(Laughter.)

MS. : Or the flu.

MS. FLOURNOY: Yeah, hopefully not the flu.

It's wonderful to be here and back at CSIS, and it's great to have a chance to talk to you about the Quadrennial Defense Review that we have just kicked off. I seem to be unable to escape QDRs, much as I try, but, you know, this one is really, I think, going to be one of the more important ones we've done in a long time.

As you know, the QDR is congressionally mandated and it really provides a vehicle for establishing the Department of Defense's strategic direction in support of the president's national security vision.

This one will comprehensively assess the threats and challenges that the United States faces, with an aim to rebalancing U.S. and Defense Department capabilities and forces in support of the president's strategy and the secretary's strategy. We are going to seek to better address the needs of today's conflicts, but also tomorrow's threats.

As I said, the QDR will provide an overall strategic framework for the department's annual processes, including force development, force management, and the FY11 budget bill.

We are going to be addressing some very difficult questions of how do we balance our present operational needs with preparing for an uncertain and complex future.

The review has to get back to Congress – the results of the review – by early 2010, a little less than a year from now, and Secretary Gates has just signed off on the terms of reference. But many key insights and decisions will actually need to come before then in order to influence the FY11 program and budget process.

Today I'm probably going to frustrate a lot of you because I'm not going to be able to give you the answers that we'll have in six months or 12 months, but I thought it was important today to start out with how do we see the strategic environment and what are some of the implications of that environment for U.S. strategy and the QDR?

So let me start by trying to characterize the security environment as we see it. I don't think it's an exaggeration to say that we face one of the most daunting inheritances in generations. Most obviously we are involved in two ongoing wars.

We have nearly 200,000 U.S. military personnel currently deployed in harm's way in two conflicts and in the broader fight against extremism, and we are seeking to draw down our forces in Iraq as we shift greater resources towards Afghanistan. But, given the U.S. vital interests at stake in Iraq and the Middle East, this period of transition is likely to occur over some time, and in Afghanistan we are likely to face a commitment that will last for some time.

So these two ongoing conflicts will be with us for a while as part of the security picture, but they are not the sum total. There are many new, emerging security challenges that we need to pay attention to: the rise of violent extremist movements more broadly, proliferation of weapons of mass destruction, rising powers and the shifting balances of power, failed and failing states, increasing tensions in the global commons.

Many of these challenges are fueled and complicated by a number of powerful trends that are fundamentally reshaping the international landscape, and these trends include obviously the global economic downturn, prospects of climate change, cultural and demographic shifts, growing resource scarcity, and the spread of potentially destabilizing technologies.

I want to spend a little time saying a word about each one of these, so let me start with the five key security challenges, as I see them.

First, we do, as we all know, face a very long and global struggle against violent extremism. Globalization has clearly brought many benefits to humanity but, as you know, it's also got a dark side. Revolutions and communications and transportation have enabled the rise of non-state actors, some benign and some very far from benign.

The emergence of al Qaeda and associated groups is just one case in point. And thanks to globalization, such organizations can now both recruit and operate transnationally, challenging states in increasingly significant ways.

Despite some very substantial counterterrorism successes in the past decade, al Qaeda continues to morph and regenerate in various theaters. It is now regaining strength in the Pakistan-Afghanistan border region and also spreading elsewhere.

The second key challenge I want to highlight is the proliferation – continued proliferation of nuclear weapons and other weapons of mass destruction, as these also pose increasing threats to our security. We have to respond to states such as Iran, North Korea, who are seeking to develop nuclear weapons technologies, and in a globalized world there is also an increased risk that non-state actors will find ways to obtain these materials or weapons.

And so we have to put particular focus on policing up loose materials, securing weapons stockpiles where they exist and so forth; hence the president's pledge in Prague to try to really get after this problem in a four-year timeframe.

Third, we are witnessing some fundamental shifts in the global balance of power. We are in an increasingly multilateral, multipolar environment. While the U.S. continues to be the economically and militarily dominant power, states such as China and India are also emerging as major players. In the case of China, we face the challenge of simultaneously engaging and hedging with regard to China.

We certainly must look forward to new areas of cooperation, whether it's in the case of economic, trade, climate change and so forth, but we also need to continue investing in efforts to counter emerging Chinese military capabilities, be it in the cyber domain with regard to keeping space free of threats, and with regard to protecting our access to the critical regions in East Asia. We must also force strong strategic partnerships with both India and Pakistan while striving to reduce the tensions between these two countries.

Russia also presents both challenges and opportunity. We've all talked about resetting the relationship and I think there is promise there, but it's also a state that is experiencing some worrisome trends as a somewhat nationalistic and autocratic leadership is empowered by petro wealth.

Fourth, we face increasing threats stemming from state weakness and failure. And here I think this is really worth significant attention. Historically, most security challenges have come from state strength, from aggressive, powerful states overstepping the bounds of international norms and international law.

We are now in a world where many of the security threats we face will come from state weakness and the inability of states to meet the basic needs of their population. There are many states where we see the uneven integration that goes with globalization, weak states that are basically struggling to meet the needs of their population and to secure their own territory. And that leads to the possibility of the emergence of an increasing amount of ungoverned spaces, as we've called them, and those become potential safe havens for terrorists, for criminal organizations, for illicit activities of all kinds.

Fifth, we also see in some cases the rising tensions in the global commons. And by that I mean sea, space, cyberspace and so forth. And those are really a lot of the connective tissue of the international system, and we have a very strong economic interest and security interest in keeping those global commons open and free from threat.

So, as I said, these are five emerging security challenges, and they are made more difficult and more complex by a number of powerful trends. I listed five of these as well, and you can get the trend here. When you work in the Pentagon you have to think in fives – (laughter) – so there are five challenges and five trends.

The first is, as I mentioned, the global economic downturn, which is certainly putting greater pressures on particularly weak states, increasing poverty, increasing inequality, decreasing state resources for coping with some of the challenges I just outlined.

Global climate change. I believe that over time, as the results of this manifest, it's going to be an accelerant. It's going to accelerate state failure in some cases, accelerate mass migration, spread of disease, and even possibly insurgency in some areas as weak governments fail to cope with the effects of global climate change.

Demographic changes – this is the third – may also prove destabilizing. In some regions we are seeing tremendous youth bulges. We can all point to a number of countries in the Middle East and elsewhere where the average age is 20 or younger. Contrast that with the number of aging societies in Europe, Japan, Russia where you see depopulation trend happening in some of these major powers.

Fourth, key natural resources are increasingly scarce and we are likely to see in the future increase in competition for everything from oil, gas, water, and so that is likely to exacerbate some of our challenges.

And, fifth, we see the continued spread of destabilizing new technologies, not only at the high end such as WMD, but also at the low end, but it IEDs or the capacity for cyber warfare.

So let's come back to, what does all this mean for the Department of Defense? All of these new challenges and trends really shape the operating environment for the U.S. military, and they will require us to adapt and change. For the military there are two challenges that I would say are particularly acute, and these have been highlighted by Secretary Gates and others.

First, we face the challenge of increasingly hybrid forms of warfare. America's conventional dominance gives our adversaries, both state and non-state actors alike, incentives to explore asymmetric strategies – strategies that they can use to undermine our strengths and exploit our weaknesses. Preparing for this operating environment is extremely challenging because it will pull us, I believe in – and this is a personal view – in two very different directions.

On the one hand, we must be ready for irregular forms of warfare, warfare among the people, as some of the academics say, in which non-state actors use tactics like IEDs, like suicide bombings, mixing in with the population, mixing noncombatants and combatants and so forth,

very much along the lines of what we've experienced in Iraq, Afghanistan, what the Israelis experienced with Lebanon and so forth.

On the other hand, we also have to prepare for what I would call high-end asymmetric threats where rising regional powers and rogue states can use highly sophisticated technologies to deny us access or deny us the ability to use some of our advantages. Here I'm thinking of sophisticated anti-satellite capabilities, anti-air capabilities, anti-ship weapons, undersea warfare, as well as weapons of mass destruction and cyber attacks.

So this is a much more high-end manifestation of hybrid warfare, of asymmetric challenge that we also have to be prepared for in the future. And so you can see that we're going to be pulled in different directions in trying to cover the range of challenges in the future.

Further complicating this is the fact that in some cases we may see sort of sophisticated non-state actors using some of these very high-end capabilities, whether it is WMD or things like guided rockets or munitions, as we saw in Lebanon.

So I think this whole really unpacking hybrid warfare, asymmetric threats along the spectrum will be one of the principal challenges, intellectual challenges we face in the QDR, understanding the implications for how we need to shape our forces now and in the future.

Secondly, I would just underscore the second challenge is one I've already mentioned, and that is we're going to have to be prepared to operate in a world in which ongoing challenges from strong states are paralleled by increasing dangers posed by weak and failing states – again, this idea that state weakness and failure may be an increasing driver of conflict and of situations that require a U.S military response.

So can we cope with all of this? And I can see that I've done a good job of cheering you all up. I think Glen (sp) has the right posture over there. He looks like he's sinking into the table. I won't pretend that there are any easy solutions to the problems that we face. They're vast, they're complex, but we have to adapt. This is not a choice; it's a necessity.

And I don't want to leave you all in a state of despair, so let me spend a little time putting our current situation in context, some historical context, and offer some reasons for optimism.

America has faced similar challenges before, at least a similar magnitude of challenge, and we have both survived and thrived. When you think back to the period right after World War II, we sometimes forget how incredible the challenges were in those years. Europe and large parts of Asia lay in ruins. The global economy had stagnated. The specter of another ideological challenge was rising, and the proliferation of nuclear weapons had begun.

You know, talk about a time of paradigm shifts. It took years for American strategists to determine the best way to deal with these challenges, but by the end of the 1940s a bipartisan strategy had begun to coalesce around the best way forward.

And the core of this strategy – we tend to think of containment, but core to the strategy was actually the idea – a very powerful idea – that American interests are deeply intertwined with the health and stability of the international system.

And during the immediate post-war period, the United States played a leading role in creating the international architecture of laws and institutions and norms that helped to create stability in the decades that followed.

Think of it. It's truly amazing when you think of how much creativity and institution building was done in such a short period of time – the United Nations, the Bretton Woods agreements, the Geneva Conventions – a whole network of alliances, from NATO to others, treaties on all manners of subjects.

And the challenges we face today are certainly different than those we faced after World War II, but they are no more insurmountable. And I take solace from this because we have risen to this level and complexity of challenge before, and I believe we can do so again.

So as we move forward with the QDR, what we're asking is, in this environment, what are some of the principles of strategy that need to guide us going forward? We are in the process of working on national security priorities that will, we hope, become the basis for a new national security strategy.

In the meantime, we have a very strong national defense strategy that Secretary Gates has articulated, and I think many of the principles and themes that I'm going to highlight to you today are very much consistent with those.

So let me divert from my practice of working in fives and talk about six principles, just to keep you on your toes and to show that we in the Pentagon can adapt. So, six core principles.

First, U.S. strategy has to be grounded in pragmatism rather than ideology. We must base our strategy on a clear-eyed assessment of the challenges and the opportunities and be realistic in our objectives, deriving them, rooting them in our core national interests.

Second, to protect and advance those interests in a very complex world, we have to remain engaged in critical regions around the world. The interconnected nature of the global environment means that events far from our borders can have enormous impacts on our security and domestic well being.

Remaining engaged is absolutely essential. Neo-isolationism is not an option. Engagement means shoring up the fundamentals of the international system that I mentioned before: open commerce based on free and fair access to air, sea, space and cyberspace; strong alliance structures based on respect and willingness to share burdens; commitment to international norms that shore up and contribute to the advancement of our national interests; and securing those global goods that are the backbone of a renewed effort to restore and revitalize American global leadership.



A third core principle is that our engagement has to be smarter. We need to be more selective about where, when and how we use the tools of American national power, particularly our military force. At the same time we need to be more proactive in the use of our soft power and the non-military elements: diplomacy, information, economics and so forth.

Fourth, the United States has to play – not only play by the rules but champion the rules. We must exemplify the respect for the rule of law in everything that we do, abiding by the treaties and norms that we helped to put in place after World War II, returning to our historical role as champion of rule of law domestically and internationally, and leading efforts to adapt the international order to new realities like transnational terrorism.

Here I would like to quote something that Vice President Biden has said, sort of a pithy way of putting this. And he said, “We must lead by the power of our example, not just the example of our power.”

A fifth principle to guide us: We must recognize that allies and partners are absolutely essential. These are not just like nice to have. They are not just window dressing. They are inherently – they are essential in a world in which we cannot achieve our own objectives, advance our own security against transnational threats like terrorism, proliferation, global climate change without joining forces with others.

And so, as global power balances shift, this will require revitalizing and in some cases actually re-conceptualizing our alliances and partnerships to deal with these challenges.

An exercise like NATO’s upcoming Strategic Concept Review is a real opportunity to rethink, what is NATO for, going forward? How do we want to use this alliance in the 21<sup>st</sup> century?

And I would say that’s true across the board with our major alliances and relationships. We also have a direct interest in helping our allies and partners build their capacity to be security contributors, to be able to step up alongside us in shoring up the international system.

Finally, a sixth principle: We must recognize in everything that we do that in almost all cases, military power – well, I don’t want to say it that way. Let me back up and say we must recognize that in many cases, military power is necessary but not sufficient to deal with 21<sup>st</sup> century challenges.

The United States will continue to require a strong military that is second to none, but complex problems from Iraq to Afghanistan to just about anything you can think of requires solutions that integrate all the dimensions of our national power and influence. We need to take this idea of whole-of-government approaches seriously, and we need to operationalize it in virtually everything we do.

This will require fairly major reform of our interagency processes and perhaps, most importantly, a much more balanced investment in the instruments of national security, particularly on the civilian side, where we have, for many years, under-resourced the tools

available to us, and we discover and rediscover that every time we go into an operation, every time we're trying to deploy assets to influence a situation. We simply haven't invested in what we need to be to be effective.

But we also have to revitalize our military to operate in a more whole-of-government context, particularly giving people the training and the education they need to operate in a very interagency environment, in an international environment, and in an environment where members of our military will often be called to do a number of things that are not nearly military in nature, as we've seen in Iraq and Afghanistan, from mediating community disputes in a local village, to rebuilding damaged infrastructure, to managing detention centers, to securing free and fair elections.

This is all part of the world of irregular and hybrid warfare, and we certainly need to build civilian capacity, but there are situations, particularly when the security situation is most dire, when we will have our military folks needing to at least support in some of these non-traditional areas.

So, those are the six broad principles, on top of the five trends and five challenges. And let me just close with a little bit of a discussion about balancing risk. I think this is a key conceptual idea that is framing a lot of how we're thinking in the QDR.

We have some very difficult choices to make in the Department of Defense among competing priorities. One of the reasons why this QDR is so important is that it's a vehicle for us to think in an explicit way about how best to balance strategic risk, how to make choices about where to buy down risk, where to accept and manage it.

In a world in which resources are limited, particularly at a time of economic crisis, we have to be very explicit about how we do this. My own thinking about this is I tend to think about this in three ways.

First, we need to balance risk, just among our current priorities, between our commitment to Iraq, the Afghanistan-Pakistan theater, the broader global campaign against terrorism and, very importantly, the health and the readiness of the force.

And I can tell you that Secretary Gates is particularly seized with this latter issue. You will see as the FY10 budget comes out, which I can't talk about in detail, but you will see that a major area is investing in the health of the force, trying to reduce the strain on military personnel and families going forward. So this is a critical aspect of balancing risk in the current timeframe.

The second area of balancing risk will come with regard to what kinds of investments do we make to prepare for the future? How do we balance between preparing for different kinds of warfare, different points along the spectrum?

Traditionally DOD has emphasized the development of capabilities that have really been optimized for conventional forms of warfare at the cost of preparing for, I would argue, forms of

hybrid warfare, more asymmetric challenges. This is one of the principal areas we're going to look at in the QDR.

We do need a force that would be able to operate across the spectrum of conflict, but given the dearth of traditional conventional threats on the horizon, greater priority should be given to dealing with emerging asymmetric challenges, as I mentioned before, clustered at both the middle and the high end of the spectrum.

Finally, we have to balance between current needs and future needs, between things like current operations and readiness and investment in capabilities for the future: research, development, procurement, et cetera.

How we balance risk over time is going to emerge I think as part of this QDR, but it will be a central pillar of what we are doing, a central focus of the review and certainly of the secretary's participation in the review.

So let me close with just a few words about process. I talked about whole-of-government approaches. Even the QDR is going to take a more whole-of-government approach, where we are going to consult widely with our interagency partners, with congressional committees during the process.

We will also be ensuring that the QDR is cross-fertilized, if you will, with the Nuclear Posture Review, the Space Posture Review, the Missile Defense Review, which are all going on at the same time.

We will also be seeking feedback beyond the U.S. government. Many of our allies have actually contributed officers to work as part of the QDR staff. We will also be engaging in extensive consultations, not only at the end but throughout the process. And we will be coming out to places like CSIS to ask for help, intellectual help, from think tanks, from the private sector and elsewhere, because we, by no means – we do not have a monopoly on good ideas.

So our future security and prosperity depends on how much – how we respond to this rapidly changing and complex environment, how well we adapt. We can choose look backwards and shore up what we're comfortable with, keep doing what we're doing, what we like to do, but that is not necessarily the right path.

We need to look forward in a very pragmatic, clear-eyed way and develop the capabilities we need to respond across the spectrum to make sure the United States is well-positioned to maintain its security and to advance that security in a changing world.

This won't be easy, but we have done it before, and I'm confident that as we start this review we will be in a position to move the ball down the field with this review.

So let me stop there. And thank you again for this great turnout and for being patient and listening to my lists of fives and sixes, and we'll look forward to the question and answer. Thank you.

(Applause.)

MS. LEED: Thanks very much for your comments – a very thorough review of the QDR and how you’re thinking about things. Very useful.

So we’ll go to Q&A. You can stand up and state your name and affiliation, and please keep it short so everyone can have an opportunity, or most people can have an opportunity. I think we have about 20 minutes for questions. So I’ll probably take two or three at a time and – (inaudible) – can address them in order. So we’ll go ahead and do that.

Q: Roxanne (sp) – (inaudible) – the Hill. You mentioned weak states. Do you have any lists of areas or regions that you’re looking at, specific countries that you think may be failing, apart from Pakistan or Afghanistan?

MS. FLOURNOY: I think there are – I’m sorry; you want me to take a few first, so we’ll come back.

MS. LEED: Sorry. Do you want to just take them in order, these two right here.

Q: Michèle, Mitzi Wertheim. I’m really impressed with your new frame of thinking and the fact that you have opened the aperture. I guess my question is, how do you sell this to the Hill since so much – they’re so focused on jobs in their own jurisdictions, and it seems to me we have to create alternative jobs for people who are being put out of the defense industry.

Is there any conversation across the other parts of government to try to figure out how to do that and make it an easier sell?

Q: Peter Sharpe (sp) – (inaudible). In the past QDRs the focus was very heavily on capabilities that the armed forces needed and how that would translate into budgetary decisions. How will you translate the emphasis on a whole-of-government approach into budgetary decisions?

MS. FLOURNOY: Okay. On the question of weak states – I don’t want to give you a laundry list but we actually have a number of focused countries that are based on intelligence assessments and there’s a very sort of elaborate set of indicators that are watched, and I think there are a number of – people across different agencies are briefed on states of concern across the board.

In the QDR we’re picking a few illustrative scenarios to try to understand what these different kinds of situations that could emerge state weakness might mean in terms of demand on the military, and we’re trying to look at them not only individually but in different kinds of combinations to, again, understand this question of, you know, what the tradeoffs might be or the areas of stress might be in the future.

So, you know, I think there unfortunately is a long and growing list, and without going through individual countries I think, you know, we are looking at both in real time in the interagency process but also via scenarios and war-gaming and so forth in the QDR.

On the question of selling the QDR or the budget to the Hill, you know, I think, you know, the secretary is very determined that we're in such a challenging period of time with – and particularly in a time where we have to make some hard choices. We have to ensure that we move forward in a very prudent manner.

We've got to, you know, try to do the right thing. And there are lots of ways to create – to have the defense budget contribute to jobs creation. But you don't want to buy a capability you don't need just because of jobs. There are plenty of ways to buy capabilities you do need and still get jobs for Americans, which is obviously very important in the current and economic environment.

So what we're trying to identify is those capabilities that we really need to protect and advance our security in the future. That can also help rebuild and restore the American economy. And I think that area of overlap in the Venn diagram is actually quite substantial.

In terms of the broader question of rebalancing interagency capabilities, I do think this has historically been a tough sell on the Hill, and I think we need to do a better job of articulating the impacts of not investing in adequate civilian capabilities and the type of costs we incur in both blood and treasure when we don't have adequate civilian capacity.

When we don't have that capacity, first of all, the military experiences enormous mission creep. It's a very expensive way to do non-military things. Second, we get stuck. We don't end up reaching the economic, the political, the other kinds of milestones that enable transitions from, you know, acute situations of military intervention into a more normal development assistance kind of relationship with key countries, and that is extremely costly.

So I think we have to make the argument that if you invest a few billion up front you may save tens of millions at the back – I'm sorry, this time we should be using "b" – a few billion up front, you save tens of billions down the road in terms of being much more effective in either preventing some of these situations from reaching crisis in the first place or being much more effective to helping to return situations to a more normal footing.

MS. LEED: In the back and then here.

Q: (Inaudible) – from Defense News. Two questions, really. How important is the QDR? I mean, the accusation made now is because Secretary Gates has already made some of these major programmatic decisions, the value of the QDR is depressed, along with the president's decision to actually maintain the end strength increase.

So doesn't that sort of take off the table two rather critical things that would have been addressed during the QDR process?

MS. FLOURNOY: I think we're going to collect –

MS. LEED: (Inaudible.)

Q: Jeff McCausland, Penn State University. Michèle, I want to press you a little bit on NATO specifically. You talked in your remarks how one of your principles is to select a collective application force; how are we going to commit ourselves? You talked about being pragmatic about things. You talked about the alliances of course are important.

One of your inheritances was, in the mind of many Europeans, a continued expansion of NATO, which we all know to some degree makes it more difficult to achieve consensus on what NATO is going to do collectively, and on the other hand also extends our commitments to more and more countries, a debate we don't seem to have heard a lot about.

And also you talked about Russia, how we balanced it out. So with that inheritance in the minds of many that we're going to continue to expand NATO, how do you see that process moving forward in balancing out the principles of pragmatism, selective application of force, as well as the future of the alliances as an effective aspect of our security and theirs?

MS. FLOURNOY: All right, first on the importance of the QDR, I think the QDRs have a mixed history here. Some have been more impactful than others and some have had very little impact on actual program and budget.

I think, you know, when you look at this QDR, I would say the kinds of decisions that the secretary stepped up to in the '10 budget process are really a down payment, a first cut at implementing the national defense strategy. That same strategy is the guidance for the QDR, where we're going to try to take a lot of those beginning steps and take them further down the road.

Very few things have been taken off the table. I think this secretary is very committed to further adapting the force – further refining the implementation of the National Defense Strategy. And the way we've defined the process very consciously will have key guidance in time for the FY11 program review, which is a sort of key milestone that a lot of former QDRs have missed.

And the people doing the QDR are mindful that their conclusions have to be something that can be translated into something that's useful or detailed enough for guiding a program review. So I think this one will likely be different.

On NATO and expansion, I think, you know, the way forward on expansion is to set a very clear set of criteria and stand by them, to assist countries that want to try to meet those criteria in doing so, but to really stick to those criteria.

And so I think, you know, a lot of this will be – depend on how fast countries can come up the learning curve. Most of the next tranche of candidates have a very long way to go before they can meet not just on the military side but the political criteria of being a stable democracy and so forth.

I think the issue you raise about is, you know, kind of – I infer is NATO getting too big to be functional, given the consensus and so forth. I think one of the more important discussions that started at the summit and will continue at the next defense ministerial is the question of NATO reform, looking at the whole question of, does everything have to be done by consensus?

Or would a system that kept consensus at the NAC level but allowed more of a system of, you know, majority opinion and dissenting opinion in other – in the committee structures and at the working level, would that allow a more flexible and functional approach?

I think there are a whole host of reform issues that are put on the table, both because of expansion and because the incredible operational involvement of NATO and the very real-world experience of having the decision-making structure not be as agile and adaptive as it needs to be to support NATO's involvement in places like Afghanistan.

MS. LEED: We've got one here, one in the back and one over here.

Q: Hello, I'm Jim Rymarczuk with Irobot. Unmanned systems have really come into their own in the last couple of conflicts, showing that they can do – (inaudible) – people in asymmetric environments. I was wondering what role you see unmanned system playing in the future and getting more with less out of future investments.

Q: Hi. Sato Hirakimoto (ph) with Mitsubishi. Nice to see you again. I have a Japan-specific question. You mentioned Japan as a country with declining population and also as an ally of the United States.

How do you help Japan build more capacity, as you mentioned? What kind of – perhaps you can't go into the items, but what kind of concrete sort of ideas that you have in terms of helping Japan help build capacity in the different geopolitical situation in Asia. Thank you.

MS. LEED: And we have one in the back, back there, and then –

Q: John Barry, Newsweek. What time horizon have you set for looking at assessing future challenges and threats? And the second question, what budget framework are you taking – do you foresee – static in real terms, static in nominal terms, going up, going down, what?

MS. LEED: Let me get just one more.

MS. FLOURNOY: Okay.

Q: Hi, Michèle. Duncan Brown from Johns Hopkins APL. Can you hear me?

MS. FLOURNOY: Yes.

Q: Moving beyond the QDR, do you see any changes coming to the next National Security Strategy, any major changes?

MS. FLOURNOY: Okay, let me start with unmanned systems. Certainly I think this is an area of great potential, great interest, both – you know, across the spectrum at the very sort of – in the context of irregular warfare all the way up to very sort of high-end scenarios.

And I think it's – given personnel costs, I think there's a lot of interest in understanding where we can – you know, where unmanned systems can be useful. So I see there is a – it comes up in lots of different scenarios, lots of different conversations, lots of different places, and it will certainly be, you know, one of the – it's not a unified area but it's an area of exploration that will touch on many aspects of the QDR.

In terms of building Japan's capacity, I think it's something that we are very much in the midst of doing. We're approaching a major anniversary in our alliance. We've taken a number of steps to strengthen that alliance and that partnership, and I would say everything from foreign military sales to combined exercises, to now working in actual joint operations together.

I think there is a whole – a very rich menu of interactions, and that we'll continue to build on and expand going forward. Our alliance with Japan is really the lynchpin of the whole security architecture in Asia and we're constantly looking for ways to strengthen that. We have the defense minister in town and we'll be talking about many of the particulars with him in the next days.

On the timeframe and budget for the QDR, typically the QDR has a couple of timeframes. Sort of 10- to 20-year timeframe. Some of the – the bulk of the scenarios are in the, you know, 2015, 2016 timeframe, but we also have a couple of scenarios that are out in the 2025 timeframe to try to get at some of those emerging technological challenges that we might encounter in the future that haven't yet actually arrived in adversary forces yet today.

And so there are a couple of timeframes that we look at, but from a budgetary perspective we're really trying to influence the next fit FIDP and set a multiyear direction for the Defense Department from FY11 through FY15 at a minimum.

In terms of the fiscal –

Q: (Inaudible.)

MS. FLOURNOY: I'm sorry?

Q: (Inaudible.)

MS. FLOURNOY: No, I can't answer the budgetary question because we are still waiting for our fiscal guidance for that timeframe, but we are hoping to get that very soon.

That said, one of the things we'll tee up in the QDR – we'll have fiscal guidance but we will – and the review will be sort of strategy driven but resource constrained. That said, we will look at some alternatives that vary off that baseline to answer the question, well, if I had – you



know, if I had more, what would I do with that; if I had less, where would I take, to try to sort of lay out the trade-offs more clearly for decision-makers.

And then I think we had a question on the National Security Strategy. You know, I expect that many of the themes I talked about today will be reflected in that, particularly this whole-of-government theme.

I think, you know, we are now going through a drill of not only deploying substantial military forces to Afghanistan, for example, but also unprecedented civilian resources, and I think people are feeling, in a very acute way, the need to better – to have better expeditionary civilian capacities, not just in the State Department but in AID, agriculture – I mean, the whole range of things that we're called on to do.

This is not a new lesson. This is a lesson that has been coming up, in my memory, since Somalia, Haiti, Balkans. And so I think this question of how do we build the capacity for a more whole-of-government approach, not just a process answer but real capacity, is going to be one of the areas that's going to emerge as a theme in the National Security Strategy.

MS. LEED: My apologies; I think we're out of time for today and we need to get Secretary Flournoy back to do some work for –

(Cross talk.)

MS. LEED: – this afternoon.

MS. FLOURNOY: Well, thank you very much.

MS. LEED: Thanks for coming.

MS. FLOURNOY: And it's great to see so many friends in the audience. Thanks for coming.

(Applause.)

(END)