

**OFFICE OF THE SECRETARY OF DEFENSE
PUBLIC AFFAIRS**

INTERVIEW TRANSCRIPT #1

GENERAL GEORGE CASEY WITH ANALYSTS

2007

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GENERAL GEORGE CASEY: Okay, maybe just a couple of minutes of how I see the situation there and then I'll take your questions. The situation is complex, probably more complex now than any other time in the two plus years that I'd been there. And what we've been seeing really since the elections, but in a more pronounced way since the bombing of the Samarra mosque, is the primary conflict is evolving from an insurgency against us to a struggle about the – over the division and political and economic power among the Iraqis.

And there are several different groups that are trying to influence that process in negative ways: the Sunni extremists, al Qaeda and the Iraqis that are supporting them, the Shi'a extremists, the death squads, and some of the more militant Shi'a militia. And then the resistance – you know, when people talk about the insurgency, that's what I talk about – the primarily Sunni resistance that is fighting us. And then Syria and Iran are being unhelpful in a lot of different ways: Iran in a more active role, Syria probably in a more passive role. But all of that together makes for a very difficult situation. Add the intensities of Ramadan and the struggle for control there in the Baghdad area and it's a very difficult situation. It probably will be a difficult situation here for a couple of more months.

That said, violence and progress coexist in Iraq and if you watch – if you just think it's all violence, you're making a mistake. The new government has been in – on the ground here a little under 150 days, and I think you all recognize that having three government transitions in two years didn't help the continuity problems. And so they're working hard on building the capacity to govern with our help, but it is a slow process.

The prime minister is focused on what I think it's probably the most important element of what his administration can do, and that's reconciliation. And when we talk, we talk about three things: unity, security, and prosperity. And if you want security, you've got – I'm sorry – if you want prosperity, you've got to have security. If you want security, you have to have unity. And the prime minister recognizes that and he's moving out and trying to achieve that.

Just a couple of words on the development of the security forces – another positive, growing concern there. But right now, we have six of the 10 Iraqi divisions are in the lead, 30 of the 36 Iraqi brigades and almost 90 of the 112 battalions are in the lead, and that's a good thing. And I remind everybody that that is – so that puts us a little over 75 percent through what I would say was the second step in a three-step process; first step being the training and equipping. You form them. You organize them. You give them their weapons, and you make units out of them. Then you make them better. You put them in a position where they can conduct counterinsurgency operations with our support. And then the next step is – what's going to take place over the better part of '07 is putting them into a position where they can do it independently. And that will continue to go on.

On the police side, we're doing okay at the local level in most of the places in the country. Two of the provinces have transferred to provincial Iraqi control. What that says is the

police are able to maintain domestic order in that (part?). We just started the national police reform program where we took the first brigade offline and we had them down training in Numaniyah where they were being basically reblued. You remember that the national police were formed basically as infantry and they didn't have any police training. We're going back and doing that. Unfortunately, I think you saw that about 400 of them got poisoned. We've sent some vet teams down there. It looks to be the water, but they're continuing to go through it. But there's also some rumors out there that people have died and nobody died is what I was told this morning. So it's a classic case of food poisoning. They gave everybody 40 - 96 hours off and they will restart the training and continue with the program.

The other thing about the national police, I think you read that they just - the Iraqi minister pulled a brigade - the 8th brigade - offline because they were found to be complicit in the kidnapping or some of the people in the brigade were found to be complicit in the murder and kidnapping of some people just in the last week or so. That's a big step by the minister. They've already replaced the brigade commander, and he's already having an impact. So that process is continuing.

Bottom line, as I said, tough situation. And I suspect through Ramadan and over the next couple of months, it's going to continue to be a difficult situation. But that said, we continue to make progress both at the political level and at the security level all around the country. So tough business, but I think the great soldiers, airmen, sailors, and Marines are well up to it and doing a magnificent job.

And with that, I'll turn it over to you guys for questions.

Q: Hey, George, it's Jeff (unintelligible). It was great to see you out there and that you're doing well. A question for you: are we moving towards a real confrontation with al-Sadr and his militia? We've done a lot of neighborhoods, several of us (went on?) patrol in the neighborhood in Baghdad to clear those areas. We haven't gone to Sadr City yet. You've got this ongoing operation now in Diwania, which seems, at least the way it's reported over here, focused on al-Sadr and the Mahdi Army. Without giving away obviously anything operationally, is that the direction we're going? Is that the next big step to confront his militia?

GEN. CASEY: One, all militias have to be confronted and disbanded over time. And the prime minister and the leaders of Iraq understand that until the Iraqi security forces are the dominant security force in the country, they're not going to have the kind of country that they want. That said, the strategy for dealing with the militia is at least two tracked, and one's a political track and one's a military track. And I think you'll find the prime minister, as with any political leader, is going to try to use all the political means possible to resolve things and use force as a last resort.

And we continue to work with him on that, but I think - my personal view is that there's enough of these guys on the militia side that are just hard guys. And they're going to fight on until they realize that they don't have any military options. So I think force is going to ultimately be a part of it. We're not champing at the bit to do it, and we're working hand in hand with the prime minister so that we have a balanced approach, but it's got to be done.

Q: Hey, George, Bing West. Thanks again for your gracious hospitality. I just got back there – spent another month in the country. We (unintelligible) nine battalions and nine police units and a universal complaint they had was about the current rules of evidence and the difficulty of arresting insurgents and making the arrests stick. Are there going to be any movements politically to suspend habeas corpus or make it easier to arrest some of these guys?

GEN. CASEY: Bing, I don't – I don't know that there are any specific initiatives to remove habeas corpus, but they do have some expanded authorities under their emergency law and under their anti-terrorist law that they are using. Now, that said, the rule-of-law institutions are very underdeveloped and it's – it is difficult to get a guy with evidence, put him in jail, get him to trial, get him convicted. It happens, and I think you've read that – I think they have actually executed the death penalty on a few of these folks – but until we and the Iraqi government make some strides on the rule-of-law institutions, the court systems, and then do some work on eliminating corruption at the local level – I mean, I'm sure they told you that people – they put a guy in jail and somebody pays a bribe and the guy is back on the street. So we've got a lot of work to do on the rule-of-law program there with the Iraqis, but I don't know of any initiative here to suspend habeas corpus. I was – I thought you were still in Iraq.

Q: I just got back yesterday.

GEN. CASEY: Anybody else?

Q: Yes, General Casey, Don Shepherd. The question I get most often is, of course, everybody realizes that things are going very tough, and it takes (inaudible) from the political and the force – the military side, the police side. They keep asking, okay, what new is going to be done? And I keep saying there isn't much left that's new to be done. There's no magic bullet. It's steady pressure and sticking with it to go after these guys and the militias in concert with both politics and military (unintelligible.)

GEN. CASEY: Yes, it is interesting. We're constantly evaluating and reevaluating what's going on and asking ourselves: is what we started out doing six months ago still applicable to the situation that we have now, and we balance that with the need for kind of a broad, overarching scheme that gets us where we're going. We started back in – I started back in July, '04, and there was like one battalion in the Iraqi army, just in the army, and now you get these guys out there – almost 90 battalions – leading the effort. And so that process has got to continue.

And frankly, we are on a developmental timeline with the military and the police and the security institutions and ministries where I think the Iraqis are going to be pretty close to be able to assume security responsibilities I think by the end of '07. And I think that they recognize that and it's part of this joint committee for achieving Iraq security self-reliance that we're working through with the Iraqis right now – and obviously conditions based and all the rest of that, but the way the process has been moving that's going very well.

Now, is anything new and different? We'll continue to adapt our tactics and techniques and procedures. But if you guys have any great ideas about a new approach, I'd be happy to listen to them.

DON: Yes, follow up on that, what should we make about the rhetoric attributed to Condoleezza Rice and Senator Warner about the two to three months?

GEN. CASEY: I'm sorry, Don, I missed that last part about two or three months.

DON: (Inaudible) is there any magic about two to three months or is that just a --

MR. : Senator Warner came back and said that he thought that based on his last trip to Iraq that things were a little bit -- it was characterized -- his comments were characterized by the media as he was less upbeat than he has been in the past. In fact, he was someone downbeat saying that Iraqi leaders need to get their arms around this in the next two or three months or Congress may have to be forced into a situation of (unintelligible).

GEN. CASEY: Yes, I haven't seen all Senator Warner's comments. I talked to him when he was there. I certainly didn't say anything about two to three months, so there's nothing magic about two or three months. I think if he's expressing the sentiment that the government needs to get their arms around the sectarian violence problem quickly, I would very much agree with that. But I don't think you can put any specific timelines on that, and I don't know where that came from.

Q: Hey George, it's Jeff (unintelligible). One quick follow-up as well. I haven't got any magic solutions for you, but our problem I can tell you is in describing this changed, complex environment, we keep getting beat up, oh, I'm sure about a comment that as the Iraqis build up, we were supposed to build down. Well, the Iraqis are building up and we all know the Iraqi army at least is a good news story, but we're not building down. And so the trick is to explain, as you just did, this is the most complex security situation in this whole (inaudible) and that's the tough thing for people understand back over here.

So with that as a basis, in the short term at least do you foresee some uptick in U.S. forces. I mean, we noticed that the 132nd was extended -- at least one other brigade I believe has been extended. We're moving one brigade of the 1st Cav early. For the next few months at least, is there the possibility of an uptick in U.S. force levels just to try to get our arms around this inter-sectarian violence problem?

GEN. CASEY: I don't have any plans to do it right now, but as we've said many times, we're constantly looking at this and watching it. But what I -- I hear the same thing about standing up and standing down, and we're not doing anything. Well, I'd remind everybody that, one, we've already off-ramped two brigades with the associated support. That's about 12,000 folks less, and people get all lost in the rotations. And we're in a state of rotation now really through December. And you'll see the numbers drop back under 130,000 once we get done with all the rotation here. And so we have not -- one of the things that the Iraqi security force development allowed us to do is reposition forces in Iraq away from areas where they had taken

control over, so we were able to do this without increasing the total number of brigades that we have in Iraq.

The other thing I'd just remind them is that the standup is a three step process and we're only 75 percent the way through the second step. And there is more to do and, frankly, what happened, as I look at the situation in late June/early July, it began clear to me that both the security forces and the government weren't at the level that they needed to be at to have a quick impact on the overall sectarian situation in Baghdad. And so under our own mantra that we're going to do what it takes to help Iraqis win there, I reversed myself there and we put three more brigades into the Baghdad area and it did have an immediate impact on the situation there.

Q: General, Jeff Babbin (ph). What are you hearing back from the Iraqi side, Maliki and any of these guys in terms of their concerns? Are they worried about our politics? Do they see a threat coming up in reductions and so forth being forced on them? Are they feeling the pressure?

GEN. CASEY: I think – I think they recognize that the patience, at least among the American public, may be waning, and that contributes to a sense of urgency that frankly they already have. And they recognize that this is their best chance here to put their country on an irreversible road to democracy and economic development, and they need to take advantage of it in this window. But I think there is a general sense that they need to get on with things and they frankly are stepping up and taking a lot of initiative here, and it's heartening to see.

Q: To follow up on that, sir, if I might. In the initial comments you made, you said that our great friends in Syria and Iran are still being either actively or passively unhelpful. Can you give us an idea – is that getting more serious? Less serious? Could you give us any generals or specifics about that?

GEN. CASEY: I would say the situation coming out of Syria is about the same as it's been. They're giving safe haven to Ba'athists and they're allowing terrorists and foreign fighters to transit Syria and come into Iraq. We think that's the primary route for the terrorists and foreign fighters coming into Iraq, and they're not doing anything to stop it that we can see. And frankly, when you talk to Iraqis that have lived in Syria and know what the government's capable of, they said – they tell you they could stop it if they wanted to.

On the Iranian side, again there is no doubt in my mind that they're providing weapons, training, money to Shi'a extremist groups that are being used both against the coalition and against Iraqi security forces and, frankly, now to kill Iraqi civilians. And so that's troubling. And I think that's about all I want to say on that for those two.

Q: George, Bing again. Relative to reconciliation with the Sunni resistance throughout Anbar, of course you keep hearing the words Iranian Shiites and the Iranian prime minister. Can we expect over the next month or so that Maliki will demonstrate publicly something to allay the concerns throughout Anbar that he really doesn't care about them?

GEN. CASEY: I think you can, Bing. He just chaired a session on Saturday with some Anbar sheiks and he addressed them – he's released some of the money that they have coming to

them that had been promised to them by the previous government. In my discussions with him, he recognizes that bringing Anbar into the fold here is an important part of his overall reconciliation strategy. But that said, I mean – and you've been out in Anbar as much as anyone – it's going to take a lot of convincing to bring some of those folks into the tent.

Q: Yeah.

Q: General, Chuck Nash. I got a friend of mine who was working for DOD over there right after the fall of Baghdad. He spent about a year-and-a-half over there, transitioned over to the state team as a contractor. He came back here to the States for nine months and he just went back over there for a little three-week trip. And his assessment was that it looks like the reconstruction efforts are wrapping up. Those were his words. And that the Army is packing up and pulling back, and it gives him the impression that everybody's packing up to come home. Without the details and obviously where he was and how broad of a scope of vision that he had, have we changed anything over there that would give someone who was familiar with the way things were several years ago the impression – that kind of impression?

GEN. CASEY: I think probably. When you – we just finished obligating all of the IRF money at the end of the fiscal year and we have started 3,500 out of the 3,900 total projects. And I want to say we finished 2,800-plus of the projects that were paid for by the IRF. And so, one, we certainly – we don't need the people – the numbers of people to go out and inspect the projects because it's just less projects that are going on. So I think we will have started all of the – all of the projects, I want to say, by next summer. Some of them are larger-scale projects that require a little more work up front.

But yes, we are – we have a really good progress, frankly, in executing the economic projects. And so what you're seeing is some downsizing, but obviously we're going to keep what we need on the ground so that we continue to monitor the projects and the contracts all the way through to completion. So that might have been what he'd seen.

MR. NASH: Okay, thank you.

MS. : Okay, gentlemen, I hate to break this up, but General Casey has another appointment. And if you have any follow-up questions, please feel free to let me know, as always. Also, you can view the press briefing with the secretary tomorrow at 15:00 on the Pentagon channel, both on television and online if you'd like. Thanks so much. Have a great day.

(Cross talk.)

MR. : Be safe. Take care.

GEN. CASEY: Thanks everybody. See you.

MR. : Thank you, take care.

GEN. CASEY: See you.

(END)

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INTERVIEW TRANSCRIPT #2

**MS. JONAS AND ADMIRAL STEPHEN STANLEY
WITH ANALYSTS**

2007

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MS. JONAS: (In progress) press release so you know that today we're going to be forwarding to the Congress essentially two pieces: one is the fiscal year 2008 base budget of \$481.4 billion. Accompanying the '08 budget will be our '08 GWOT cost – Global War on Terror cost of \$141.7 billion. And in addition to that, we'll be providing the funds necessary to complete the '07 fiscal year – remainder of '07 fiscal year GWOT funds. That supplemental request will be \$93.4 billion.

Many of you know – just a rough breakout of how that \$481.4 billion breaks out. Approximately \$137 billion goes for our military pay and benefits, including health care. Another \$146.5 billion goes toward readiness and support. Another \$176.8 billion is for our strategic modernization. This is commonly known as our investment accounts of procurement and RDT&E. And finally, we have family housing and facilities which is about \$21.1 billion of that request.

Many of you are familiar with what is in each of those portions of our request, but just to go over a few things with you, under the pay and benefits category we provide pay and benefits for 2.1 million active and reserve members. Included in that amount is \$15 billion for the basic allowance for housing, another \$4.3 billion for basic allowance for subsistence. And in that amount, we also include about \$2.4 billion for recruiting bonuses and retention. Our health care cost this year – and this includes the infrastructure and military personnel that it takes to run the system – \$38.7 billion and that's to cover 9.2 million beneficiaries.

On the family housing and facilities side, our family housing budget includes 2.9 billion – and I'll go into that a little bit more because we're going to be talking about areas of emphasis in the budget a little bit later – and another \$8.2 billion for BRAC implementation and \$10 billion for training, maintaining training centers, and base infrastructure.

On the readiness and support side, our readiness budget includes \$65.9 billion for training for a full range of contingencies: a base operating and recruiting cost of \$59.9 billion; maintenance and equipment, another \$18.2 billion; and our commissaries for another \$2.5 billion.

On the strategic modernization side, the budget of \$176.8 billion includes \$62.4 billion for ships and Navy aircraft, \$50.9 billion for aircraft and satellites, another \$37.9 for ground capabilities and support systems, and under the science and technology and chem-bio research area we've got at \$16.8 billion and we provide \$8.8 billion for the Missile Defense Agency.

So in a nutshell, that's the sum total of the budget. Some areas of emphasis – we will be \$49 billion over our projected enacted level. As many of you know, the Hill is continuing work on a joint funding resolution, and so we're projecting that our enacted level will be 432.4 for '07. So if you take that baseline and measure it against this one, we're \$49 billion above that. And

I'm going to talk to you a little bit about where that – those increases – the emphasis and the increases that we have here.

Many of you have already heard about the 92,000 – increase of 92,000 in force structure for the Army and Marines. So the increases in ground forces that represent \$12.1 billion of that \$49 billion increase. We've also added another \$16.8 billion to improve force readiness and support. We provide another \$8.8 billion for – we call developing future capabilities. Again, this is in our investment accounts, our modernization, and another \$11.3 billion to improve quality of life.

On the specifics of the 92,000 increase, this \$12.1 billion increase in funds will allow us to begin to move the Army from a 42-brigade-combat-team structure to 48 brigade combat teams. We expect to reach that by 2012, bringing the total number of soldiers up to 547.4 million. The key point here for the Army is that they are currently – they're home stationing will increase; it will double. Currently, the rotations are about a year at home station for one year deployed. They will go under this new structure two years at home station for every one year deployed.

For the Marines, their force structure is about 2.5 MEFs, the Marine Expeditionary Forces. They're at about 175,000 for their permanent strength. They will go to 2002 for their final goal there, and that fills out their third MEF. And I've got Admiral Steve Stanley here, as was mentioned. And Steve, if you have some things you might want to add on this one?

ADMIRAL STEPHEN STANLEY: Yes, obviously, this is a key initiative for us, and it's fundamentally founded in the national military strategic risk assessment, which the Joint Chiefs have recently completed. And it's a classified document which will – which reflects the risk assessment over the next 12 months, and it reflect the best military judgments of our service chiefs. It looks at the total globe picture of the strategic environment, including cyberspace, and it really focuses in on three factors: the number of forces that we are sustaining in the forward areas, our equipment utilization and wear rates, and the operational tempo that the force is undergoing.

What we see – what we saw in that assessment is that we're able to train our forces for the counterinsurgency level, but we're struggling to maintain the full spectrum training that we require of our forces. What that means is we need to increase the capacity and since most of the risk is in the ground forces, that's what's reflected here, both in the number of actual soldiers and Marines that we'll have available to conduct the nation's missions, but the time between their deployments is a key piece of this. And basically for each month deployed, there's going to be two months in home station. So if you're deployed a year, that'll be two years in home station before you'll be expected to deploy again. During that two-year period, we'll be able to reestablish the full-spectrum training – full-spectrum level of capability that we require over the long term. We achieve that objective when this force is actually delivered, which is in the 2012 timeframe. And that's all.

MS. JONAS: Okay. In the area of improving force readiness is the \$16.8 billion that we've increased over the projected enacted level, we've got a few categories here. We provide

\$7.5 billion additional funding for training and operations, and this gets at much of the issue that has been discussed recently in terms of full-spectrum training. It provides additional full-spectrum training, additional combat training, (center?) rotations, and additional ship deployed steaming days. We provide another 4.7 for depot maintenance, intelligence, and other support, and another 4.6 billion for equipment recapitalization.

In the modernization accounts, we continue to fund the future combat system, which is I believe \$3.7 billion – that's an increase to \$300 million over the projected enacted level. The budget also provides for eight ships, one aircraft carrier, one SSN submarine, an amphibious assault ship, one logistic ship, three littoral combat ships, and a – one joint high speed vessel. The ship building account is \$14.4 billion. It's an increase of about \$3.2 billion over the prior year.

In the joint air capabilities, many of you are familiar with some of our programs here: the F-22, the F-18, the F-35, the MP-22s, and a myriad of unmanned aerial vehicles. We increase this area by \$4.1 billion over the prior year. And in the space-based capabilities, including our strategic systems and our communications and navigation satellites, we add about a \$1.2 billion in that area.

Under quality of life program, the \$11.3 billion that I talked you about earlier pays for a 3-percent increase for our military pay. That pay is up on average by 32 percent since 2001. By the way, the civilian pay raise will be equivalent to that also: 3 percent for this year.

Under housing and subsistence, we increased the basic allowance by 4.2 percent. That continues our commitment to no out-of-pocket costs for our military members, and we continue to privatize family housing units. We're going to add another 2,870 units this year. So by the end of 2008, a total of 194,000 new units will have been developed.

Under the base operations support, we add another \$1.9 billion to help resource our daily needs at our camps, bases, and stations. We add another 5.7 for BRAC, and we continue to provide – sustain the health care system at \$38.7 billion.

Under the emergency '07 supplemental and we will have some of these – some materials up on our website for you later today. Brian will do that.

MR. : The – that (debit bill?) is active now as of 7:00 this morning.

MS. JONAS: Oh, okay, good. Okay, so that you can see that on the website, but basically we are continuing – in the '07 supplemental – continuing our operations costs and intelligence and security forces funding. That total amount is about \$68.6 billion. We have a \$10.9 billion devoted to what we call enhancing U.S. forces, and this falls under the following categories, and I'll have the admiral talk to this a bit. The first piece is what is known as the plus up, and many of you have heard the discussion on this. It's our estimate. It's \$5.6 billion to increase the forces and force levels in theater per the president's guidance and commitment to do that.

We also include \$3.6 million – this is a separate initiative – to accelerate two brigade combat teams and one regimental combat team for the Marines. And associated with the 92,000 permanent increase is about \$1.7 billion for infrastructure to begin to provide the facilities and infrastructure necessary to bring on a larger, greater force.

The last piece of the '07 supplemental is the reconstitution – this is for the wear and tear of equipment replacement, and we include \$13.9 billion for that.

And, Admiral, did you want to talk a bit about the enhancing of forces?

ADM. STANLEY: Yes. Again, this – the enhancement of the forces is primarily based on the national military strategic risk assessment, and what we really did was as we looked at it, we decided that what we needed to do was have really three phases of that – how we're going to mitigate that plan. There's a near-term phase, a sort of a midterm, and a longer-term phase. The near term phase is the \$5.6 billion that will support the plus up of our forces in the Central Command theater that's currently ongoing.

In the midterm, we recognize that we could accelerate the modular formation of two BCTs and grow an additional one regimental combat team for the Marine Corps. So that's a – our ability to do something in the long term to reduce the stress on the force. But the real action will be the Grow the Force Initiative, and as Ms. Jonas discussed, that's \$1.7 billion in FY '07 which gets us started towards that 92,000-man active duty plus-up to the ground forces, which will do – will be the significant initiative to reduce the stress on the force.

MS. JONAS: Okay. For the – pardon me – for the fiscal year 2008 GWOT request, which again is accompanying the '08 budget, we expect that this will cost a full year – or this will be the price for the full year. We're not expecting at this point to submit another supplemental. We know one thing and that is obviously this is projecting this far in advance. This will probably be subject to some adjustment based on policy considerations, but in essence it reflects what we call more or less a straight-line estimate.

It includes funding for another \$70.6 billion for operations, funding for intelligence, another 4.7 for security forces, and it includes the tail of the acceleration of the two BCTs and the RCT that the admiral just spoke about, at about \$1.6 billion. In addition, we have another \$36.7 billion in this request for reconstitution. So that's what we're planning to submit today and subject to – we're here to address your questions.

Q: Yes, this is Paul Valley. When you talk reconstitution in today's structure, what are you talking about primarily? Plusing-up the new equipment for the forward forces or –

MS. JONAS: The reconstitution – this is – these are for costs to replace, repair, and/or upgrade equipment that has been used in the Global War on Terror in the theater. So it's principally associated with that, yes.

Q: This is Bob McGuinness. Question – actually two questions. One, the *L.A. Times* talked about General Schoomaker and Admiral Mullen today referencing 3.8 percent of GNP and that's not sufficient long term. Would you first address that?

And the second one: on the 92,000 plus up, with regard to the 2012 two-year dwell period, that has some underlying assumptions. Can you address those for us?

MS. JONAS: Okay. I'll let the Admiral address the second piece. With respect to the GDP and defense spending as a portion of that, we're currently spending about 3.9 percent of our GDP, and obviously this is – many of you know this – this is the lowest that we've been. In historical context, in World War II we were spending about 34 percent of our GDP, and during Korea about 11.7 percent, during Vietnam about 8.9 percent. During the Gulf War, we were spending about 4.5 percent of our GDP. So we think – we think we've got a right balance here, but we certainly understand that the – we understand that this is the right balance for the moment, and we think that we've got a good balance here.

Q: This is Alvin Frye (ph). Could you tell us where you–

(Cross talk.)

MS. JONAS: – the follow-on question there.

ADM. STANLEY: Yes, the follow-on question was the assumptions associated with the 92,000 plus-up. And basically what we've done there is we started from where the Army and the Marine Corps are today, and as you well know, I'm sure that there is a portion of force – the 482,000 for the Army and 175,000 for the Marine Corps – that's funded in the base request, but we actually have authorization and funded in the supplemental increases above that level. So we started from where they are today, and then we grow that force at about 7,000 per year for the active duty Army, and about 5,000 per year for the active duty Marine Corps, which is – which what we believe is reasonably achievable. The secretary's guidance was to minimize the use of adverse personnel actions like stop loss so we weren't doing anything onerous to our personnel.

And like I said, that ramp completes in about 2012. It's essentially over in 2011, but the last few are achieved in 2012, which will give us the actual combat capability in that timeframe also – the 2011 to 2012 timeframe.

Q: This is Alvin Frye. Where in the budget do you locate the equipment cost for upgrading the Iraqi forces we're supporting? And what's the magnitude of your estimate on the equipment costs for improving Iraqi capabilities?

MS. JONAS: What we're providing in the budget is the funding for security forces. So within that piece – hold on a second here. Okay, hold on a second here. Okay, so we've got – for the '07 piece, we have \$5.9 billion in the budget for Afghanistan, and that's – there is an equipment component to that. John, do you know the equipment component to that.

MR. : I don't know the precise number, but it's in the realm of about a \$1.5 billion to \$2 billion, I think.

MS. JONAS: Okay. And the Iraq piece for the '07 is \$3.8 billion for security forces training. I mean, principally, what we're doing in Afghanistan is we're accelerating – we're accelerating the force and we're expanding their capabilities, particularly in the – in their police training.

ADM. STANLEY: I guess I'd tack on there. I mean, this is an important initiative to us as a nation. Getting these folks up to speed and able to deliver their own security will help us get out of the – both Iraq and Afghanistan. So it's the right thing to do and it helps us to get nearer to the end of what we're trying to achieve.

Q: That is certainly true, but if I may ask a follow on, does the budget calculate and take account of the trade-offs in equipment flow – equipment flow to our own forces, including the reserves. Because when you hear (inaudible) pipeline.

ADM. STANLEY: Say the last part again?

Q: We hear that it is going to be hard to get the equipment production rates up to the level –

ADM. STANLEY. : I understand the questions.

Q: – in the same frame we're talking about, if we're also supplying our forces with replacement parts and upgrades and our Reserves.

ADM. STANLEY: Yes. We believe that the budget that we're submitting to the Congress is completely executable. The priority is to provide the right equipment for our people first. We believe that we can do the equipping of both the Iraq and the Afghanistan security forces in addition to that, so we are not shorting our people to grow these forces.

Q: This is Barry Posen. Is it possible for you to go over the total spending for the Global War on Terror fiscal year 2007 versus total expected spending for fiscal year 2008 – the budgeting for it – and talk about differences if there's any?

MS. JONAS: I think – and you can, again, I think you can – we'll be happy to talk to that a bit. You can certainly take a look at the website because we've got – we're going to have some charts that'll explain all that, but principally your differences between the two, the 93.4 and the 141.7, is in the first – the \$93 billion includes the plus-up, so that's one big area – 5.6 – which is not included in the '08 GWOT. And we've added significant force protection and also the increases in the Afghan and Iraq security forces. Afghanistan, remember, is a \$5.9 billion increase.

Q: The '07 looks larger because there are some one-time expenditures in '07 you don't expect to be allocated in '08?

MS. JONAS: Yes. I'm not sure -- do you have the copy of our press release by any chance?

MR. : I believe (off mike).

MS. JONAS: If you have a copy of the press release, you might refer to page -- the back page, and it lists there the differences in the cost. But if you were to go -- let's just assume for a moment that the Congress passes this budget as we've requested it and you add that to the \$70 billion that has already been appropriated for '07, and you compare the two columns, meaning the total amount would be if the Congress passed what we're requesting -- for '07, the total amount expended in '07 would be \$163.4 billion. Compare that to \$141.7, all right? So your differences are going to be not much in the terms of operations, pretty well level in force protection. The Iraq and Afghan security forces will go down. The funding for that does go down in '08. It'll be \$12.9 billion if Congress passed our request for '07 to 4.7 in Iraq. Okay, so those are some of the differences. The reconstitution stays about the same.

Any other questions?

Q: This is John Molino (ph). I have one question on the quality of life number. You said \$11.3 billion and then you talked about a 3 percent pay raise, 4.2 in housing and subsistence, and you also included the privatized housing. When you roll those numbers up, how much is left of the 11.3 for other programs?

MS. JONAS: Well, let me just go through the numbers. The 11.3 -- I will walk it down -- it's an increase of \$2.1 billion to military pay. It's an increase of 1.6 for housing and subsistence. It's an increase of \$1.9 billion for base operations support. It's an increase of \$5.7 billion for strategic realignment or BRAC implementation. So those are the elements.

Q: Got it. Thank you.

Q: This is Chris (unintelligible). You went over the shipbuilding numbers pretty quickly. I'm looking at the documents sent out and I don't see it. Could you just go over those one more time in terms of -- (inaudible) building budget and what specifically it is budgeted for?

MS. JONAS: Okay, again, I'll refer you to our -- if you have it or if it's out on the web now is the -- on slide -- one of the slides attached to the press release. But let me walk through the shipbuilding account. I'll give you the -- this is -- \$14.4 billion is the total shipbuilding account. Now, this is procurement only. Okay? So for the DDG 1000, the budget includes \$3 billion. For the CVN-21, the budget includes \$2.8 billion. For the LPD-17, the budget includes \$1.4 billion. The LHA is another \$1.4 billion. The three littoral combat ships -- LCSs -- are \$900 million. The cargo ship, the TAKE, is about 0.5. Then we have money in for the overhaul, which is 0.3. Another 0.1 for the DDG 51. And the joint high-speed vessel is 0.2.

Q: Okay, thank you.

MS. JONAS: Okay. Submarines – I'm sorry. I forgot the submarine, 2.5, and then we've got some other balances about \$1.3 billion in auxiliaries.

Q: (Inaudible) of the National Military Family Association. I was wondering if you could just (inaudible) –

MS. JONAS: Can you repeat that, please?

Q: (Inaudible) Military Family Association. I was wondering if you could break down your health care cost and infrastructure for your 38.

MS. JONAS: Yes. John, do you want to go ahead?

MR. : Well, in the health care program for the actual Defense Health Program, the so-called DHP, that runs the day-to-day operations of our health care system, it's \$20.7 billion. For the actual military personnel who help support that system it's \$6.7 billion. There's approximately \$0.5 billion for some infrastructure improvements, military construction, and the like. And then we have our annual accrual payment into the health care accrual account for future benefits and the like for \$10.9 billion. That makes up the \$38.7 billion and that's pretty much a steady-state estimate from the '07 level as well.

Q: Are you going to be taking into consideration as far as possible fee increases or anything like that as far as adjusting your price – your cost estimate?

MR. : There is a – we still stand behind the need to implement proposals that will help sustain the benefit, and that may include some look at both deductibles and fees and the like. What we have here – there is a congressionally mandated taskforce that is chartered and is currently as we speak – is looking into this, and they are scheduled this spring to come in in the March-April timeframe with some recommendations that will help inform our future way ahead. And so, we do in fact include some projections for trying to attain some savings. We think that's very critical in terms of sustaining the benefit long term, but there is still some more work and some more information that we need to get from this taskforce to help inform future legislative proposals.

Q: Thank you. Do you have a list of what the sustained benefits that you're actually taking in consideration?

MR. : Well, again, this – I think – I would suggest you work with our health care community to some extent here, but this is a bit of a work in progress. I don't have a final list today. I mean, our sense is we'd like to implement much of what we proposed last year if possible. We think it was a solid, balanced proposal last year as well. However, again, the taskforce has been chartered to take a look at this and take a look and see if in fact there are some other new or innovative or creative ideas in the way of attaining these kinds of savings. So I think to some extent we are deferring to this taskforce to help provide some recommendations and to help us steer our way ahead.

Q: This is Steve Sturbish (ph). For the purpose of this budget submission, though, is it safe to assume that the same assumptions that went into last year's budget went into this one?

MR. : Yes. We'd like to still – we'd still like to achieve the savings that we projected before. Again, as I noted, we think that's an important element of trying to sustain – our goal is to sustain the benefit for our members. I mean, that is really our goal, and our concern is as you go into – like any other large enterprise in America, that health care is taking a greater portion of our cost of our enterprise. So having said all that, we still think there is – there are management actions that should be and can be done to try to control some of the costs.

(END)

**OFFICE OF THE SECRETARY OF DEFENSE
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INTERVIEW TRANSCRIPT

GENERAL WILLIAM CALDWELL #1

2007

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GENERAL CALDWELL: Okay. Well, good morning, everybody. I know you've all got a full week out there in Washington with the confirmation hearing starting today for Secretary-designate Gates and then the Iraq Study Group coming out tomorrow, but what we talked about over here today with the press was the acceleration to transition to Iraqi responsibility and the growing capability of the Iraqi security forces, and other institutions that are, you know, obviously necessary to help stabilize the situation here.

And as we went through these, we foreshadowed the acceleration of some aspects of our support for the Iraqi security forces in the near future. We're working very closely right now with the ministries of both defense and interior to figure out how to accelerate leader development, logistics and communications capabilities, and how to finish the creation of additional operational and tactical reserves, amongst some other programs.

We also just on the first of December transferred authority to the Third Iraqi army division headquarters, bringing it under Iraqi ground forces command and control, so now there's three divisions under that (unintelligible) ten. And then we also outlined several operations that were conducted over this past week by Iraqi security forces that, again, just show their increasing capabilities, if they can continue to develop their proficiency levels, although albeit somewhat challenged at times as they work through the command and control, especially as they go to larger organizations. But with our embedded military transition teams, they were exceedingly helpful this past week and utilized in multiple (engagements?) with (EC's) operations proven to be successful with the MT-teams being the key integral part of that.

So we got -- I'll start over and let anybody ask whatever questions they would like to ask and we'll go from there.

Q: Yeah, Bill, this is Jeff McCarvin (ph) calling. Any update on the missing in action soldiers?

GEN. CALDWELL: If you're talking about Specialist Opai (ph), our Army specialist?

Q: Right, exactly.

GEN. CALDWELL: Yeah. No, we -- no we still continue to receive some tips on his possible whereabouts. We follow up as appropriate, but do not have him back under our control at this point. I think you may have heard we did find the last members from that CH-46 helicopter that took off, developed power problems, set down in the water. Everybody in the back jumped out at the back because they thought it might tip and sink and go over. The pilot and co-pilot stayed in. They attempted to get the helicopter towards shore, although it didn't have the power to lift, and managed to find a boat ramp and (slowly?) drove it over the shore and drove it up on the boat ramp and onto dry

ground, but (in the Sunni?) people jumping out at of the back, we, of course, did have several we lost, just drowning, and we have recovered all their bodies at this point now.

MR. DON SHEPHERD: Yes, Don Shepherd here.

GEN. CALDWELL: Yes, sir?

MR. SHEPHERD: Yeah, sorry. Yeah, can you characterize, if you will – there is a lot of speculation about we are moving a lot more troops into Baghdad, we're not – we're keeping the same number. We're reducing the troops out west, (unintelligible) troops are moving in Baghdad. Can you kind of characterize the whole picture there for us of the Baghdad area?

GEN. CALDWELL: Within the Baghdad area, the troop levels – we are, in fact, moving – what I think where some of this (unintelligible) occurs, it's that we're moving capabilities around. We are, in fact, constrained that we retain the Stryker capability within the city of Baghdad, and the unit that was going to come to Baghdad we're putting into where the Stryker unit was. So that is ongoing as we speak, and I think that's where some of this mixed messaging about may be going on out there is simply a capabilities-based thing where we wanted the Stryker capability within the city of Baghdad and so we're bringing that unit into the city. It's not (unintelligible) it, but they're making that move and we'll (unintelligible) here shortly so that we retain that unique skill set.

As far as out West goes, we did in fact take the additional battalion out there from the Marines that was offshore. We put that out there and it's being employed out there by national force west commander in his operational plan, so he has, in fact, really got some additional force out there that he had not had presently as they continue those operations.

We are looking at other additional forces we might move into Baghdad, but if we do, it won't be coalition forces right now. We're looking more closely at Iraqi security forces, working obviously very closely with the government of Iraq on this, because the ultimate intent is to turn over greater responsibilities of Baghdad to them. And to do that, we'll need them to be able to bring forces in, which will allow us then to move our forces out – more forces out at some sequencing here in the future. But the force levels have remained fairly much constant even taking the fact that you've got the rotation ongoing where the 1st Cavalry Division just finished assuming full control in the city with (unintelligible) and then, of course, the corps headquarters is transitioning out (of here?) in the next two weeks.

Q: General, Bing West. The president said the other day that he had been tardy, or words to that effect, in giving Prime Minister Maliki the tools he needs. What does that mean about the shift of responsibilities and how is that – does that mean that Prime Minister Maliki will have more direct command and control over Iraqi forces?

GEN. CALDWELL: He absolutely will, and the timetable upon which we had been looking at executing that is obviously being accelerated in order to support the

prime minister's and the president's discussion there in Amman. And as the prime minister said, he would like to see all 10 divisions under his operational control completely by this summer, and then he's also stated that (he'd even add?) additional force structure. We right now are adding 12,000 additional troops to the force structure. We have a 10 percent overage in each battalion of the 112 combat battalions, and we've also gone through the program where we're training 18,000 additional soldiers as replacements because it's about that number that we've lost since the whole training and equipping program began through attrition, through KIAs, severely wounded, and some leaving the service. So a true 12-percent increase in force structure that we're funding, and we're going to provide and those soldiers are into training program now. We should have all those filled by – at the March/April timeframe, and then the additional 18,000, of which we've already started replenishing some of the forces out there now with that 18,000.

The prime minister's has stated he wants to add new force structure: 18,700, which will give him additional division headquarters, brigade headquarters, and battalions that would be rapidly mobile so that he can move them quickly around the country. We're also going through and helping support to give him greater mobility or greater command and control. We're helping establish battalions that are more mobile within the current force structure, so that when he says he wants to move somebody from point A to point B, they have that capability now to do that themselves, which they don't have now. They're very dependent on us, but that is going to take some time until we get that fully implemented.

Q: If I could just follow up.

GEN. CALDWELL: Sure.

Q: General Pace was asked that question when a group of us were talking with him yesterday at the Council on Foreign Relations, and we have a discussion that most of our advisers are extremely suspicious of the ministries and their capability of even getting pay. And therefore, this notion of two-way responsibilities – that when somebody says, I want more operational control, when his capacity has not been proven, General Pace said, well, he could imagine other models in the future where it would be worked out, but it wouldn't necessarily mean that General Casey would lose all authority over these Iraqi divisions.

Given the slowness with which the ministries really have supported their own forces, when you say operational control, could you elaborate on what that means and what a practical difference between the MNF is doing and what Prime Minister Maliki wants to do in terms of operational control?

GEN. CALDWELL: Bing, the biggest thing we see right now – the prime minister wants to have the ability today that if he directs his Ministry of Defense and the Iraqi ground forces command to move some troops from one location to another or he – or move troops to a location, he wants to have that ability to do that where he owns those

forces, they can respond immediately, they've got the movement capability inherent within their organization, and he currently doesn't have that flexibility (unintelligible). He wants to have that.

And so we, in fact, in a very short-term basis are working very diligently to give him that capability and believe we have an initial fix in place. And we'll continue to work on this to where he can pick the phone up, call the Ministry of Defense and say, "I want, you know, a company's worth of troops down to, you know, Basra and help with the situation down there," and that they've got the forces that they can do that with without having to go through the coalition forces to make that happen. So that's where his immediate frustration comes from. He wants that capability, and so we're working to get him that capability now. It's fairly much in place on a very limited basis, though it will continue to grow.

As far as the future goes, obviously we will always be working very closely with the Iraqi ground forces command and the Ministry of Defense, but we do see them taking on much more greater responsibility, using a lot more military transition teams out there. Perhaps pulling our forces back from areas that they currently are operating in and letting the Iraqis be in charge and then be more in an overwatch with some strike elements available to assist when needed against, you know, focused operations.

Q: Hey, Bill. This is Jeff McCarver again. Could you talk a minute about the ongoing violence in Baghdad? What I'm thinking (unintelligible) is what (unintelligible) assessment of the size which seems to be the two largest elements there and that, of course, is the Mahdi Army and the Badr Brigade. What do you all think are the rough size of those two militias? I know it's probably a tough question. And can you comment at all on the intra-sectarian violence; that is, violence between the large Shi'a group as well as between the Shi'a and the Sunnis?

GEN. CALDWELL: You know, I'd start off by just saying this situation is so complex in the Baghdad area. Just before J.D. Thurman left, he said there's 23 different militia groups operating within the Baghdad area. And you know, when somebody says they're part of the Mahdi Army, you're not really sure if it's a rogue element of it, if it's some kind of real coherent organization, if it's a splinter group under Abu Dura or something like that.

So getting a real feel for what group is doing what is a very challenging thing. What we do know is that the – I would say, one, of the levels of violence right now are at an unacceptable level and they have to be brought back down. Two is: there is a cycle of retribution that does occur in the city, and we can see Sunni extremists, al Qaeda using the vehicle IEDs to cause sensational attacks that inflict a lot of casualties on the Shi'a. And then if you watch it, you'll see retribution occur at some point thereafter where murders and executions will go higher than normal for a period of time and then things will level back down, and then you'll see that the sensational type vehicle IED go off.

So there is some cyclical nature we're seeing that's occurring, and that's where we're really pushing our Iraqi counterparts to work to find a solution to that problem because it's much more than just a military solution. It truly is a political solution to bring that back under control. But it's really – it'd be nice if there was just one organization we could go deal with. Clearly, the militias have us very concerned because the government is taking very much the approach that we want to handle this just politically. And we're finding that as the levels of violence continue to escalate, we're just – we're challenged in handling that level of violence.

Q: General, Ken Allard. I have a two-part question. It seems to me that the basic challenge that faces us over there right now is the fact that our classic military means – the things that we talk about all the time, things like leader development capabilities, all the rest of those things – really seem kind of at a phase with the level of violence that's there right now.

The other thing is I just wonder if, in many ways, if we're not doing a bridge too far with the Iraqi forces – having to bring them too far, too fast to control that situation. Is there any chance at all that this situation can be controlled and actually give rise to some potential political solution? Because I agree with you, it's not going to be solved by us.

GEN. CALDWELL: No, and you're right, it's not. And we still are very optimistic that there is a possibility of finding a political solution. We see so much behind-the-scenes work going on between the Sunni groups, the Shi'a groups, you know, we find the Kurds getting involved and helping some, too, that does not involve us at all where they continue to have dialogue and discussion. We still – you know, we see within the Council of Representatives, you know, process still taking place, legislation still being debated, first and second readings and passages occurring, although they haven't taken on the most difficult ones yet, but we see the procedural stuff still occurring. So we're still very guardedly optimistic that this situation – they can find a solution to their situation here.

But as far as the proficiency of the Iraqi security forces, that's the reason why we're just going to continue to see a larger amount of embedding occurring so that we can continue the coaching, teaching, and mentoring at the lowest level possible with their forces. You know, it's like anything: when you have force that's only two or three years old, there's just no senior level leadership, you know. It's like having a bunch of young sergeant E-5s and second lieutenants running around trying to be in charge. They just don't – they need more leadership skill, development. And so that's the whole purpose of our military transition teams being beefed up and further expanded so that we can provide that to them out there versus us trying to carry on and be the ones who are executing the fight.

MS. : Gentlemen, any other questions for General Caldwell?

Q: Hey, Bill. (It's Jack?). I understand the complexity, but – I mean, back to what I asked you about the Badr Brigade or the Mahdi Army, but I mean, what – do you have any estimate like if – you know, if push came to shove against al-Sadr, do we have any feel at all how many fighters he could turn out in the street if we had to go to go toe to toe?

GEN. CALDWELL: The numbers would be – obviously, if he continues – our assessment is that his organization does continue to grow in numbers, but still – you know, but how much can command and control he would really have over the, quote, “overall group” that claims to be part of the Mahdi Army would be in question and how well he could orchestrate their efforts would be in question. But it’s much greater, obviously, than it was three years ago.

I would tell you if we go off the record for a second – because I just have not asked the question about (unintelligible) top numbers. But if I can be off the record here, I’ll tell you we’re estimating probably 21,000 right now. But I will go back and talk and see what we can put out publicly to better support what you’re asking. But it has grown in size. It has become more violent in their nature, and we see – and I’ll go back on the record – you know, we see the – back on the record, I’ll tell you that we see Sadr being more inflammatory in his nature, less helpful, and just (unintelligible) in his activities than he has been in the past, and really question whether he has any real, sincere desire to unify this country where everybody’s rights are respected.

Q: That would be great because, I mean, and I’ll just ask you this real quick. There seems to be a growing assessment over here that we sort of – you know, pay me now or pay me later. I mean, either – the way things are going with Sadr, either he is confronted soon by us, the Iraqis, or some combination, or this continues to spiral out of control and, as General Abizaid said again just yesterday, I think, the possibility of an all-out civil war grows. So it seems like it’s now or later, but eventually it’s going to have to happen. So anything you could provide would be very helpful.

GEN. CALDWELL: Okay, and we’ll work on that. Again, I’ll tell you, if I can go back off the record with you all for just a second that, you know, the seven months I’ve been here on the ground and out and about, this probably is the most concerned we ever been with the efforts we’re seeing by the Mahdi Army in terms of they now – in fact, we thought before – (we said?) al Qaeda was the accelerant. We’re starting to really question how much, too, that the Mahdi Army is being the accelerant of causing this cycle of violence in which could lead to unintended consequences if not brought under control.

Q: General, Bing West. That tangentially goes back to this issue of operational control (chopping?) to the prime minister. Of course, as we all know that the MTTs are reporting good results at the battalion level and are greatly concerned relative to the promotions or non-promotions especially when you get from the battalion level – battalion commander on up. I don’t know whether you can say on the record or off the record, are there mechanisms that will ensure that our MTTs that are risking their lives

have some sort of influence over the selection or non-selection or relief of command for malfeasance of officers – especially the more senior officers – as operational control goes strictly into an Iraqi chain of command? In other words, I can envision very easily four or five months from now serious disgruntlement on the part of our advisers if they're under the operational control of an Iraqi system that has not proven to be as nationalistic as we want it to be.

GEN. CALDWELL: Bing, one thing I'll tell you is that General Casey has been very firm on this that we're never going to allow our MT teams to be put in danger. And if they feel their position is such that it's going to be – they are, in fact, moving in that direction, we will take whatever step that's required – it requires withdrawing them from where they are or dealing with the government of Iraq or the Ministry of Defense, we'll do that, too. But General Casey is adamant that that we will not allow our MT teams, our men and women out there in uniform, to be put at risk if they do this mission.

Q: Sure. No, I meant something a little bit different, General. I didn't mean being at risk. I meant when you – when our advisers see that certain colonels or something are being kept in command, like that remarkable story in the *New York Times* where everybody just got fed-up with that division commander – Iraqi division commander. What I meant is, are we going to have some mechanisms whereby we, the Americans – because of everything we've put on the table – have the right to say that if there is malfeasance that something will be done about it.

GEN. CALDWELL: (To be honest?), we want to pass the decisions back to the Iraqis for them to make the decisions about their future. And, you know – let me go off the record here on this one that – that is the item of hot debate. It's ongoing as we speak and that resolution has not finished yet, but that's a huge emotional issue over here right now – both sides. That's the very question and that's one of those ones that we're hoping to hammer out here in the next couple of weeks, but it's still open-ended at this point, unfortunately.

MR. SHEPHERD: Hey, Don Shepherd again.

GEN. CALDWELL: (Unintelligible) a great question.

MR. SHEPHERD: Yes, Don Shepherd again. Just an editorial comment. Huge expectations have been built up over this Iraqi Study Group, and what I've been telling people is no matter what we do, there's no magic solution. If we had one, the military over there would already be pursuing it.

What I hear you saying is basically no huge changes in Baghdad in the way of number of troops, more embedding with Iraqi forces, handing off more responsibility to them, and training them more rapidly. That's basically what I hear the military response is going to be, and then we're all waiting to see what the Iraqi Study Group offers in the way of diplomacy and that type of thing. Am I reading it kind of right from what I'm hearing from you?

GEN. CALDWELL: And you are. And, you know, being back on the record, that's exactly right. That's kind of where General Casey is leading us as he continually has us assess and reevaluate where we are in this whole process over here. And we, like everybody else, look forward to incorporating any of the ideas the Study Group has to help us achieve our goals, you know, because we really don't know what they are either at this point, but what you just stated is exactly right. That's General Casey is doing his best as we continue to reevaluate and reassess how we can best change, because there is no silver bullet. You're exactly right. If there was, we would have done it by now. So we just continue to work (clearing?) out the situation on the ground as it presents itself.

MR. SHEPHERD: But also you're not abandoning the west Anbar Province and the activities out there or –

GEN. CALDWELL: No, absolutely not. In fact, we added the additional Marine element out there so – no, in fact, it's actually a great news story in terms of what's happening with the Al Anbar tribe units that's out there. They truly are coming together and working as a coherent element taking on AQI, and from the discussions we have with members of the tribe, they're just so fed-up with the indiscriminate killing that occurred by AQI against Iraqi civilians, against their – basically their tribal members out there, that they just said, "Enough is enough. We're not going to allow that kind of behavior," and they're taking on AQI all by themselves, too.

MS. : Gentlemen, any more questions for the General?

Q: Hey, sir, this is (unintelligible). No question, just wanted to tell you we appreciate your service. All you guys continue to impress us old-timers over here tremendously and we can't thank you enough.

GEN. CALDWELL: Well, thanks. I do want to tell you all, next Friday, Pete Corelli – General Corelli is going to do the Pentagon press corps, and right afterwards we're going to set him up to talk to the military analysts again through this same program here. And it is kind of his outgoing, last chance to talk to him while he's still serving as the Corps commander. So that's next Friday. We'll set up the same kind of conference call, try to set up a little longer, too, and let you all have the same kind of discussions with Pete Corelli.

MS. : Great.

Q: Any chance of meeting with him in the Pentagon while he's there? I know that's not your call, but (unintelligible) –

GEN. CALDWELL: Yes. You know, he's very open to engaging in and talking to people. I mean, he feels he has a story to tell. He wants to tell it, and I would tell you that he – any kind of holding back we've been doing has been lifted and he's willing to engage with anybody right now.

Q: Did I mishear though? Is he going to be in the Pentagon or will it be a conference call with him in Iraq?

GEN. CALDWELL: Oh, I'm sorry. Next Friday is a conference call. He's going to do the Pentagon press corps by (ATC?), and then right afterwards do the conference call.

Q: Yes. Hey, you guys are great. Thanks a lot.

Q: Yes, thanks a lot.

Q: Both in the Pentagon and Iraq.

MS. : Thanks.

GEN. CALDWELL: All right. Thank you all for what you're doing. We sure appreciate it.

MS. : Sir, thanks for your time. We appreciate it.

GEN. CALDWELL: All right, Tara. Bye.

MS. : All right. Have a great day.

Q: Thanks, Tara.

MS. : Thank you.

Q: Thanks, Tara.

MS. : All right.

Q: Bye.

MS. : Bye.

(END)

**OFFICE OF THE SECRETARY OF DEFENSE
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INTERVIEW TRANSCRIPT #2

**MS. JONAS AND ADMIRAL STEPHEN STANLEY
WITH ANALYSTS**

2007

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DC TRANSCRIPTION & MEDIA REPURPOSING**

MS. JONAS: (In progress) press release so you know that today we're going to be forwarding to the Congress essentially two pieces: one is the fiscal year 2008 base budget of \$481.4 billion. Accompanying the '08 budget will be our '08 GWOT cost – Global War on Terror cost of \$141.7 billion. And in addition to that, we'll be providing the funds necessary to complete the '07 fiscal year – remainder of '07 fiscal year GWOT funds. That supplemental request will be \$93.4 billion.

Many of you know – just a rough breakout of how that \$481.4 billion breaks out. Approximately \$137 billion goes for our military pay and benefits, including health care. Another \$146.5 billion goes toward readiness and support. Another \$176.8 billion is for our strategic modernization. This is commonly known as our investment accounts of procurement and RDT&E. And finally, we have family housing and facilities which is about \$21.1 billion of that request.

Many of you are familiar with what is in each of those portions of our request, but just to go over a few things with you, under the pay and benefits category we provide pay and benefits for 2.1 million active and reserve members. Included in that amount is \$15 billion for the basic allowance for housing, another \$4.3 billion for basic allowance for subsistence. And in that amount, we also include about \$2.4 billion for recruiting bonuses and retention. Our health care cost this year – and this includes the infrastructure and military personnel that it takes to run the system – \$38.7 billion and that's to cover 9.2 million beneficiaries.

On the family housing and facilities side, our family housing budget includes 2.9 billion – and I'll go into that a little bit more because we're going to be talking about areas of emphasis in the budget a little bit later – and another \$8.2 billion for BRAC implementation and \$10 billion for training, maintaining training centers, and base infrastructure.

On the readiness and support side, our readiness budget includes \$65.9 billion for training for a full range of contingencies: a base operating and recruiting cost of \$59.9 billion; maintenance and equipment, another \$18.2 billion; and our commissaries for another \$2.5 billion.

On the strategic modernization side, the budget of \$176.8 billion includes \$62.4 billion for ships and Navy aircraft, \$50.9 billion for aircraft and satellites, another \$37.9 for ground capabilities and support systems, and under the science and technology and chem-bio research area we've got at \$16.8 billion and we provide \$8.8 billion for the Missile Defense Agency.

So in a nutshell, that's the sum total of the budget. Some areas of emphasis – we will be \$49 billion over our projected enacted level. As many of you know, the Hill is continuing work on a joint funding resolution, and so we're projecting that our enacted level will be 432.4 for '07. So if you take that baseline and measure it against this one, we're \$49 billion above that. And

I'm going to talk to you a little bit about where that – those increases – the emphasis and the increases that we have here.

Many of you have already heard about the 92,000 – increase of 92,000 in force structure for the Army and Marines. So the increases in ground forces that represent \$12.1 billion of that \$49 billion increase. We've also added another \$16.8 billion to improve force readiness and support. We provide another \$8.8 billion for – we call developing future capabilities. Again, this is in our investment accounts, our modernization, and another \$11.3 billion to improve quality of life.

On the specifics of the 92,000 increase, this \$12.1 billion increase in funds will allow us to begin to move the Army from a 42-brigade-combat-team structure to 48 brigade combat teams. We expect to reach that by 2012, bringing the total number of soldiers up to 547.4 million. The key point here for the Army is that they are currently – they're home stationing will increase; it will double. Currently, the rotations are about a year at home station for one year deployed. They will go under this new structure two years at home station for every one year deployed.

For the Marines, their force structure is about 2.5 MEFs, the Marine Expeditionary Forces. They're at about 175,000 for their permanent strength. They will go to 2002 for their final goal there, and that fills out their third MEF. And I've got Admiral Steve Stanley here, as was mentioned. And Steve, if you have some things you might want to add on this one?

ADMIRAL STEPHEN STANLEY: Yes, obviously, this is a key initiative for us, and it's fundamentally founded in the national military strategic risk assessment, which the Joint Chiefs have recently completed. And it's a classified document which will – which reflects the risk assessment over the next 12 months, and it reflect the best military judgments of our service chiefs. It looks at the total globe picture of the strategic environment, including cyberspace, and it really focuses in on three factors: the number of forces that we are sustaining in the forward areas, our equipment utilization and wear rates, and the operational tempo that the force is undergoing.

What we see – what we saw in that assessment is that we're able to train our forces for the counterinsurgency level, but we're struggling to maintain the full spectrum training that we require of our forces. What that means is we need to increase the capacity and since most of the risk is in the ground forces, that's what's reflected here, both in the number of actual soldiers and Marines that we'll have available to conduct the nation's missions, but the time between their deployments is a key piece of this. And basically for each month deployed, there's going to be two months in home station. So if you're deployed a year, that'll be two years in home station before you'll be expected to deploy again. During that two-year period, we'll be able to reestablish the full-spectrum training – full-spectrum level of capability that we require over the long term. We achieve that objective when this force is actually delivered, which is in the 2012 timeframe. And that's all.

MS. JONAS: Okay. In the area of improving force readiness is the \$16.8 billion that we've increased over the projected enacted level, we've got a few categories here. We provide

\$7.5 billion additional funding for training and operations, and this gets at much of the issue that has been discussed recently in terms of full-spectrum training. It provides additional full-spectrum training, additional combat training, (center?) rotations, and additional ship deployed steaming days. We provide another 4.7 for depot maintenance, intelligence, and other support, and another 4.6 billion for equipment recapitalization.

In the modernization accounts, we continue to fund the future combat system, which is I believe \$3.7 billion – that's an increase to \$300 million over the projected enacted level. The budget also provides for eight ships, one aircraft carrier, one SSN submarine, an amphibious assault ship, one logistic ship, three littoral combat ships, and a – one joint high speed vessel. The ship building account is \$14.4 billion. It's an increase of about \$3.2 billion over the prior year.

In the joint air capabilities, many of you are familiar with some of our programs here: the F-22, the F-18, the F-35, the MP-22s, and a myriad of unmanned aerial vehicles. We increase this area by \$4.1 billion over the prior year. And in the space-based capabilities, including our strategic systems and our communications and navigation satellites, we add about a \$1.2 billion in that area.

Under quality of life program, the \$11.3 billion that I talked you about earlier pays for a 3-percent increase for our military pay. That pay is up on average by 32 percent since 2001. By the way, the civilian pay raise will be equivalent to that also: 3 percent for this year.

Under housing and subsistence, we increased the basic allowance by 4.2 percent. That continues our commitment to no out-of-pocket costs for our military members, and we continue to privatize family housing units. We're going to add another 2,870 units this year. So by the end of 2008, a total of 194,000 new units will have been developed.

Under the base operations support, we add another \$1.9 billion to help resource our daily needs at our camps, bases, and stations. We add another 5.7 for BRAC, and we continue to provide – sustain the health care system at \$38.7 billion.

Under the emergency '07 supplemental and we will have some of these – some materials up on our website for you later today. Brian will do that.

MR. : The – that (debit bill?) is active now as of 7:00 this morning.

MS. JONAS: Oh, okay, good. Okay, so that you can see that on the website, but basically we are continuing – in the '07 supplemental – continuing our operations costs and intelligence and security forces funding. That total amount is about \$68.6 billion. We have a \$10.9 billion devoted to what we call enhancing U.S. forces, and this falls under the following categories, and I'll have the admiral talk to this a bit. The first piece is what is known as the plus up, and many of you have heard the discussion on this. It's our estimate. It's \$5.6 billion to increase the forces and force levels in theater per the president's guidance and commitment to do that.

We also include \$3.6 million – this is a separate initiative – to accelerate two brigade combat teams and one regimental combat team for the Marines. And associated with the 92,000 permanent increase is about \$1.7 billion for infrastructure to begin to provide the facilities and infrastructure necessary to bring on a larger, greater force.

The last piece of the '07 supplemental is the reconstitution – this is for the wear and tear of equipment replacement, and we include \$13.9 billion for that.

And, Admiral, did you want to talk a bit about the enhancing of forces?

ADM. STANLEY: Yes. Again, this – the enhancement of the forces is primarily based on the national military strategic risk assessment, and what we really did was as we looked at it, we decided that what we needed to do was have really three phases of that – how we're going to mitigate that plan. There's a near-term phase, a sort of a midterm, and a longer-term phase. The near term phase is the \$5.6 billion that will support the plus up of our forces in the Central Command theater that's currently ongoing.

In the midterm, we recognize that we could accelerate the modular formation of two BCTs and grow an additional one regimental combat team for the Marine Corps. So that's a – our ability to do something in the long term to reduce the stress on the force. But the real action will be the Grow the Force Initiative, and as Ms. Jonas discussed, that's \$1.7 billion in FY '07 which gets us started towards that 92,000-man active duty plus-up to the ground forces, which will do – will be the significant initiative to reduce the stress on the force.

MS. JONAS: Okay. For the – pardon me – for the fiscal year 2008 GWOT request, which again is accompanying the '08 budget, we expect that this will cost a full year – or this will be the price for the full year. We're not expecting at this point to submit another supplemental. We know one thing and that is obviously this is projecting this far in advance. This will probably be subject to some adjustment based on policy considerations, but in essence it reflects what we call more or less a straight-line estimate.

It includes funding for another \$70.6 billion for operations, funding for intelligence, another 4.7 for security forces, and it includes the tail of the acceleration of the two BCTs and the RCT that the admiral just spoke about, at about \$1.6 billion. In addition, we have another \$36.7 billion in this request for reconstitution. So that's what we're planning to submit today and subject to – we're here to address your questions.

Q: Yes, this is Paul Vallely. When you talk reconstitution in today's structure, what are you talking about primarily? Plusing-up the new equipment for the forward forces or –

MS. JONAS: The reconstitution – this is – these are for costs to replace, repair, and/or upgrade equipment that has been used in the Global War on Terror in the theater. So it's principally associated with that, yes.

Q: This is Bob McGuinness. Question – actually two questions. One, the *L.A. Times* talked about General Schoomaker and Admiral Mullen today referencing 3.8 percent of GNP and that's not sufficient long term. Would you first address that?

And the second one: on the 92,000 plus up, with regard to the 2012 two-year dwell period, that has some underlying assumptions. Can you address those for us?

MS. JONAS: Okay. I'll let the Admiral address the second piece. With respect to the GDP and defense spending as a portion of that, we're currently spending about 3.9 percent of our GDP, and obviously this is – many of you know this – this is the lowest that we've been. In historical context, in World War II we were spending about 34 percent of our GDP, and during Korea about 11.7 percent, during Vietnam about 8.9 percent. During the Gulf War, we were spending about 4.5 percent of our GDP. So we think – we think we've got a right balance here, but we certainly understand that the – we understand that this is the right balance for the moment, and we think that we've got a good balance here.

Q: This is Alvin Frye (ph). Could you tell us where you–

(Cross talk.)

MS. JONAS: – the follow-on question there.

ADM. STANLEY: Yes, the follow-on question was the assumptions associated with the 92,000 plus-up. And basically what we've done there is we started from where the Army and the Marine Corps are today, and as you well know, I'm sure that there is a portion of force – the 482,000 for the Army and 175,000 for the Marine Corps – that's funded in the base request, but we actually have authorization and funded in the supplemental increases above that level. So we started from where they are today, and then we grow that force at about 7,000 per year for the active duty Army, and about 5,000 per year for the active duty Marine Corps, which is – which what we believe is reasonably achievable. The secretary's guidance was to minimize the use of adverse personnel actions like stop loss so we weren't doing anything onerous to our personnel.

And like I said, that ramp completes in about 2012. It's essentially over in 2011, but the last few are achieved in 2012, which will give us the actual combat capability in that timeframe also – the 2011 to 2012 timeframe.

Q: This is Alvin Frye. Where in the budget do you locate the equipment cost for upgrading the Iraqi forces we're supporting? And what's the magnitude of your estimate on the equipment costs for improving Iraqi capabilities?

MS. JONAS: What we're providing in the budget is the funding for security forces. So within that piece – hold on a second here. Okay, hold on a second here. Okay, so we've got – for the '07 piece, we have \$5.9 billion in the budget for Afghanistan, and that's – there is an equipment component to that. John, do you know the equipment component to that.

MR. : I don't know the precise number, but it's in the realm of about a \$1.5 billion to \$2 billion, I think.

MS. JONAS: Okay. And the Iraq piece for the '07 is \$3.8 billion for security forces training. I mean, principally, what we're doing in Afghanistan is we're accelerating – we're accelerating the force and we're expanding their capabilities, particularly in the – in their police training.

ADM. STANLEY: I guess I'd tack on there. I mean, this is an important initiative to us as a nation. Getting these folks up to speed and able to deliver their own security will help us get out of the – both Iraq and Afghanistan. So it's the right thing to do and it helps us to get nearer to the end of what we're trying to achieve.

Q: That is certainly true, but if I may ask a follow on, does the budget calculate and take account of the trade-offs in equipment flow – equipment flow to our own forces, including the reserves. Because when you hear (inaudible) pipeline.

ADM. STANLEY: Say the last part again?

Q: We hear that it is going to be hard to get the equipment production rates up to the level –

ADM. STANLEY. : I understand the questions.

Q: – in the same frame we're talking about, if we're also supplying our forces with replacement parts and upgrades and our Reserves.

ADM. STANLEY: Yes. We believe that the budget that we're submitting to the Congress is completely executable. The priority is to provide the right equipment for our people first. We believe that we can do the equipping of both the Iraq and the Afghanistan security forces in addition to that, so we are not shorting our people to grow these forces.

Q: This is Barry Posen. Is it possible for you to go over the total spending for the Global War on Terror fiscal year 2007 versus total expected spending for fiscal year 2008 – the budgeting for it – and talk about differences if there's any?

MS. JONAS: I think – and you can, again, I think you can – we'll be happy to talk to that a bit. You can certainly take a look at the website because we've got – we're going to have some charts that'll explain all that, but principally your differences between the two, the 93.4 and the 141.7, is in the first – the \$93 billion includes the plus-up, so that's one big area – 5.6 – which is not included in the '08 GWOT. And we've added significant force protection and also the increases in the Afghan and Iraq security forces. Afghanistan, remember, is a \$5.9 billion increase.

Q: The '07 looks larger because there are some one-time expenditures in '07 you don't expect to be allocated in '08?

MS. JONAS: Yes. I'm not sure -- do you have the copy of our press release by any chance?

MR. : I believe (off mike).

MS. JONAS: If you have a copy of the press release, you might refer to page -- the back page, and it lists there the differences in the cost. But if you were to go -- let's just assume for a moment that the Congress passes this budget as we've requested it and you add that to the \$70 billion that has already been appropriated for '07, and you compare the two columns, meaning the total amount would be if the Congress passed what we're requesting -- for '07, the total amount expended in '07 would be \$163.4 billion. Compare that to \$141.7, all right? So your differences are going to be not much in the terms of operations, pretty well level in force protection. The Iraq and Afghan security forces will go down. The funding for that does go down in '08. It'll be \$12.9 billion if Congress passed our request for '07 to 4.7 in Iraq. Okay, so those are some of the differences. The reconstitution stays about the same.

Any other questions?

Q: This is John Molino (ph). I have one question on the quality of life number. You said \$11.3 billion and then you talked about a 3 percent pay raise, 4.2 in housing and subsistence, and you also included the privatized housing. When you roll those numbers up, how much is left of the 11.3 for other programs?

MS. JONAS: Well, let me just go through the numbers. The 11.3 -- I will walk it down -- it's an increase of \$2.1 billion to military pay. It's an increase of 1.6 for housing and subsistence. It's an increase of \$1.9 billion for base operations support. It's an increase of \$5.7 billion for strategic realignment or BRAC implementation. So those are the elements.

Q: Got it. Thank you.

Q: This is Chris (unintelligible). You went over the shipbuilding numbers pretty quickly. I'm looking at the documents sent out and I don't see it. Could you just go over those one more time in terms of -- (inaudible) building budget and what specifically it is budgeted for?

MS. JONAS: Okay, again, I'll refer you to our -- if you have it or if it's out on the web now is the -- on slide -- one of the slides attached to the press release. But let me walk through the shipbuilding account. I'll give you the -- this is -- \$14.4 billion is the total shipbuilding account. Now, this is procurement only. Okay? So for the DDG 1000, the budget includes \$3 billion. For the CVN-21, the budget includes \$2.8 billion. For the LPD-17, the budget includes \$1.4 billion. The LHA is another \$1.4 billion. The three littoral combat ships -- LCSs -- are \$900 million. The cargo ship, the TAKE, is about 0.5. Then we have money in for the overhaul, which is 0.3. Another 0.1 for the DDG 51. And the joint high-speed vessel is 0.2.

Q: Okay, thank you.

MS. JONAS: Okay. Submarines – I'm sorry. I forgot the submarine, 2.5, and then we've got some other balances about \$1.3 billion in auxiliaries.

Q: (Inaudible) of the National Military Family Association. I was wondering if you could just (inaudible) –

MS. JONAS: Can you repeat that, please?

Q: (Inaudible) Military Family Association. I was wondering if you could break down your health care cost and infrastructure for your 38.

MS. JONAS: Yes. John, do you want to go ahead?

MR. : Well, in the health care program for the actual Defense Health Program, the so-called DHP, that runs the day-to-day operations of our health care system, it's \$20.7 billion. For the actual military personnel who help support that system it's \$6.7 billion. There's approximately \$0.5 billion for some infrastructure improvements, military construction, and the like. And then we have our annual accrual payment into the health care accrual account for future benefits and the like for \$10.9 billion. That makes up the \$38.7 billion and that's pretty much a steady-state estimate from the '07 level as well.

Q: Are you going to be taking into consideration as far as possible fee increases or anything like that as far as adjusting your price – your cost estimate?

MR. : There is a – we still stand behind the need to implement proposals that will help sustain the benefit, and that may include some look at both deductibles and fees and the like. What we have here – there is a congressionally mandated taskforce that is chartered and is currently as we speak – is looking into this, and they are scheduled this spring to come in in the March-April timeframe with some recommendations that will help inform our future way ahead. And so, we do in fact include some projections for trying to attain some savings. We think that's very critical in terms of sustaining the benefit long term, but there is still some more work and some more information that we need to get from this taskforce to help inform future legislative proposals.

Q: Thank you. Do you have a list of what the sustained benefits that you're actually taking in consideration?

MR. : Well, again, this – I think – I would suggest you work with our health care community to some extent here, but this is a bit of a work in progress. I don't have a final list today. I mean, our sense is we'd like to implement much of what we proposed last year if possible. We think it was a solid, balanced proposal last year as well. However, again, the taskforce has been chartered to take a look at this and take a look and see if in fact there are some other new or innovative or creative ideas in the way of attaining these kinds of savings. So I think to some extent we are deferring to this taskforce to help provide some recommendations and to help us steer our way ahead.

Q: This is Steve Sturbish (ph). For the purpose of this budget submission, though, is it safe to assume that the same assumptions that went into last year's budget went into this one?

MR. : Yes. We'd like to still – we'd still like to achieve the savings that we projected before. Again, as I noted, we think that's an important element of trying to sustain – our goal is to sustain the benefit for our members. I mean, that is really our goal, and our concern is as you go into – like any other large enterprise in America, that health care is taking a greater portion of our cost of our enterprise. So having said all that, we still think there is – there are management actions that should be and can be done to try to control some of the costs.

(END)

**OFFICE OF THE SECRETARY OF DEFENSE
PUBLIC AFFAIRS**

INTERVIEW TRANSCRIPT

GENERAL WILLIAM CALDWELL #2

2007

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GENERAL CALDWELL: Okay. Well first of all let me just say good morning to everybody. And I've got just a couple of comments here and then I'll turn it over to whatever questions you all have. You know, I'm sure you've all have been paying attention to the election returns back home, and as far as we're concerned, that – clearly, that's a signal to America that we're in a period of transition. And here in Iraq, we (continually?) also see a country that's in transition.

And with transition obviously comes change. With change comes challenges. And these challenges are sometimes perceived as setbacks when in fact they're actually signs of growth and we see these signs of growth in the Iraqis' capacity to govern and their capacity to provide their security and in their commitment to revitalize their economy. Throughout this period transition, we are firmly dedicated to helping the Iraqis achieve our common goal, and that is an Iraq that can govern, defend, and sustain itself.

I'd like to focus our discussion on an area seeing a lot of change, and that's the security situation across Iraq. As you're aware, this year we once again saw historically elevated levels of violence during the month of Ramadan. And as expected, there has been a downturn in violence following Ramadan. Although we certainly do not consider this a trend yet, last week again we saw casualties nationwide decrease slightly by just 2 percent from the previous week, but again still much below that during the Ramadan period. But as we stated, the timeframe again has only been two weeks, so it's too short to call any definitive of conclusions but we, of course, will continue to monitor these numbers closely.

Another area we continue to see change is in the diminishing capabilities of al Qaeda in Iraq. Their forces have been challenged by the combined focused efforts of both Iraqi security forces and the coalition forces and most recently by the tribal elements al-Anbar as they've been taking them on, too, themselves. We continue to see that evidence of our efforts are achieving results against their ability to finance, execute, and both conduct operations.

Over the last two weeks, our objectives that specifically went against just al Qaeda targets was right at about 90, with over 48 killed and over 191 suspected terrorists detained off those target sites.

For sectarian violence, however, we still find a challenge. We continue to see operations by death squads and illegitimate armed militias. But it is important to remember that to date the problem is really largely localized: more than 90 percent of the reported incidents of sectarian violence occur within 30 miles of the capital of Baghdad. And we've been seeing some promising developments lately. The prime minister continues to oversee efforts to gain support amongst the tribal sheiks and religious leaders for reconciliation and unity.

Back where you are, I know the resignation of the secretary of defense has received a lot of coverage. Here in Iraq, we look forward to working with a new secretary after the Senate confirmation process. We are aware there will be changes on Capitol Hill and at the Pentagon, that a period of transition will occur. But we also heard the president's commitment to sustaining our partnership with the people and government of Iraq.

The Iraqi government continues its efforts to become the lead partner in providing the security for its people. They continue to make positive steps to increase their capabilities. The developments are having a real impact, we feel, on the daily lives of the Iraqis. They are better trained, better equipped, and more effective than they were two years ago. But we also know we must continue to train and equip them and to put more of them into the lead, and we're making progress along these lines.

As to date, we've trained and equipped approximately 319,000 Iraqis. Our goal is a force of 325,000, but last week the prime minister announced an initiative to grow the Iraqi security forces by approximately another 30,000. This growth will improve their flexibility and responsiveness. I can provide you more details about this growth if you'd like later during our questions and answers, but the effects of this growth are also being compounded by acceleration of the timetable for the force increases and deployment. And we remain committed to supporting these Iraqi initiatives.

The transition of responsibility for security to Iraqis is important to the people here and I think to Americans as well. The Iraqi people are counting on a more vigorous force to help them achieve what they want, being unity and the security and prosperity that all of us are working towards.

Which leads me to another topic: as Iraqis are counting on their uniformed services, this week recognizes also an important day for our American servicemen and women in the past and present. With Veteran's Day almost upon us and, of course, this month being the official month of the military family. I just encourage you all as you go out and deal with the press to lend your support to those veterans both who have served and are currently serving, especially to the family members who are back home.

The United States as a nation has 25 million living veterans of which today we have 1.4 million men and women on active duty and another 1.2 million serving in the reserves. And these soldiers, sailors, airmen, Marines can spend very long periods of time away from their families. We are a military at war supporting a nation at war. Our young men and women serve willingly to preserve the freedoms that we as Americans so enjoy. The military has a tough mission and service members here need the support of husbands, wives, children, parents, brothers, sisters, and all the other friends back home. Our families, veterans, and communities are what make our military and this country strong. And I just ask you to remind people of that fact when you have the opportunity to talk to them.

And with that, I'll be glad to take whatever questions anybody has.

Q: Yes, Bill, this is Jeff (unintelligible). Could you talk for a second on that 30,000 plus-up that the prime minister wants with the ISF – how that splits out between the Army, national police, and local police? And second question, you mentioned force deployments. You know, one of the critiques back here has been the inability of the Iraqis to move security forces from areas in the country that are relatively quiet and move them to Baghdad. For example, when JD asked for additional battalions, to the best of my knowledge those never were delivered by the Iraqis. Can you talk about that force deployment issue as well?

GEN. CALDWELL: Absolutely. And all the prime minister has announced is there are some other additional – well, let me stay on the record here. What I'll tell you, of the 30,000 that he announced, specifically what he's going to add is three additional division headquarters, five additional brigade headquarters, twenty additional battalions, and one additional special operations battalion. He is forming these organizations with their intent to be rapidly deployable nationwide so that they have the capability to pick up and move, so that as they organize them, train the, equip them, they're going go – that's the thing they'll be told when they first come into the service that they are the rapid deployment capability that the prime minister needs as commander of the armed forces to respond to situations around the country. So that's what – that's how he's going to use those additional forces.

Now, that actually is 18,795 I think it's what it was, but it's 18,700 and those elements – those new units that he's going to form – those are all new units. So that's three division headquarters, five brigade headquarters, 20 battalions, and one special operations battalion. All new forces, all new structure, of which 18,700 soldiers will be in that new structure. In addition to that, he's having us add 10 percent overage to the 112 current infantry battalions that are out there or combat battalions, I should say, because there's some mechanized.

So of the 112 combat battalions that are out there, we're going to add a 10-percent overage to each them. That's the additional 12,000. And we're – he wants that so that as people do take leaves and passes and whatever else, that when you field a battalion, it has a higher percentage that's available for duty towards its authorized bill of 100 percent because you started at 110 percent right off the top. So that's the 30,000 additional forces: 18,000 in brand new structure and 12,000 as the 10-percent overage in the current 112 combat battalions.

As far as the movement of the battalions into – or brigades into Baghdad itself, where JD has talked about the challenges that the Iraqis have experienced trying to make that happen, that's been readily recognized as a real shortfall in the developmental process because when we formed and organized these units, they were never made to be rapidly deployable like we see back in the United States with so many of our divisions. But instead were more developed to be more localized and used in that area, so, therefore, this prime minister's initiative to address that shortfall by creating new units that in fact give him that capability.

Now, we are still working closely with the government of Iraq for some additional forces from the government of Iraq – from the Iraq security forces to come into Baghdad to assist with the Baghdad security plan. That was always part of the original concept to have some additional forces and that's still an ongoing effort and they're working through some challenges they've had.

What's good is the prime minister in his role as commander in chief has recognized that they need things like incentive pay where those who are, quote, “deployed outside of their home areas” or those who maybe going into Baghdad to serve for awhile and so they are, in fact, putting in place some incentive packages for the Iraqi soldiers that are part of that effort.

Q: Thank you.

GEN. CALDWELL: Does that help?

Q: Yes.

GEN. CALDWELL: All right.

Q: Yes, General. Paul Vallely with Fox News. The question keeps coming up why Maliki and the government doesn't issue an edict to disarm – completely disarm the militias and take al-Sadr out of operation. What is the real reason why they don't put that into effect – to disarm these people other than the police and the security forces?

GEN. CALDWELL: Well, the prime minister continues to say and has said repeatedly that the only personnel that are allowed to carry arms in public in Iraq are his security forces. As we encounter elements out there that are conducting illegal activities, we take them on, whoever they are. But he has said that militias are – I mean, he's publicly stated that militias are not allowed and that the only people that are allowed, as an organization, to carry weapons are his security forces.

Q: Well, they don't seem to enforce it, do they? I mean, that's the way it appears anyhow.

GEN. CALDWELL: Well, and that's where some –

Q: I know it's a difficult situation.

GEN. CALDWELL: No, and that's where the challenges have come in, like with the national police. Clearly, some of the national police had allegiances to other than the service to their country. And so, therefore, you saw the entire 8th Brigade of the 2nd National Police Division pulled offline last month because it, in fact, had people operating within that brigade that were not – did not have their first loyal and allegiance to the country, but rather had it to some religious sects or militia elements and therefore

could no longer function servicing the people because they were abusing the power that had been entrusted into them.

So when we're finding those things, we're encouraged when we see the Minister of Interior Bulani taking those things on. And when he pulled that brigade offline, that was a good thing. When he just went in and announced the 57 people this past week that are being pulled out of their jobs and some are going to be charged with criminal actions for their associations with Site 4 and what happened to the prisoners there and some of the torture that is alleged to have happened as they go through this investigation – that's another positive step forward. So Bulani – Minister of the Interior Bulani is taking positive steps to confront and take on some of this infiltration by people within those – the ministry of the interior that clearly don't have their first allegiance to the country.

Q: Thank you.

Q: Bill, Bing West. A follow-up to that one. In the Baghdad area, when you're apprehending Shiite death squads versus Sunni insurgents, over the last couple of months, what's the proportion been? Has it been 50/50 or are you apprehending many more Shiite death squads than Sunni insurgents so the other way around? And when you apprehend the Shiites, are they kept in prison or are they let go again?

GEN. CALDWELL: That's a great question. I was asked that about two weeks ago and we, in fact, have the Taskforce 134 running down that statistical data for us. I mean, gut feel, we kind of know of what we think it is, but they're actually going to give me – so I don't get misquoted on that one – what statistically it's turned out to be because we have picked up quite a few people. We established our EJK – extrajudicial killing – taskforce, to include an intelligence cell that does nothing but deal with that, in early July. So from July 17th on, we have very definitive data by names and everything else of where we've picked up people, how much, so we can go back to that time period and very clearly lay it out. And they're doing that for us now and we should – I mean, I kind of thought we would have it now but they're – the challenges they've been faced is pretty – is monumental as they've been explaining it to me as they're going through that because they're having a hard time tracking where everybody has gone. There have been, honestly, many released for overall insufficient evidence because they'll go in and hit a target and pretty much swoop up anybody that they think might have been associated with and then sort it out when they get back to the detention facility, and then release them if (unintelligible) But I don't have that right yet for you, Bing.

Q: Okay. Thanks.

Q: Hey Bill, this is Jeff again with another follow-up. Talk to us a little bit about Sadr City. Of course, we've taken down the barriers and checkpoints, which looks to many people like a major concession to al-Sadr. And still the belief that this one missing soldier might be held by the militia groups in Sadr City. While you say we're challenging them on the one hand, it's being played out here that we kind of backed down to them. And can you talk about that and anything else on this missing soldier?

GEN. CALDWELL: Sure. I guess I'll start with the – our missing soldier first. That might be a good one to just to lay out. We're continuing to look for him up to – as of this morning, we've had over 328 tips that have been provided to us. That's as of the morning update this morning at about 0600. We've conducted off those tips specifically 51 deliberate operations looking just for our missing soldier. We have detained 35 people as a result of those raids, of which several we have released but they're some of specific interest that we obviously have not because they are being useful. And thus far, we have had one coalition force soldier killed during these operations and six coalition forces wounded in looking for our missing soldier.

Today, we just – in fact, probably one hour ago – we haven't had a chance to put it out yet. We're working up an announcement now, but I can share with you: we just had approved a \$50,000 reward that we're going to offer now that – the way we'll put out the message where we've had approval to offer a reward up to \$50,000 for any information leading to the recovery of Specialist Altady (ph) our (unintelligible) soldier, so that is good news for us. General Casey has gone in and requested that and it's been approved now for us to actually offer a reward for any information leading to his recovery, so we'll put that out publicly here. I mean, you all are welcome to use it. This is on the record. But we'll get something out in the next 24 hours on it ourselves publicly, too.

So we're – we're continually and very diligently looking for him. We have fairly good information that tells us where we think he could still be held and who perhaps may have him, but obviously are not releasing any of that for operational reasons. So we're still working it very, very diligently. I mean, there's no question of – you know, we're not going to stop looking till we find him. We're just not. And we're going to continue the intensive efforts that we have ongoing. And we are utilizing not just our forces within Baghdad, but additional forces that have been specifically been made available by General Casey to assist in the whole effort, so it's an ongoing, very focused effort.

Q: But how about Sadr (City)?

GEN. CALDWELL: We have a – we continue to conduct presence operations through Sadr City. The prime minister has not yet taken that on as the area that, quote, "we're going to go in and clear" yet. I mean, we haven't taken any areas on since Ramadan yet to start clearing new areas. But obviously eventually, as the prime minister has stated, too, himself, you know, the intent is to eventually go through the entire city. But we are going into Sadr City. We're still conducting raids in Sadr City. We did a raid there not last night, but the night before last. Our last couple in there we've had no incidents in terms of having the community engage us. In fact, we've been able to go in and conduct deliberate operations. A lot of the – not a lot, but several of these have been – like looking for our missing soldier – have been in Sadr City and we're not experiencing some of the past experiences we've had when there's been a lot of gunfire against us by other personnel other than the objective site. We've been able to go in, conduct the operations, and come out with relative ease over the last two weeks.

Q: Hey, Don Shepherd, CNN. Bill, can you give us a characterization of what your interface has been with the Iraqi Studies Group? Is it mainly at the political level or have they really been out there with the troops looking at military strategy and things we might do?

GEN. CALDWELL: Now, you're talking about the Baker group?

Q: Yes, indeed.

GEN. CALDWELL: They did come out here and spend a good amount of time and did talk to a lot of soldiers and troops and commanders when they did their assessment, but we've really had – any interaction after that is – they have been between General Casey and the president of the SecDef, but nothing that we've dealt with as a staff level follow-on to it.

Q: General, Chuck Nash. Could you just kind of give us your thoughts on what's happening down in the south – the Shi'a in particular? The interplay between Sistani, Hakim, Sadr, any relationships? Are these guys just kind of waiting around? It seems like things are nice and quite down there at least in relative terms. And then you've got this new guy – this Abu Dera – who, you know, the press is playing him up as the Shiite Zarqawi. How does all this play inside the Shi'a community – that 60 percent of the population that they're really carrying the weight?

GEN. CALDWELL: Well, we see a lot of it as people vying for power, both political power and economic power, over here right now. But these extreme elements that are out there still using violence to achieve their means and we do see Badr Corps and al Sadr's group, you know, have all these skirmishes down south and it's Shi'a-on-Shi'a extremist elements is what we assume from both groups as they vie for both the political and economic power in different places.

It's not sectarian violence as we're seeing inside Baghdad where it's Sunni and extremist elements on each side, but rather it's Shi'a-on-Shi'a in down south. And normally they come and their able to negotiate a settlement after it's flared up for a couple of days and bring it back under control as they negotiate and internally handle it between the Iraqis themselves. But that's what we kind of see down south. It's a move to use violence to acquire power and – economic power and political power.

Q: Have the Iranians backed any of these particular elements, one over the other?

GEN. CALDWELL: What we have said up to now is that there's no question the Iranians have been very unhelpful – that they in fact have provided support for Shi'a extremist elements. We know that they have actually allowed some training to occur in their country for some of these extremist elements. We know that they continue to allow shipments of arms and ammunitions to come across the border into Iraq to be made available to these extremist elements. But that's about as far as we've publicly talked at this point.

Q: Okay, would it be simplistic – using that word really, I mean, like too simple to say that they would be more likely to support the Mahdi army because they're fighting Sunnis than supporting say elements in the south that are fighting fellow Shi'a?

GEN. CALDWELL: Let me go – only because I'm not sure. Let me just go off – totally off the record. Well, this is off the record now. What we have seen is support mostly to the Badr Corps and not to Sadr's element.

Q: So Hakim's guys?

GEN. CALDWELL: Yes. And that's where we've seen the greatest support that we've been able to do the analysis and tie-in. It doesn't mean that Sadr's element is not getting some support, but we haven't seen it readily as we have to Hakim's folks. With that – there we're very comfortable in stating that that's where it's happening, but we on the record only say the Shi'a extremist elements.

Q: Okay.

Q: Don Shepherd. Lots coming out here about Shi'a distrust with our increasing – what they've termed as leaning towards the Sunnis themselves. Can you characterize what's happening between our forces and the Sunnis? Is there increasing cooperation or are they looking more favorably upon us as we engage the sheiks and what have you?

GEN. CALDWELL: Again, I'll go back on the record here and I'll tell you that there's a very active engagement program being looked out west right now that the prime minister has had the lead in and that we are actively supporting and working hard. He reached out to the sheiks out there, brought them in for the al-Anbar conference here in Baghdad. He did that a couple of weeks ago as part of this whole reconciliation effort. In fact, I want to say it was on August – let's see. I'm trying to look for the date on that, the actual – yes, he did on October 14th. He brought them in here and held this conference here in Baghdad on a Saturday and pledged to support them out there and came out with a public statement afterwards and a press release and everything else associated with that. And in fact, on November 7th, the head of the Anbar tribes out there sent a letter to the prime minister thanking him for the support that he has been giving to the Anbar tribes as they continue their fight against terrorists out there.

So there is a very visible support being done by the prime minister to the Sunni elements out there, especially the tribal elements as they have been taking on and fighting al Qaeda but also a commitment by the prime minister to support them and helping rebuild like Fallujah and some of the other towns out there, with economic funds, of which recently we've heard the minister of finance announce up to \$37 million has been released towards projects out there. We haven't seen it since we've gone into projects yet, but he did announce that he has released up to \$37 million towards projects that have already been identified and stated that they wanted to do.

So there are people seeing a lot of this visibly being done, which I'm sure has led to some of this apprehension. And then, of course, because the prime minister is working that, we are actively supporting him especially out in the west. Our multinational force west out there, our Marines, have a very active program to stay engaged just like we do across the whole country with whatever leadership we're dealing with in the areas we operate in. But they've taken it to a new level out there and are extremely active and working the economic piece. They're in Amman talking to people there that left from Iraq and are living over there.

So it's an ongoing effort to stimulate the economy, to bring al Qaeda under control, which they are doing a great job of themselves, and of course we're supporting them, too, with military operations we conduct out there, so that there's very visible demonstrative effort ongoing that I think it's leading to some of this concern. Because, you know, for 25 years the Shi'a were suppressed by, quote, unquote "the Ba'athists" and they do not want to see reemergence of, quote, unquote, "the Ba'athist elements" to try to take power again back when in fact they've – now are in power. So I think that's where we hear some of that coming from. But it's not because we're favoring one side over the other in terms of a multinational force. We're staying actively engaged in every area we're operating in with whatever sect happens to be in those locales, so we're not at all favoring anybody. We're staying very unbiased. Our only favor is towards the government of Iraq and doing what they want to accomplish.

Q: Bill, it's Ken Allard. I'm sitting here looking at those wings you gave me in New Orleans last year. But my question today is about a different form of civil unrest. Are you seeing any sign over there, with everything which has happened, of any voluntary separation by the (unintelligible)? Any sort of drawing back into Sunni or Shi'a enclaves?

GEN. CALDWELL: If you go in and talk to the Iraqi – in the Baghdad area – the Iraqi people, we have seen movement of people from Sunni areas and the Shi'a areas and vice versa. They haven't left Baghdad itself, but they have moved internally within Baghdad to areas where they will feel more comfortable because they didn't feel comfortable where they were living. It could have been a Sunni who lived in a predominantly Shi'a area or vice versa, and we have seen that occurring in the city. Not necessarily the mass exiting out of the city, but we have seen the relocation within the city into areas where they feel more comfortable. The numbers – you know, I'd have to go back and it's anybody's guess because that's not – I mean, that's a very difficult thing to really track, but we know it is occurring.

Q: What about elsewhere in the country?

GEN. CALDWELL: We haven't seen it to the degree we've seen it within Baghdad. You know, if you talk the brigade commanders – I mean, I was down there again with Mike Shields (sp) today all morning and in his area of operations in Baghdad. And, you know, they get out and they're talking to people all the time and he'll know and have a good feel for his area – how much is sort of occurring, but we really haven't seen –

I was up in Diyala last week and spent the day with one of the brigades up there and I just didn't see it up there at all. I mean, in fact I don't even think it was even brought up as a discussion item.

Q: Great, thank you.

MS. : Gentleman, anymore questions for General Caldwell?

Q: Bill, there was a report released in the press today of like six bombings in the last 24 hours in Baghdad. Any particular comment about who was responsible – what that's all about?

GEN. CALDWELL: We did have four VBIDs and indirect fire that did occur over the last 24 hours inside of Baghdad here in the city. And as we looked at the areas – I was just trying to go back in and look at this a little closer – the VBIDs did all occur on the west side of the river. They were not on the east side, they were on the west side, which means they – I didn't ask the specific – I know the neighborhoods. I just didn't know the particular mix in that neighborhood. Out of the VBIDs that we – one had five killed and 17 wounded and that's in Mahmoudiya. In Muqtadiya (ph), we had 10 killed and seven wounded. In Washashasha (ph) village, six killed and one wounded. And in Beya', two wounded. And then it was really the indirect fires that – you know, the mortar firing that went on over the last 24 hours between Sunni and Shi'a shooting back and forth at each other that we had 40 wounded in Adamia – Adamia that occurred over the last 24 hours.

Q: General, Chuck Nash.

GEN. CALDWELL: I'm not really sure of the particulars on the sects that we would have attributed them to at the moment.

Q: Can I get one last question if I could? You know, part of the frustration – I guess whether it's my frustration or a lot of people that I talk to – is that you keep looking at these news reports of innocent civilians getting blown apart and all these bombs and I guess the overall frustration is when are they Iraqi people or is they're going to be a day when the Iraqi people just say "enough is enough" and start looking internally at getting their house in order? Part of the rhetoric around the election back here, I don't know how much time you spent watching TV, but a lot of it was: these people don't care, we're sending our kids to die over there; when are the Iraqi people going to stand up for themselves?

Given that most of the violence is in Baghdad, given that there's a large we'll call it mafia part of society over there and it's very tribal, what is the dynamic that's going to lead to the Iraqi people just saying "enough"?

GEN. CALDWELL: That's a great question. It's one we deal with all the time. And one of the most important things we think we'll be when everybody feels they have

the ability to be inclusive and a part of this process. And until the government clearly demonstrates that everybody has the ability to sit at the table and be a part of this process, to where they feel they could have an input and they feel like their personal needs and desires are going to be taken care of. That's why it's so critical that this whole reconciliation piece continue, that the outreach continues, that the prime minister does in fact talk to the Sunni elements and other extreme elements and tries to bring them into the political fold, because until they feel they have a stake in the future of this nation, then they tend to become very, very tribal focused; they become very looking after themselves and not after the good of the nation, and then they're not figuring out how to solve the bigger problems. They're just taking care of their immediate, personal problems.

So the government just has to stay and remain committed to this whole reconciliation process in terms of the outreach, the inclusiveness, the participation by all the different parties, which the prime minister – we continue to see a lot of positives that this Mecca accord when all the religious leaders just went down to Mecca and signed that accord and then the council of representatives 48 hours ago spent literally the entire day, not yesterday but the day before, just dealing with and talking about the Mecca accord. There are positive steps in that respect being taken forward.

You know, I was just, again, with Mike Steel (sp) today and he's down there dealing with a tough area of Baghdad. And, you know, one of the things he was talking about is this reconciliation conference he's helped his Iraqi counterparts understand they need to do to bring all the Sunni and Shi'a together this weekend. They're going to have a big thing on Saturday morning in Baya' – and sit down and talk through. And he says it's going to be – I mean, he looked at me and he says, "It's going to be hard, sir. It's not going to be easy." He says, "It's been hard to get everybody to agree that they will willingly come and engage in that discussion on Saturday." But he says, "That's the first step." And he said, "We saw it up in Tal Afar. It proved to be very successful. You know, this doesn't happen one time. It's the start of an ongoing dialogue." And he says, "That's why we've got to get more and more of these people doing."

Well, and the government recognizes that, too, at their level. And that's something that we're pushing hard with all our counterparts, wherever we're working with Iraqi security forces, to take on and lead and deal with the people in their area. So it's going to take more time. And, I mean, I'll tell you – I'd go off the record to say this, but their levels of tolerance – their tolerance for violence is so much greater than ours.

Q: Yes.

GEN. CALDWELL: I mean, and this is off the record. But it's just incredible to me their tolerance for violence. When I go out there and see a site of 18, 21 males all shot and handcuffed and everything else, it just turns my stomach upside down to see them. I just feel so for the people and I just – but they almost – it's almost an accepted thing with them. So their tolerance for violence is just so much greater than ours. So we just keep pushing hard at the reconciliation piece with them.

Q: Do you think that with the tribes in the Anbar taking on al Qaeda, do you think Muqtada al-Sadr is going to be able to take on Abu Dera? I mean, it looks like Maliki is almost hoping that he will.

GEN. CALDWELL: Yes, I wouldn't want to – I mean, I'll go back on the record. I don't know. Obviously, the prime minister hasn't stated anything publicly but there's clearly – Sadr has – and I'm back on the record with you. Sadr has said that he has rogue elements and Dera's clearly demonstrated that he is a rogue element out there operating outside of Sadr's control, which we're watching very closely because that, in fact, could have already produced friction and problems and violence between them we don't even know about. But, yes, those are rogue elements that he has stated are either – that's he's willing to take action against. So that could very well flare up into violence between them.

Q: Thank you.

(END)