

**REMARKS BY
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PACIFIC COUNCIL ON INTERNATIONAL POLICY

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ADMIRAL MICHAEL MULLEN: (In progress) – Iraq’s got a budget excess this year surplus of – depending on who’s counting – \$60 to \$70 billion. The total revenues in Afghanistan this year are \$700 million. So this is not a country that has the resources or the history that’s going to change overnight. So we have to have a comprehensive approach. It’s not just about security. We have to create a secure environment, and we’ve got to be able to build and develop behind it. We’ve got governments that should be put in there. It’s also a country that’s never been run by a central government, and that – I can use an example. A year, a year and a half ago, there was a lot of discussion about political reconciliation occurring in the provinces in Iraq, a local political reconciliation and then that leading upward, we had hoped, and actually had happened, with the national political reconciliation. I believe that in Afghanistan that local political tribal leadership has got to be brought to bear to address the overall both near-term and long-term challenges in Afghanistan, and they are huge, and it’s governance, law, economics as well as security.

MR. : Is it reasonable for us to expect that within our lifetime that there will be an Afghanistan where there’s a rule of law, where there is some government who needs foreign investment, the kinds of ingredients that you need to have a stable, ongoing society, whether it’s democratic or not?

ADM. MULLEN: I think if we can provide the stability that, I think, it is reasonable to be able to get there. If you can’t get the stability and security, it isn’t going to happen in our lifetime or the next lifetime. And I think – from what I can see, that’s doable. The Afghan Army is actually a pretty good army. They also have – we have a very good connection with him on the American side, and there are still, not unlike Iraq and other places, the police force has got a long way to go and we need to develop that. But they’ve also been an army – they’ve been at war for 30 years. They’re pretty good fighters. So we can develop that, I think, overtime, and if we can get to that point, then I really do think there is hope for the rest of them.

MR. : Do you have a sense that as we draw down in Iraq overtime and as we pull back to some degree, eventually, in Afghanistan, that the extremist government will be more patient than we have been and will use the time to get ready to galvanize their forces and spread out as we draw down?

ADM. MULLEN: Most of us believe that we're living in a time now of, what we call, persistent conflict. It's difficult to know where it's going to come from next. I always – when people ask me what's next, or what do we need to get ready for, and it's very difficult. I'm informed by an answer that Secretary Rumsfeld gave on a question on predicting the future that the answer sort of went like this. When Mr. McNamara was testifying before the Senate to get confirmed, nobody asked him a question – one question – about Vietnam. When Mr. Cheney was testifying before the Senate, nobody asked him one question about Iraq, and when Mr. Rumsfeld was testifying, nobody asked him one question about Afghanistan.

So our predictive capability isn't great. I think we've got to have a strong military that's balanced in that regard. And so I think the extremist threat – I think the danger for us would be for us to be – for us to let our guard down because the extremist threat is out there. They are local to global. And in the end, I think we have to get at the conditions which create these through governments and through the kind of interaction globally, not just the United States, but the countries throughout the world to address this. And to the extent that we're able to do that, I think, eventually, this threat gets down to a much lower level, and to the extent we don't know, I think we'll see.

MR. : Good. Let's open it up to questions. I'm sure there are many. And why don't we start in the front?

Q: As part of a regional solution for Pakistan and – (inaudible) – and may ask if in that sense, if our government really talked to the Taliban as the Pakistan government already was doing and was not succeeding in getting solutions – (off mike) – across the border.

ADM. MULLEN: Right now, we're not talking to the Taliban.

Q: I was interested knowing your perspective when you talk about how poor a country Afghanistan is, and you look at the GNP and the contribution of the poppy crop in the economy. How do we help them overcome, for such a poor country, something which is such an economic engine for the masses as poppy has been?

ADM. MULLEN: It is certainly a great part of the challenge that we have when we talk about the safe havens from a security standpoint, certainly the Taliban that is there, a government, the nation's central government, its nation, at best, a very poor economy, and the poppy challenge that we have. And I think we need to address that with the sense of urgency that we, the international community including ourselves, we don't have. It's a tough problem wherever it is. Historically, we know that. But it's not

just feeding the people. It's feeding the insurgency. It is really the – it is money, the fuel that is feeding the insurgency in Afghanistan.

It's a very difficult issue because of different countries' views of how they should be addressed and how significant it is. In fact, as John said, I was actually in the meeting all day earlier or last Saturday that was a NATO meeting. And we spent half a day talking about Afghanistan. We actually spent – only two subjects. One was Afghanistan and the other was – (inaudible). And there are pretty strong views about how the narcotics problem in Afghanistan should be addressed. But we can talk about this a lot. It is a fact that that is the engine that's running this insurgency, and it's going to continue to do that and the extent of that is killing our people, and not just Americans. It's killing soldiers from a lot of countries, and we're going to have to figure out a way to get that and much more quickly than we do.

And part of the solution has to be when that local farmer is – when that poppy crop goes away, there would better be somebody there with another crop so that he can feed his family simultaneously, not a year from now or two years from now because if we don't do that, we've just raised another insurgent.

MR. : If I could follow up on that answer, is that the job of the military to be there with the next crop? Whose job is that?

ADM. MULLEN: No. No, it isn't at all. And I'm not looking for more work, I assure you. But it is recognized, and there's an extension – when you're on the ground, those that are fighting out there, there is an extension from a security standpoint and from a threat standpoint, that they know those labs and the people that are – (inaudible) – are feeding their fight. And so it's hard for them to pull away from that because of that fact. So I'm not arguing that the military needs to take care of that. But I do strongly believe that we, as a group of nations, have to figure out a way to get at that, and we can't just keep looking away.

MR. : If you can just identify yourself before you ask the question that would be great.

Q: John Taten. Thank you. Admiral, if I may ask a couple of quick questions.

MR. : The mike's not on.

Q: It's not on? Now it's on. Thank you. Admiral, a couple of questions, forgive me, that have nothing whatever to do with the central or the western Asia or the Middle East for the moment. One of them is this. James Stavridis, the admiral who is in charge of SOUTHCOM and the one who's in charge in AFRICOM, and maybe others as well, are doing a sensational job with respect to the military providing, what I guess could be called, public diplomacy and sending hospital ships and the building not roads, at least providing aid that might have come from civilian sources, but is now coming from military sources. Personally, I think that's a wonderful thing to do and a great idea. And

I wonder if you would just comment upon its success and whether it will continue given the state of the world affairs.

And my second question, which is unrelated to that, is this. We have and we should have and we should always have the best military in the world, the best trained, the best equipped with the best technology. My question is, and this – and I don't know if this is a fair question. The question is what price we should pay whenever we need to pay but military procurement should be operated in a fashion which at least gets us the best we can for the right price. Are you satisfied with how the Pentagon does that today?

ADM. MULLEN: Let me answer your second question first. No, I'm not satisfied. No. I've actually had a fairly extensive background in programs and budgeting acquisition, and if we don't figure out a way to get control of the costs of our systems, then we almost would look to a future that can't do what we need to do from a national security standpoint. Someone said the other day we're paying twice as much, taking twice as long for half the number of whatever it is. And that just isn't going to work. There is, however – and I have spent a lot of time in this – there is no simple solution. I think the decision Secretary Gates made last week to take a break with respect to the tanker challenge – we're seven years into not signing a request for proposal – I'm sorry – a contract for tankers that we need that we have a legitimate military requirement for. And I worry a great deal because of all that has transpired in that, that we actually can close that deal eventually. And we look for a value-based proposition that makes a lot of sense for the military.

So there are a lot of smart people that have looked at how to reform our acquisition, and we clearly haven't figured that out yet, but we've got to get better than we are right now with respect to that. And I don't think there is an infinite price. I'm not ignorant of the challenges that this country has in the future with respect to the Social Security, the whole entitlement world. I'm certainly not ignorant of the amount of money that we've spent over the last decade with respect to – or certainly since 2000 on the military and how much we've spent with respect to the war, and if there are other challenges that we have in country as well. And so that gets back to – actually, I was head of the Navy for a couple of years, and one of the things – and I still do this although I don't deal with money day to day, as I did when I was a chief, but we should spend the American taxpayers' money wisely and invest it wisely. So we've got a lot of work to do with respect to that.

That first question – sorry. What was?

Q: The public diplomacy question.

ADM. MULLEN: Actually we were talking a little bit about this at dinner. We have two hospital ships. One's in San Diego and one is in Baltimore. The Navy and the Marine Corps, because we are out there and could, when the tsunami hit in '04, essentially built a city at sea. There was nothing there and we built a city on top of that to create infrastructure, to provide the kind of relief that only we could at the time, and we

also certainly married that in particular with our Air Force who also did that. But it was really the sea side of that. And the Mercy got an awful lot of – it was a centerpiece, although not the only ship that supported that.

And since that time, one of the things that happened in that which was really interesting, it also happened in Pakistan when we provided relief for the earthquake. There was a Pew survey, international survey after the tsunami relief, and clearly, the focus on what they call out there the big, white ship. And the attitude in intervening there for the Americans which were 65 to 35 against. Literally, in the period of months, the same survey swung to 65-35 the other way. You can't do that. You almost can't – there's nothing that swings that quickly in anything that I could think of, and it was indicative of the assistance that was there. Same was true in Pakistan when we worked so hard. It wasn't just us because there was a lot of international support there as well.

But since that time, when I was head of the Navy, I wanted to send a hospital ship back not just in the middle of the crisis because we were doing pretty in the crisis. So we've started since then, and Gary Roughead who relieved me has kept doing that. Essentially, we take the hospital ship and Mercy she was out west again this year and the East Coast, Comfort has gone to Latin America, South America and Jim Stavridis has overseen that. So we're trying to alternate it there, but we're also doing it by other means which are not just related to ships. In fact our Special Forces, when we're not in war and they're not fighting, our Special Forces do this better than anybody else. In very small units, they go throughout to various countries to establish relationships with other military. I'm not talking about humanitarian aid, but the whole idea here is to have relationships.

And we now, when Mercy goes out, the Comfort goes out, Stavridis gets a lot of NGO aboard. One of the first guys I met when I took over the Navy, the guy named John Howe, John Howe, who owns Project Hope. We've become great friends. And he's got great reach into NGOs, and he's the first – when Katrina went, the first phone call I took after that was Howe saying, are you going to send one of the hospital ships to the Gulf to help us down there? And we actually did that. So we need, and I believe we've got to meet NGOs before a crisis, because we come from two totally different worlds and those worlds are conditioned by what we have grown to believe we do to have a relationship with an NGO before crisis, multiple NGOs, is really important. So with a lot of courage, we can get over that, and we will be beyond that and we'll actually have an impact. So we're going to continue to move.

Q: Hello. I'm Nathan Gardels with NPQ, the Global Service of the LA Times, speaking to the media. Two quick questions related. Are the nuclear weapons in Pakistan safer under the civilian government than under Musharraf, number one. Number two, General Abizaid was here a few weeks ago and said quite clearly – or implied quite clearly – he didn't have to say it – that Iran would get a nuclear weapon and the real policy was deterrence against Iran. He said Iran is not a suicide state. He seemed to assume that Iraq with a nuclear weapon, we couldn't stop that. What do you think about those two questions?

ADM. MULLEN: I think the controls that exist with respect to nuclear weapons in Pakistan haven't changed with the transition from President Musharraf to President Zardari. And I have confidence in that as far as the control is concerned. Certainly, there are concerns that we have with respect to the – this is a country with an insurgency and have nuclear weapons. We certainly wouldn't want them to get into the hands of the insurgents or terrorists. So that's a huge concern. But the controls are the same and I'm comfortable with that although there are – this is a sovereign country. There are certainly limits about what we understand from the American perspective and the international perspective on what we really know. And we want – obviously, we want those controls to be satisfactory, but right now, as best I can understand it, they are.

I don't share that same view that John Abizaid does. I think Iran with a nuclear weapon is a very bad outcome. I don't deny the fact that they certainly could have it. I'm just not prepared to say that, I think, from a policy standpoint, we need to be moving forward like we're going to have – if I were just to tie the two questions together and look at what's happened since Pakistan got a nuclear weapon and proliferation that has occurred since that time, I worry about it proliferating in that part of the world and controlling that kind of both outcome and behavior would be a real challenge. I don't disagree with John in the sense that I don't think Iran's a suicidal country. That said, I think them having a nuclear weapon would be much more destabilizing in that part of the world that's pretty unstable as we speak.

MR. : Our friend from San Diego.

Q: Hi, I'm John Yukelson from San Diego. May I bring you back to the second of your priorities, giving the men and women in our armed forces a little bit of a rest? What is your reflection on the all volunteer force? What we can ask of it? What our service can ask from it? Whether it is doing the kind of job that you would like to see in opening up opportunities for minorities and underserved groups and whether the kids who are privileged in our society, who are maybe contributing other ways, aren't really carrying their load in this force or this performance so well.

ADM. MULLEN: In reflection, we can – they routinely exceed expectations. If I were to dial back to 2001 and say we're going to – or 2002 and say six years later literally in our six year plus of war and they were going deploy particularly the army for three or four times, 12 or 15 months in a track and give you about that much time between deployments, and we're going to hold together, I don't think I would – I don't think I would bet on that.

We've done that and there's more there. It is not infinite. I'm what I call Vietnam baby. My first war was Vietnam. I was here. I was here when it all fell apart in the '70s. And it's – there's not a day that goes by that I don't think about that. And it was awful. And we talk about a lot of reasons that it was awful because of the times we were living in, et cetera. But the fact that the military almost completely fell apart that day is something that I am counseled by in every single thought that I have. To do everything I

can to make sure where we don't get there. And I don't think we are close, but we're not – I don't have six more years again at this pace, in this engine, right now.

They are very proud of what they've done. We have changed how our ground forces have fought. Completely.

One of the challenges that Pakistan has is their full to gap, their Soviet Union is the Kashmiri border. So they've been locked up on that border in what was going to be a conventional fight forever – the time they trained, the time they promoted, that were successes in their career path, all that stuff. They've now got to become a counterinsurgency force. At the same time, if you're talking to anybody in Pakistan, India hasn't gone away. They still have threats. So they've got to do both. So there's – so Kayani, who's the head of their army, has got to address both these threats, change his army, address a real threat which they have obviously right now – and it goes back to this patience piece. And we really didn't get counterinsurgency right for about 24 months, maybe 36 months ago, max. And now we're the best – the United States military is the best counterinsurgency force in the world. And that speaks as much to the quality and capability of our men and women.

They are without a doubt the best I've ever seen. And I am not – I remember the draft. I remember the draft force and it doesn't – I don't despair to anybody who served in that regard, but this group of young people – and the average age in any unit in our country, just so you know – and as a parent, I think of this as well. If you go to any unit in the country, the average age of that unit's 20 years old, 21 years old. And they are – they are exceptional. So I'm not a fan of going back.

I was at an event last week, I can't remember where it was a young Marine second lieutenant who was a TBS, so it was over a weekend. I can't remember exactly what it was. He graduated from Yale last summer. And he and five of his buddies from Yale are all at TBS in Quantico.

I spoke Friday at this Service Nation get-together in New York. And you may have seen it. Thursday night the two candidates spoke at it. But this was picked up – this is a group that has for the last many years focused on service at every age. And one of the groups that I've spoke to in my remarks is as one of the oldest baby boomers. There're a lot of baby boomers who're retiring right now and who enjoy – who enjoyed the benefits of the time we've grown up and this country needs our help. And we needed the volunteers. We needed to take the talents that you have, wherever it might be, and we need it at every level, and because of the challenges that we have, I think, around the world. And the need's over there. There were loads of 20, 22, 24 year old young people who were at this conference for a couple of days, which makes your heart sink. And this – serving in the military at all it's about serving somewhere. But I also said now we have about 40 to 50 active duty military officers or those who've served, who were all at – Ivy League schools getting their MBA or their MS, MA. And I'm encouraged by what they're telling me about what's going on.

So I want to keep hitting that I am concerned that the demographics in our military is under-representative – is broadly under-representative of every area of the country because I think our military has a lot to offer. It typically – anybody who's been in the military, a couple of you walked up to me tonight said it was the best two years or four years in my life, even though I didn't have that great of a time. That benefit is still there. I see it all the time.

On the ethnic piece it's a huge priority for me and when I was head of the Navy, I made it a priority because we're behind and we're – and in fact today I was with 800 soldiers, mostly senior NCOs. This was at Sergeant Majors Academy, so 15 to 23, 24 years lived mostly in the army. The number of minorities that were there were striking and this makes you smile. And my challenge in the military, if I had to bring in, particularly on the officer's side, I am now recruiting the leadership class for 2040, 2050. And if I don't bring them in at this level right now, there is not – I'm not – they're not going to be here. So if I bring in 6 percent women or 6 percent minorities, or 10 percent minorities, that's what I'm going to have at the admiral level 25-30 years from now.

One of my favorite people in the world is one on the LA school system right now, Dave Brewer. And he called me when he got this job. And I said, are you sure, actually I didn't exactly say that. But a man of great service because we've invested our lives in our young people. We all have to do better at the more senior level. And of all the models that are out there for how you get there, if I don't have somebody I can look up to and say, okay, I can do that. I'm not. It's pretty rare, but I'm going to try to – then I'm going to try to go. And we talked earlier. We are not – typically on the Navy side, we are not well represented hispanically at the senior officer level. We haven't been, but that's something we can't change over night. And I believe our military has got to be balanced to represent the ethnic makeup of our country. And to the degree we are, and particularly our leadership, it's a great strength. And to the degree we aren't, we start to distance ourselves from the country. And we're a democracy and if we do that, we're in trouble.

MR. : Let's go to the back on the left.

Q: Thank you very much for a candid and comprehensive set of remarks. Two questions. One related to your early remarks about picking the next president on the worst-case scenarios that might unfold. Certainly one of them has to do with the proliferated world, even acknowledging that we do whatever we can to avoid acquisition by Iran and dissemination from North Korea. How will the, or should the military posture of the U.S. be affected to the extent that we had credit a further proliferated world where the proliferatees may well include state less as well as state acquisitions.

The second unrelated question has to do with the extent to which the deterioration of the situations in Afghanistan and Pakistan may be the other side of the coin of improved circumstances in Iraq, that is the extent to which there may be or may have been a reallocation of effort by al Qaeda and its affiliates away from Iraq and toward Afghanistan and Pakistan.

ADM. MULLEN: I think the most immediate danger there is, the most significant is what I call the nexus of the terrorists in the news. And I would associate that more specifically with non-state actors supported by states. And the – and I'll use Iran specifically. And when I talk about Iran, while it is a state, and I have that, it is also clearly – it has – it is a network and it is supporting those non-state actors. And so how we engage and try to counter that network in addition to clearly engaging the state is a top priority.

And I think we have to do it across as many possible ways as we can to limit, eliminate proliferation. And I don't think – when I say we, this isn't the United States issue. This is an international issue. This is us with many partners who share these kinds of concerns.

One of the – just as an aside – one of the biggest concerns in this recent – the Russia-Georgia piece is that there are areas that we have cooperate with Russia on and one of them is this proliferation issue. And I think we need to continue – we have to figure out a way with Russia to continue to do this. And I don't know what that is. It's too soon to tell given what's happened recently what that is, but I think that overlapping mutual interest that is of great concern to both of us and many others is – we need to keep at that with them.

So there's no – there is no simple answer to that, except to continue to work a comprehensive strategy – financial, economic, diplomatic, military, intelligence, technology, all those things – to work hard to push back against that threat. And we are living in a proliferated world right now. How do you limit that and how do you make sure that we don't get to a point where one of those devices is used, which would be a massive tragedy.

And what was your – I'm sorry – your second question?

Q: The nexus between Iraq and Afghanistan and Pakistan.

ADM. MULLEN: In terms of –

Q: In terms of al Qaeda –

ADM. MULLEN: Oh, okay.

Q: – priority.

ADM. MULLEN: Yes, al Qaeda in Iraq is very much on the run and they're not gone. They can still come up – and you've heard Petraeus say this more than once that they could still generate spectacular – from their perspective spectacular successes. But they really are on the run and they are in fact starting to feed the fight in Afghanistan, from the safe haven. We see that in that part of the world, where we've got – that not just increases the concern we've got with respect to addressing that safe haven. Because we

see foreign fighters heading there that weren't there before starting to move in that direction. And at the same time, we still have to keep enough focus on al Qaeda in Iraq to continue to drive it really eliminate it.

MR. : Over here.

Q: I had a question stepping back from the battlefield. I noticed that you went to the Advanced Management Program with Harvard and they team up through cruisers and destroyers, greatly admired as Chief of Naval Operations, now greatly admired as chairman of the joint chiefs. But then the president hands you a brief that says, you're now chairman of the joint chiefs, and the key issues are mostly in places with sand and a lot of Marines and army people. And you've got to familiarize yourself to make decisions and people disagree. So we have a lot of future and existing former CEOs in the world. So can you give either anecdotal or this perspective how do you approach a new situation like that when it's more important than anything we have experienced.

ADM. MULLEN: One of the decisions that President Bush made was to increase the size of both the Marine Corps and the Army. So we're growing both – a whole lot about 90,000. That's at notionally somewhere between a billion to a billion and a half dollars per 10,000. And that's an increase and if you're CEO or you've been CEO, you know that people costs are significant. And we have in fact, particularly when I address an audience in an all hands call like I did with the senior enlisted from the Army there are questions that come up about compensations and benefits and where are we and where are we going. When I was CNO 60 to 70 percent of my costs were personnel costs, and I'm coming down. As the head of the navy I was coming down 10,000 people a year and I was still putting money into the people pot. I wasn't taking any of that money and investing it in operation or future, stuff, ships, airplanes, weapons, those kinds of things. So I have had this conversation with the chiefs. We know these budgets have gone up since 2000. You can go back to 1935 and look at the signs that's pretty regular every 19 years it swings down and then back up on the fives and its 2008. So we are a couple of years overdue.

Back to what I said earlier about not being blind to other challenges, with that being said we are spending about a little over four percent, with war costs, 4.2, 4.3 percent on defense right now and I think that investment, I've said about four percent, is a floor for what we need from a national security perspective given the plethora of challenges that our country has chosen to be engaged in. I think in the long run we are going to be a global country. We are going to need a strong navy, a strong air forces and we have exceptionally strong ground forces.

This is the most combat hardened force that we have had in the history of our country. To the degree that we hang onto those young people and educate them and give them a break and give them time with their families and to start a family and retain them I think we will have an exceptionally strong military for a long time. To the degree we are not able to do that I worry about it not being nearly as strong as we need.

Those are some of the balancing things that we are dealing with at a time when there is a tremendous amount of respect, admiration for our people and benefits after benefits after benefits that are sought and keep people coming in.

A year, a year and a half ago the new CEO of Ford, I thought? I thought said after going through some very difficult times dealing with healthcare benefits, and I think I read this publicly, hopefully it's not in an intel report. But he said something like, I thought I came here to build cars and I'm running a healthcare plan. There are huge challenges that we all have. With that being said, the most important resource that we have in the military are our people. They are the best we've ever had and their families. Their families have been unbelievably supportive.

So we have to have that right and we have to continue to invest in them. The fights I think are going to get tougher. Technology is getting tougher, more sophisticated. We've got the best people in world and we've got to keep them and we've got to stay at that. So that's the totality of that challenges that we have, while we are fighting two wars.

MR: Lets take one final question, maybe in the middle of the room.

Q: There hasn't been that much talk about in the last few weeks, but there was before about the possibility of a military engagement with Iran. How capable and how prepared is the military for another military engagement in addition to the wars in Iran and Afghanistan.

ADM. MULLEN: Ill say what I said before, we are clearly capable. We've got a strong Air Force and a strong Navy, and a lot in reserve. At the same time we are fighting two wars and have been pressed very hard.

What I worry about most about getting into a conflict with Iran are the unintended consequences. Where it goes beyond just where we start. And that's always the case and it doesn't mean that it can't be dealt with. But an additional conflict right now is something that while we clearly have the capability to do it, and I wouldn't want anyone to think that we don't, but its something I wouldn't want to have happen given that I'm in two already.

MR: I just want to say on behalf of the membership of the Pacific Council this has been a terrific evening. I cannot tell you how great it is for us to be able to have a candid discussion with you tonight. It's an extra ordinary opportunity for us and we appreciate your candor and we appreciate you taking the time.

ADM MULLEN: Thanks.