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IMPLEMENTING SMART POWER: SETTING AN AGENDA FOR NATIONAL SECURITY REFORM

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THURSDAY, APRIL 24, 2008

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 9:39 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Joseph R. Biden, Jr. (chairman of the committee) presiding.

Present: Senators Biden, Feingold, Bill Nelson, Menendez, Lugar, Hagel, Voinovich, and Isakson.

OPENING STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM DELAWARE

The CHAIRMAN. Let me begin, a way no chairman should, by apologizing for our tardiness. I thank the indulgence of my colleagues. The train that I take down every morning gets in here about 10 of 9. The problem is the train ahead of us had a run-in with a pedestrian and apparently killed a pedestrian or a pedestrian walked on the track. So they shut down the track for a little bit to do an investigation. So I sincerely apologize for my tardiness.

Today the Committee on Foreign Relations holds a second in a series of what is going to be more than one on smart power. It is part of a larger effort to reexamine our Nation's foreign policy and present a new vision for policymakers.

As the current administration ends, we face a multitude of new challenges. The emergence of China and India as major economic powers. The resurgence of Russia floating in a sea of oil revenue. A unifying Europe that has its own problems, and the spread of dangerous weapons and lethal disease. The shortage of secure sources of energy, water and, as witnessed by rioting in several countries in the last week, even food. The impact of climate change. Rising wealth and persistent poverty worldwide. A technological revolution that sends people, ideas, and money around the planet at ever faster speeds. And the challenges to nation states from ethnic and sectarian strife that I suspect none of us think is going to end today. The struggle between modernity and extremism. This is a short list of the forces shaping the 21st century.

These challenges raise the question, Do we have the right nonmilitary instruments, the right institutions, and the right relationships among those institutions to deal with the new threats and opportunities to address these and other challenges?

I want to make it clear I am not pessimistic about this. I think this presents us a significant opportunity as well, but I think we have to think differently than we have.

In the committee's last hearing on smart power, we posed these questions to two of the finest military officers that we have had, GEN Tony Zinni and ADM Leighton Smith. Their resounding answer was no, we are not ready. We are not ready yet.

As commanders in the field have told us, the military lacks the adequate civilian counterpart in Iraq and Afghanistan to effectively help reconstruction of those societies. The national security planning process is fragmented and disjointed. The resources we allocate to nonmilitary tools do not match the challenges we face.

And I want to make it clear this is not meant by me to be an indictment of this administration. It is a recognition of how much has changed in the world. One of my favorite poets is a guy who always picked on us Irish, William Butler Yates, and in a poem called Easter Sunday 1960, he had a line. He said the world has changed. It has changed utterly. A terrible beauty has been born.

Well, I think the world has changed utterly, and the question is whether we turn this change into something that can be beautiful or is going to be terrible. We are here today to seek a path to reform. Today's hearing will focus on implementing smart power, that is, the skillful use of all our resources, both nonmilitary as well as military, to promote our national interests.

Our first two witnesses are well placed to help us with this inquiry. Dr. Nye first coined the term "soft power" in the late 1980s to describe the ability of a country's culture, political ideals, and policies to influence and persuade others. After all, it is not leadership if no one is following.

Dr. Nye is joined by Secretary Armitage, his cochair on the CSIS Commission on Smart Power. I always hurt the Secretary's reputation by saying of all the people I have worked with in 35 years, he was the straightest talking, most direct, and most honest with me and is a person I have great regard for. Secretary Armitage has an equally distinguished public service career, most recently serving as Deputy Secretary of State.

As Secretary Armitage wrote with Dr. Nye in the recent op-ed in the Washington Post, "The world is dissatisfied with American leadership. The past 6 years have demonstrated that hard power alone cannot secure the Nation's long-term goals."

I look forward to this hearing and hearing some of the answers to these critical questions, and those questions that I am going to be looking to here, Mr. Chairman, are, first, do we have the right instruments to effectively address these 21st century challenges? Do we have the right people and resources to tackle critical global challenges?

Second, do we have the right institutions? Is our national security system, largely shaped during the cold-war era, up to the larger task we face today?

And third, do we have the right relationships among our institutions to achieve national security objectives? Is there a need to restructure the interagency system, and if so, how?

Our second panel is going to bring us two preeminent thinkers on our national security system. Jim Locher was a lead staff person

in the Senate over 2 decades ago, devising the original Goldwater-Nichols legislation that reorganized the military services. He is currently leading a broad effort on national security reform.

And Gordon Adams is a former senior national security official at the Office of Management and Budget who has written extensively on national security budgeting, resource allocation, and capacity-building.

I think we have the right people here to guide this debate and to help us define these issues and to begin the search for the right answers. So I look forward to hearing from them all.

But before I recognize our first panel, let me yield to Chairman Lugar.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

Senator LUGAR. Well, thank you very much, Mr. Chairman. I congratulate you on initiating these hearings on smart power as a very important initiative of our committee, a very timely one.

And I join you in welcoming two good friends to the committee once again this morning. During their distinguished careers, Secretary Armitage and Professor Nye have rendered outstanding service to our country and we look forward, once again, to having the benefit of their experience and their analysis.

During the last 5 years, the Senate Foreign Relations Committee has focused much attention on how we can improve our diplomatic and foreign assistance capabilities and integrate them more effectively with the military components of national power. Since the year 2003, we have been advocating through hearings and legislation the establishment of a civilian counterpart to the military in post-conflict situations. We have argued for a rapidly deployable civilian corps that is trained to work with the military on stabilization and reconstruction missions in hostile environments. And I am very pleased that the Bush administration is requesting $248.6 million for the Civilian Stabilization Initiative. Creating and sustaining this civilian capacity is precisely the intent of the Lugar-Biden-Hagel legislation that passed the Senate in 2006 and passed this committee again last March. Increasing the capacity of civilian agencies and integrating them with our military power is essential if we are to be ready for the next post-conflict mission.

In the absence of a strong civilian partner, largely due to the lack of resources, the role of the Defense Department in stabilization and reconstruction, foreign assistance, and public information programs has grown. This new role includes increased funding, new authorities, and new platforms such as AFRICOM. To the extent that we are not effectively coordinating our civilian and military components, the result is that the Pentagon and the State Department are unable to benefit from the expertise and the activities of the other.

It is clear that the United States Government is paying insufficient attention to fundamental questions about whether we are building national security capabilities that can address the threats and challenges we are most likely to encounter in the future. Although our defense, foreign affairs, homeland security, intelligence, and energy budgets are carefully examined from the incre-

mental perspective of where they were in the previous year, our budget process gives neither Congress nor the executive branch the ability to adequately evaluate whether the money flowing to these areas represents the proper mix for the 21st century. In the process, funding for diplomacy and foreign assistance persistently falls short.

These findings were confirmed by two Senate Foreign Relations Committee staff studies. The 2006 study entitled "Embassies as Command Posts in the Campaign Against Terror" documented the increase in security, development, and humanitarian assistance being administered by the Pentagon. The report recommended that all security assistance, including section 1206, be included under the Secretary of State's authority in a new coordination process for rationalizing and prioritizing foreign assistance.

A second study in 2007 entitled "Embassies Grapple to Guide Foreign Aid" focused more broadly on U.S. foreign assistance efforts that are managed by all Government entities. It recommended that a comprehensive foreign assistance strategy be linked to our actual foreign aid spending and that the State Department's Director of Foreign Assistance be responsible for all Government agencies' foreign aid programs.

While defense agencies have been granted authority to step into the often empty space where we expect civilian agencies to be, the military is ill-suited to operate foreign assistance and public information programs. A far more rational approach would be to give the State Department and USAID the resources they need to carry out what clearly are civilian missions. This view was echoed by Defense Secretary Gates in a number of recent speeches where he pointed out that the total foreign affairs budget requested for 20 is roughly equivalent to what the Pentagon spends on health care alone. We must adjust our civilian foreign policy capabilities to deal with a dynamic world where national security threats are increasingly based on nonmilitary factors.

I would underscore that although military and civilian capabilities are severely out of balance, the United States must do more than simply add funds to the foreign affairs budget. We must build our diplomatic capabilities in the areas of greatest consequence, paying particular attention to international economic and energy policy.

I was pleased to see that the smart power report identifies energy security as an important component of U.S. global leadership. I would appreciate hearing more from our witnesses about how the United States can create a global consensus on energy policies and practices. We should ask whether the State Department and other Federal agencies have the resources and the expertise to effectively function in a world where power is being wielded through energy relationships and other rapidly evolving economic mechanisms such as sovereign wealth funds. We must also examine what structural reforms are necessary to integrate military and civilian power to achieve U.S. national security objectives.

I appreciate this opportunity to explore with both panels how we can achieve an integrated foreign policy strategy.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Gentlemen, if you would deliver your testimony in the order you have been called, starting with you, Mr. Secretary, and then you, Professor Nye.

STATEMENT OF HON. RICHARD ARMITAGE, PRESIDENT, ARMITAGE INTERNATIONAL, ARLINGTON, VA

Mr. ARMITAGE. Thank you, Mr. Chairman, Mr. Lugar, Senators.

I have said before up here that I realize that your patience is in inverse proportion to the length of our opening statements, so I am going to do a very short opening statement and then turn it over to Dr. Nye who will do the same. I am kind of a micro guy. He will be the macro thinker.

Let me tell you how we got here, Mr. Chairman. After 9/11——

The CHAIRMAN. As Jim Eastland said, because we invited you. Right? [Laughter.]

I am only joking. Bad joke.

Mr. ARMITAGE. But in addition to that——

The CHAIRMAN. I have to explain that. Jim Eastland once said to me—I went down to campaign for him in Mississippi to prove that he was not old. I was a young guy, and he had a bunch of judges. They all got up honoring him saying they were appointed by Eisenhower and Nixon and went on and on. He stood up and said, you all know why you are judges, do you not? And they all looked at him. He said, because Jim Eastland said so. So I was only joking.

Mr. ARMITAGE. In addition to that, Mr. Chairman, the background of how we had this commission. In the wake of 9/11, it was our view that we were twice victimized. We were victimized by terrorists, and then we victimized ourselves. We started exporting our fear and our anger rather than our hope and our optimism. We started tying our own hands up.

We felt, Joe and I, Dr. Hamre at CSIS, that it was about time to sort of relook this and see if we could not unvictimize ourselves. A Democrat and a Republican, joined by Senator Hagel, Senator Reed of Rhode Island, Betty McCollum, and Mac Thornberry wanted to make a very graphic point. Not only did we recognize that we needed to do something differently, but we could do this in a bipartisan way and a bipartisan spirit. And every one of us was motivated, I think, by the following thought, that is, that we have dedicated our lives to prolonging and preserving our preeminence as a nation as a force for good as long as humanly possible.

We also, I think, all recognized that we have the premier military in the world and they fight and win the Nation's battles. And they are ideally suited to fight an enemy on the battlefield. They are not ideally suited to fight ideas or climate change or to guarantee energy security, et cetera.

We are often asked by Members of Congress, at the end of the day, are you not going to be talking about more appropriations, more money for foreign aid that is so unpopular? Our view is this is not foreign aid. This is not charity. This is a cold calculation of our national security, and that is the way it ought to be put forward by witnesses today and, I would argue, by Members of the U.S. Congress.

We take the view that the world wants an indispensable nation, and we are that indispensable nation. But we can only occupy that space when our national values and our words and our actions are in line. We cannot stand against torture and then waterboard. You cannot do it. We cannot be an indispensable nation that way.

We want to be, without being too maudlin about it, that shining city on the hill that Mr. Reagan used to talk about. That should be the image of this country, not the image of Abu Ghraib and Guantanamo Bay. That is kind of where we started on this endeavor.

We took a look, Mr. Chairman, at public diplomacy, and I think there is a real misunderstanding about public diplomacy. It seems in some quarters that there is a feeling that public diplomacy is just a matter of speaking more loudly, getting people to understand this. Well, that is not the problem. There is not a person in this world that does not understand exactly where the United States is coming from. The question they have is whether we understand them. And I think that is a good place to begin in public diplomacy.

Now, as I have indicated, Dr. Nye is going to talk about the specific big ideas we had. The problem with big ideas, as I am sure our friends, Jim Locher and Gordon Adams, will tell you, is they take a long time to bring to fruition and it is frustrating. Military actions you can see almost by the minute. These are, by definition, long-term projects. So it is hard to be gratified.

But I am going to give you a couple of short-term issues, if you want to feel gratification, that can help on the way to a longer term solution. You know the most effective public diplomacy I have seen? It has been basketball. We sent Georgetown graduates around the world, 46 different countries. They never had to talk about Arab-Israeli peace. They did not have to talk about anything except growing up black in America and how to balance college sports with college academics, and it was front-page news all around the country, all around the world.

There is a J.D. Walsh right in basketball. He is a Maryland graduate. He is in India doing the same thing. But he has expanded on the idea. He is using it also, as they teach basketball, to have HIV/AIDS testing, to teach courses in nonviolent conflict resolution. He is not talking about Arab-Israeli peace issues or al-Qaeda for that matter. But he is having more effect in diplomacy than you can imagine.

Mr. Hagel, I know, was cosponsor of some legislation, along with Ms. Cantwell, I believe, that would help enormously the Coordinator for Reconstruction and Stability in the State Department to be able to immediately have both a civilian reserve corps and, as Senator Lugar indicated, a Civilian Stabilization Initiative which would bring reserve officers, if you will, into the civilian component where we could swarm or flood the zone if we had a problem. We do not have to wait 2 and 3 and 4 years.

You had other ideas. I think Mr. Hagel is also involved in the reconstruction opportunity zones which are designated by the President of Pakistan, Afghanistan, and it targets textiles and things of that nature to make a rapid change in the economy.

There are lots of these micro issues, but all of them will take some leadership from this committee and other committees because

we have become so risk-averse. And I think the signal that one would need from Capitol Hill is we understand there is a risk, but you have to manage risk. You cannot avert it. And I think that kind of mind set change, if it can be led from up here, will rather dramatically assist people in the short term to make some rather dramatic actions that can start to change the regions and the troubled areas.

So, Dr. Nye.

STATEMENT OF DR. JOSEPH S. NYE, JR., DEAN EMERITUS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA

Dr. NYE. Thank you very much, Mr. Chairman, for inviting us to testify here. I will supplement what Rich Armitage said by giving you what I might call our top 10 list, but there are other things in the report and equally important is the general philosophy. I think, as Rich pointed out, it is not that any one of our recommendations is so brilliant or wonderful. I suspect we do not have the answer. But the fact that we were able to assemble a distinguished group of Republicans and Democrats in a political year to rise above the partisan level and to identify a number of things which we could agree on, that in itself was interesting. There is a famous phrase of Samuel Johnson's about the remarkable thing about a dog walking on its hind legs is not that it does it well, but that it does it at all. So we are not claiming that this report has all the answers, but the fact that we were able to get a bipartisan agreement on the kinds of things I am about to mention to you I think is a healthy sign.

But it is also a sign of the need to make changes. We have enormous capacity in this country and in this Government which we are underutilizing. Essentially if smart power is the ability to combine the instruments of hard and soft power into a successful strategy, we did that in the cold war. We deterred Soviet aggression with our hard military power, but we ate away belief in Soviet ideas behind the Iron Curtain with our soft power so that when the Berlin Wall eventually went down, it went down not under an artillery barrage but under hammers and bulldozers. We need to recover that capacity to basically project hope, not fear, as Rich said, and also to integrate the multiple instruments that we have into one effective strategy.

Here is a list of 10, but as I said, 10 is not a magic number. And we are open to argument on many of the things on the list, but at least it does have a bipartisan backing.

First on our list was that the next President should create a deputy national security adviser who is double-hatted as a deputy at the Office of Management and Budget because the various tools that are available to the Government are spread among multiple agencies and bureaus, and the National Security Adviser is too swept up in the urgent challenge of unfolding crises to be able to develop a strategy for this. We argued that this smart power deputy would be charged with developing and managing a strategic framework for planning policies and allocating resources, working closely with relevant congressional committees. This should prob-

ably lead a process parallel to the QDR but for the civilian tools of national power.

In some ways, the plans that General Eisenhower, then President Eisenhower, had in place for the NSC when he ran it I think was a good precedent, and it is a pity that they were scrapped by President Kennedy.

Second on our list is the next administration should request and Congress should resource a personnel float for civilian agencies that allows for increased training and professional development. The Department of Defense can budget 10 percent more military officers than there are jobs for in operational assignments, but the civilian agencies do not have that capacity. The result is you do not have the training in leadership and the skills in the civilian agencies that you do in the Defense Department.

We also recommend in that same idea that the number of Foreign Service personnel serving the Department of State should be increased by more than 1,000.

Third, the next administration should strengthen civilian agency coordination and expeditionary presence on a regional basis. This is something your committee has already done a good deal of important work on. But it is interesting that if we look at the fact that so much is happening in the world at a regional level, we really do not have a regional command structure comparable for the civilian agencies to that that the Department of Defense has. And as a result of this, we prevent the development of regional strategies that integrate interagency operations on a regional basis.

The next President, we argue, should empower the senior State Department ambassadors known as political advisers, or POLADs, assigned to advise regional military commanders, a dual authority to head a regional interagency consultation council comprising representatives from other Federal agencies that have field operations in those regions. And Congress and OMB should work closely with State to make sure that resources are available for that.

We also mention that we think the next administration should make sure that we fund the increases in the number of civilian personnel able to participate in regional expeditionary missions, such as the Civilian Stabilization Initiative.

Fourth, the next administration should strengthen America's commitment to a new multilateralism. We see America's alliances as force multipliers, and we believe that the United Nations, while it has problems, is still an important instrument of American foreign policy, particularly in areas like peacekeeping, peacebuilding, counterterrorism, global health, energy, and climate.

We also believe, though, that we need to supplement this existing structure by developing new structures. For example, the G–8 could be expanded to a G–12 or –13 which would be much easier than trying to reform the U.N. Security Council which has proven to be very difficult to do. And a group like this could serve as an executive committee which could then bring actions back to the United Nations in a larger framework.

Fifth, we argue that the next administration should elevate and unify its approach to development by creating a Cabinet-level voice. Notice we said "voice," not "department." In our commission, we went back and forth on this question of creating a totally new

department such as the British DFID, as it is called. We did not come down in favor of that, but we did feel that there was an extraordinary disaggregation of assistance in the U.S. system today and that there was a need for some form of coordination and a voice at the Cabinet level to try to pull this together.

There are various ways that can be done. Our colleague, Gordon Adams, who you will hear from later has made some interesting suggestions here about how the F function could be wrapped into an operational deputy in the State Department. But the main point was we felt that it was important to have a voice at that level coordinating assistance and that that was more important than a department as such.

Sixth, the next administration and Congress should encourage greater autonomy, coherence, and effectiveness for U.S. public diplomacy. We did not come out in favor of reviving USIA, but it would not be a bad idea. There is a difficulty with the current structure for public diplomacy.

The next administration has to strengthen the resource commitment to public diplomacy, but they also have to look at the fact that a great deal of American soft power is generated by our civil society. It is the Gates Foundation, American higher education Hollywood—these are sources of American attractiveness around the world.

Edward R. Murrow, in his time as the head of USIA during the Kennedy period, said that in public diplomacy, the most important part is what he called the last 3 feet, that face-to-face communication in which you have two-way communication, in which we learn and listen as well as speak, which means that although we should be investing more resources in broadcasting, far more important is to get stronger public exchange programs.

For example, we recommend doubling the size of the Fulbright program, and we are quite taken by the idea that our colleague, David Abshire, has suggested a foundation for international understanding which, though modest in cost, would do a great deal to provide access for youth around the world to American ideas.

Seventh, the next administration should shape an economy flexible and competitive enough to deliver economic benefits while minimizing the human cost of adjusting to change. International trade is a difficult issue in an election year in any democracy, including this one. But we do remain of the view that it is an international public good which, if this country does not help preserve it, the world will be worse for it, and hence will we.

But while we have a consensus that within the WTO we need to develop free trade agreements, we also realize that the benefits of trade are not evenly distributed and that to be able to provide this international public good, the next administration will have to work to reform trade adjustment assistance, perhaps looking at issues like wage insurance to facilitate the reentry of American workers who have lost jobs.

Eighth on our list, the next administration and Congress must make addressing climate change and energy insecurity more than just a political catch phrase. There we feel that we are going to need to develop a set of rules and costs associated with carbon dioxide emissions which could have disruptive implications for trade,

energy security and competitiveness, and economic growth unless they are carefully worked out. This is going to take work with Congress to place an economic value of greenhouse gas emissions by a mechanism that sends out clear, long-term price signals for industry.

International collaboration is going to be crucial here. One area where China has passed the United States as a superpower is in the production of greenhouse gases. This year they produced more, not per capita, but totally, than we do. You cannot think of how to solve this by traditional means. Obviously, we are not going to bomb Chinese coal-burning plants, and if we put sanctions on, we are going to destroy the trade system. We are going to have to find ways to provide incentives for Chinese who are building coal-fired plants with dirty technology to have a market incentive to put in clean coal technologies.

That means we are going to have to look at issues of international collaboration here, and perhaps one idea we suggested is the Department of Energy, in partnership with major companies, could establish a 10-year endowment for funding energy and technology-related research and that an international consortium of the NSF and equivalents could disburse grants through a peer review process to researchers in different countries. This might also be supplemented by some sort of facility at the World Bank.

Ninth on our list, American leaders ought to eliminate the symbols that have come to represent the image of an intolerant, abusive, unjust America and use our diplomatic power for positive ends. As Rich has already said, Guantanamo Bay and Abu Ghraib consumed a great deal of our soft power. There are things we can do that are not easily done but which are important. We can begin the closing of Guantanamo. And I think effective American action internationally is going to require removing those symbols, as well as maintaining and restoring our capacity as a mediator on issues of global conflicts, including the Arab-Palestinian conflict.

Tenth and finally, the next administration should not fall into a new cold-war struggle to compete with and contain Chinese soft power. China's soft power is likely to continue to grow, but this does not necessarily mean that Washington and Beijing are on a collision course. The next President should seek to identify areas of mutual interest between the United States and China on which the two powers can work together on a smart power agenda. Energy security and environmental stewardship top that list in our view, as well as transnational issues such as public health and nonproliferation. Global leadership does not have to be a zero-sum game.

This is a short version of a longer report. I apologize for what we have left out, but we can perhaps answer some of those issues in questions.

Thank you, Mr. Chairman.

[The prepared joint statement of Mr. Armitage and Dr. Nye follows:]

PREPARED JOINT STATEMENT OF HON. RICHARD L. ARMITAGE, PRESIDENT, ARMITAGE INTERNATIONAL, ARLINGTON, VA; AND DR. JOSEPH S. NYE, JR., DISTINGUISHED SERVICE PROFESSOR, KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA

Mr. Chairman, we would like to thank you and your distinguished colleagues on the Senate Foreign Relations Committee for the invitation to speak today on the subject of "Implementing Smart Power: Setting an Agenda for National Security Reform."

As you know, we are cochairs of CSIS's Commission on Smart Power, a bipartisan commission that included one of your fellow committee members, Senator Chuck Hagel, as well as Senator Jack Reed and two distinguished Members of the House of Representatives. CSIS's president and CEO John Hamre asked the two of us to form this Commission in late 2006, and the Commission released its findings on November 7, 2007. It is our privilege to sit before you today to provide our thoughts on implementing a smart power agenda in the months and years ahead.

SMART POWER: THE BIG IDEA

Mr. Chairman, as you know, your committee held a hearing on smart power in March of this year, receiving testimony from ADM Leighton Smith and GEN Tony Zinni, who is also a member of our Commission. Admiral Smith and General Zinni spoke on behalf of 52 retired generals and admirals who are backing the idea of smart power, organized by the Center for U.S. Global Engagement. The pair did an excellent job of explaining smart power, so we do not want to spend too much time here on what you already know. But please allow us to briefly explain how we came to this idea.

The two of us—one Democrat and one Republican—have devoted our lives to promoting America's preeminence as a force for good in the world. What we have seen recently, however, is that too many people around the globe are questioning America's values, commitment, and competence.

Two decades ago, the conventional wisdom was that the United States was in decline, suffering from "imperial overstretch." A decade later, with the end of the cold war, the new conventional wisdom was that the world was a unipolar American hegemony. Today, we need a renewed understanding of the strength and limits of American power.

The rest of the world knows that the United States is the big kid on the block, and that this will likely remain the case for years to come. But our staying power has a great deal to do with whether we are perceived as a bully or a friend. Humility increases America's greatness, it does not weaken it.

Smart power has been portrayed by some in the media as simply presenting a "kinder, gentler" face of America to the world. The thought seems to be that all that is required is a new administration or shift of style rather than substance. Smart power is much more than this. It is an approach that seeks to match our strategies and structures at home to the challenges that face us abroad.

Our military is the best fighting force bar none, but many of the challenges we face today do not have military solutions. We need stronger civilian instruments to fight al-Qaeda's ideas, slow climate change, foster good governance and prevent deadly viruses from reaching our shores. The uncomfortable truth is that an extra dollar spent on hard power today will not necessarily bring an extra dollar's worth of security.

Smart power is based on three main principles:

Frist, America's standing in the world matters to our security and prosperity.

Second, today's challenges can only be addressed with capable and willing allies and partners.

Third, civilian tools can increase the legitimacy, effectiveness, and sustainability of U.S. Government policies.

This is why we have called for an integrated grand strategy that combines hard military power with soft "attractive power" to create smart power of the sort that won the cold war. Power is the ability to influence the behavior of others to get a desired outcome. Machiavelli said it was safer to be feared than loved. Today, in the global information age, it is better to be both.

Smart power is a framework for guiding the development of an integrated strategy, resource base, and toolkit to achieve U.S. objectives, drawing on both hard and soft power. It underscores the necessity of a strong military, but also invests heavily in alliances, partnerships, and institutions at all levels to expand American influence and establish the legitimacy of American action.

The United States can become a smarter power by investing in the global good—providing services and polices that people and governments want but cannot attain in the absence of American leadership. This means support for international institutions, aligning our country with international development, promoting public health, increasing interactions of our civil society with others, maintaining an open international economy, and dealing seriously with climate change and energy insecurity.

Elements of a smart power approach exist today, but they lack a cohesive rationale and institutional grounding. U.S. foreign policy over-relies on hard power because it is the most direct and visible source of U.S. strength. The U.S. military is the best-trained and resourced arm of the Federal Government. As a result, it has had to step in to fill voids, even with work better suited to civilian agencies. The military has also been a vital source of soft power. Witness the massive humanitarian operations it launched in response to the Asian tsunami and Pakistani earthquake.

The U.S. Government is still struggling to develop its soft power instruments outside of the military. Civilian institutions are not staffed or resourced properly, especially for extraordinary missions. Civilian tools are neglected in part because of the difficulty of demonstrating their short-term impact on critical challenges. Stovepiped institutional cultures inhibit joint action.

U.S. foreign policy decisionmaking is too fractured and compartmentalized. Many official instruments of soft power—public diplomacy, broadcasting, exchange programs, development assistance, disaster relief, diplomacy, even military-to-military contacts—are scattered throughout the government, with no overarching strategy or budget that tries to integrate them with military power into a unified national security strategy.

There is little capacity for making tradeoffs at a strategic level. The United States spends about 500 times more on the military than we do on broadcasting and exchanges. How would we know if this is the right proportion, and how would we go about making tradeoffs?

Furthermore, how should the government relate to the nonofficial generators of soft power that emanate from our civil society? This includes everything from Hollywood to the Bill and Melinda Gates Foundation, which is a private sector actor that now has the throw-weight of a government. These are some of the challenges our Commission identified and sought to address.

Distinguished members of the committee, we developed smart power in large part as a reaction to the global war on terror, a concept that we consider to be wrongheaded as an organizing premise of U.S. foreign policy. America is too great of a nation to allow our central narrative and purpose to be held captive to so narrow an idea as defeating al-Qaeda. We were twice victimized by September 11—first by the attackers, and then by our own hands when we lost our national confidence and optimism and began to see the world only through the lens of terrorism.

The threat from terrorists with global reach and ambition is real and is likely to be with us for some time. When addressing the threat posed by al-Qaeda and affiliated groups, we need to use hard power against the hard-core terrorists, but we cannot hope to win unless we build respect and credibility with the moderate center of Muslim societies. If the misuse of hard power creates more new terrorists than we can kill or deter, we will lose.

Similarly, when our words do not match our actions, we demean our character and moral standing and diminish our influence. We cannot lecture others about democracy while we back dictators. We cannot denounce torture and waterboarding in other countries and condone it at home. We cannot allow Guantanamo Bay or Abu Ghraib to become symbols of American power.

The cold war ended under a barrage of hammers on the Berlin Wall rather than a barrage of artillery across the Fulda Gap because we successfully balanced principle with pragmatism. The United States had a strategy aligned with the challenges at hand and an approach that relied on all means of national power.

This is an important lesson for the challenges we face today. Americans in their hearts may be reluctant internationalists, but they also realize that we cannot cut ourselves off from the rest of the world today. We are no longer protected by our two great oceans in the way we once were.

Foreigners will continue to look to America. The decline in American influence overseas is not likely to endure. Most want the United States to be the indispensable nation, but they look to us to put forward better ideas rather than just walk away from the table, content to play our own game.

The United States needs to rediscover how to be a smart power. Smart power is not a panacea for solving the Nation's problems, and it is not about getting the world to like us. It is essentially about renewing a type of leadership that matches

vision with execution and accountability, and looks broadly at U.S. goals, strategies and influence in a changing world.

AN EMERGING CONSENSUS

We believe there is a strong and growing measure of bipartisan agreement on the need for America to become a smarter power. A number of leading Americans and allies have spoken out in recent months that the United States ought to invest more heavily in modernizing our civilian tools of national power and increase the emphasis of these tools in our global strategy. The following five examples stand out:

Secretary of Defense Robert Gates gave a major speech at Kansas State last November making the case for strengthening America's capacity to use soft power and better integrate it with hard power. Secretary Gates lamented how civilian tools that helped win the cold war were gutted during the 1990s through Foreign Service hiring freezes, deep staff cuts at USAID, and the abolishment of the U.S. Information Agency.

Former and current American political leaders on both sides of the aisle have endorsed the arguments behind smart power. This list includes notable Democrats such as Sam Nunn, Madeleine Albright, John Edwards, and Harry Reid, and notable Republicans such as William Cohen, Frank Carlucci, Christine Todd Whitman, and Newt Gingrich.

Each of the three remaining Presidential candidates have made public statements supporting strengthening some aspect of America's civilian international affairs agencies. Each has also advocated a new approach to U.S. foreign policy in which we lead by attraction rather than primarily by virtue of hard power.

Military leaders have been some of the most active in calling for a smart power approach to U.S. foreign policy. In addition to General Zinni and Admiral Smith's testimony before this committee on behalf of 52 retired generals and admirals, former CENTCOM Commander General John Abizaid and SOUTHCOM Commander James Stravridis have both endorsed elements of the Commission's findings. Combatant Commanders have their war plans, but they also recognize that much of how they engage today requires soft power as they try to shape their environments in favor of peace and stability.

German Foreign Minister Frank-Walter Steinmeier told an American audience last week that smart power is George Marshall's vision in a nutshell, and precisely what we need today to repair the trans-Atlantic relationship and better serve the world's interests.

There are many others who have spoken out in favor of smart power who are not included in this brief listing. It is clear to us that there is something attractive about the pragmatic, commonsense approach of our Commission's findings that appeals to Republicans and Democrats alike.

We recognize that there are also others who may oppose our vision, whether because they stand committed to the grand strategy of the past 7 years, doubt that civilian institutions and our allies abroad can keep us safe, or simply expect the next President to demand less of our foreign policy instruments. There are also some, including distinguished members of this committee, who have voiced frustrations at the slow pace of translating the ideas behind smart power into concrete action.

We share the sense of urgency in moving from rhetoric to action, and realize that if America is to become a smarter power, this agenda will have to be taken on jointly by the next administration and Congress alike.

FROM RHETORIC TO ACTION

It is our view that the emerging consensus on the idea of smart power must move in the coming months toward greater agreement on a specific Agenda for Change. Numerous commissions, task forces, and experts continue to provide their blueprints for how to build and modernize America's civilian tools and make the United States a smarter power abroad. This activity is a welcome sign of a rising tide, but there is also a danger that divergent visions on how to implement smart power could unhinge momentum that has accumulated in support of the basic concept and rationale.

We will outline a few of the strategic priorities our Commission identified, including those recommendations that concerned specific instruments and institutions of the U.S. Government. Neither our Commission nor the two of us, however, hold the

golden key. It may well be that recommendations emerging from like-minded initiatives such as those you will hear on the next panel may prove to have more lasting impact. The critical task is moving toward a set of feasible action items that can be taken up by the next administration, whether Republican or Democratic in the months ahead.

First, the next President should create a deputy national security adviser who is "double-hatted" as a deputy at the Office of Management and Budget.

The various tools available to the U.S. Government are spread among multiple agencies and bureaus. There is no level of government, short of the President, where these programs and resources come together.

The national security adviser is swept up in the urgent challenges of unfolding crises and lacks the ability to focus on long-term strategy development or manage interagency tradeoffs.

This "smart power" deputy should be charged with developing and managing a strategic framework for planning policies and allocating resources, working closely with relevant congressional committees.

The smart power deputy should lead a process parallel to the Quadrennial Defense Review for the civilian tools of national power that conducts a systematic and comprehensive assessment of goals, strategies, and plans.

Second, the next administration should request and Congress should resource a personnel "float" for civilian agencies that allows for increased training and professional development.

The Defense Department is able to sustain a far superior process for leadership education because it routinely budgets for 10 percent more military officers than there are jobs for them in operational assignments.

This "float" permits the military to send its officers to leadership development programs, to work as detailees in other agencies to broaden their professional experiences and judgment, and to meet unforeseen contingencies. Civilian agencies have not budgeted a comparable personnel float.

The next President should increase the number of Foreign Service personnel serving in the Department of State by more than 1,000 and consider further expansions in other relevant civilian agencies.

Third, the next administration should strengthen civilian agency coordination and expeditionary presence on a regional basis.

Civilian government agencies do not have a regional command structure comparable to the Department of Defense. As a result, this prevents the development of regional strategies that integrate interagency operations on a regional basis.

The next President should empower the senior State Department ambassadors known as "political advisors" or POLADs assigned to advise regional military commanders a dual authority to head a regional interagency consultation council comprising representatives from all other federal agencies that have field operations in those regions.

Congress and OMB should work to provide the State Department resources to support these regional coordination councils.

The next administration should request and Congress should fund increases in the number of civilian personnel able to participate in regional expeditionary missions, such as through the pending Civilian Stabilization Initiative.

Fourth, the next administration should strengthen America's commitment to a new multilateralism.

America needs the United Nations, but we need a better one than we have at present. The United Nations could play an active role in promoting American interests in peacekeeping and peacebuilding, counterterrorism, global health, and energy and climate.

The U.S. alliance system negotiated during the last half century consists of nearly 100 formal treaty arrangements and security commitments. Rather than view these agreements as hindrances to American action, the next President ought to view this alliance network as a force multiplier.

For decades, America has been the global champion of legal norms and standards. The United States directly benefits from a strengthened international legal order. At those times, though, when treaties are objectionable, the United States can justify stepping back but not walking away.

The main institutional architecture absent today is an effective forum for coordinating global strategic thinking on a set of specific practical challenges. The G–8 could spin off a series of yearly meetings on energy and climate, nonproliferation, global health, education, and the world economy.

Fifth, the next administration should elevate and unify its approach to global development by creating a Cabinet-level voice.

The next President should task the smart power deputy to work with the Cabinet Secretaries to develop a coherent management structure and institutional plan within the first 3 months of office for creating a Cabinet-level voice for development.

The Commission on Smart Power heard a range of arguments for how to organize this aspect of our civilian capacity. Disagreement centers around the degree of integration that will best serve American interests and the priority placed on effective development.

Some have called for a Department of Global Development while others have promoted the creation of a "super State" Department of Foreign Affairs. Ultimately, we concluded that a Cabinet-level voice for global development was important for putting forward a more positive face of the United States to the world.

This new Cabinet official should take the lead on launching new, high-profile global public health initiatives, building on successful Bush administration and private sector efforts. These could include developing a global health network and bringing safe drinking water and sanitation to every person in the world.

Sixth, the next administration and Congress should encourage greater autonomy, coherence and efectiveness for U.S. public diplomacy and strategic communication efforts.

Reviving USIA may not be the most practical option at present. The next administration should strengthen our resource commitment to public diplomacy and consider what institutional remedies in addition to capable leadership could help make U.S. public diplomacy efforts most effective.

One possibility the next administration should consider is the establishment of an autonomous organization charged with public diplomacy and reporting directly to the Secretary of State. This quasi-independent entity would be responsible for the full range of government public diplomacy initiatives, including those formerly conducted by USIA.

Congress should create and fund a new institution outside of government that could help tap into expertise in the private and nonprofit sectors to improve U.S. strategic communication from an outside-in approach. As the Defense Science Board has suggested, this center could conduct independent polling, research and analysis on U.S. Government priorities; promote a dialogue of ideas through mutual exchanges; and shape communications campaigns to help shape foreign attitudes. The center should have an independent board that could serve as a "heat shield" from near-term political pressures.

Effective public diplomacy must include exchanges of ideas, peoples, and information through person-to-person educational and cultural exchanges, often referred to as citizen diplomacy. The next administration should expand successful exchange and education programs, including doubling the size of the Fulbright program.

Seventh, the next administration should shape an economy flexible and competitive enough to deliver economic benefits while minimizing the human cost of adjusting to economic dislocation.

International trade has been a critical ingredient to U.S. economic growth and prosperity. The next administration should seek to create a free trade core within the WTO, negotiating a plurilateral agreement among those WTO members willing to move directly to free trade on a global basis. While consensus within the full WTO remains the goal, and could potentially be reached in some areas within the coming months, in many cases it is not realistic. The next administration should seek to lock in a minimum measure of global trade liberalization.

There is no doubt the benefits of trade are not evenly distributed—within a nation or across nations. The next President should exercise U.S. influence in international financial institutions to direct the efforts of these organizations toward aiding poorer countries that face the inevitable adjustment issues that come with the opening of markets. We should also reexamine our own trade policies toward these nations. The next administration should fundamentally reform trade adjustment assistance to facilitate the reentry of American workers who lose their jobs.

Global competition today is less for markets and more for capital, talent and ideas. Half of all patents issued in 2006 were of foreign origin. The United States must do more to prepare itself for increasing economic competition.

Eighth, the next administration and Congress must make addressing climate change and energy insecurity more than just a political catch phrase by creating incentives for U.S. innovation.

A world operating on different sets of rules and costs associated with carbon dioxide emissions could have disruptive implications for trade, energy security, competitiveness, and economic growth. The next administration should create a level playing field to underpin the carbon-constrained economy. It should work with Congress to place an economic value of greenhouse gas emissions via a mechanism that sends clear, long-term price signals for industry.

As world energy demand continues to rise, the next administration must reduce demand through improved efficiency, diversify energy suppliers and fuel choices, and manage geopolitics in resource-rich areas that currently account for the majority of our imports. The next administration should take the lead within international institutions to establish a common principles charter for energy security and sustainability. The charter should outline sound energy policies and practices, including protection of sealanes and critical infrastructure; investment-friendly regulatory and legal frameworks that respect sovereign rights of resource holders; and promote regular dialogues between producers and consumers to improve information-sharing.

The next administration and Congress should establish and fund a joint technology development center. International collaboration helps reduce costs and accelerate the pace of innovation. The U.S. Department of Energy in partnership with major global energy companies should establish 10-year endowment for funding energy and technology related research. This could be administered by an international consortium of the National Science Foundation and equivalents and disburse grants through a peer review process to researchers to provide venture capital to develop and deploy next generation energy technologies, such as biofuels.

Ninth, American leaders ought to eliminate the symbols that have come to represent the image of an intolerant, abusive, unjust America, and use our diplomatic power for positive ends.

Closing the Guantanamo Bay detention center is an obvious starting point and should lead to a broader rejection of torture and prisoner abuse. Guantanamo's very existence undermines America's ability to carry forth a message of principled optimism and hope. Although closing Guantanamo presents practical, legal, and political obstacles, these constraints are surmountable if it is a priority for American leadership. Planning for its closure should begin before the next President takes office.

The next administration should continue to expend political capital to end the corrosive effect of the Israeli-Palestinian conflict. The United States must resume its traditional role as an effective broker for peace in the Middle East. We cannot want peace more than the parties themselves, but we cannot be indifferent to the widespread suffering this conflict perpetuates and passionate feelings it arouses on all sides.

Effective American mediation confers global legitimacy and is a vital source of smart power.

Tenth, the next administration should not fall into a new cold-war struggle to compete with and contain Chinese soft power.

China's soft power is likely to continue to grow, but this does not necessarily mean that Washington and Beijing are on a collision course, fighting for global influence.

The next President should seek to identify areas of mutual interest between the United States and China on which the two powers can work together on a smart power agenda.

Energy security and environmental stewardship top that list, along with other transnational issues such as public health and nonproliferation. Global leadership does not have to be a zero-sum game.

Mr. Chairman, we would both be happy to go into more detail on our Commission's recommendations or discuss our personal views on these matters during our oral testimony. Thank you again for the opportunity to sit before you today.

The CHAIRMAN. Thank you very much.

Gentlemen, there is so much to ask you about. Your report was, I think, very good, in some cases provocative in the minds of some of my colleagues, but I think pretty straightforward.

I just attended for the first time in a long time—I used to do it all the time—a conference that was held in Europe, in France this weekend with a number of prominent EU representatives and

thinkers like you gentlemen. We discussed over 2 days a whole range of issues, many of which you have referenced here. Although I knew what I am about to say, it struck me in a way it had not before how fundamental to every one of the problems and every one of the opportunities we face, at least in that context of the West, Europe, and the United States, relates to energy.

I have been, like everyone here in this body, spending a great deal of time over the last decade trying to learn a great deal more about possible solutions, alternatives, international mechanisms by which we can deal with—as was pointed out, China is building one new coal-fired plant per week.

Senator VOINOVICH. Two.

The CHAIRMAN. Two now? Germany now has announced it is moving from—because of, I assume, Russia—moving to coal in a way that is a complete reversal of what was going on.

As you well know, we have some really qualified staff members up here on the Hill, some of the brightest people in the country who are underpaid and overworked, but really very, very good.

I reached the conclusion that I would like you to comment on. I do not know how we can deal incrementally any longer with these issues, whether it is cap and trade, which is not going to have any net impact in my view worldwide—it may, here in the United States, have a benefit—whether it is moving to 30, 40, 50 miles a gallon to our automobiles, if we were able to do that. It has an impact, but it does not have a profound impact. It does not lessen the immense influence of some of the bad actors internationally. And I would characterize—I do not want to be provocative—Putin as a pretty bad actor and not evil, but not a positive influence these days in the world. Russia's ability to engage in the kind of use of force, in this case, economic force, would be nonexistent were they not floating in the sea of oil revenues.

Did you all discuss whether or not all or any of the incremental suggestions about energy are able to get us to a place we have to get much more rapidly than the projections will get us there? For example, 20 percent of our energy being renewable by the year 2020. That is a drop in the bucket. That is not going to in any way impact on our dependence and the world's dependence on Russian oil, Mideast oil, what is going on in Iran, Iraq, et cetera.

And it seems to me we just need to think in a gigantic way. We all use the phrase we need a "Manhattan Project." It seems to me there is a need for the ultimately new thing, that we should be investing tens of billions of dollars into pure and applied research, taking chances—you talk about taking chances, risks—taking risks on really genuinely innovative ideas that could, if they work, catapult us to a place that may get us somewhere in the next 10 years that we are not going to otherwise get for another 50 years.

There is an old expression. I think it was attributable to one of the famous economists. In the long run, we are going to be dead. I do not know what the heck we are going to do unless we get a significant breakthrough on energy policy and alternative energy sources.

I spent 5 of my 7 minutes here talking, but I would like you to just respond to that, to put it in your phrase, Mr. Secretary, that macro comment. How do we approach this issue? Can we continue

to do it by this piecemeal, incremental method that seems, I think, looking down on consumption patterns, will have virtually no discernible impact on our national security and foreign policy in the next decade?

Mr. ARMITAGE. Thank you, Mr. Chairman. I am not the genius on this, but I have got strong views and we did discuss this.

The first rule of holes is when you are in one, stop digging. We are in a hole and we are still digging, whether we talk about ethanol. The amount of corn to make a gallon of ethanol would probably feed a poor family for a month. And it is not making that big a difference in terms of energy needs.

We fooled ourselves for 30 years since the time of President Carter by talking about energy independence. It is not going to happen. So anybody, politician or public figure, that talks about energy independence—you got to dial them off right away. You cannot get there.

You are absolutely correct in the view that a holistic approach is necessary, and that is not just the search for the magic bullet. If we had the magic bullet in technology, the United States, which has 85 percent of the world's coal reserves, would be sitting pretty good. We would not be having problems in Appalachia. I will tell you that. But a magic bullet is probably not going to happen. There will be some incremental changes.

If you look at it holistically, we have to look at our own rapid transit. We have known these problems were coming. Coming in today, I was almost late for the hearing because of the traffic here.

So I think you are absolutely right that a holistic approach has to be the way to do it. We cannot depend on the magic bullet.

And I am sorry to bring up the dirty word, but we are also going to have to massively and quickly get nuclear. Now, we have had the first license request here recently granted, and that is good. But we are going to have to really look at all these issues and start talking straight about it, but beyond that.

Joe.

Dr. NYE. Well, I agree with Rich. The danger is that we use a slogan, "energy independence." We have been using it for 30 years.

The CHAIRMAN. I am not using it.

Dr. NYE. No. I am not saying you did, sir. But I just am saying we as a country have used this, and it diverts us from what we really need to do.

I think the first thing you need to do is make sure that you do not interfere with the proper signals that markets give. Market prices make a difference. When we saw the seventies' crisis in energy, it is interesting. We cut our energy intensity in half as a result of reactions to market prices.

The second thing is we want to distinguish between the input and the output side. Our energy input problem is getting energy security, but there is also an output side. If we got all the energy we wanted and put it up in the atmosphere afterward, then what do we do? So there are two parts to this.

The third is——

The CHAIRMAN. But if I can interrupt you there, Joe.

Dr. NYE. Yes.

The CHAIRMAN. You are operating on the premise that we operate around here, that the only energy we are talking about is fossil fuel. That is my problem.

Dr. NYE. Right.

The CHAIRMAN. My problem with you, my problem with everybody out there. I am not being facetious. That is my problem. If you continue to discuss this within context of the available fuel supplies, the type of supplies available, which are basically fossil fuels, there is no way out. No way out in my view.

So the question is, When we make calculations based on price—and I will end with this, gentlemen—because the market-driven approach is consequential, should we not be calculating the cost of our CENTCOM force as part of the cost of energy as we talked about? Should we not be—and it is real. How can we dissociate the cost accompanying our dependence, as well as the ability of the bad actors in the world to take actions that cause us to spend tens of billions of dollars to counter the actions, which they would not be able to take were they not in a position of this vast economic power? I think we need a whole new calculus. That is really my question.

I think we think much too small here. All the experts that come before us—nobody has come before us and said, hey, look, while we are walking, we should be able to chew gum too. We can walk and do all the things that have to be done that can incrementally bring down both in terms of input and output, deal with it, whether it is ethanol or whether it is other things.

But in the meantime, the resources we have—for example, let us just make this up. Let us assume. This is heretical what I am about to say.

Let us assume that we could come up with—it would cost us the equivalent of $250 a barrel of oil in Btu output. Assume we could come up with hydrogen power, but it would cost that much. It seems to me we have got to start recalculating here. Is $250 a barrel really that much more costly than $117 or $118 a barrel if, in fact, the consequence of that is to radically change the environment in which we operate, allowing us to radically reduce the investments we are making both military and otherwise and the opportunity costs that exist for us?

So we do not talk that way. We talk like we are the owner of energy companies or we are the guy sitting there with our—we are doing arithmetic and not algebra or calculus is my point.

Dr. NYE. Well, I agree with that. We had a study at Harvard called Energy and Security, which my colleague, Bill Hogan, said as you calculate prices, you have to put in a wedge for security. In other words, a good economic calculus has to say what are the hidden costs, which is what you were just saying.

But I think the general feeling is what you are suggesting is right to get us out of where we are. We need to diversify sources and diversify energy sources of fuels.

But I was saying—and I think this is the point that Rich was making as well—it is not going to happen right away, and we have got to ask what is our security until we get there. And in that sense, I think we want to be looking at questions like—take your Russian case—working with the Europeans to make sure the trans-

Caspian pipeline is built. On the Chinese case that you mentioned, we want to bring China into the International Energy Agency and particularly into a climate regime of some sort.

I think another thing that will be useful is to set a floor. In other words, we now are all complaining about oil prices at $120. Suppose we said we will pass by legislation something in which oil prices will not fall below $60. That would call forth a lot of this technological investment. Investors, who have seen this happen in the past where prices shot up and then fell down again, would know that if it goes through a cycle like that again, their investment is secure. So there are a lot of things we can do in addition to the things we are doing in the Department of Energy of developing new technologies, which we could start down that path that you are talking about.

The CHAIRMAN. Well, thank you very much. Just imagine if we were engaged in a joint venture with China on sequestration. They do not want to pollute their environment.

Dr. NYE. I think carbon sequestration has got to be one of the major efforts we make.

The CHAIRMAN. I am just giving you that as an example. I am way over my time. I apologize.

Senator.

Senator LUGAR. Well, thank you very much, Mr. Chairman. I think the questions and answers you evoked really is the purpose of this hearing, to try to come to grips with improving the tools of our national security. Our panelists have given us an excellent report and Professor Nye's 10 points from that report which are all stimulating.

I just want to, first of all in a nostalgic way, pay tribute to Secretary Armitage. He and Secretary Wolfowitz, when they were much more junior in the State Department in 1985, came before the committee the first year that I became chairman to talk about the Philippines. It was entirely out of the blue and their testimony was highly provocative as they described Marcos and the Philippines at that point.

I would say that that led to a change in United States foreign policy, without going through all the ups and downs of the next year, in which President Reagan came forward with the thought that we will oppose authoritarianism of the right, in addition to totalitarianism of the left. Opposing both sort of marks the beginning of a democracy movement, which was a new doctrine and markedly different than anything he had proposed in election campaigns or other things. And it came really from provocative experience in that situation.

I remember likewise Professor Nye and Professor Graham Allison coming before the committee in later years talking about arms control, among other things. We moved along the trail there, as the chairman will recall, with President Reagan appointing an arms control observer group. Things did not move along nearly so rapidly as all of us had hoped through the Reagan administration or through the Bush administration, but in due course, we came to some remarkable agreements. So the doctrine of mutually assured destruction was really replaced by something that was a good bit

more—not necessarily benign, but more practical in terms of arms destruction, better control, and so forth.

And that is why these exercises are so critically important because historically they make a big difference in the history of our country, as well as in the prospects for peace overall.

Now, I pick up from your report today these elements, although they are emphasized in different ways. We discussed energy and the environment for a moment, and I want to get back to that. But I would add another element, that of food supplies, and you have touched upon this, Secretary Armitage. For the moment, we are getting reports on 25 countries with potential political instability. That may not be the half of it because essentially many people in the world are eating a whole lot better. Pork as opposed to rice. But there is not as much to go around, and therefore the differentials even within countries, as well as the rest of the world, are growing. It is exacerbated by the debates that you have suggested, Secretary Armitage, about ethanol or soy diesel. But these are sort of trivial pursuits in comparison to the real dilemma, that here you have a whole world that is demanding more energy and more food. In fact, more of everything.

And these are huge issues that really go beyond specific conflicts. The issues our committee becomes involved in day by day sort of understandably undermine the whole situation. Clearly, energy touches upon the environment in one way or another, about every way you look at it.

But I would also add that we have had good testimony in the past about avian flu, potential pandemics, and other worldwide situations. We have been spared this thus far. But I have heard testimony that, for example, if avian flu came to the United States, the real dilemma even here would be food supplies ultimately as opposed to fatalities. In other words, the disruption of our economy, disruption of the ways in which we provide for ourselves comes as society breaks up in these ways.

Now, the point of all of this is to say that the chairman's call for a smart power series and your testimony points to the fact that we may not be very well organized as a country to meet these challenges. We have interesting hearings and philosophically share these things in a bipartisan way. You have made these issues especially available in an election year, which is really important.

But I am hopeful that you can suggest specific recommendations today. How do we reorganize our Government beyond double-hatting various people or, as we have been modestly suggesting, having a bigger civilian component so that our soldiers do not have to do everything?

Or how do we get into a budgeting situation where we do not just incrementally say this department gets 3 percent more this year and this, 4? But we are not really clear either one of them are relevant to the whole because we have not thought through what Department X or organization Y is doing, and it is hard to do a comprehensive review in the course of the budget process, the appropriation, and the politics of all of this.

A President will not be able to discuss all this or even begin to talk about it in a campaign. But somebody is going to get elected. Now, when that happens, what ability does the President have, if

he or she is very visionary, to organize/reorganize our Government? Granted, the Congress has checks and balances and so does everybody else in the vested interests that are there. But physically how do you go about doing this rather than insinuating these ideas into a bureaucracy or a Government that does not work very well?

Mr. Armitage.

Mr. ARMITAGE. Senator, could I add, if I may, to the food supply, et cetera, the following thought and then I will try to answer your question?

It is ironic, is it not, that we are in the period of the greatest wealth creation ever seen in the world right now, and yet it is distributed so unequally. And we have more people who are without than ever before, first of all. And the reason for the food problems, which are not limited to other nations—I saw Sam's Club is rationing bags of rice now in our country. Coffee went up a dime, by the way, this morning I noticed at the 7–11. So this is going to soon cut everybody.

But add to that list fresh water because it may be actually more imminent. The problem of fresh water is more imminent than the need for us to get a handle on the fossil fuels.

And I do not believe, sir, that your comments are heresy. It is just the difficulty of putting a value on climate change damage, and you might extend it to the military. At some point in time, if we continue fossil fuel dependence and it continues to rise, we are going to have a conflict between our civilian needs and our military needs. It is going to happen. The money will make it so.

The President has not much, I think, beyond a bully pulpit to reorganize, but he has got one thing he can do. And you have a big part in this, and that is to demand competency and have accountability. Competency in those people in the administration.

We have a line in our report that says that we are in danger of being seen as not competent. I was told in Saudi Arabia that for the first time people were questioning our basic competency. And I thought they were going to then talk about Iraq, but no, they were talking about Katrina. Katrina. So the one thing the President can do that you have a say in is to have competent people and demand accountability.

You know, leadership in my view is not just about having a vision. You have to have that. That is openers. It is like a pair of jacks in poker. But you have got to have execution and accountability. Those are three things the President can do.

Dr. NYE. Can I just add a point on the reorganization question? Because once the President is elected, it is going to be tight in terms of the agenda of things that he or she will have to be dealing with.

But there are some of the things that we recommended which actually can be done without legislation, without creating new departments and so forth. Now, obviously, a wise President will consult with the Congress before doing it, but something like this dual-hatted deputy NSC adviser does not require a lot of legislation. It may require some consultation.

The danger of doing things which require a lot of reorganization is that you wind up using a lot of your political capital and your time on things that take a long time. Some of the things we rec-

ommended actually can be done relatively quickly. You could do those things and start the planning of all of them right after the election in November.

You should then start a group to work on larger questions which you might be able to get through after something changes in the larger conditions. Unfortunately, we tend to respond after crises, and if we do not have a good plan of what to do after a crisis, we have a bad plan, which is immediately generated. I will volunteer the perhaps unpopular view that in creating the Department of Homeland Security and the DNI, what we did was respond with an inadequate plan after crises. And what we can be doing is the types of things we are suggesting in our testimony today which could be done quickly and then longer term changes being ready for when the climate is such that you could get them through, rather than doing the ad hoc improvisation that we have seen.

There is a difference between reform and reorganization. We have, I think, spent much of the time in the last few years reorganizing in response to crises rather than really reforming the process.

The CHAIRMAN. I will just make one brief comment to Senator Lugar. In 35 years of being a Senator, I do not think the country has ever been riper for fundamental reform. The country, the politics—I do not think it has ever been riper. If the President does not hit the ground knowing what he or she wants to do, the idea of a long-term study group to do it—it ain't going to happen in my view. That is just the politician in me.

Senator Nelson.

Senator BILL NELSON. Reform not reorganization. Do not just rearrange the deck chairs.

In your presentation, you say, "We need stronger civilian instruments to fight al-Qaeda's ideas, slow climate change, foster good governance, and prevent deadly viruses from reaching our shores. The uncomfortable truth is that an extra dollar spent on hard power today will not necessarily bring an extra dollar's worth of security."

The United States Southern Command is starting to move in that direction, and that seems to be the whole idea of the U.S. Africa Command. Yet, we have these bureaucratic logjams, and one of the things that you have given an opinion of today is you are concerned that the military may dominate too much the need of the civilians to step forward.

Do you want to give us some suggestions? And I am right in the middle of this on another committee of mine.

Mr. ARMITAGE. Yes, sir. You are absolutely correct. Admiral Stavridis in the Southern Command is moving out. He was very congratulatory about this particular report because he sees it is going in the direction he was already heading. And he is an economy of force theater, so he needs these other tools. He wants us to have a lot of tools in our toolkit.

Let me make a comment on something that Senator Lugar referred to because it gets at this. All of us, I think at one time or another, have decried the fact that our military is run hard and put away wet. They are asked to do all sorts of things that prob-

ably they did not realize they were going to do when they first signed up.

1206 authority, global train and equip, is one of those. I fought against giving this to the Department of Defense not because they are not competent, but because it detracts from their basic duty of fighting the Nation's wars. Further, it is not always the case that a regional CINC who has real military needs will be sharing the national view of who should be trained and equipped. So, I think that we made a mistake in this 1206, and I would heartily recommend that it come back under the Secretary of State's direction.

In terms of the tools, I think both AFRICOM and SOUTHCOM share the economy of force problems, and it is forcing them to be very creative. It is forcing them to depend more on their POLADs, the political advisors, to give them sort of the flavor and the texture of the region. I think this is a very good thing and it is to be applauded.

Joe.

Dr. NYE. Yes. I would agree on that.

I think one of the key questions we ought to be asking is whether we have enough capacity, operational capacity, in civilian agencies. One way of looking at this is a great deal has migrated in the direction of the Department of Defense simply because it has operational capacity. So if you look at the increase of foreign assistance that goes through DOD, which has increased quite impressively, it is partly because we do not have enough capacity elsewhere.

And if we have a Government which is one operational giant and a lot of pygmies, the net result of this is that we wind up with an overly militarized foreign policy not because the military is seeking this, but because the President, having to turn to an operational agency to get things done, turns to the one that can do it. And until we do more to rebalance that to create greater capacity in the civilian agencies, we are going to be stuck in this same position.

So, I think Admiral Stavridis has done a very good job in SOUTHCOM. I think AFRICOM is a good idea, but there is a question of whether these should be primarily seen as military missions or primarily civilian missions. And I know Jim Locher is going to testify before you later, but some of the thoughts that he has had about having regional civilian structures rather than just regional military structures I think make a lot of sense.

Senator BILL NELSON. Thank you, Mr. Chairman.

Senator HAGEL. Thank you, gentlemen. I am like all here on this panel—and I think speaking for Americans in general—am grateful to the two of you and to John Hamre and CSIS and others who participated in this effort. I was very proud to play a very small part in what you have contributed here to not just a better understanding of what not just the United States and the world face, but coming forward with ideas as to how then we frame up a 21st century structure, strategy, policy to deal with these issues.

One of the points that you made, Secretary Armitage, about—"diffusion" was not your word; it would be my word—diffusion of great economic power today in the world—and I would add to that, along with that great diffusion of economic power that is probably unprecedented comes tremendous new influences which will dictate

the new center of gravity certainly for the first part of the 21st century in geopolitical relationships.

What we are dealing with—and you made this very clear—is a situation probably unprecedented as well in history of having the world's circuits overloaded. Our circuits are overloaded and we have explored some of these areas today. My colleagues have talked about energy; the environment. And it seems almost that we are in a hole that we do not know how to get out of because of the uncontrollables. There are so many dynamics here now that we cannot control, starting with energy. But we are going to have to deal with these issues in a way that probably we have never had to before.

You also mentioned, both of you, President Eisenhower and the time after World War II. And I have always believed that we are living in a very parallel time to that 10-year period after World War II because in that period of time, the leaders in the world essentially restructured the format of the world. They essentially built a new world order.

Now, I know some of my colleagues do not like that term "world order," which implies a lot of things. But that is what we are talking about, coalitions of common interest. You mentioned them, as you did, Professor Nye, in your testimony when you talked about the United Nations. That certainly was a product. NATO, the EU, the World Trade Organization which then, to begin with, was a general agreement on, as you know, tariffs and trade.

I want to direct my question to that general area of what you started to talk about, some of my colleagues have focused on. How do we better use these alliances and bring these alliances together in a smarter sense of common interests, defining relationships not on our differences, but on the basis of our common interests? We will always have differences, and you have noted that.

I am going to also mention an area that you did not talk too much about, you did examine in your report, NGOs. You both talked a lot about trust and confidence. Secretary Armitage, you mentioned the Saudi Arabian issue. Now there is some significant question about our basic competency. And I noted the Zogby International poll that was released about a week ago, which I suspect you all saw, over 4,000 respondents, which essentially, bottom line, says that more than 8 out of 10 of the citizens in the Middle East have a very negative opinion about the United States for many reasons. So it coincides with everything you have noted in your report.

But I would like to take the remaining time I have. If you would both address the larger issue, which you have touched on to some extent. How do we use these coalitions of common interests, these alliances, these structures, these relationships not just to enhance our ability to help lead and our purpose and our focus and our power and our significance, but to start to move toward these real issues of water, of energy, the human condition? Because if we do not get underneath that, then it will not make any difference what we do because the problem will be so big.

And we know what the demographics are in the world today, 6.5 billion people. We are going to get to 9 billion people. Around 40 percent of that 6.5 billion today under the age of 19 years old, all

in the troubled areas of the world. We are just not prepared, and I do not think it is just the United States. It is the world.

So if you would take any piece of that, both of you, and respond, I would appreciate it. Thank you.

Mr. ARMITAGE. Senator, thank you. First of all, I do not know that I will have the opportunity and the honor of appearing before you again, and I want to say as a citizen thank you for your courage both in the military service and in the U.S. Senate and for your unwavering voice that cautions us all, at the end of the day, to do the right thing. So, thank you.

You are right. The tectonic plates are moving under us. I mean, some people would say back in the 19th century when united Germany rose that that was the most monumental thing that the world had ever seen. Some would say the same in the 20th century, the rise of the United States, and now people are talking about the redevelopment of China on the world stage is as important as the united Germany or the United States. Combined with the energy and the water and the food problems, they are all coming at us all at once. So we are not ready for much.

However, it is my observation on alliances, first of all, if we look at alliances as something that is burden-sharing—and that is what alliances are—that is also, to some extent power-sharing. We have to have an understanding of that. It is not my way or the highway just because we are in an alliance and we happen to be the strongest. Burden-sharing is power-sharing. I think it is a very sensible and healthy way to look at alliances.

And No. 2, nothing is going to happen very meaningful in the world without us using our alliances to be a forcing function. I do not mean we force people to come our way, but we force some attention on a problem. We have been able to do that in Asia somewhat on the question of infectious diseases with Japan and using Japan as the base from which we move forward. We can do that with NATO. We can do that with others. There has to be someone who stands up and says follow me or here is an idea. If you guys want to take the lead, take it. Those structures are there. We do not need to reinvent them.

Dr. NYE. Let me make Rich's sentiments about your service bipartisan, Senator.

But in responding to the issue of institutions, I had mentioned the idea of finding smaller groups that can be effective and then bringing the action into larger groups. Harlan Cleveland, who I think first coined this phrase, said the problem in international institutions is to get everybody into the act and still get action. That is why we suggested this idea of broadening out the G–8 to a G–12 or –13. It may be that in these types of ad hoc arrangements, we can get smaller groups which actually can get action and then bring them into larger settings. So we need more institutional imagination on that.

But even so, there are existing institutions we can do more with. Let me mention the World Health Organization. Earlier there was a discussion of avian flu. I do not know how many people realize that more people died of avian flu in 1918 than died in all of World War I, and yet, think of the money we spent in World War I and think of the money that we actually spend on the World Health

Organization. It is in our chart somewhere. A few hundred million is our share of the budget.

If you said what can we do about avian flu, if we develop a public health system in Cambodia, just to take one example, and get not only a good public health system, good statistics, good laboratories, transnational contacts of doctors so that we get early warning so that they are better able to cope with this, we are going to do a lot better defending ourselves against the avian flu. So there is an existing organization which I argue is severely underfunded. So in addition to building new organizations, you could say in the larger perspective of avian flu, we ought to be thinking of the World Health Organization in a totally different perspective than we are now thinking about it.

Senator HAGEL. Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony. I appreciate the full statement that you have here and some of the language that speaks to the issue of soft power and to our overall standing in the world. When I read elements of it—I do not know if you got to say this in your opening statements because I know that your whole statement was included in the record, but when I read from your statement when you say, "Similarly, when our words do not match our actions, we demean our character and moral standing and diminish our influence. We cannot lecture others about democracy while we back dictators. We cannot denounce torture and waterboarding in other countries and condone it at home. We cannot allow Guantanamo Bay or Abu Ghraib to become symbols of American power." And then you go through a whole list. So I appreciate the strength of what you have said here.

As the subcommittee chair—Senator Hagel is our ranking member on that subcommittee—that deals with all foreign assistance, I am particularly interested in some of your views. How do we better incorporate that as an element of soft power?

Over the last several months, I know that I have asked AID to come to us with a proposal to build up the human resource capacity at AID, but also to look at how we deliver those development services as a critical tool of soft power. I see that you have mentioned, Mr. Nye, the whole issue that there should be 1,000 more Foreign Service officers. It seems to me that in the AID capacity, I am not sure that they have the capacity to deliver what we want them to do.

I am wondering if you have some insights on that specifically, either one of you.

Mr. ARMITAGE. Thank you, Senator. Thank you very much for your comments.

There used to be a fellow up here by the name of Paul Clayman. He has gone out in the private sector now. But he really studied hard about the foreign affairs budget and foreign aid. He used to have what he called a spiderweb chart, and it showed, I think, 23 or 24 different agencies who had programs around the world, but they really were not coordinated not through USAID or through the State Department. Everybody was kind of doing their little

thing. So in your investigations, I would hope you would look at that, at least not replow that ground because I think there is a lot of data there.

Second, you are exactly right. There is very limited capacity in USAID. And I am afraid—this is my personal fear—that if you look at what we did with the development of DNI, we are going to fight al-Qaeda. We need better intelligence. So what do we do? We have a headquarters here in Washington. The fight is out there, wherever there is. It is not back here in Washington. So I think USAID does need much more capacity. They need to be encouraged to be much more out in the field and to be much more autonomous.

There is a colleague sitting in the back of the room who ran the program for Afghanistan for the U.S. Government until recently. He told me a story about a road building project. He and General Eikenberry and our Ambassador in Afghanistan got together, and they decided they would start a roads initiative in Afghanistan. And it was 2 years before they could develop through the appropriations cycle the $800 million necessary. The U.S. military had some walkaround money through the CERP funds and they could do smaller versions of those same roads tomorrow.

So my observation is as you rightfully look at capacity-building in USAID, I hope you would also, sir, encourage them to get out there and do it and not be so risk-averse, but just learn they are going to have to manage risk as they move forward. We are not going to eliminate it.

Dr. NYE. Yes. I agree with what Rich said on that. I had mentioned earlier the idea of an operational deputy in the State Department to coordinate the fragmented aid, but equally important is finding regional structures where you get more or less peer-to-peer coordination in the field. So we need both.

Senator MENENDEZ. You mention in your report a Cabinet-level voice for global development. Could you expound upon that? How does that work? How does the interaction work between State and AID? How do you see a Cabinet-level voice working? It is not a Cabinet member, as I read the report, but it is a voice.

Dr. NYE. Well, we deliberately choice the word "voice" not "department" because we did not want to rearrange deck chairs and create a new bureaucracy. We feel that has been one of the problems of our reorganizations.

On the other hand, it is true that if you go into a meeting in the situation room in the White House and there is nobody at a high level around the table, that set of interests is not well heard. The Secretary of State has a lot of other things on her plate at the same time. If you had an operational deputy in State who could be present anytime those issues of assistance and coordination of assistance were discussed, you would have a voice, not a new department, but another voice at the table.

Senator MENENDEZ. Finally, I look at this issue of soft power and believe greatly that we need to focus a lot more. In the context of our foreign assistance, I just think that it is an element that many look at with disdain. Yet, I think about—just take one part of the world right here in our own hemisphere. A lot of the things that we are debating in the Congress of the United States and here in the Senate are related to some of these core issues. We debate un-

documented immigration into this country, but why do people leave their countries? One of two reasons: Civil unrest or dire economic necessity.

And if we were dealing with that in our own national interests, we would not only stem that tide, but we would also be creating greater markets for U.S. goods and products to be sold. We would create greater stability in the hemisphere. We might reverse the tide of where we see the hemisphere going in a spectrum of political ideology that is not in the national interest of the United States. We would see a reduction of health issues that have resurfaced along our southern border that we had largely eradicated. We would do a lot more about making sure that a poor coca farmer finds a sustainable alternative to that because he is going to sustain his family one way or the other. And so it would be part of our narcotics interdiction efforts.

It just has a lot of elements to it that are not even about being a good neighbor by any stretch of the imagination. It is about self-interest, national interest, national security, and I certainly applaud your efforts in this regard.

Mr. ARMITAGE. If I may, Senator, I think no one will accuse Dr. Nye or me of being fuzzy-headed liberals or whatnot.

Senator MENENDEZ. Certainly not the fuzzy side. [Laughter.]

Mr. ARMITAGE. I used the term before you arrived, sir, that this is not—maybe "assistance" or "aid" is not the proper term. It is not charity. It is a cold calculation of our national security. That is exactly the point I think you are making.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Voinovich.

Senator VOINOVICH. Thank you, Mr. Chairman.

Dr. Nye, when did you publish Soft Power?

Dr. NYE. Well, I think the term first was published in 1990. I then wrote a book. That was in a book called "Bound to Lead" in 1990 in which I said that people who thought the United States was in decline were missing the fact that not only did we have military and economic power, we had a tremendous power to attract. And people were not taking that sufficiently into account.

Senator VOINOVICH. Well, I read your book about 4 months ago. I talked to my staff and said let us peel out the best ideas that are here. And I am so excited to be here because actually you come up with 10 recommendations. I would really ask the two of you, through your organization, to come back to us with some recommendations as to what we could do at all legislatively, what the next administration can do.

We are not looking for the Department of Homeland Security. Anybody that really thought about that, to take 22 agencies and over 200,000 people with different cultures and put them together should have known it was going to be a debacle, and it is still a debacle. Unless we get somebody in charge of transformation and give them a full term, it is never going to get done.

But you would do us a great favor to come back and talk about some practical things that we could do.

Second of all, the American Academy of Diplomacy has got an advisory group. They are putting together some recommendations

on a foreign affairs budget. It would be interesting to know what people think about what those recommendations are.

Condoleezza has come up with this new civilian response corps to be developed over the next few years. I would be interested in how you feel about that.

I had a meeting with General Jones a couple years ago, and he talked with me at length about the challenges of Afghanistan and the fact that many of the challenges related to the difficulty of creating a cohesive and successful strategy from so many different funding pots, authorities, and agencies, from democracy-building programs at State to writing laws for the justice and commerce and so on and so forth, that they need that flexibility and that we ought to have a national security budget and look at how these things all integrate with each other. I would be interested in that.

And the last thing I want to say is that I told the chairman of the committee I happen to believe that this cap-and-trade legislation that came out of the Energy Committee will not get the job done.

I attended the Aspen Institute. We had 4 days on China-United States relations. Why not an international fund where you have got the largest economies getting together, put the money in there to challenge the best and brightest people in the world to come up with ideas on how we capture carbon and how we sequester it? We know we are going to burn a lot of coal. I mean, the Chinese are burning more coal now than we do, the European Union, and Japan. So we know we are going to burn coal. The question is, How do you get the thing done?

Dr. Nye, from a point of view of public diplomacy, would it not be wonderful if you could get the Chinese, us, and the others to come together and say, this is a global problem, we are going to work on it together, and come up with the new technologies so we can move forward?

Dr. NYE. First, let me say, Senator, that it was a great pleasure for me when I was dean at the Kennedy School, to work with you on the questions of government organization and getting the right young people in the government. I am grateful for your service on that.

To pick up your point, we will look at a number of these. We have some suggestions. We will look at a number of these other points that you mentioned and would be happy to follow up on that.

But let me just pick up your point about CO_2 and China. We need a mind set which is different if you are going to deal with this. I think you mentioned earlier that China is producing two new coal-fired plants a week. One of my colleagues at Harvard pointed out by a calculation that she did that if we did not just get fuel efficiency standards but stopped driving, parked all our cars, for a year, the amount of CO_2 that China is putting into the air would equal that in less than a year. That puts this into a perspective. We cannot solve our problems unless we get cooperation with others.

Now, from the point of view of the Chinese, they say we are only one-fifth as intensive as you are in producing CO_2 per capita. But that does not matter from the point of view of the environment. It

does not care whether it comes per capita, thinking of the overall burden.

So if you ask what can we do about this, you cannot do it by coercion. You can use the hard power of threats or sanctions. It will be self-destructive. The only way you are going to do this is by a cooperative program, attracting the Chinese and others into something where it is in their interest and in our interest.

And I think an international fund is going to be essential to this. Some people have talked about a facility under the World Bank or within the World Bank framework. Others have talked about a new facility. But unless we are able to do——

Senator VOINOVICH. By the way, we have the Asian-Pacific Partnership that is doing some good things, but has never been funded properly.

Dr. NYE. Yes, I agree. That might be a vehicle. But I think it is probably going to need to be a global vehicle on this.

But in any case, going at a series of cooperative steps with China, some of which we mentioned in the testimony here, but some of which need further development, I think is going to be essential if we are going to deal with this, in our interests as well as their interests.

Mr. ARMITAGE. Senator, you asked specifically about Dr. Rice's request for a civilian reserve corps. It is a 500-person reserve corps. There is funding in the 2007 supplemental I believe awaiting an authorization. I do not know how many votes. You will need 60 votes, I guess. I think it is being blocked here in the Senate.

But this will be a good thing for two reasons. One, I think it does start to detract from the need of the U.S. military to all the heavy lifting around the world, and second, it will allow us on smaller contingencies to have civilian experts fall in immediately on a problem; a problem such as Haiti, something that is more manageable than an Iraq, for instance.

Associated with the civilian reserve corps is the Civilian Stabilization Initiative, the CSI, which is a 250-person active corps, 2,000 standby, and 2,000 more in a standby response mode. These are eminently worthy and sensible suggestions which will relieve, to some extent, our U.S. military.

Mr. ARMITAGE. By the way, on the whole question of China—I was at Stanford recently giving a speech, and I answered a question and then got into a colloquy, as you would say up here, with a person in the audience who was a scientist who was involved in taking the filters out of Lake Tahoe. And guess what he told me he found? Environmental damage from China.

Senator VOINOVICH. Mr. Chairman, could I just ask one quick question? I know I have run over.

The CHAIRMAN. Sure.

Senator VOINOVICH. But the question I have is we are coming up with ethanol, cellulosic, and all these other things. Would it not be wise for us to kind of sit back and see how all of this starts to affect other things? In other words, we have got ethanol. We are supplementing ethanol, and now we are saying we are going to go to cellulosic, and then we are going to do this. And how does this ricochet around in terms of the big world picture in terms of food and some of these other things before we just go off and do little

things. Do you understand what I am saying? Step back and look at the big picture and see how does this all fit together and where should we be putting our effort.

Dr. NYE. I think that is exactly right. One of the problems is to seize on something as a silver bullet and not realize that there is an enormous web of interdependency so that as we got a little bit overenthusiastic about corn-based ethanol, we found that this was having effects around the world which were much more costly than we first believed. So it does require a more careful and thorough study on some of the measures we take. There are things we can do, but I think we have not always been as wise as we could in doing them.

And I still believe that pricing systems make a difference. In other words, if you have a floor—you create a floor and then people can make their decisions by market mechanisms above that floor—that is different than going at direct, pinpointed subsidy on something which may turn out to have hidden side effects.

Senator VOINOVICH. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The Senator from Georgia.

Senator ISAKSON. Mr. Chairman, I want to associate myself with all of your opening remarks, all of the ones that I heard vis-a-vis energy, the next new solutions and what we need to do.

Senator Hagel referred to preparedness and the fact that we were not prepared. It caused me to remind myself that 2 weeks ago at my staff retreat in Georgia, I invited General Russell Honore to come speak. I do not know if you all remember who he was, but he was the general that the President sent in to mediate the disaster left by Katrina, and he fixed the mess that FEMA had really started. He saved lives, helped victims get out of there, and was really a take-charge guy. In his famous press conference, he made a statement to a reporter who asked the same question for a third time. He called him "stuck on stupid."

I think we are "stuck on stupid." I am talking about the United States Senate here. I am not trying to throw a wide net, but the body politic.

I think energy is a crisis. Yes, markets have cycles, but these cycles keep going up from a higher base every time they go down. And we have ways that we know we can reduce our dependence on fossil fuels and we argue politically over doing those.

It seems to me like we need a two-tiered approach. Tier No. 1 is to put down our arms and recognize that we do know how to use nuclear energy. The Air Force has flown B–1s on synthetic fuel, so it is doable. Clean coal technology is, in fact, in Florida. Southern Company was building a coal gasification plant that, unfortunately, at the last minute was shut down because of the fact that it was coal. They did not want to take the last step.

It seems this Manhattan Project we are talking about ought to be an effort, a short-term effort—short-term probably being 10 years—to get our nuclear title efficient to be able to turn these plants out reasonably and safely, to focus on green space because it is a part of the solution in sequestration of carbon, to focus on renewable sources of energy and to focus on synthetic sources of energy.

And then have the second tier as the next new thing, which is the Manhattan Project, because there are some bullets out there. We hope that one day hydrogen will be a bullet. We hope there will be other things.

But I do think we have got to stop arguing about what is the next new thing. We do not know what it is, but we know a lot of things that can reduce some of our dependence today. I think we ought to have that short-term focus on those things, with the long-term focus on the future development of science and technology.

I would appreciate your comment.

Mr. ARMITAGE. I very much appreciate your comments, Senator, both as a constituent living in Savannah and as a citizen.

Look, we have got to stop kidding ourselves, I think is the way I would say what you are saying. We have kidded ourselves in various energy bills that we actually were doing something. We are now kidding ourselves that carbon sequestration will solve the problem. So maybe in the first instance, that is what we ought to do.

A two-tiered approach is perfectly reasonable. I noticed that Senator Biden was using a term which I have an affection for, which is "holistic" approach to this, and it has to do with the defendant technologies. It has to do with reductions in our own demand here. It has to do with rapid transit development, which would assist us in driving less and changing our habits. It has to do with a whole lot of things. But it seems to me that is going to have to be a back room conversation for a while with very interested Members of the U.S. Senate before it can come out into the daylight because that is going to really gore a lot of oxen if we really approach this thing holistically.

Senator ISAKSON. Dr. Nye.

Dr. NYE. If I could just add, I think the two-tiered approach makes a lot of sense. We should be having major programs to look for alternatives which will transform the situation, but we have still got to live through that short run, which may be a decade or two. And in that short run, nuclear, which I am in favor of expanding, is not going to solve it. If we are realistic about this, what we are seeing is that coal is going to be burned. India, China, for example, have enormous reserves of coal. What we have is a strong incentive to get clean burning of coal and carbon sequestration. We have some pilot plants on carbon sequestration. What we have not worked out is how it works as a system as a whole. How do you get the regulatory framework? What happens if it is large-scale, and so forth? I would like to see something like a Manhattan Project in that area.

Senator ISAKSON. On the subject of nuclear, I do not disagree with you. I did not list it first to say it is the solution, but in this holistic approach, it is a part. It is a terribly expensive capital investment to put in the ground, and if you are looking to a 10-year goal, you can probably get it operating maybe on the 10th year. But for 30 more years, it is going to contribute to the lessening of the pressure.

I was reading your 10 points here. On the 10th point, the next administration should not fall into a new cold-war struggle to compete with and contain Chinese soft power. If I understand all the

key components of soft power, it seems to me that we need the Chinese thinking more in that line than the militaristic line. I mean—we can never let our defense and guard down. We have to be prepared for the worst. But we need to start encouraging the best. So I do not know that a little positive competition for creating soft power is not a good thing.

Mr. ARMITAGE. It is a very good thing. Maybe we in an inelegant way were trying to make that point. But that is the exactly the direction. We do not have anything to fear from Chinese soft power as long as we also stay engaged across the board using all our tools in the toolbox.

Senator ISAKSON. I cannot help but think, Mr. Chairman, if we do perfect the clean coal technology, the Chinese will be the first people to come buy it. I do not know that they would be the first people to go develop it, but they will be the first people to come buy it. And that is good for the economy and, in the end, good for everybody else.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, gentlemen, you have been contributing and continue to contribute for the last—I will not mention the decades, but for a long time. The point made by the Senator from Ohio about maybe you could come back with us—and I realize it is a burden—with some specific notions about how we should be proceeding here legislatively—I just think that if there was ever a time politically that thinking bold has an opportunity to actually succeed, I really do not think it has ever been set up, teed up this—you referenced Samuel Johnson, Professor. I believe he is also the one who said that there is nothing like a hanging to focus one's attention. It sounds like hyperbole, but I will tell you what. The American public is getting it.

I will conclude by saying one of the interesting things asked by a poll—I do not know whether it was Pew or whoever did it—a reputable pollster, about 8–10 months ago, asked the question. It did not get much coverage. At least it reinforced my confidence—and I am not being solicitous—in the American people. It asked what is the greatest threat to our security, and they listed all the threats including energy. And they all said energy. I mean, not all; 71 percent or 72 percent. So the American public gets this. I think we vastly, vastly, vastly, underestimate the willingness and the appetite of the American public to be able to take a chance, to take a risk.

So that is all I meant. I know you did not think it, but for the record, I want to make it clear.

This contribution you made is significant. I was just suggesting that if there is any time in our history since 1946 to think big about accommodating to the changes taking place in the world, this is the moment. And I think the public is ready to absorb it.

I would suggest that we do not have that authorization that Condy wants for a bill that Senator Lugar and I wrote, and maybe you could go visit in your quiet way, Mr. Secretary, Senator Coburn. [Laughter.]

It would be a very helpful contribution to make.

At any rate, I thank you both. I hope we can continue to call on you. Your contribution has been significant. Thank you very, very much.

Our next panel is James R. Locher III, executive director for the Project on National Security Reform; and Dr. Gordon Adams, professor of international relations, School of International Service, American University, distinguished fellow.

I am delighted you are both here. I read your statements. I hope we can get to talk a lot about them because I think you are meeting my desire of thinking big here, and so I hope we can have some time.

My colleagues' having to leave is not a lack of interest in what you have to say. Each of them has other committee requirements that they indicated to me ahead of time. Two may be back, but I just want you to be aware of that.

So why do I not yield the floor to you gentlemen in the order in which you were called, and then we will maybe have a conversation here.

STATEMENT OF HON. JAMES R. LOCHER III, EXECUTIVE DIRECTOR, PROJECT ON NATIONAL SECURITY REFORM, CENTER FOR THE STUDY OF THE PRESIDENCY, WASHINGTON, DC

Mr. LOCHER. Thank you, Mr. Chairman, Senator Lugar. I appreciate the opportunity to testify on national security reform.

Since the beginning of the 21st century, the United States has suffered a number of painful setbacks: The terrorist attacks of September 11, the troubled stability operations in Iraq and Afghanistan, and the inadequate response to Hurricane Katrina. These setbacks are not coincidental. They are evidence of a system failure. Our national security system is not capable of handling the threats and challenges or exploiting the opportunities that confront us in today's complex, fast-paced information age world.

These deficiencies are not about the lack of talent or commitment by national security professionals. They are working incredibly hard and with unsurpassed dedication. The problem is that much of their hard work is wasted by a dysfunctional system.

Of our antiquated arrangements, Defense Secretary Gates has observed, "We have tried to overcome post-cold-war challenges and pursue 21st century objectives with processes and organizations designed in the wake of the Second World War."

Of dozens of problems in our national security system, three are most pronounced.

First, we are not able to integrate the diverse expertise and capabilities of departments and agencies. Our challenges require effective whole-of-government integration, but we remain dominated by inward-looking, vertically oriented, competitive, stovepiped departments.

The second major problem is that the civilian departments and agencies are underresourced, and they are culturally and administratively unprepared for national security roles. Mr. Chairman, you and Senator Lugar noted this challenge with respect to the resourcing of our civilian departments in your opening comments.

The third problem is that congressional committee jurisdictions, which generally match executive branch structure, tend to reinforce the vertical structure and processes of the departments and agencies. Focused on the parts, Capitol Hill cannot address a whole-of-government approach to national security missions.

These three problems and others are not new. Our national security system has almost never been capable of integrating all instruments of national power. Our shortcomings, however, have become more serious in recent years. The question is why, and there are two answers. Complexity and rapidity of change. In an increasingly complex and rapidly paced world, our vertical stovepipes are less and less capable.

What must be done? Three sets of sweeping reforms will be needed. First, new Presidential directives will be required. The next President could make enormous changes on his or her own through these directives.

The second set of reforms will be a new national security act replacing many provisions of the 1947 act. Mr. Chairman, at the committee's hearing on March 5, you spoke of your interest in developing a national security act of 2009. You are absolutely on target. We need a new national security act.

A third set of reforms will be amendments to Senate and House rules. One key possibility is to create select committees on interagency affairs. These new committees could be peopled by the chairman and ranking members of current committees with national security jurisdiction, plus corresponding appropriations subcommittees.

The goal of the Project on National Security Reform, which is sponsored by the Center for the Study of the Presidency, is approval of a new system early in the next administration. The distinguished coalition of former officials, Brent Scowcroft, Jim Steinberg, Newt Gingrich, Joe Nye, Tom Pickering, Michele Flournoy, Dave Abshire, Leon Fuerth, GEN Jim Jones, GEN Chuck Boyd, and 11 others of great expertise and experience, guide the Project on National Security Reform. More than 300 national security professionals are participating in our 14 working groups.

As you may know, Mr. Chairman, 13 House Members have formed a working group on national security interagency reform. A principal objective of their efforts is to promote congressional understanding of the need for historic reform. A similar effort is required in the Senate.

The Project on National Security Reform will produce an interim report on July 1 and a final report on September 1. The interim report will focus solely on problems, their causes, and their consequences. The final report will offer alternative solutions, will evaluate them, and will also offer an integrated set of recommendations.

Following release of these reports, the project will draft Presidential directives, a new national security act, and amendments to Senate and House rules. These will be completed by the November election.

You suggested that we think big and in the project we are thinking big because the Nation needs these reforms. National security reform must happen and soon. The cost of failing to move forward

rapidly could be catastrophic. Moving this large mountain will require sustained dedication of a coalition of like-minded people in the executive branch, Congress, think tanks, universities, businesses, and concerned citizens. I hope that the distinguished leaders and members of this committee will decide to play a leading role in this coalition.

Mr. Chairman, the time for action is now.

[The prepared statement of Mr. Locher follows:]

PREPARED STATEMENT OF HON. JAMES R. LOCHER III, EXECUTIVE DIRECTOR, PROJECT ON NATIONAL SECURITY REFORM, CENTER FOR THE STUDY OF THE PRESIDENCY, WASHINGTON, DC

Mr. Chairman, Senator Lugar, and members of the committee, I appreciate the opportunity to testify on national security reform.

Since the beginning of the 21st century, the United States has suffered a number of painful setbacks: The terrorist attacks of September 11, troubled stability operations in Iraq and Afghanistan, and inadequate response to Hurricane Katrina. These setbacks are not coincidental; they are evidence of a system failure. Our national security system is not capable of handling the threats and challenges or exploiting the opportunities that confront us in today's complex, fast-paced, information-age world. These deficiencies are not about the lack of talent or commitment by our national security professionals in all departments and agencies. They are working incredibly hard and with unsurpassed dedication. In many cases, they are being crushed by their workload. The problem is that much of their hard work is wasted by a dysfunctional system.

Of our antiquated arrangements, Defense Secretary Robert Gates has observed, ". . . we have tried to overcome post-cold-war challenges and pursue 21st century objectives with processes and organizations designed in the wake of the Second World War."

PROBLEMS

There are dozens of problems in our national security system, but three are most pronounced. First, we are not able to integrate the diverse expertise and capabilities of our departments and agencies. Our national security challenges require effective whole-of-government integration, but we remain dominated by outmoded, inward-looking, vertically oriented, competitive, stove-piped bureaucracies—or what some have wryly begun to call "cylinders of excellence." We need these elements of excellence, not as ends in themselves, but as building blocks in a whole-of-government approach. We need to be able to work horizontally across department and agencies boundaries, organizing and reorganizing these building blocks in an agile, adaptive, fluid way against the myriad unpredictable and dynamic threats we face.

Consider the unity of effort required in combating terrorism. We need to integrate law enforcement, diplomacy, military, intelligence, information, finance, health, transportation, and more to effectively combat the threat of terrorism, an amorphous threat that is constantly changing. But our mechanisms for producing this integration are weak compared to the power of the massive, departmental bureaucracies. We have a tiny headquarters—the National Security Council and Homeland Security Council staffs—that in any event have only advisory responsibilities. Only the President has the authority to integrate the efforts of the departments and agencies, but he lacks the time and mechanisms to do so. Presidents have sought to delegate their authority to lead agencies or czars. Neither of these approaches has been successful, and both have engendered an ad hoc approach. Integration of our national security efforts could be promoted by a strong interagency culture or a national security strategy that directs the activities of the departments and agencies. Unfortunately, we have neither. In sum, our organizational arrangements are misaligned with our security challenges. Until we address these arrangements through comprehensive reform, we will continue to be disappointed by our performance and run the risk of incurring future catastrophic costs in blood and treasure.

The second major problem in the national security system is that civilian departments and agencies are under-resourced and culturally and administratively unprepared for national security roles. We have heard recently a great deal about the resourcing side of this issue, especially from Defense Secretary Gates. He said, "What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and develop-

ment." Secretary Gates is absolutely correct. But there is another dimension to this issue: The lack of preparedness of civilian departments and agencies to rapidly deploy their expertise overseas.

The problem of the underfunding and underpreparedness of civilian departments and agencies stems in part from our outdated concept of national security. With World War II in mind, the National Security Council was focused on military, diplomacy, and intelligence—it still has that focus. We know that national security today is much broader: Finance and economics, trade, law enforcement and legal, information, energy, health, environment, and more.

Third, congressional committees are organized with jurisdictions that generally match the structure of the executive branch. As such, Congress tends to reinforce the vertical structures and processes of the departments and agencies. Capitol Hill focuses on the parts and cannot address a whole-of-government approach to national security missions. National security reform will be unsuccessful without creating means for Congress to address national security missions from end to end.

Moreover, as the need for more integrating mechanisms in the interagency space in the executive branch takes full expression, Congress will need to oversee these new entities. We have already begun to see these new entities take shape although they are insufficiently formed at present. The National Counterterrorism Center, U.S. Africa Command, U.S. Southern Command, and Office of the Coordinator for Reconstruction and Stabilization are seeking to promote interagency integration in their areas of responsibility. But they remain underpowered and in some cases ill-conceived for these roles. Focusing on the interagency space would represent a totally new jurisdiction for Congress. If you believe, as I do, that the most important national security work in the future will take place in the interagency space, this is a jurisdiction that Congress must add.

These three problems and others in the national security system are not new. Our system has almost never been capable of addressing national security missions with a whole-of-government approach. We have seldom been able to integrate all of the instruments of national power. We could not do it well in Vietnam or Operation Just Cause in Panama or elsewhere.

Our shortcomings, however, have become more serious in recent years. Why? Two answers: Complexity and rapidity of change. In an increasingly complex and rapidly paced world, our vertical stovepipes are less and less capable and less and less responsive. The gap between our capacities and the demands being placed on the national security system is widening. This is a frightening conclusion.

REFORM AGENDA

What must be done? Modernizing the national security system will require sweeping reforms in the executive and legislative branches. Marginal or incremental changes will not do. We need a 21st century government for 21st century challenges. There are many important department-led reforms that are attempting to increase our ability to integrate national power and deal with the many effects of globalization and a changed international security environment. In the State Department, Secretary Rice is leading a number of these efforts under the rubric "Transformational Diplomacy." Ultimately, the success of such departmental reforms will depend upon an effort to change the way we operate at an interagency level. This is the focus of the Project on National Security Reform.

Three sets of national security reforms will be needed. First, new Presidential directives governing the operation of the national security system will be required. The next President could make enormous changes on his or her own through these directives. Although he or she would lack some authorities and could not create a permanent system, the required transformation could be started.

The second set of reforms will be a new national security act, replacing many provisions of the 1947 act. At the committee's hearing on March 5, you, Mr. Chairman, spoke of your interest in developing a National Security Act of 2009. You are absolutely on target. We need a new national security act to mandate historic reforms on how we plan, organize, and train for national security in the 21st century.

A third set of reforms will be amendments to Senate and House rules to bring about necessary congressional reforms. One key possibility is to create Select Committees on Interagency Affairs in the Senate and House of Representatives. These new committees could be peopled by the chairman and ranking minority members of current authorizing committees with national security jurisdictions plus corresponding appropriations subcommittees. This would create, in effect, horizontal teams in the Senate and House that could take whole-of-government approaches to national security missions. These Senate and House select committees would empower and oversee the national security system. They would not interfere with the

jurisdiction of the standing committees and subcommittees, which would continue to perform their current oversight responsibilities.

PROSPECTS FOR REFORM

Change is never easy. Transforming the world's most important, most complex organization will be incredibly challenging. The status quo has great powers of inertia and some formidable defenders.

Despite obstacles, major reforms can be achieved. I have been actively involved in three major reform efforts—each a historic success: (1) The Goldwater-Nichols Department of Defense Reorganization Act—which unified the Pentagon and created the world's premier joint warfighting force; (2) special operations and low-intensity conflict reforms, known as the Cohen-Nunn amendment, which created the U.S. Special Operations Command and the magnificent special operations forces that played extraordinary roles in Afghanistan and Iraq; and (3) defense reform in Bosnia and Herzegovina, where I served as the chairman of the Defense Reform Commission, which took the three warring factions and successfully put them into one military establishment and on the path to one army. In each of these cases, 95 percent of the experts judged that reform was impossible. The many naysayers to these earlier reforms remind me of a statement by Supreme Court Justice Louis Brandeis: "Most of the things worth doing in the world had been declared impossible before they were done." As in the case of these earlier reforms, national security reform will take visionary leadership and the skilled application of change management techniques.

PROJECT ON NATIONAL SECURITY REFORM

The Project on National Security Reform, sponsored by the Center for the Study of the Presidency, is working to bring about such historic change in the national security system. The Project's goal is approval of a new system early in the next administration. In its report, the Commission on Smart Power observes: "Implementing a smart power strategy will require a strategic reassessment of how the U.S. Government is organized, coordinated, and budgeted." The Project on National Security Reform is working to provide that strategic assessment for consideration by the next President.

A distinguished coalition of former officials—Brent Scowcroft, Jim Steinberg, Newt Gingrich, Joe Nye, Tom Pickering, Michèle Flournoy, David Abshire, Leon Fuerth, General Jim Jones, General Chuck Boyd, and 11 others of great expertise and experience—guide the Project on National Security Reform. Fortunately, three members of the Project's Guiding Coalition—Nye, Pickering, and Boyd—also participate in the Smart Power Commission. More than 300 national security professionals from think tanks, universities, consulting and law firms, businesses, and government are participating in 14 working groups to examine problems in the national security system.

The project has the support of senior officials in the Departments of Defense, Treasury, and Homeland Security, Office of the Director of National Intelligence, and Homeland Security Council staff. Congress provided $2.4 million for the Project in the FY 2008 Defense appropriations bill. This funding is being delivered to the Project through a Cooperative Agreement with the Department of Defense. Secretary Gates selected a Cooperative Agreement as the funding mechanism to preserve the Project's independence. He is adamant that the project does not become viewed as an instrument of the Department of Defense, and that is absolutely the case. The project is totally independent and comprised of a broad coalition of nongovernmental organizations. The project has raised $400,000 from foundations and is seeking additional funding from a number of government and private sources.

Thirteen members of the House of Representatives have formed a Working Group on National Security Interagency Reform. A principal objective of their efforts is to promote congressional understanding of the need for historic national security reform. Importantly, the House Working Group has representatives from the committees with national security jurisdictions. A similar effort is needed in the Senate.

The Project on National Security Reform is pursuing its work with the same rigorous methodology that produced the Goldwater-Nichols Act. First, there is the need to understand the history of how we arrive at our current organizations and processes. Second, underlying assumptions must be analyzed to determine if they remain valid or no longer fit with reality. Third and most important is the requirement to identify problems and their causes. This is the most challenging part of the intellectual effort and is often underdeveloped in Washington reform efforts. It is especially hard in problem identification to get beyond symptoms to identify

the real problems. We often focus on the fact that the patient has a 104-degree temperature but do not work to determine the fundamental illness.

Also in the project's methodology is the examination of all elements of organizational effectiveness: Vision and values, processes, structure, leadership and organizational culture, personnel incentives and preparation, and resources. Too often just one of these elements—structure—receives all of the attention. One conclusion from the Project's early work related to leadership is the increasing importance of leaders with incredible skills of collaboration. We have had considerable experience with leaders who have emphasized competition over collaboration. This approach undermines our efforts to create the interagency teams upon which every national security mission depends.

Only after these steps have been taken will the Project on National Security Reform begin to consider solutions. It will develop the full range of alternative solutions to fix each of the identified problems, evaluate each alternative as objectively as possible, and recommend an integrated set of solutions that directly relate to the problems and to an even greater extent causes. The project will also give major attention to implementation. We know that implementation is 50 percent of the battle in achieving the desired outcomes.

An interim report will be produced on July 1 and a final report on September 1, the latter as required in the National Defense Authorization Act for FY 2008. The interim report will focus solely on problems, their causes, and their consequences. The final report will offer alternative solutions, their evaluation, and an integrated set of recommendations.

Following completion of these reports, the Project will begin to draft Presidential directives, a new national security act, and amendments to Senate and House rules. These will be completed by the November election.

ROLE OF NEXT PRESIDENT

The next President will have a central leadership role to play in making national security reform a reality. The intellectual and political opposition cannot be overcome without a strong commitment from, and active involvement of, the president.

The Project on National Security Reform has worked to keep the three Presidential campaigns informed of its progress. The McCain, Obama, and Clinton teams are aware of our agenda and have expressed keen interest in its direction and intended outcomes. On July 13, 2007, Senator McCain called for legislation to reform the national security system: "To better coordinate our disparate efforts, I would ask Congress for a civilian follow-on to the 1986 Goldwater-Nichols Act which fostered a culture of joint operations within the separate military services. Today we need similar legislation to ensure that civil servants and soldiers train and work together in peacetime so that they can cooperate effectively in wartime and in postwar reconstruction."

We must make national security reform a campaign issue. Given the serious deficiencies in the national security system, the Presidential candidates must be asked to articulate a plan for fixing the Nation's antiquated security system and to make specific commitments to do so. Change has been a central theme of campaign debates. Of all of the possible changes to be discussed, national security reform must be at the top of the list given that providing for the common defense ranks as the government's premier responsibility. Hopefully, the candidates will commit to a specific program of action to be undertaken during their first 100 days in office.

CONCLUSION

National security reform must happen, and it must happen soon. The costs of failing to move forward rapidly with an agenda of reform could be catastrophic. The Nation's security cannot be adequately preserved without 21st century organizations using 21st century leadership and management techniques. The Nation will be best served if bold reforms are initiated at the start of the next administration.

Moving this large mountain, however, will require sustained dedication of a coalition of like-minded people in the executive branch, Congress, think tanks, universities, businesses, and concerned citizens. I hope that the distinguished leaders and members of this committee will find that national security reform merits their attention and decide to play a leading role in this coalition.

The time for action is now.

The CHAIRMAN. Thank you very much.

Doctor.

STATEMENT OF DR. GORDON ADAMS, PROFESSOR OF INTERNATIONAL RELATIONS, SCHOOL OF INTERNATIONAL SERVICE, AMERICAN UNIVERSITY; AND DISTINGUISHED FELLOW, HENRY L. STIMSON CENTER, WASHINGTON, DC

Dr. ADAMS. Thank you very much, Mr. Chairman. First, I want to congratulate you on these hearings and thank you for the opportunity to testify. And to you, Senator Lugar, as well.

I genuinely agree with you, Mr. Chairman, that this is a critical turning point. We have a tremendous opportunity to do something about the civilian toolkit of Government as well as a number of the major issues that you have raised. I want to address just a few key points here in my opening statement and put the rest of my statement in the record. I am happy to remain available to you, as you proceed in your hearings and your work.

It is ironic that the Department of Defense was created in the original National Security Act of 1947 in part to balance the toolkit of statecraft after the Second World War against the excessively powerful Department of State. That is one of the original ironies.

The other crucial decision, with respect to the civilian toolkit, was a decision made repeatedly throughout the last 50 or 60 years, which is that every time we need to put resources against a problem, there has been a tendency to create an institution to do it. But that institution is almost always been outside the Department of State. So we have a disjuncture inside the civilian toolkit between organizations that deliver programs and organizations that handle diplomacy.

What I am suggesting here today is that as a result, as the CSIS Smart Power Commission put it, diplomacy and foreign assistance are often underfunded and underused and foreign policy institutions are fractured and compartmentalized.

The consequence we have seen in the last few years is that we rely excessively on the most organized and best funded institution in Government, the Department of Defense, to plan, fund, and execute our national security strategy.

So my objective here today and in general is to rebalance the toolkit, and in doing that, to end what I call the diaspora of foreign policy institutions. It is a diaspora that struck me from 1993–97 when I was the national security budget official at OMB, spending 90 percent of the resources for which I was responsible through the Department of Defense, but 90 percent of my time dealing with the foreign affairs budget, as a result of this diaspora.

Let me just make a few suggestions about how you might approach that problem. You have all put their fingers on the issues that we have to deal with; it is an issue agenda that goes well beyond the needs of an effective civilian counterpart for post-conflict stabilization and reconstruction. That is a piece, but it is only one piece. If you think of the challenges of globalization, adequate, effective governance in failed, fragile, or brittle states, identity conflicts around the world, transnational issues like health and terrorism and environment and crime and drugs, and the shifting power balances that we are facing in the world—I think Senator Hagel called it a diffusion of power in the world—it is an enormous set of challenges that go well beyond that one issue.

The first area that I wanted to say something about is foreign assistance. We definitely need to strengthen, reform, fund, and integrate the civilian foreign assistance toolkit.

The diaspora that I talked about a moment ago still exists today. There is no integrated, institutionalized planning or budgeting organism in the foreign policy world. There are major human resources problems I will come back to in terms of the number of people, training programs and skills in planning, budgeting. I believe it is very important we not try to solve these problems by separating development out from the rest of the toolkit.

We do need to empower USAID or a development and foreign assistance function in the Government as a primary source of budgeting and planning for foreign assistance. And we need to strengthen the capacity of the regional bureaus at the State Department—so they adequately integrate their diplomatic and foreign assistance responsibilities.

I would suggest we keep and build on the current process known as the Office of the Director of Foreign Assistance with better bottom-up work, greater transparency, more institutionalization, and better long-term planning. Professor Nye referred to the idea of an organizational deputy secretary at the Department of State. I think it is an idea very much worth considering. There is a statutory position for such a deputy. And having at State somebody who has responsibility for both management and program as an internal COO, if you will, is a very important issue to consider.

I would not go down the road of creating a separate cabinet department of development. I understand the desire for a Cabinet-level voice for development, but trying to create such a department, first of all, would exhaust us for the next 2 or 3 years in bureaucratic battles that would waste the moment of opportunity, as Senator Biden called it. Moreover, it would create a department in competition with the State Department. It would exacerbate the diaspora of organizations I have described. Most important, it would separate out the 44 percent of our foreign assistance portfolio that does not have development as its primary objective, which is planned and budgeted at State through the Freedom Support Act, SEED, peacekeeping operations, counterterrorism, counternarcotic operations, and the like. Where do we organize those programs? Who delivers those and how do we integrate those into our statecraft? So there are real weaknesses, I think, in going down that road.

I am focused on connecting our assistance programs to our overall foreign policy objectives and having development be one of those very important foreign policy objectives.

And finally in the foreign assistance and State Department arena there are major human resources issues that we need to deal with. Senator Voinovich was nice enough to mention the American Academy of Diplomacy study that he is participating in and both of your offices have expressed interest in. We are doing the legwork for that project at the Henry L. Stimson Center, and we are looking forward to coming back to you over the next few months as we work toward the same objective that Jim Locher is pursuing, which is very concrete proposals for human resources and funding in the civilian toolkit.

Second, let me just briefly mention the stabilization and reconstruction area. I am concerned that we may be seriously fighting the last post-war by trying to create capabilities that are too large for the situations we may face once the Iraq and Afghanistan conflicts are over. I draw, in part, from comments Senator Biden made at Georgetown about not having a one-size-fit-all approach to the problems of post-conflict and terrorism. Terrorism is a tactic and the conflicts that we are fighting are going to require all the tools of statecraft.

We need to focus that more broadly on the issue of failed, fragile, and brittle states as a broad foreign policy and security challenge we face.

We are right now creating another diaspora in the post-conflict arena with the proposal for and expanded S/CRS to expand, a CERP program at DOD, PRTs in the field, an Office of Transition Initiatives at AID, a Combatant Commanders Initiative Fund, and the overseas humanitarian disaster and civil affairs programs at the Department of Defense. We now have six organizations and budget spigots that are all tasked in the area of post-conflict. We do need a small, capable, operational interagency capacity even if we do not do Iraq again. We need to grapple with how to avoid that second diaspora.

The next issue is the balance between defense and the civilian agencies in the area of security assistance. This raises a major problem you have pointed to: The migration of foreign assistance capabilities and responsibilities to the Defense Department. It is a risky migration for three reasons.

First, as has been mentioned already today, this is not an area of work that is in the central core competence of the military. They are doing a hell of a job with a problem that is not within their central core competence, and it is part of the stress on the forces.

Second, by assuming we have to call 911–DOD every time we need to provide security assistance, we further weaken our civilian capability. We are assuming that Defense must do this job because we assume the civilian capacity is not there.

And third, in effect, we are putting a uniform face on our international engagement. While we value and honor our military, that is not always true around the rest of the world when our civil affairs, governance, and reconstruction programs end up being the responsibility of the United States military.

So for stress and capacity and international relations reasons, I think we need to take a close look at things like the section 1206 program. I very much endorse the comments made earlier about bringing that program back into the Department of State's authorities, about the risks in the proposed range, funding, and globalization of the CERP program, about the need for a stronger State Department role in determining funding for coalition support, and whether the Combating Terrorism Fellowship Program ought to be included in the IMET program. I urge you to take a look at all of these issues.

And finally, the question that Jim Locher has raised, the interagency question. I fully agree with him. The interagency system that we have created over the past 50 or 60 years is now flawed. It is reinvented by every administration. It is ad hoc and there is

not enough learning from administration to administration. There is very little long-term and strategic planning capability in the interagency system. And there is a wealth of ideas out there I am sure you will draw on from Jim Locher's project, from CSIS, from work that Cindy Williams and I have done that I have shared with the committee, and from experience of such efforts as the National Implementation Plan for Counterterrorism, which tried to draw the government together in just that one area of policy—the strategy, guidance, and detailed budgeting for implementing a cross-agency strategy on counterterrorism.

What is possible here? I think a lot of things are possible. We are at a critical moment when a quadrennial national security review is possible, when a national security planning guidance for key priorities is possible, when NSC and OMB, as Joe Nye suggested, can begin to work in tighter harness with all the relevant agencies participating in the process, and when the central institutions in the White House can take a new look at their roles and responsibilities. These are now different in the new world we are living in.

The last point I want to make is one Jim made as well, which we too often waltz around. We are testifying before the Congress, which is not only part of the solution, it is part of the problem as well. Committee jurisdictions are stovepiped. The Budget Committee has always considered 050 and 150 as separate stovepipes in the budget process. The process to establishing joint hearings or Jim's idea of a joint committee looking across agency issues is difficult. The 302(b) process for appropriations side is stovepied, as well. And it seems very hard to achieve comity and trust between the executive branch and the Congress so that we have greater flexibility in executive branch operations across agency budgets, more contingency funding capability for the executive branch, and fewer earmarks in the foreign policy world. We do not have the right kinds of reporting and accountability to the Congress so that you trust the executive branch as they use these funds.

So I congratulate you on the hearing. I think you have embarked on a very difficult, but very promising road at a very critical moment in time.

[The prepared statement of Dr. Adams follows:]

PREPARED STATEMENT OF DR. GORDON ADAMS, PROFESSOR OF INTERNATIONAL RELATIONS, SCHOOL OF INTERNATIONAL SERVICE, AMERICAN UNIVERSITY; AND DISTINGUISHED FELLOW, HENRY L. STIMSON CENTER, WASHINGTON, DC

Thank you, Mr. Chairman, for inviting me to testify today. The hearings you are conducting on these issues are critically important to help build an American statecraft fitted to the security challenges this Nation faces, so I commend you on your very timely process.

The focus of this hearing is how the Nation should approach restructuring the Federal Government to cope with the foreign policy and national security challenges of the 21st century. There is no question that this is a critical, high-priority problem today. The nature of the security dilemmas we face as a nation, which are the dilemmas the world faces, have changed substantially. And our foreign policy and national security institutions are not up to the challenge.

I want to focus today on two dilemmas we face as a nation. First, our civilian national security tools—primarily diplomacy and foreign assistance—are weak, poorly focused, and dispersed. Diplomacy is not adequately linked to foreign assistance, and the foreign assistance agencies are scattered and poorly coordinated. Strategic planning is not used, and both strategy and budget planning are not pulled together. And, they are woefully understaffed and underfunded. As the CSIS Smart

Power Commission put it: "Diplomacy and foreign assistance are often underfunded and underused [and] foreign policy institutions are fractured and compartmentalized."[1]

As a consequence of these internal weaknesses and chronic inattention, we have come to rely excessively, in my view, on the Defense Department and the military services to plan, fund, and carry out our national security and foreign assistance strategy. We urgently need to rebalance the national security toolkit and strengthen, empower, fund, modernize and integrate the civilian instruments to achieve that end.

Once rebalanced, the other dilemma remains: We need to reform and strengthen the interagency coordination of the toolkit so that strategic and policy priorities are clear and the White House can provide clear direction to agencies; so that strategy and budgets are prepared consistent with those priorities; and so that implementation follows from those priorities.

This is a much bigger challenge than the problem of creating adequate civilian counterparts to the military to carry out post-conflict stabilization and reconstruction (S&R) in countries where we have used military force. It is true that the funding, staffing, and implementation weaknesses exposed by the conflicts in Iraq and Afghanistan have highlighted the broader problem and given rise to the urgency of this discussion. Focusing the discussion on S&R needs, however, may be fighting the last war. Meeting that need alone could prove to be a dangerous, even fatal diversion from the restructuring and process reforms we need to deal with a much broader security agenda.

Our National Security Challenges are Broad and Diverse

Our national security structures and processes need rethinking because the broad agenda of global challenges we face exceeds the capacity of existing institutions and processes to plan, fund, and implement meaningful solutions. These challenges are far broader than the challenge of providing local reconstruction through a Provincial Reconstruction Team, and we must focus on that broader agenda, lest PRTs become our only answer, and an inadequate one, at that.

The broader challenges include the many dilemmas posed by a globalized economy, communications, and information infrastructure. Poverty and inequality are just one of those dilemmas. So, too, are the instability of global financial markets, which we see as the mortgage crisis spread around the world and the dollar decline in value. Equally important, as China and India rise as new powers, their energy consumption, combined with our own consumption of a quarter of the world's energy supplies, are having profound impacts on the price and availability of fossil fuels, adding to globally rising prices. Most recently, the diversion of agricultural production to ethanol-producing crops, has exacerbated a global food crisis, reaching significant proportion today, with destabilizing consequences. We are stumbling, nationally and globally, in the effort to address the challenges of globalization. And we cannot delude ourselves that our "national" economic power will be a tool we can use in dealing with these challenges. As British Prime Minister Gordon Brown put it in a lecture at Harvard last week: "With global flows of capital already replacing the old national flows and global sourcing of goods and services replacing the old local sourcing, national systems of supervision and economic management are simply inadequate to cope with the huge cross-continental flows of capital in this interdependent world."

A companion, and related challenge, is the danger posed by fragile, brittle, and failing (or failed) states, many of them in the Middle East, Africa, and parts of Asia. Governance is a central national security dilemma; the ability of countries to ensure that they can maintain order within their boundaries, while providing for their citizens' needs, and ensure a level of responsiveness to the public that, while it may not be what we would call democracy, is at least representative of public views. Unstable and ungoverned regions of the world, or governance that breaks when challenged, pose dangers for neighbors and can become the setting for broader problems of terrorism and migration. We have diverted our energy into programs to promote democracy, but have yet to develop a comprehensive, civilian-driven, strategy, either nationally or internationally, to strengthen governance around the world and assist stable political transitions.

A third, and equally interdependent challenge is the rising tide of identity conflicts—hatreds between nationalities, ethnic groups, and religious beliefs. These are not restricted to conflict within Islam or the Arab world, but cover a wide range of

[1] Center for Strategic and International Studies, Commission on Smart Power, A Smarter, More Secure America, Washington, DC: 2007, pp. 8, 9.

tensions around the globe. We have no strategy and virtually no programs to cope with this tidal wave of conflict.

A fourth, linked to the others, is the growing agenda of transnational problems that have no "sovereign face," do not respect national boundaries, and are global in their impact. I speak of the problem of infectious diseases like HIV/AIDS, TB, and malaria; the growing crisis of global climate change and environmental destruction, migration and immigration in Europe and North America; and conspiratorial organizations that carry out terrorist attacks (and seek major military capabilities, such as nuclear weapons, to do so), narcotics distribution and sales, and criminal activity. We have different programs, some of them overlapping, to cope with these transnational challenges, but do not have a national or global strategy, as yet.[2]

And, finally, there is the challenge of shifting international power balances—the rise of new global actors like China and India, the growing size and importance of the European Union, a resurgent Russia, and rising regional powers such as Iran and Brazil. One by one, these rising powers make it clear that if there was an "American Century" or anything remotely resembling "American hegemony," it is already passing from the stage. Some of these powers possess, and others may wish to possess, nuclear weapons, posing a renewed challenge of proliferation. A new international order is emerging. Rather than be mesmerized by our own military power and hubris, we need to attend to the impact of these changes on our national power and our capacity to exercise leadership.

Are We Effectively Organized to Cope With the Challenges?

The institutions and processes we are using to cope with these challenges are failing the test today. We are hard pressed to organize new approaches to the problems of globalization and energy resource scarcity. We have proven ineffective, at best, in promoting good governance, let alone democracy, in key regions of the world. We have no strategy, institutions, or programs to deal with identity conflicts and we have no clear strategy to cope with the changing balance of international power. Despite some excellent efforts, the transnational challenges, particularly the danger of terrorist attacks, has not disappeared; in fact, it may be growing.

These are, of course, policy dilemmas, to be answered by policy change. But the best of policies will prove ineffective if we lack the structures, funding, and processes we need to carry them out. My concern today is that our toolkit is chaotic, unbalanced, and poorly integrated. We have neglected the civilian tools for decades, now, and have come to rely increasingly on the military as our default instrument of statecraft.

Our global effectiveness now depends on empowering, funding, modernizing, and integrating the civilian tools, balancing them with our military, intelligence, and homeland security tools, and coordinating all of them in a more effective way. I am going to address four specific dimensions of this need for reform and restructuring:

1. The need to reform, strengthen, fund, and better coordinate the civilian diplomatic and foreign assistance tools;
2. The need to solve our institutional chaos with respect to stabilization and reconstruction programs and capabilities;
3. The growing need to restore civilian leadership, policy-setting and budgeting to our growing portfolio of security assistance programs; and
4. The need for a more institutionalized and integrated interagency and congressional process for dealing with national security decisionmaking.

Diplomacy and Foreign Assistance

In the 5 years I spent as Associate Director for National Security and International Affairs at OMB I was responsible for budgeting and planning with respect to all of the national security organizations. I was struck by the fact that 90 percent of the resources for which I was responsible were spent by the Defense Department, while 90 percent of my time was spent integrating the planning and budgeting and resolving internal controversies among the civilian diplomatic and foreign assistance agencies. The problems I faced then remain very much the same today.

A "diaspora" of organizations in the budget Function 150 world. Although the State Department absorption of USIA and ACDA simplified this world somewhat (with negative consequences for our public diplomacy), the diaspora was exacerbated by the creation of two new foreign assistance organizations—MCC and PEPFAR,

[2] The Government Accountability Office concluded, for example, that the U.S. did not have an integrated, cross-agency strategy to deal with terrorism and extremism in Pakistan. See GAO, "Combating Terrorism: The United States Lacks Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas," GAO–08–622, April, 2008.

one separate from State and USAID, and one inside State but with considerable autonomy in planning and resource management. There are more than 15 agencies and departments within the International Affairs account, alone, and at least 20 other Federal Departments actively engaged overseas, many of them in our embassies. Multiple reports and task forces have pointed to the problem this poses for integrating U.S. international engagement.

There was no integrated planning or budgeting function for the foreign affairs agencies (known as 150). State RPP tried—but was an office of the secretary, not a standing organization, and it had no reach into any other organization but State and, with tolerance, USAID. DSS Richard Armitage tried to improve on that, creating a Resource Management Bureau, which would integrate operations, foreign assistance, and strategic planning. It made some progress, but relied on his strong leadership to operate. Today, a new approach has been implemented, the "F" process, whose successes and failures I will discuss in a moment.

There were significant human resources issues in the State Department and foreign assistance agencies. There were no incentives at State or in the Foreign Service community to engage in long-term strategic planning and little ability to plan, budget, or manage programs, or to provide overall administration for diplomacy and foreign assistance. There was virtually no training of the Foreign Service in program development, implementation, or evaluation; budgeting and strategic planning, contracting, or congressional relations. With all due respect, most Foreign Service professionals saw this committee as their key interlocutor on the Hill, but were professionally unconscious about the appropriations process. They were, and many remain, underinformed about the resource programs operated by State or USAID, let alone other institutions in the 150 world. USAID and other foreign assistance personnel were in thin supply, overworked, and key functions and program delivery were provided by personal service contractors or contracted out, and continue to be.

This cobbled-together civilian structure will never be able to manage its missions in the 21st century world if it is not significantly reformed, better integrated, funded, and staffed than it is today. Ideally, the foreign relations institution of the U.S. Government—the Department of State—should provide the strategic vision and integration for these activities. It does not do so today.

To ask that all of our diplomatic and foreign assistance capabilities be placed in a single department is a bridge way too far. In a globalized world, we will never survive with just one channel of engagement. But the diaspora has had an adverse effect on our ability to conduct foreign policy and has contributed to the unbalanced character of our national security toolkit.

The first, and perhaps most important issue, involves the integration of foreign assistance as a tool of American statecraft. For decades, as a new assistance requirement emerged, the typical U.S. Government response was to create another agency to meet it. Today, if the U.S. is to have a meaningful and effective foreign assistance program it makes sense to integrate at least some of this capability. A more integrated capability needs to be designed that meets the needs of development as a goal of U.S. international engagement, while it also connects our foreign assistance to our foreign policy and national security purposes.

There are some who feel that development as a goal of U.S. foreign policy is, and should be, a separate goal from the other objectives of our more than $25 b. foreign assistance effort. My view is a more comprehensive one. While development is a worthy goal of U.S. foreign assistance, it is only one of our goals, and not the most well-funded, at that.

In FY 2007, for example, roughly 22 percent of U.S. foreign assistance could be said to have economic development (in a broad sense) as its primary goal. At the same time, 44 percent of U.S. foreign assistance had a foreign policy or strategic purpose and was connected to U.S. foreign policy goals such as support for democracy in eastern Europe and the former Soviet Union, counternarcotics, counterterrorism, peacekeeping training, foreign military training and education.[3] In my view, the development goal ought not be separated from the other purposes of our foreign assistance programs, it ought to be considered an integral part of our overall foreign assistance investment.

While the argument is often made that integrating these programs would mean subordinating development assistance providers to the State Department, which is said to be incapable of managing such programs, my view is that integrating them, as I suggest below, will have the effect of empowering our foreign affairs agency to become a better manager of assistance programs. It is true that assistance programs

[3] The remainder is the substantial commitment we have made to the Millennium Challenge Corporation and the President's Emergency Program for Debt Relief.

were largely separated from State because the diplomatic community decided, decades ago, that diplomats were not program providers, so other agencies had to do the job.

It is also true that this is changing today, and has been for some years. Today we see a growing "mission creep" inside State, which is planning, budgeting, and managing a growing portfolio of programs in counternarcotics, antiterrorism, democracy support, and peacekeeping operations support. Rather than strip this activity away from State, it makes sense to recognize this reality, staff it properly, and fund it inside the State Department.

Moreover, a substantial part of the foreign assistance portfolio planned and budgeted by State is actually implemented by USAID, in addition to its own development portfolio. I think it is important not to separate out the USAID portfolio, but to strengthen it, in both dimensions (development, and strategically driven foreign assistance). And it may well make sense to ensure that the new capabilities of MCC and PEPFAR are included in this capability; not operated independently.

I believe it makes sense to consider a significant reorganization of USAID building on its current capabilities, as the primary planning, budgeting, and implementing agency for U.S. foreign assistance, including both its current development assistance programs, and the more strategically oriented programs. This means strengthening its capacity for planning and budgeting, expanding its staff (a process begun with the administration's FY 2009 budget request), and integrating its planning activity more closely with the regional and functional bureaus at State.

For this strengthened USAID capability to be linked to our foreign policy and national security policy objectives, there needs to be broad reform and integration at State. Budget and program officials need to be strengthened inside the regional bureaus, allowing them to act as the principal channel for preparing country and regional plans for overall foreign assistance. Ideally, the regional assistance secretaries need to be empowered to oversee not only policy activity in the different regions, but assistance programs, as well, working with the reformed USAID staff on planning, budgeting, and implementation.

The alternative approach, creating a separate Department of Development, is, I think, ill-advised. Its advocates want to raise "development" to equal status with "diplomacy" and "defense" in U.S. national security policy. But, as I have suggested, "development" is only part of the goal of U.S. foreign assistance policy. The idea of a department has three fundamental weaknesses:

1. It would exacerbate the diaspora of organizations that is the Achilles heel of our civilian toolkit and distance development even further from the foreign policy establishment that should be its greatest advocate. At the Cabinet level, it would create severe coordination problems between a powerful Secretary of State and a weaker, smaller Cabinet office in charge of development.

2. It would leave the rapidly growing, strategically driven foreign assistance programs (FMF, INCLE, NADR, IMET, ESF, FSA, SEED, PKO) caught between a weakened development assistance organization and a historically powerful traditional diplomacy architecture. They would need to be incorporated into the new Department, which would divert that Department from its development mission and would break the link between these programs and their strategic planners at State. Or, if the new department were to remain a purely development organization, one would have to create yet another organization inside State to plan, budget, and implement the strategic programs, which would exacerbate the dispersal of capabilities in our foreign policy establishment, further weakening its effectiveness.

3. It would expose development funding to a serious risk of budget reductions. While foreign assistance funding has substantial public support, it is not as salient to most Americans as it is to the small community of development organizations. And it has never had widespread strong support in the Congress. Separate from the State Department, moreover, it is not a given that the Secretary of State would provide the same support for development funds, support that has been important in raising development funds up to now. The long-term risk is that support for a "development only" program falters and the program is cut, not expanded.

Reforming and integrating foreign assistance in the way I propose also suggests it is very important not to throw out the recent reforms that created the Director of Foreign Assistance and the "F" bureau. The State Department's budget planning process has a troubled history, especially when it comes to trying to integrate planning and budgeting for international affairs. The "F" process, created in 2005, had many flaws, many of them reparable. In its first round, it was very top down, inadequately incorporating the views and recommendations of embassies and field missions. It was not adequately transparent to the Congress or interested parties outside the government. The "framework" with which the F organization worked was

more mechanical and less supple than it needed to be. It did not have adequate reach to the broader range of foreign assistance programs, especially at MCC, PEPFAR, and Treasury. And it did not succeed in meeting the goal of longer term planning, badly needed in our foreign assistance and diplomatic agencies.[4]

All of these weaknesses of the F process are fixable; none of them are fatal. The second year of the F effort has seen improvements in transparency, less rigidity in the framework, and substantially greater involvement of the field. But eliminating F and going back to business as usual (let alone inventing a new department) would be a mistake, and would waste valuable months or years of time in the new administration, before an effective assistance program could be created. The strength of the F process was that it represented the first, even semi-institutionalized effort I have seen at State to integrate planning and budgeting for foreign assistance, at least across those programs over which the Secretary of State had authority, and to do so reflecting a sense of U.S. strategic priorities. We should all be able to agree that this is a worthy objective.[5]

Instead, I recommend building on the F model, and integrating that capability into State more fully, as part of the transformation of USAID, and along with stronger planning and budgeting capabilities in the regional bureaus. I would also suggest that State use its existing authority to appoint a second Deputy Secretary of State to institutionalize the responsibility for overseeing internal State Department operations and foreign assistance planning. A new Under Secretary for Foreign Assistance could replace the position of Administrator of USAID and, together with the existing Under Secretary for Management could report to the Secretary through this Deputy.

In addition, I believe it will be increasingly important for the Department to address the human resource dimension of this question. While I cannot go into length on this issue here, staffing, training, and human resource issues, along with funding levels for diplomacy, public diplomacy, and foreign assistance, are the centerpiece of a study we are conducting at the Henry L. Stimson Center, supporting a project of the American Academy of Diplomacy focusing on Function 150 needs for the next administration. For State to be fully capable of integrating diplomacy and foreign assistance, it is now urgently important to rethink the initial and mid-career education and training provided all foreign affairs personnel. This should include particular attention to training in strategic planning; program planning, implementation, and evaluation; budgeting; and the Washington, DC policy process, as integral part of a career in foreign affairs.

A fully integrated and empowered foreign assistance planning and budgeting capability inside the State Department, along with human resource reforms, would help address the strongest criticism currently offered of the existing State Department—its incapacity to manage program effectively or to integrate program with policy. It would empower the civilian diplomatic and foreign affairs tools, helping them increase their funding and implement civilian aspects of U.S. national security strategy. And with reform and greater funding on the civilian side, there would be a more effective balance in the national security toolkit, a balance that is missing today.[6]

Stabilization and Reconstruction/The Problem of Fragile States

Although S&R missions are not, and should not, in my view, be the centerpiece for reforming the civilian tools of statecraft, they remain a focus of attention today. Rather than deal with these missions as a focus, I prefer to see them in the context of the larger issue of governance. The question is how we need to structure the executive branch to deal with this broader issue, including having the capability to provide a civilian component for interventions by the U.S. military.

Unless we take this broader perspective, I believe, we are in serious danger of "fighting the last post-war." Because the post-combat situations in Iraq and Afghan-

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[4] For an interesting discussion of these weaknesses, see Gerald F. Hyman, "Assessing Secretary of State Rice's Reform of U.S. Foreign Assistance," Carnegie Paper No. 90, Carnegie Endowment for International Peace, February 2008.

[5] For an expansion of these views, see Gordon Adams, "Don't Reinvent the Foreign Assistance Wheel," Foreign Service Journal, March 2008, pp. 46–50.

[6] A recent paper from the National Defense University's Institute for National Strategic Studies concluded: "The systematic underfunding of State and USAID is the single greatest impediment to the effective planning and execution of developmental assistance, reconstruction, and stabilization. State cannot be equipped only with good ideas while Defense has all the money and most of the deployable assets. This is a prescription for an unbalanced national security policy, one in which State will not be a mature player or will have to savage its worldwide diplomacy to keep up with operations in conflict areas." Joseph J. Collins, "Choosing War: The Decision To Invade Iraq and Its Aftermath," Occasional Paper No. 5, NDU/INSS, April 2008.

istan have not gone as predicted, or especially well, we have a growth industry in Washington, DC, seeking to strengthen the civilian capacity for stabilization and reconstruction, but it is focused on how the civilian tools complement the military in situations where U.S. forces have been deployed. This short-term, pressing issue risks leading us down an expensive and counterproductive path toward creating a very large, very expensive capability for civilian intervention. We could have that capability and find ourselves unlikely to use it in any near-term future. Or we could find that having it, and using it, in conjunction with the use of military force, proves counterproductive overseas because it is unwelcome.

If we focus on fragile, failing, and brittle states, however, it is clear that these are a major security concern, not only to the United States, but to other nations and regions. Even if the U.S. is not intervening with military force, or is only part of the response to such a problem, the governance issue is an international security problem to which we, along with other countries and organizations, will need to respond. It is equally clear, given recent experience, that we lack the capacity, acting largely alone, to "build" another nation, democratic or otherwise, and are not always welcome in trying to do so. It may be beyond the capacity of any country to build the kind of state it wishes to see in somebody else's territory.

That said, we are manifestly chaotic in the way we have organized the government to provide even the minimal capability to support the restoration of effective governance in countries that are in trouble, the narrower S&R mission. The capacities that exist we have built in small packages or on the fly. Today, however, I count at least six programs and offices that have some responsibility for this problem:

1. Provincial Reconstruction Teams (PRT): a "built in the field" program in Afghanistan and Iraq, funded from multiple spigots, thinly coordinated, and not strategically planned. The Investigations Subcommittee of the House Armed Services Committee recently reported that the PRT effort is largely ad hoc in nature: The PRTs "are not subject to a unified or comprehensive plan for stability, security, transition, and reconstruction in either Iraq or Afghanistan. . . . The relevant departments have not articulated clear objectives for what they want PRTs to do, and they cannot effectively evaluate their performance. . . . "There is no clear definition of the PRT mission, no concept of operations or doctrine, no standard operating procedures. . . . The funds are not controlled or coordinated centrally; rather, different agencies control the different funds." [7]

2. The Commander's Emergency Response Program (CERP) DOD created in Iraq and now operating in Afghanistan. CERP provides some of the PRT's most flexible and agile funding, but is also widely used for other purposes, some of which are quite similar to development assistance.

3. The Combatant Commander's Initiative Fund (CCIF). CCIF is a longstanding, small source of funding for small local initiatives, but its authority has been expanded to cover stabilization and reconstruction activities. The Pentagon seeks $100 million for this fund in the FY 2009 budget.

4. The Office of Transition Initiatives (OTI) at USAID also targets transitional governance and early stabilization programs in countries emerging from conflict, including activity in Iraq and Afghanistan. OTI remains a small fund, however, at $40 million in the FY09 budget request.

5. The Office of the Coordinator for Reconstruction and Stabilization (S/CRS). S/CRS was created in 2004 and empowered by the White House through NSPD–44 in late 2005 to coordinate governmentwide planning for S&R operations (outside of Iraq and Afghanistan), to develop a matrix for anticipating such crises, and to create an active, standby and reserve corps of civilian specialists for such missions in the future. The FY 2009 budget seeks $248 m. to create a standing S/CRS capability for such missions, and another 210 positions to fulfill these new missions.

6. The Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) program at DOD has also been given more resources to provide assistance for stabilization and reconstruction operations. DOD has sought an expansion of the ODHACA authority to include stabilization activities.

This institutional diaspora is chaotic. The policy intentions for the use of these capabilities are unclear. The leadership of the USG effort for such missions is unclear and ad hoc, and the links between such operations and long-term U.S. national security objectives is rarely specified. Is it our intention to centralize the civilian S&R effort in S/CRS? Then what is the fate of OTI, whose small program overlaps

[7] U.S. House of Representatives, Armed Services Committee, Subcommittee on Oversight and Investigations, "Agency Stovepipes v. Strategic Agility: Lessons We Need to Learn From Provincial Reconstruction Teams in Iraq and Afghanistan," April 2008, pp. 16, 18, 23.

with S/CRS? Is the S/CRS capability we are developing to be large, or limited in size and scope? What is its relationship to the broader, and better financed U.S. effort to support effective governance through USAID development assistance, Economic Support Funds (including democracy support at State), and the programs of the Millennium Challenge Corporation.

Developing this capability raises significant, broad policy dilemmas. Does the United States intend in the future to engage in large-scale, unilateral overseas nation-building, similar to the largely failed exercise in Iraq? Many analysts think we must be prepared to carry out such missions in the dangerous world in which we live. Allow me to be skeptical. The United States has performed this mission poorly in its last two major efforts—Vietnam and Iraq—and is at risk of failing in Afghanistan. The appetite for a major unilateral intervention of the Iraq kind is not likely to be large, either in the military or with the American people. The requirement, then, for a large S&R capability—a kind of Colonial Office—also seems to me unlikely to grow. We are more likely to be entering a world where fragile and failing states may not welcome such an intervention, in any case, or welcome it only in international clothing, not in an American uniform or civilian suit.

The twin reality that we will have a lower appetite and the world may prefer an international capability suggests that the capability we require may be less than the ambitious plans being made across Washington, DC, in think tanks, the military, or even in the State Department. But a smaller capability could be an important contribution the U.S. could make to a broader international effort to deal with the problem of failed or fragile states.

The primary policy leadership for this capability should be in the State Department, not the Defense Department. What the Congress might want to consider is a small, civilian contingency capability at State/USAID with flexible contingency funding (and close congressional oversight) to provide assistance to countries in distress, either after conflict or when government collapse is imminent. That capability could and, in my view, should work closely with allied nations, governments in the region, and international organizations, to strengthen local governance and reconstruction capabilities.

This capability can be built through the current S/CRS structure or the flexible, but small OTI capability currently existing at USAID. There is no reason for two such capabilities at State/USAID. I seriously question whether there is a need to expand or make permanent the CERP at the Defense Department; it was a funding program developed and intended for local commanders in combat zones in Iraq and, later, Afghanistan. Unless the Congress foresees a major U.S. combat force deployment in another country where an occupied zone only permits U.S. military forces to operate safely, or Congress sees the military as uniquely capable of reconstruction assistance, it is wise to restrict CERP to the two current theaters of operation, and as a temporary authority.

The same reasoning applies, I think, to PRTs. While useful in Iraq and Afghanistan, this joint civil-military operating capability may be neither appropriate, nor welcome, in other parts of the world. A small, standby capability at State/USAID, training regularly with DOD, may be adequate for future contingencies, especially if it also trains and operates with other, non-American countries and organizations. Equally, it seems to me unwise to expand funding and authority for the CCIF program if the primary responsibilities in this area are to be covered by a civilian capability. Likewise, there is no need to expand DOD's OHDACA authority to include post-conflict reconstruction and stabilization.

Defense's Role in Security and Foreign Assistance

The discussion of S&R capabilities reflects a larger dilemma in strengthening and empowering the civilian tool of statecraft: The broader expansion of DOD authorities and programs that parallel important civilian programs and activities. This includes not only CERP, but the security force train and equip programs under section 1206 of the National Defense Authorization Act, as well as the Coalition Support Funds (CSF) provided by DOD, and the Counterterrorism Fellowship Program (CTFP).

Over the past two decades, but particularly over the past 7 years there has been a continual expansion of security and foreign assistance programs being carried out through the Department of Defense. Many of these programs are parallel to the existing architecture of programs planned and budgeted through the Department of State, and implemented, in some cases, by DOD. While some of these programs predate the attacks of 9/11, most of them were created in response to terrorist attacks and the ongoing conflicts in Afghanistan and Iraq. These programs include:

1. The train and equip program for Afghani and Iraqi security forces, created in 2004;

2. The global train and equip program for security forces, known as the section 1206 authority, created in 2006;

3. The Commander's Emergency Response Program, in Iraq and Afghanistan, created in 2003;

4. Coalition Support Funds, which reimburse countries providing assistance for counterterror operations, created in 2002 under existing DOD authorities; and

5. The Combating Terrorism Fellowship Program, providing counterterrorism education and training for foreign militaries, created in 2002.

Over the past 7 budget years, Congress has appropriated nearly $40 b. for these new security assistance programs, nearly $29 b. of that for the Iraqi and Afghani T&E program, alone (See table).

TABLE I.—NEW DOD SECURITY COOPERATION AND FOREIGN ASSISTANCE PROGRAMS

[Dollars in millions]

Name	FY 2002–FY 2008 DOD total [8]	FY 2009 budget request	Parallel traditional SA programs [9]
Train and Equip (T&E) Funds for Afghan and Iraqi Forces	$28,849	* $1,850	FMF, IMET.
Section 1206 Authority: Global Train and Equip	500	750	FMF, IMET.
Commander's Emergency Response Program (CERP)	3,713	1,500	USAID–OTI/OFDA and State MRA.
Coalition Support Funds (reimbursements to coalition partners)	6,595	?	ESF.
Combating Terrorism Fellowship Program (CTFP)	97.9	35	IMET.

* FY 2008 Pending Supplemental Request

Each of these programs duplicates in some way existing security assistance programs that are planned and budgeted through the Department of State under the authorities of the Foreign Assistance Act, implemented (in some cases) by the Department of Defense, and funded through the International Affairs function of the federal budget. Many CERP-funded programs are similar to USAID's development assistance programs, as well as Economic Support Funds (ESF) planned by the State Department and implemented largely by USAID. Coalition Support Funds are, in effect, budget reimbursement/subsidy programs similar to some of the uses of ESF. Train and equip programs are a more agile and flexible version of programs carried out through Foreign Military Funding (FMF). The CTFP is very similar to and implemented using the structure and processes of the International Military Education and Training program (IMET).

For two of them—the CERP and section 1206—the Department of Defense has sought permanent authority under Title 10 of the United States Code, rather than temporary authority under defense authorization acts. DOD also seeks to increase the funding level for section 1206 train and equip from $300 million to $750 million; wants to extend the coverage of the program to allow training for internal security forces; and seeks the authority to waive the restrictions of the Foreign Assistance Act. To quote Secretary of Defense Robert Gates from last week's hearing on the section 1206 program before the House Armed Services Committee: "In my view, building partner capacity is a vital and enduring military requirement—irrespective of the capacity of other departments—and its authorities and funding mechanisms should reflect that reality. The Department of Defense would no more outsource this substantial and costly security requirement to a civilian agency than it would any other key military mission." [10]

The expansion of DOD foreign and security assistance activity is noticeable. According to data supplied by the U.S. Government to the Development Assistance Committee of the Organization for Economic Cooperation and Development, the U.S. Defense Department provided 7 percent of overall U.S. development assistance in 1998, a share that had risen to nearly 22 percent in 2005. While a significant part

[8] These figures were compiled from defense authorizations, appropriations and supplemental bills between FY 2002–FY 2008.

[9] Acronyms: OTI=Office of Transition Initiatives (USAID); OFDA=Office of U.S. Foreign Disaster Assistance (USAID); MRA=Migration and Refugee Assistance (State).

[10] Secretary of State Condoleezza Rice's endorsement of the section 1206 authority at the same hearing was slightly more restrained: "Let me underscore that this is not a substitute for more robust funding for security assistance accounts, but we strongly advocate continuing these important contingency authorities and they are the additional tools that we need to meet emergence exigent problems that very often emerge out of budget cycle."

of this assistance was related to U.S. operations in Iraq and Afghanistan, it excluded the military's train and equip programs. Had they been included, the share of U.S. bilateral assistance would have been significantly higher.

It is important for the Congress and for this committee to take a close look at these programs and authorities, before it moves down the road to providing permanent authorities for the Department of Defense to carry out such central responsibilities with respect to national security policy. While it is understandable that DOD would focus on what it needs to perform its missions in Iraq and Afghanistan and with respect to combating terrorist organizations, the central direction of U.S. foreign and national security policy is not the responsibility of the Defense Department. It is the responsibility of the White House and the Department of State.

There are serious downside risks, in my judgment, to continuing this trend.[11] First, continuing this trend imposes a severe cost on the military. It expands their roles and missions at a time when they are already stretched carrying out their core functions. The governance and economic development of other countries is not a core military mission. Taking responsibility for such missions greatly expands the training, requirements, and operations of our military forces. While many soldiers and officers have been carrying out such tasks in Iraq and Afghanistan with the best will and effort they can muster, these are not core military skills. Relying heavily on the military for missions that are, at their core, civilian missions, stresses the forces even further. Moreover, in many of these cases, the funding for security assistance programs is drawn from DOD operating funds, competing with the support DOD must provide for troops operating in the field.

Second, assuming that only the military has the funding and organization to carry out such missions and should, therefore, be given the permanent authority to do so not only duplicates civilian programs and capabilities, but has the effect of further weakening the civilian toolkit that currently exists. Our development and diplomatic tools have already been weakened by fiscal neglect and inattention, a situation of great concern to this committee. Expanding the military's role makes the weaknesses of the civilian tools a self-fulfilling prophecy. They become even less coherently organized, funded or staffed for the responsibilities they should have. Why bother fixing the civilian tools when we can just ask DOD to do the job?

Third, assigning these responsibilities to the military reduces their visibility to the Congress and the oversight such programs need to have on a regular basis. While large in relation to the International Affairs budget, funding for these activities is swamped in the broader defense budget, leaving little time for authorizing or appropriating staff to provide proper oversight.

Fourth, and perhaps most serious, relying increasingly on DOD and the military for these functions puts a uniformed face on the U.S. international engagement. While we can honor the military for the many roles they play overseas in promoting America's interests, this expanded military role is not always viewed benignly outside the United States. A growing foreign assistance role for our military sends the wrong message, one that could even prove counterproductive for our international image and our long-term interests and goals.

As the CSIS SMART Power Commission report noted: "The Pentagon is the best trained and best resourced arm of the Federal Government. As a result, it tends to fill every void, even those that civilian instruments should fill."[12] If we truly believe that the civilian instruments can fill this role, we should be empowering them to do so, not allowing this drift to continue.

I am not saying the military has no role to play in security assistance; to the contrary, because of its unique knowledge, technology, and skills, the military and DOD are a key implementer of security assistance. They have done so for years with the FMF, FMS, and IMET programs. But they should be doing so under the policy direction and budget planning of America's foreign policy agencies, which are responsible for and attentive to the overall relationship between the U.S. and the recipient country.

If the civilian responsibility for stabilization, reconstruction, and governance needs reform, empowerment, staffing and funding, then that should be the focus of our investment. The military's role should be restricted to delivering assistance under its own authorities to support activities that are clearly short term, humanitarian, emergency based, and in areas where the security environment does not per-

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[11] For additional discussion of this issue, see Center for Strategic and International Studies, "Integrating 21st Century Development and Security Assistance," Task Force Report, January 20.

[12] Center for Strategic and International Studies, Commission on Smart Power, "A Smarter, More Secure America," Washington, DC: 2007, p. 8.

mit civilian operations. CERP authorities should be temporary, and restricted to these uses, not global and in areas where security is not an issue.

Funding and skill training at State and USAID need to be adequate to enable them to provide such support—especially for governance and economic reconstruction and development—which is clearly core to their mission. This committee will want to examine the relationship between USAID's development programs, Office of Transition Initiatives (OTI), Office of Foreign Disaster Assistance (OFDA), and the growing capabilities of the Coordinator for Reconstruction and Stabilization, as well as the funding levels needed for these programs.

If fellowships to combat terrorism are an important part of the U.S. program for educating officers of foreign militaries, it should be integrated into the IMET program, under the Foreign Assistance Act and the authorities of the Secretary of State, and implemented, as it is today, through the Department of Defense.

If budgetary reimbursement to countries such as Pakistan and Jordan for support they provide for U.S. counterterrorist operations is a priority, the strategic decision to provide such support should be made under the Secretary of State's authorities, in coordination with the Secretary of Defense, not the other way around. The funds should be budgeted and provided through the International Affairs accounts, as ESF is today. Foreign Service officers abroad should be adequate in numbers and properly trained, to examine reimbursement requests in cooperation with defense attachés in the embassies, and verify the activities for which reimbursement has been provided.

If the U.S. needs a train and equip capability that is agile and flexible, and can meet the needs of allied and friendly military forces, then we should be designing such a tool, based on reforming the existing FMF program. One option for providing more flexible global train and equip support would be to provide it through a "drawdown" authorized by the President on the recommendation of the Secretary of State. This would be a simple fix, and provide adequate flexibility to permit such a program on shorter notice than the current FMF process. It may be sensible, however, to retool and adequately fund FMF authorities to provide such programs. The right answer is not to turn the policy and budgeting responsibilities over to the Department of Defense. Even with the existing "dual-key" arrangement for section 1206, the initiative for a program lies with DOD under current temporary authorities. The initiative should lie with the department that has responsibility for our overall relationship with other countries and can set the desirability of a T&E program in the framework of our broader strategic and foreign policy purposes.

Little would change operationally by putting this authority under the leadership of the State Department. State and Defense could continue to consult and coordinate in the definition and adjudication of programs.[13] They could be implemented through the same processes as those used for FMF programs today, with a continuing role for the Defense Security Cooperation Agency (DSCA). In the long term, a careful reshaping of our training and equipping programs requires the combination of both departments. As Ranking Minority Member Duncan Hunter put it at last week's House Armed Services Committee hearing: "The long-term answer must reflect an integrated approach to foreign assistance and not simply a shift in those types of missions to U.S. military forces."

In the end, the foreign security assistance issue comes down to the question of balancing the toolkit between Defense and State responsibilities. The current trend shifts this balance significantly to the Defense Department. It is critical to consider how we shift the balance back, strengthen, fund and empower the civilian tools, and provide the broader policy oversight for which the State Department should be responsible.

Interagency Coordination

The remaining issue I want to discuss is the integration of the national security policy toolkit at the White House level. One of the most evident problems of the past 20 years is the absence of a modern mechanism to integrate national security policymaking, planning, and budgeting across the responsible agencies. Here, too, the issue has been too narrowly framed by the problem of stabilization and reconstruction operations. The urgency of the S&R need and the lessons of Iraq and Afghanistan have displaced attention from the more basic question of whether our national

[13] The first year of the 1206 program saw uneven cooperation between State and Defense, with adequate coordination taking place less than half of the time, according to the Government Accountability Office. This coordination process has reportedly improved. See GAO, Section 1206 Security Assistance, "Briefing for Senate Foreign Relations Committee Staff," December 14, 2006. However, according to Secretary Gates, the proposals for 1206 programs "emanate entirely from our combatant commands," not from State Department personnel. Response to question from Representative Hunter, April 15, 2008.

security machinery needs fundamental reform to cope with the broader challenges of the 21st century I outlined at the start of my testimony.

I believe it does, and I commend the many efforts underway in Washington today, including the one led by my colleague, Jim Locher, to shape new concepts for interagency work on national security issues. I have only a few comments to offer here.

First, we need to acknowledge that the current interagency process is flawed. Every new administration comes to office, as we did in 1993, assuming that the interagency process would serve their needs. And every administration discovers that it has to reinvent the interagency wheel. The national security strategy is drawn up every 4 years, but rarely provides clear guidance for the national security decisions that are made. Crises are dealt with ad hoc, rather than through a systematic process, leaving only a faint learning curve behind to guide the administration through the next crisis. Agencies defend their turf and, without strong leadership at the center, resist entreaties to work together.

The White House tries to bend the system into an operating process through coordination, czars, or temporary coordinators.

Second, there is now a wealth of thinking about what to do to try to fix these problems. The Center for Strategic and International Studies has provided serious thinking and proposals on the subject through its Beyond Goldwater-Nichols project. My colleague, Cindy Williams, and I have amplified that work over the past 2 years, focusing particularly on planning and resource issues. The Intelligence Reform Act of 2004 provided a prototype of a new interagency approach—the tasking to the National Counterterrorism Center to design an integrated strategy and guidance for combating terrorist organizations. While imperfect, this effort made real progress in shaping guidance for agencies in this key policy area.

Third, in thinking through how to strengthen the interagency process, it is important to set aside the shibboleth that the National Security Council "must not become operational." Asking the NSC to play a more active and concerted role in interagency strategic planning and in providing agencies with guidance is not the same as making it "operational." Implementing programs and policies is and remains the task of agencies.

But I believe it is critical for the NSC, and for OMB at its side, to play a more active role than it has in the past in providing strategic planning and guidance. There are several key elements of such a role that are worth consideration:

- A Quadrennial National Strategy Review (QNSR), led by NSC and OMB, with full agency participation;
- A biennial, classified National Security Planning Guidance (NSPG) to agencies. This could be provided not for every area of national security policy, but for those areas that are chosen as priority foci of an administration's long-term national security strategy, such as governance and democracy promotion, post-conflict stabilization and reconstruction, global poverty reduction, environment, counterterrorism, or nonproliferation policy.
- A full partnership between the NSC and OMB in coordinating that guidance. This means "powering up" both organizations with additional staff, seasoned in long-term strategic and budgetary analysis and planning, a capability neither has at the moment.
- Full agency participation in and support for this biennial guidance planning process, and full followthrough by OMB on the implementation of the guidance in agency budget planning.
- The preparation of a single, annual document presenting the administration's national security program and budget request to the Congress. This document—a "national security budget"—should include the resources being sought to support the strategy by all the relevant national security departments—State/USAID (and all of Function 150), Defense (and intelligence), and Homeland Security.
- A rewrite of NSPD–44 by the next administration to task the NSC and OMB more centrally for the coordination of interagency planning for complex contingency operations. This would bring true interagency attention and authority to the planning process it does not currently have.
- Integration of the Homeland Security Council into the NSC, to bring the two processes into closer relationship than they are today.

Fourth, the Congress can play an important role in this reform, including doing everything it can to reshape its own work around a more integrated process:

- Reform the budget process to consider national security in its entirety, as part of the work of the budget committees, including considering all national security spending by the relevant departments together. This would mean setting Func-

tions 050 and 150 together in hearings on the budget. And it would mean creating a budget function for Homeland Security, which it does not now have.

- On key issues of the national security program, holding joint hearings between the relevant authorizing committees, to put parts of the program and spending portfolios together and explore the synergies.
- Find ways in the appropriations process to explore how national security budgets might be considered together, in the process of setting out 302(b) allocations to appropriations subcommittees.
- Work with the administration to find ways to provide greater flexibility within and across agency budgets, reduce earmarks on foreign assistance funds, and allow greater use of contingency funds, linked to the reporting and review requirements that would reassure the Congress that such flexibilities were being executed responsibly.
- Establish in statute a requirement for a QNSR, NSPG, and the integrated national security budget document.

CONCLUSION

I have offered a broad range of proposals and suggestions for reform. They are not cast in stone, but it is vitally important that the Congress and the next administration be thinking now about how to transform the national security planning system and rebalance the toolkit of statecraft. No structures or policy processes are perfect, nor can they guarantee good leadership or 100 percent successful decisions. But our toolkit is increasingly out of balance today. The civilian institutions urgently need empowerment, reform, funding, and coordination. And the interagency process in place today does not serve the Nation well. A strengthened civilian toolkit and a more institutionalized process will provide the next administration with the opportunity to carry out a more balanced and integrated approach to the broad agenda of security problems we face.

The CHAIRMAN. I am going to yield to Senator Lugar, but let me just make one quick comment.

I think our mutual experience—and I have not talked to Chairman Lugar about this, but this whole notion of comity and trust, in my experience being here for seven Presidents, that depends completely on the President. The degree to which the Congress distrusts does not go to institutional issues. It goes to motivations perceived by the Congress about the President whether they are going to count him in.

And I think all three candidates who are running, including our colleague, Senator—you know, there are some disadvantages of having Senators run, we are told, for President. We are going to get a Senator for President. I am not being facetious when I say this. Whether it is John McCain or Barack Obama or Hillary Clinton, I think we have a prospect of that institutional trust being a lot better, which is a big leg up if that occurs.

I am going to yield first to Senator Lugar, and then I will come back with questions.

Senator LUGAR. Well, I join the chairman in the hopes that our colleagues will still remember us. [Laughter.]

Still, we have to operate on faith.

And I think the point that you have made is an important one not only about the shifting roles of the Department of Defense and the State Department, but likewise the congressional jurisdictions. Leaving aside our relationship with the President, our relationships with each other are very important. I have noted that some committees feel an affinity to the department over which they are exercising oversight. It is all one team and they are very defensive about giving away the authorities or money. But hopefully, this is the purpose of our thoughts now to invigorate the system and I

hope that as the new Congress comes, as well as the new President, that there are these opportunities.

I was just thinking, as I listened, about some fledgling attempts in this area. In part, our committee has taken seriously the thoughts of the last panel with regard to energy policy, and Mr. Boyden Gray, who has been active in Government before, has come back in a role at the State Department and attempting to play a role as an energy emissary, ambassador, or thinker in the State Department.

In part, this has come from some of the experiences of some of us who are trying to be helpful out in the field, and I think it is an illustration of a visit that I paid in January, starting with the premise that it is very important that the resources of oil and natural gas from Kazakhstan, Turkmenistan, the flow through Baku, Azerbaijan, and the Tbilisi-Ceyhan pipeline, somehow some of this reaches Europe. This is of very great importance in terms of our NATO relationship that there be at least some alternatives to supplies by Gasprom and Luke Oil.

For instance, the Kazakhs understand the need for a more diverse portfolio. It is best not to have only one customer. At the same time, logistically and in terms of history, their relationship with Russia on these issues has gone well for them. So as a result, even in January during this period of time with President Putin on the telephone with the President of Kazakhstan and Turkmenistan, new agreements were formed for very large supplies of natural gas.

From my visit with the new President of Turkmenistan, I believe there is at least an opening for more possibility for dialogue with the United States or with others. It is moving along slowly, but it is moving, and to his credit, he has taken some initiatives.

Then in Azerbaijan, we have President Aliyev who is very impatient with both of the above for failing to get into a Caspian Sea situation. He feels unable diplomatically or in terms of the clout perhaps of his nation to engage those two in what might be a mutual interest.

Now, this is just as background for what even a person, maybe Boyden Gray or maybe three or four people, might be able to do in a very initial start. This does not get to these fundamental issues of climate change or energy independence or anything of this sort, but just simply a loosening up of the international system, if we have also the initiative of thoughtfulness of what needs to occur out there.

Absent that, we have substantial reverses. The State Department, as well as Defense, could give briefings on why attempts to provide channels of oil or natural gas into Europe are failing because the Russians, acting more rapidly, have signed agreements quickly with Bulgaria, with Serbia, and others. And this is happening right now during this administration. To the credit, at least, of Secretary Rice, she has perceived this, acting slightly upon it.

We are talking about the real world in terms of trying to somehow have proper organization. Now, this could occur, I presume, through the Department of Energy, and some would say that is really where it belongs. Why is anybody in the State Department fooling around with energy? Or some could say because we have more contact with these countries, the Defense Department still is

the mainstay. This is the way you finally get people who have at least authoritarian or semiauthoritarian governments loosened up to work at this.

But I seize upon this as sort of a practical example with some personal experience as to how the world works now and how, in the first year of the next administration, it might work better in the event that proper thinking came.

But I agree with you entirely with the precept that somehow or other there has to be some money, some cooperation, some thoughtfulness that moves us away from what I perceive to be one of the problems of some of the initiatives in this committee, and that is, sometimes they are simply stalled on the Senate floor by members of another committee that put holds on the bills. They do not happen. So a lot of hearings have occurred. Very able witnesses like yourselves give testimony. Reports are written, but the net effect of this is zero because, in part, we built a public tradition that, if you need tough diplomacy, if you need tough people in a tough world, it is over at DOD that these people exist, not in what is seen sometimes by people in a derogatory way as ineffective diplomats or people over at the State Department who really are not tough enough to deal with today's challenges. And that may be a mindset in the public, as well as the Congress, that needs addressing, in addition to the valid academic points that we are all making today about how our policy ought to go.

In other words, if we are talking about change here, how do we recharacterize what is to happen? Maybe we do not talk initially about the State Department at all. We talked about objectives. They just happen to wind up here because the President assigns them there and so forth. But address, if you will, this predicament.

It is not by chance I think that the flow of men, materials, and money has gone from State to Defense over 50 years, and it is not in the process of being reversed. If anything, it takes a major effort to maintain even the Foreign Service levels that we have now, quite apart from money for foreign assistance of any sort. How do we change that perspective politically in the Congress and the administration? We have some chance now of addressing the subjects you have talked about.

Dr. ADAMS. This is a wonderful issue because it classically captures exactly the agenda that we are facing. First, this is a new issue for statecraft. Second, it is inherently interagency. It is not just one agency's problem to deal with. Three, because we do not have a strengthened civilian toolkit, especially for strategic planning, we default to dealing with the issue through the uses of the military forces. We are worried about safeguarding supplies. We are worried about being a power in a specific region and how we use the military to be a power in a region. We ask the COCOM's to go around and talk to countries about U.S. strategy in the region, and we default to that process on the civilian side.

Senator LUGAR. That is an especially important point, the default aspect. If you do not have any out there and you have emergencies——

Dr. ADAMS. And then you have emergencies, and we use the instrument that is organized and well funded, and by God, they go out and do the best job they can do.

But this sets us back in the long run. And this is one of those long-run issues where civilian leadership is critical, which brings us back to the HR problem. Do we bring people who understand this issue into the diplomatic service? Do we hire them? Do we promote them? Do we incentivize them? Do we put them in positions of authority?

So partly it is an HR issue. Partly it is a training issue. Do we train our civilian side to think in terms of the long term strategic planning, the resources we need to apply, the connections between our domestic supply and the international supply, and the diplomacy required?

The other aspect that you pointed to, which is critically important here—and I think Senator Biden said this earlier—is that we cannot solve this issue alone. There is no way we can solve the energy issue alone. I agree with my predecessors on the panel about energy independence. This is a fool's mission—energy independence. The solution has to be international. This means looking at new institutions, new negotiations, new processes. As I argued in my testimony, you need to put your diplomats and your foreign assistance providers at the helm, at the leadership of the effort to engage those countries and find solutions.

Senator LUGAR. Yes. Who calls the meeting is the problem and how do you have a peace treaty on energy?

Dr. ADAMS. Well, I think we and the European Union and the Japanese and, I would argue, the Chinese are in a very strong position to call such a meeting together.

Mr. LOCHER. You know, if I might, Senator Lugar. One of the problems both in the executive branch and on Capitol Hill is that we do not look at national security from a whole-of-government perspective. We are focused on the parts. If you look at what happened in the National Security Act of 1947, it reinforced the parts. It created a strong Department of Defense. It created the intelligence community, but it also created a very tiny headquarters, which only had advisory responsibilities, in the National Security Council staff. And so we do not have the mechanisms for integrating across the Government.

So one of the things is to think about national security as a system, and that is why in my commentary about the Congress, I talked about the Select Committee on Interagency Affairs that could look across all of the standing committee jurisdictions at national security as a whole. We are of the opinion that in the interagency space, in the future the most important national security work will be done, and that is the space that currently the Congress does not have jurisdiction over. We are seeing a number of organizations beginning to emerge.

The work that is being done in the Africa Command and in the Southern Command is really pushing toward a civilian-led regional organization that would integrate all of the instruments of national power for the United States on a regional basis. The Coordinator for Reconstruction and Stabilization in the State Department is supposed to be an interagency entity, but it is not because it does not have buy-in from the rest of the Government. And it is placed there in the Department of State, but it could be kicked into the interagency space and made a viable organization.

In my project, we are following a very disciplined methodology to identify what are the problems. Most reform and reorganization efforts do not give sufficient attention to that, to really understanding what is wrong and what is causing it.

But we often try to present illustrative solutions so people have a sense of what might be possible. And one of the solutions that we have often talked about is if prior to our invasion of Iraq, if we had in the interagency space a horizontal team that was responsible for reconstruction and stabilization and it had all of the expertise of the United States Government, and it was asked to put together the plan for reconstruction and stabilization in Iraq, thinking of all of the expertise and capabilities of the United States Government, and then was instructed to go to Baghdad and to implement that plan with a team that was properly led, manned, empowered, linked back into all of the departments and agencies, we would have had a much more effective effort.

Could we create such a team? Absolutely.

If we look at what is going on in business today, businesses had to deal with the same complexity and rapidity of change as Government has not been able to handle, and they have done it through creation of horizontal teams. In big business today, more than 50 percent of the work is done horizontally, and that is because the corporations need the ready expertise of all of their functional elements to solve a problem quickly and effectively. And in Government, we can move in that direction.

We are starting to see these ideas emerge. There is really no authority for them, but the Africa Command and the Southern Command recognize that the most important tools in their regions are civilian tools. And that is why they are trying to integrate civilians into their command structure.

But it is this requirement to look at national security in a whole-of-government perspective. We are completely out of balance. We cannot integrate. We have a very tiny integration capability, and we have these massive stovepiped bureaucracies that have a tremendous amount of capacity, but they cannot be integrated in useful ways for the United States.

Senator LUGAR. Mr. Chairman, I will just conclude with the thought—Chairman Biden, in fact, tried with this committee to generate enthusiasm for the idea you have suggested on Iraq reconstruction. And we had many witnesses, many hearings, very good ideas. In fact, we hoped something was going on in the administration and even called for witnesses, and they were not forthcoming. They said we are just not going to send anybody over to testify about all this.

Ironically, on the very same day that witnesses were not appearing, the witnesses were appearing over at the Pentagon in a press conference, and we had the anomaly of press people over at the table listening to the press conference and the testimony we might have been having here. I take this as a bizarre and extreme example, but this occurred historically.

So we are back around again. As the chairman has said, fortunately, we will have three colleagues—one of the three will be President. Hopefully we will get witnesses. We will have some cooperation. But your testimony is very timely as we try this again.

Mr. LOCHER. Senator Lugar, may I add one more point in this regard? As you know, I was involved in the Goldwater-Nichols act, and we had the problem that we had a Department of Defense, but it was fractured among the four services. For 40 years, warfare required that we be able to work in an integrated fashion, but the four services wanted to maintain their independence and prerogatives. And it finally took the Congress overruling the Department of Defense to create the joint warfighting capabilities we have today.

And if you think about where are we on the interagency, we are at the same place. We have more tribes in the interagency, but the challenge is the same. How do we take that great capacity that is in the individual departments and agencies and integrate it to meet the complex threats that are in front of us? It can be done. The combatant commands are those horizontal teams in the Department of Defense, and we need their counterparts at the interagency level.

Dr. ADAMS. Let me introduce one caveat to what Jim said because we can't agree on everything. I think it is very important in the two cases that you have cited that we not fight the last postwar. We really blew that one big time. But we should not construct a capability that will do post-conflict reconstruction Iraq-style on the scale of Iraq. Such a contingency is both unlikely and probably counterproductive. We will not be invited to carry out an exercise of that kind at any time in the near future.

That is why I suggested we need to look at it as an issue of failed, fragile, and brittle states. That is a governance problem around the world, and we are going to face that, like it or not, everywhere around the world. And it is going to be not only our problem, but that of other countries as well to think about how we create a capacity that may be more restrained than what we would have sent into Iraq, but is capable of providing reconstruction and governance support that other countries are going to need in advance to make an invasion unnecessary and to ensure that the country does not become a security threat to other countries.

The CHAIRMAN. Thank you.

Senator, let me explain. I yielded to the Senator. I am going to ask questions and yield to you.

I may have been hanging around too long with Senator Lugar these last 30 years because the very point he started off with was what I wanted to discuss, and I am going to raise it from a slightly different perspective, if I may.

The things we seem to tiptoe around are a culture at each of these departments. And notwithstanding the fact that we should not learn the wrong lesson from the last war—and pray God, we are not in a circumstance where we are "intervening" in any way to the extent that we are intervening now in Iraq and have to deal with that.

The point that Senator Lugar made was absolutely correct. We held hearings. We listened to very informed witnesses. The Senator and I joined in op-ed pieces and reports saying that we need this interagency, this civilian capability. You cannot go in alone. We talked about everything in detail from the number of—essentially police forces would have to go in with the military forces and the

civilian force necessary. I mean, we went into some considerable detail, and we were assured that that was being done. But they would not come and tell us how it was being done. And it turns out it was not being done at all, which leads me to this proposition I would like you to respond to briefly.

In my experience hanging out in this place for a long while, a great deal of what is able to get done depends upon whether or not a President using the bully pulpit wants to get it done. The truth of the matter is—and I am not trying to pick a partisan fight here, but this administration, at least at the front end, dominated by two very strong and bright personalities, the Vice President of the United States and the Secretary of Defense, had as part of their mission—those of us who have known them well—to recapture what they thought was a loss of power of the Presidency that began in Vietnam, the unitary executive. And I think that notion drove an awful lot.

Second, this administration began with an assumption, quite frankly, that the CIA was deficient. It was defunct. It did not take chances. It was not to be listened to. And you saw a whole attempt to set up a whole new not interagency, but a CIA within the Vice President's office—not literally the CIA but an intelligence unit within his office, as well as over at the Defense Department. And further, there was the assumption that the State Department was both effete and ineffective.

So they came to office with these very strongly held views about the culture of the departments and about the balance of power and the separation of powers issues and debates. I think that colored a great deal of what happened.

That leads me to the point that you raised, Professor. You said—or one of you said—strategic planning capacity on the civilian side is missing. I would argue it is not missing. It is like that phrase attributable to G.K. Chesterton. It is not that Christianity has been tried and found wanting. It has been found difficult and left untried. If we had a Secretary of State who decided to engage, there is nothing that suggests that he cannot or she cannot write that document, pull together, not withstanding his or her jurisdiction to take the case to the President of the United States of America.

So as much as I am an advocate of a national security act of 2009, which is a gigantic undertaking institutionally, bureaucratically, it seems to me it all starts with self-starting initiatives not just here but with a new President and the persons he or she ask to people the organizations that they want, which leads me to the point I would like to raise. And I will be anecdotal to make the point, as you were, Jim, when you were giving examples of what things we could do.

I, like Senator Lugar and Senator Feingold and others, have been strong supporters of more muscle, resources, and authority for the State Department, the civilian side of the equation. But having traveled I think now 13 or 14 times into—and if I add Bosnia, 25, 26 times, if my numbers are correct. It is over 20—into these "battle zones," in every instance I have walked away saying to my staff, you know, God darn it, I do not like doing this, but we have got to increase the CERP funds because the State Department is ineffective. They are ineffective. And even though I know it is counter-

intuitive to what I want to see happening, I am a guy who put—if we had listened to, at the front end of this process, General Chiarelli of the 1st Cav instead of Bremer, we would be a hell of a lot further along.

And I am going to say something heretical. The best diplomats I have found are guys wearing bars and stars on their shoulders. Not all of them, but there are some really talented people out there. I remember Chiarelli saying to me, Senator, look, give me some PCV pipe to put in the back of these homes to get the sewage, which he showed us pictures of and we went and saw, of 3 feet of raw sewage in Sadr City, up to the hubcaps of our HMMWVs, while the State Department and the administration let a contract for a tertiary sewer treatment plant for a half a billion dollars that was going to take several years to construct. In the meantime, not a damn thing was happening on the ground.

Another example I was given in one of my many trips to Iraq was one of our generals pointed out to me, he said, Senator, we have produced and built the biggest water fountain in the world. We came in and built this whole new water facility in Baghdad for potable water. But guess what. It is not hooked up to anything. Not a joke. Not hooked up. So people in Sadr City looking for potable water had to take a bucket. He said, "just give me, again, some PCV pipe, some authority to go out and contract the locals to dig the ditch. Let me put the pipe in. And guess what. Things will radically change here."

The Department of Agriculture—again, I am being anecdotal—in Iraq—it used to be the bread basket of the Middle East in the fifties. Commanding general says to me, "Senator, do you want me to deal with the militias?" Get a functioning Department of Agriculture here, and then gave me an example. There is a fungus that kills the date palm tree. You have to spray for it like the boll weevil in cotton. He goes to the State Department, goes and says, we have got to do something about it. They said, no, that is up to the locals. So what happened? He said, I did what Saddam did. I used my helicopters to spray. I went out and that is what I did. Seriously.

So what I want to talk to you about here, as we go to rebuild this civilian capacity, is there a need for a change in the culture at the State Department? And I know this is a pretty in-the-weeds question that the public at large will wonder why I am asking it. But is there also a need for us to go out and attract something other than—and we have not even been attracting them—the typical Foreign Service officer in terms of the mentality, the kind of person we want? They are the brightest people in Government. I mean, I am absolutely—I do not know about my colleague from Wisconsin. I am impressed with these State Department personnel.

But guess what. I used to say facetiously, which gets me in trouble—back in the eighties I would say they like carrying in their briefcase their lunch instead of plans relating to arms control. I mean, it was like instead of doing something, there is this mindset that is like pushing a rope.

So I think there is a dichotomy here between those of us who want to build the civilian capacity—here you have the Secretary of

Defense making a speech pointing out there is a 19-to-1 discrepancy in dollars spent. It has got to change.

The plea I get in Afghanistan, in Pakistan, in Iraq, wherever I go is give me more civilians. Get more civilians in here.

So just talk to a me a minute about the practicality. It is a little bit like when we talk about doctors being trained. They are not trained today to deal with the interaction of various prescriptions and medications. They are not trained today—so this whole discussion in the health field about training—our educational institutions, medical schools changing their curriculum. What is the curriculum we want for the new foreign policy establishment? What background should we be looking for? You do not have to answer it literally, but talk to me about this whole issue of the culture.

Mr. LOCHER. Mr. Chairman, the cultural issue is an important one, and I want to start one level higher than you began in talking about the culture of the State Department.

There is no interagency culture.

The CHAIRMAN. Right.

Mr. LOCHER. It does not exist. And if there were an interagency culture, like the joint culture we have in the Department of Defense, it could be powerful in helping us integrate all of our capability.

The CHAIRMAN. What do we do to change that?

Mr. LOCHER. Well, first of all, in the Goldwater-Nichols legislation, there were joint officer provisions. One of the most important was it said you could not be promoted to general or flag rank unless you served in a different service or in a joint assignment.

Those same sorts of requirements will be necessary for the interagency. In all of the departments that have national security responsibilities, you will not be able to pass a certain level unless you have worked in an interagency or in some sort of cross-department assignment. There will have to be specific education and training requirements. There will be qualifications for various positions, and we want to nurture that interagency culture because it can be a great tool.

Then as we come down to the departmental level, there is the issue that in lots of departments, like the Department of State, there is not that operational culture. You may know that Ambassador Herbst in his job as the Coordinator for Reconstruction and Stabilization is running against the grain in the Department of State.

The CHAIRMAN. Yes.

Mr. LOCHER. He is very much alien organization there.

So what will be required as part of this new national security act is to identify in all of the departments and agencies what sort of expeditionary capability is required and what sort of cadre will have to be built in the Department of Agriculture and in the Department of Commerce and in the Department of Justice to be able to go overseas and rapidly create the kinds of organizations and capabilities that the United States needs? Now, that can be identified, but this overarching interagency culture will help contribute to these departmental operational cultures.

But there is also another important dimension that came out in your early comments when we were talking about the competitive

nature of some of the Cabinet secretaries. For 30 or 40 years, we have normally seen the Secretary of State and Secretary of Defense be at odds, but we know that national security missions today require the integration of lots of Government capabilities. That means we have to have incredible collaboration.

The CHAIRMAN. That is why I said I think it does go back to the President.

Mr. LOCHER. It does.

The CHAIRMAN. The next President choosing his or her Secretary of State and Secretary of Defense—both of us—very briefly, my friend from Wisconsin—had he stayed, he might have been the nominee. I stayed longer, and I did not become the nominee. But both of us I think would agree.

I speak for myself. The single most important task I thought would be required of me, had I become the President of the United States of America, was to make sure that the Secretary of Defense and my Secretary of State were on the exact same page, that they understood in order to work for me as President of the United States they had to, ahead of time, make sure that they signed on to the same goals and objectives requiring the elimination of the stovepipes and their mentality. So if a President does not do that, if a President does not start there, I think this notion is doomed from the outset.

Dr. ADAMS. Let me just add to what Jim Locher said, Senator, because you put your finger on an absolutely critical problem. You will remember that I said earlier that I think a lot of this is an HR issue.

The CHAIRMAN. Yes.

Dr. ADAMS. It is a serious HR——

The CHAIRMAN. HR. You mean human resources.

Dr. ADAMS. Human resources.

The CHAIRMAN. Not just numbers.

Dr. ADAMS. Not just numbers. It is what kinds of people we recruit, what we train them to do, how we incentivize them to move up the career ladder, what we reward them for being capable of doing. And that is all part of what needs to be changed in the culture.

When I was responsible for the State Department budgets, among others, I was one of those people who was always asking hard questions. At OMB, my job was to ask hard questions. When they came to me with a budget request and said we need the following amount of money for this program and they could not answer how, why, when, who was going to do it, what were the deliverables, and how do you measure the effectiveness of the program, we were not going to go fund programs that they could not deliver, for which they lacked the capacity.

So the challenge is how we develop that capacity in our diplomatic institutions. I am coming to the question of curriculum that you raised. We need to bring in people who have a broader range of experience, who accept that the nature of a Foreign Service office career is not just report, negotiate, and represent, but is also develop program, budget for program, plan program, implement program, and evaluate program.

The CHAIRMAN. It seems to me to be a mindset. I am going to yield to my colleague.

Dr. ADAMS. It is clearly a mindset, but it is one that is only going to be fixed long term if we bring in the right people, both junior and mid-career, and open up the Foreign Service and the diplomatic establishment on a broader scales.

The CHAIRMAN. Let me give you one closing example. So it does not think I am picking on this administration, I will go back to the Clinton administration.

I will never forget standing in Brčko in Bosnia and walking into a neighborhood that was virtually abandoned with homes that were about 2,800 to 3,300 square feet, lovely homes with red tile roofs in a development. There must have been—I do not know; I am guessing. There must have been 300 homes in this development, laid out, obviously built in the previous 10 years or so. And the State Department guy is with me, and there is a young military guy with me, a marine.

And we walk out in the middle of this neighborhood, and the issue was resettlement. And when we are standing there, the commanding general allowed this young captain to literally take—it looked like a construction van, like a construction trailer—to sit it right in the middle of the neighborhood in an intersection there. And while we are talking and I am getting briefed on what is going on in the neighborhood, I look down the road and there is a family, it turned out, of 8 to 10 men with pitch forks, sledge hammers, no weapons, no guns, walking down heading toward us. And the young captain goes, oh, excuse me, Senator. Excuse me. I have got a problem.

Now, the State Department guys are standing around. He walks up the street and confronts these guys, not with a weapon, and he talks to them. He happened to speak Serbo-Croatian. He talks to this group. You know where they are going? Literally on the intersection we were standing, there was a Serb family occupying a home that had been the home of this family, which was Croat. And they were coming down to physically drag that family out and repossess their home.

The young guy goes up and he walks back and I said, what did you do, Captain? The kid was—I do not think he was 31 years old, 32 years old. He said, well, Senator, I told them I had already gone and spoke to the Serbs in that household and told them we will build them a new house or get them a new house. I went to them and said to them, now, look, do you want a new house or do you want your house back? They said, we want our house back. He said, well, come back tomorrow at 12 o'clock and we will have this worked out.

I later went back and called to find out what the kid did. He worked it out. The State Department guy was like with his thumb in his ears. The kid took action.

I am among the biggest supporters over 35 years of the State Department, their budgets, and all. But I just think unless the mindset changes here about being proactive, actually physically being in the game, I do not know how this changes.

So I apologize. I see there is a vote. I assume that is where the Senator went. Is it he coming back? No. I am sorry because he always has really good questions.

I would ask unanimous consent—it is easy to do since I am the only one here——

[Laughter.]

The CHAIRMAN [continuing]. That the questions that the Senator had will be able to be submitted in writing. If you guys would not mind responding.

While I have you, I am going to ask one of each of you, if I may.

Dr. Adams, does the United States need a unified national security budget that is going to help Congress understand the tradeoffs? Or will such a unified budget just morph things in a way that it all flows to the most powerful piece of the budget, which would be the State Department? From your budget days, what is your instinct about that notion?

Dr. ADAMS. At the very least, we need a unified document. When I was at OMB, I tried to write the budget document of the President so that the international affairs section came first and the Defense Department section came second. That was a minor tool, but it was a way of saying our purposes, our intentions, our strategy are what drive the direction and orientation of all of these tools. That was not enough. I think you need a unified consideration of all of the national security tools in the budget process in the executive branch so that they are confronted and combined with each other in trying to meet the objectives of the strategy. I have suggested in my testimony as well that you need to take some of those key purposes and drive them down through the interagency as guidance in the preparation of budgets so that agencies are assigned tasks and responsibilities, and come back in their budget submissions to the White House with the right integrated requests.

A document needs to come to the Hill that is an integrated national security document, with the executive branch saying here are the purposes and here is the way these tools are oriented to accomplish these purposes. So the budget committees and to the authorizing committees and the appropriations committee have an integrated document that tells you how we intend to relate these tools to each other.

To literally unify the agencies in one big budget planning exercise is, right now, a bridge too far. There would be enough cacophony there to sink the Queen Mary. Right now one major problem is that none of the other organizations in the executive branch have the program planning, budgetary planning, analytical capability, and long-term thinking that the Defense Department has.

The CHAIRMAN. Well, I agree.

Dr. ADAMS. They are the only agency that does it.

The CHAIRMAN. Quite frankly, no matter how informed and bright and visionary the President is, there is no one place he can go and get that.

Dr. ADAMS. That is the only agency that will deliver it to him.

The CHAIRMAN. Yes. There is no one place.

Dr. ADAMS. And this is why I think the Office of Foreign Assistance at State is so important. It is only a start. It is very flawed. But institutionalizing that capacity, pushing it to carry out long-

term planning for the civilian side, giving it the resources and the informed and educated staff it needs is a very important first step to pulling together the civilian capacity to budget with the same sophistication.

The CHAIRMAN. The very bad part of having a good idea is you are going to get asked, like I am going to ask you, Will you help this committee figure out what that document should look like? We will figure out who draws it up. But just to conceptualize for us on a piece of paper what are the elements of that document. I mean, how does it get written. That does not even answer who writes it, but how does it get written because one of the things I think the next President is going to need—because I know them all personally, they all think about this. They all think about this in varying degrees. They all get a sense of the dysfunctional nature of the planning process in terms of national security.

So it would be a useful thing to literally have a document, what you are doing, Jim. You guys are getting very explicit about how to do these things because you have been through this exercise.

Again, I want to compliment you on Goldwater-Nichols. I was here during that whole process. I was a bit player engaged in that up here, which leads me to my last question for you.

And I know you could comment on the question I just asked extensively, but I want to ask a question that takes it below what you and I, at least, are talking about, a hope that the possibility of generating, which is a big order, a national security act of 2009, I mean, to think that big. And we need to in my view.

But within that, there are the immediate and crying emergency requirements that we have to respond to, one of which I am seized with is Goldwater-Nichols made a great deal of sense in the era in which it was written. We did not contemplate then, looking at that document, the fact that we may be deploying for somewhere between 6 and up to 24 months total our Reserves and our National Guard. They are breaking. The idea that we can, with the manpower we have now, continue to task as such an integral part of the ability to project force the National Guard and Reserves I think is not possible, notwithstanding the fact we should not look at the last experience as what the next experience will be necessarily.

But I mean, I know you know this, Jim. We are $100 billion short now in equipment for the States in terms of them responding to national emergencies. You saw what happened in that town in Kansas that had the tornado that just devastated a town. They did not have the trucks. They are in Iraq. They are left there. So if we were just to reinstate or replenish the equipment through attrition and/or being left overseas, which makes sense for the next group coming in, you are talking about these Governors being over $100 billion short on equipment to handle just internal national disasters or, God forbid, another terrorist attack.

So talk to me, just for a minute, about Goldwater-Nichols and what kind of changes are needed unrelated to the interagency, if it is unrelated. Maybe it is not. What do we do about what I promise you is becoming a gigantic political dilemma in terms of the electorate, the deployment of National Guard and Reserves to the degree they are being deployed now?

Mr. LOCHER. Well, Mr. Chairman, in that regard, in all of the departments and agencies, there are many internal problems that need to be addressed. And there are lots of great initiatives. The transformational diplomacy initiative by Secretary Rice needs to be lauded as she is beginning to try to address some of the challenges that you raised.

In our project, we are thinking that the first step that needs to be taken is to think about how we are going to operate whole-of-government. For the 21st century, how do we need to put together the national security interagency system? And once that is understood and a new national security act is passed to mandate that kind of approach, then there will have to be detailed attention to aligning reforms in the individual departments and agencies.

The CHAIRMAN. Well, that sequentially for me answers the question. And there is only 1 minute or 2 left on the vote. I am going to have to leave. My immediate concern—and this is just the practical politician in me responding to what is happening out there with the American people—is that I want us thinking big. I do think we have to look along the lines that you guys are talking about. But even in the most optimistic scenario, it is going to take some time to get there. I think, Jim, you are going to see such an urgent, urgent crisis over the next 18 months relative to the way we think about—and it cannot be solved in 18 months either. I do not mean to imply that. But you have got to give some reason for some hope out there that we recognize this dilemma and there is a process in train in a more narrow sense to deal with it.

But here is my question. I really am impressed with—it is presumptuous of me to say this—with both of you. And I am wondering whether you would be willing, over the next month or so, not in this formal setting, to come, sit in my office with me and other Senators who might want to get much deeper into the weeds about some of the things you are doing, Jim, and some of the things you are suggesting, Doc, about how we proceed. Would you be willing to do that?

Mr. LOCHER. Absolutely.

Dr. ADAMS. Absolutely.

The CHAIRMAN. Unfortunately for you, we are like poor relatives. We show up when we are invited. [Laughter.]

So I promise you we are going to be asking you because we need your help. I think this has been very, very helpful. At least for me, it has been. And I thank you and apologize for having to run out now and make this vote. But I thank you for being here and I look forward to continuing to work with you.

We stand adjourned.

[Whereupon, at 12:31 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF JAMES LOCHER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RUSSELL FEINGOLD

Question. Based on your long experience both inside and outside government, how important is it that our collection of intelligence as well as classified information be truly global and that we don't continue to allocate what the DNI himself has acknowledged are "disproportionate" resources to current crises, rather than to strategic challenges and emerging threats around the world?

Answer. It is vitally important that the U.S. national security system effectively gather, manage, and effectively disseminate intelligence and information needed to address immediate and long-term strategic threats and identify strategic opportunities. The current system tends to overemphasize traditional threats and underemphasize emerging challenges. At the core of this shortcoming is the difficulty in accurately predicting what contingencies will have the highest likelihood of impacting future national security. To address this challenge, the United States needs to improve its ability to monitor global affairs and assess the strategic environment. This requires approaching the entire spectrum as an interdependent global system that can be influenced through "smart" as well as "hard power," rather than through a lens focused solely on specific threats, adversaries, and conflicts.

Building into the national security system an institutionalized capacity for strategic foresight will enable greater interagency capability to pick up on weak but important signals, identify trends and understand patterns, and better anticipate the nature of future conditions with national security ramifications.

Question. I am gravely concerned that we do not have strategic collection plans that address all the ways that the U.S. Government gets information about the world, not just from the Intelligence Community but from diplomatic reporting and open sources, and that, in turn, we have failed to allocate budgetary resources in a strategic fashion. This kind of strategic planning and resourcing should presumably be the job of the interagency process, but in many cases it appears broken, ineffective or simply nonexistent. Do you agree, first, that the U.S. Government's need for information about the world is met through a combination of intelligence and nonclassified information-gathering, and, second, that projecting truly "smart" power requires interagency strategies for collecting this information?

Answer. The United States does need more comprehensive mechanisms for gathering and analyzing all types of information for the purposes of improving decisionmakers' knowledge of the strategic environment. Key decisionmakers are often confronted not only with imperfect information but also cannot access germane and actionable information in an effective and timely manner. Additionally, intelligence is stove-piped both between and within agencies, limiting access and imbuing information with organizationally influenced perspectives that would otherwise be of greater value to the broader interagency consumer if not filtered or institutionally colored.

The U.S. capacity to project "smart power" rests on the ability to address these limitations and better integrate interagency intelligence and provide enhanced system knowledge. Today, national security perspectives outside the traditional national security community are underrepresented; the increasing diffusiveness of national security challenges calls for involvement of agencies and actors who previously played reduced or even marginal roles in national security policy development. The Department of Agriculture, for example, was not initially included in meetings to address bioterrorism challenges. Moreover, few if any means exist to provide nongovernmental or private sector perspectives on a sustained and consistent basis.

Additionally, powerful bureaucratic, cultural, and individual disincentives to sharing information prevent decisionmakers from accessing relevant knowledge on a timely basis. The lack of a coherent national strategy and implementation plans cause departments and agencies to develop task-based strategies that draw almost exclusively on their own knowledge and information sources. This behavior fosters a culture that is averse to knowledge-sharing. Other strong disincentives exist to sharing knowledge. Limiting access to knowledge can be essential for advancing particular organizational interests. Moreover, overclassification of information is a major impediment to effective information-sharing, and sensitive information is so compartmentalized it is difficult for analysts to independently evaluate and exploit intelligence generated by other agencies. The existence of almost 40 different classification systems also impedes knowledge-sharing, as does the intelligence community's "need to know" culture.

Knowledge sharing within the national security system is also hindered by the lack of integrated information systems. This problem has been widely perceived as a problem of connectivity, but greater connectivity does not automatically produce better decisionmaking. Although integrating systems will generate enormous amounts of information, this increased information is not necessarily in the form of knowledge that allows informed decisionmaking. To the extent that knowledge generation and sharing currently occur within the national security system, the tendency is to share it vertically within departments and agencies. To be most useful, knowledge should be distributed to decisionmakers who need it, and those decisionmakers are frequently not at higher leadership levels but rather dispersed throughout the system at the working level.

RESPONSES OF DR. GORDON ADAMS TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RUSSELL FEINGOLD

Question. Based on your long experience both inside and outside government, how important is it that our collection of intelligence as well as unclassified information be truly global and that we don't continue to allocate what the DNI himself has acknowledged are "disproportionate" resources to current crises, rather than to strategic challenges and emerging threats around the world?

Answer. It is critical to create the capacity in the intelligence community to think long term. The National Intelligence Council series looking out 15–20 years has been a very useful tool to identify emerging challenges; that perspective should be institutionalized throughout the intelligence community.

Question. I am gravely concerned that we do not have strategic collection plans that address all the ways that the U.S. Government gets information about the world, not just from the Intelligence Community but from diplomatic reporting and open sources, and that, in turn, we have failed to allocate budgetary resources in a strategic fashion. This kind of strategic planning and resourcing should presumably be the job of the interagency process, but in many cases it appears broken, ineffective, or simply nonexistent. Do you agree, first, that the U.S. Government's need for information about the world is met through a combination of intelligence and nonclassified information gathering, and, second, that projecting truly "smart" power requires interagency strategies for collecting this information?

Answer. "Open sources" have become an increasingly important source of real intelligence and the intelligence community has still not effectively addressed this source. Part of the weakness lies in the lack of policy-driven priority-setting for the community. That is a responsibility at the White House level, and it has fallen short in recent years.

JOINT RESPONSES OF JOSEPH NYE AND RICHARD ARMITAGE TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RICHARD LUGAR

Question. DOD in Foreign Assistance. This committee has been concerned with the increases in funding and authority for DOD-managed foreign assistance programs more traditionally associated with the State Department and USAID. Congress granted expanded authorities to the military on a temporary basis, and this year, the Pentagon is requesting permanent authority to manage these programs on a global basis.

In your opinion, how should these programs, such as sections 1206 and 1207, and the Commanders Emergency Response Program, be managed between DOD and State? Would you recommend that DOD maintain these authorities, or that the State Department take a higher profile?

Answer. DOD's role in managing foreign assistance programs has expanded in recent years. The Pentagon has taken the lead in directing new counterterrorism and counterinsurgency capacity-building programs that are part of phase zero "shaping" efforts to build partner capacity; post-conflict operations connected to ongoing wars in Iraq and Afghanistan; and massive humanitarian relief operations in the aftermath of the Asian tsunami and Pakistan earthquake. A recent CSIS task force noted that the Pentagon's share of disbursing official development assistance grew from 5 percent in 2002 to over 20 percent in 2005. This issue is at the heart of what it means for the U.S. Government to develop a balanced toolkit capable of deploying hard and soft power.

The Smart Power Commission argued that the military can be an important source of soft power, and that civilian agencies have not been properly staffed or resourced for extraordinary missions. The critical question, though, is whether the Department of Defense is best suited to address these new challenges in both the short and long term. Your questions refer specifically to sections 1206 and 1207 authorization, CERP funds, and whether the State Department or Department of Defense should manage these portfolios. Let us try to address these questions below.

Section 1206. The administration has made the argument for sustaining and expanding 1206 authorities to train and equip partner security forces. They contend that current funding mechanisms managed by State, such as FMF, are not agile enough to be responsive in the short term to our needs in managing the threat posed by al-Qaeda and affiliated terrorist groups with global reach. They envision that the best way of tackling these challenges is to build partner capacity, and they see 1206 as a necessary tool in this fight.

There are four main problems, however, with making 1206 authorities permanent through the Global Partnerships Act and housing these authorities in the Defense Department. First, there is a danger that "shaping" tasks could distract the military from its basic war-fighting mission. Second, the Combatant Commands may lack a sense of how certain train-and-equip activities fit within broader U.S. foreign policy. Third, it remains an open question how effective the Pentagon is at nonmilitary security training. And fourth, there is a danger that expanded 1206 authority could potentially overmilitarize the face of America abroad at a time when a softer and smarter approach could prove more effective.

Ultimately, we would prefer to see flexible and responsive funding mechanisms for the State Department and USAID to ensure their ability to support U.S. national security interests over the long term.

Section 1207. Section 1207 authorities permit DOD to transfer money to State in support of stabilization and reconstruction operations. This is a positive development, in the spirit of the Smart Power Commission's findings and Secretary Gates' speech last November at Kansas State in which he argued for increased funding for civilian agencies. The U.S. military understands better than anyone that increased operational capacity of civilian agencies to help deliver outcomes like good governance and rule of law is vital for success in theaters like Iraq and Afghanistan where the military plays an essential role in establishing security but where there is no military solution.

A key question the committee may wish to investigate further is whether the amount of money transferred from the Pentagon to State actually results in a net increase of DOS operating funds, or if this money is then subtracted from State's operating expenses during the budget process. Congress may wish to look into alternative ways of supporting S&R capacity other than through this transfer authority, such as through support of civilian stabilization measures.

CERP. According to military commanders on the ground, Commander's Emergency Response Program funds are playing a vital role in Iraq and Afghanistan. This is money that can be used immediately in the field to help bring stability and buy local support. As CSIS's Tony Cordesman has written, one of the first lessons the U.S. military drew from its operations in Iraq was that dollars were as important as bullets. The FY09 funding request for CERP is $1.5 billion, and $3.7 billion has already been allocated between FY02 and FY08. This is a considerable expenditure. The advantage of the program—its decentralized nature—is also its weakness, namely a lack of oversight. In principle, authority must reside in the field. Rigorous analysis, though, is required to determine whether CERP funds have been used wisely. It is essential to know when and where this money has actually delivered results. This analysis is critical to developing doctrine that could make the disbursement of these funds less dependent on the judgment of individual commanders and better leverage the development community's program expertise.

Congress should encourage programs that depend on State and DOD working and planning together. At the end of the day, State remains the best unifier of our tools of national power for long-term U.S. strategic interests. The problem is that it lacks the operational capacity of the Department of Defense. It might make sense to add an operational deputy secretary in State. Rather than write State off and default to DOD, now is the time to help build and modernize the capacity of U.S. civilian international affairs agencies to better complement DOD's essential role in keeping America safe.

Question. Energy, Climate Change, and National Security. Our national security is dependent on the intertwined issues of energy policy and climate change. Specifically, how can the United States provide global leadership on these issues? How would a global framework for the development and deployment of clean energy technologies work?

How does your recommendation for a fund for Joint Technology Development differ from the President's request to fund a Clean Technology Fund at the World Bank?

Answer. There is no magic bullet to solve the twin challenges of climate change and energy insecurity. Energy independence is a popular slogan, but we will have to deal with energy and climate interdependence. There are smart things we can and should be doing in the near term to improve our situation going forward such as developing and demonstrating clean coal and sequestration technologies at scale and working to overcome the obstacles to a greater role for nuclear power. At the same time, we should be investing in applied research over the long term to search for alternatives to fossil fuels, as well as trying to forge a global consensus on market-based energy policies.

The best way for the United States to provide global leadership is to take action at home. We can enhance our energy security by changing our demand habits, encouraging new sources of supply and suppliers, improving our infrastructure capability, promoting technology and better managing our geopolitical relations. We can similarly advance the interests of a global approach to climate change by placing an economic value on greenhouse gas emissions via a mechanism that sends clear, long-term price signals for industry in all sectors of the economy. These signals are necessary to creating a level playing field and encouraging the development of new technologies worldwide.

The United States also needs to help shape a new global energy framework that can improve energy security, spur innovation, and engage marginalized portions of the developing world. An important first step would be to take leadership within existing international institutions to establish a common principles charter outlining sound energy policies and practices that serve as the foundation for global energy security. The critical objective should be to get everyone into the act, but still get action. Provisions of the charter could include protection of sealanes and critical energy infrastructure; investment-friendly regulatory and legal frameworks that also respect the development needs and sovereign rights of resource holders; regular dialogues between producers and consumers to improve information-sharing and facilitate government-industry cooperation; and improved governance and transparency of revenues and sustainability principles.

U.S. leadership is also necessary to encourage innovation. Energy technology development and deployment are critical elements of any solution to climate change or energy insecurity. International collaboration can play an important role in sharing the cost of and accelerating the pace of innovation. In this regard, the Smart Power Commission recommended creating a Joint Technology Development Fund. We support the President's proposal, but our fund differs from the President's request to fund a Clean Technology Fund at the World Bank in two primary ways. The purpose of the WB fund is to assist in the deployment of new technologies, while the fund proposed by the Smart Power Commission would focus primarily on the development of next generation energy technologies. Second, the WB trust fund would be administered by an existing multilateral organization beholden to its Member States who might not agree to diverting large amounts of resources to energy and climate. The Smart Power Commission recommended creating a new international public-private consortium to manage the fund and it could be seen as a complement to the World Bank.

Question. Aid Cordination. Many observers recommend that we better coordinate and integrate defense, diplomacy, and development. Some would argue that better coordination first needs to occur within each of those pillars. According to the U.S. report to the Organization for Economic Cooperation and Development (OECD) of our official development assistance, there are 27 U.S. Government departments and agencies that provide some type of foreign aid. How would you design a mechanism to achieve governmentwide coordination of our aid programs? What government entity should have the lead?

Answer. The Smart Power Commission noted the proliferation of U.S. Government departments and agencies that provide foreign assistance. The report argued that the lack of coordination and coherence between these institutions has had an adverse effect on America's ability to use its aid as a tool to achieve its strategic objectives.

There are three main obstacles to governmentwide coordination of foreign assistance. Each of these must be addressed in any new mechanism seeking better coordination.

The first obstacle is that clear strategic direction guiding assistance across the various arms of government is absent. Aid is used for goals as divergent as spurring economic growth, targeting basic needs, ensuring friendly governments, building the capacity of military partners, strengthening democracy, preventing conflict, and rebuilding countries after war. There is no sense of the relative value of these different objectives, let alone how to make tradeoffs between them. Different parts of the government bureaucracies will not readily concede turf in the absence of determined leadership.

The second obstacle to more coherent aid is that institutional "work-arounds" have become more convenient to political leaders than core institutional reform. This means that rather than build the competencies of agencies like USAID to perform new tasks and meet rising challenges, officials often prefer to create new agencies that are untainted by the perceived failings of the existing institutions.

And third, congressional funding priorities have tended to dictate a fractured approach to foreign assistance. Members of Congress often take a single-issue view

of assistance, earmarking programs and preferred recipients in the appropriations bills or the committee reports that accompany them.

The Bush administration has attempted to overcome these obstacles by creating the position of the Director of Foreign Assistance, launching the first institutionalized effort in State's history to improve strategic planning of U.S. foreign assistance programs through the "F" process, and better coordinating assistance strategy through joint State-USAID working groups. The next administration will have to consider which of the Bush administration's initiatives to sustain, which to expand, and which to take in new directions.

It is our view that launching a new Department of Global Development as some have suggested will not necessarily foster the governmentwide coordination of aid. There are too many different assistance programs run out of too many different departments and agencies for too many different reasons to imagine housing them in a single place without generating serious institutional conflict. Additionally, development is only one part of the broader foreign assistance pie, which would leave assistance programs housed outside the new Department untouched and the problem unchanged.

The "F" process was a step in the right direction toward greater transparency, coordination and coherence. It had a flawed beginning, though, in large part because it created an overly centralized process that is more tactical than strategic.

Furthermore, by limiting the "F" process to State and USAID, it fails to account for U.S. assistance governmentwide. State may not be the best department to coordinate a governmentwide review of aid.

The NSC, in conjunction with OMB, could be charged with facilitating working groups and producing an easily digestible document on U.S. assistance to every country and for every major functional area such as democracy assistance. The Smart Power Commission recommended "double-hatting" a deputy to the NSC and the OMB director charged with developing and managing a strategic framework for planning policies and allocating resources.

This cannot just be a top-down process alone. It makes sense for strategy to be set in Washington, but tactics ought to be determined in the field. The Smart Power Commission noted that too many recent reform efforts have not shown the necessary focus on the field. A clearer distinction between what constitutes strategy versus tactics and who should be responsible for what must be part of any reformed "F" process.

Efforts to achieve a more coordinated assistance strategy will by necessity be efforts to better coordinate policy. Coordinating assistance goes beyond lining up budget allocations. It ultimately means thinking about the implications of certain policies on those that interconnect; for instance, examining the effects of our trade and defense policies on the long-term development prospects of poor countries.

Finally, any effort to better coordinate U.S. assistance should seek to better align U.S. efforts with those of foreign governments and multilateral donors. This ought to start with, but go beyond, OECD countries. Non-OECD countries such as China, India, and those in the gulf, as well as remittances sent back by individual family members, are increasingly playing a larger role in shaping development outcomes. Better coordination with these actors is likely to result in more effective responses on the ground, where they matter most.

Question. From a budgetary perspective, it is clear fact that we do not know the level of federal spending from all government agencies on official development assistance until 2 years after funds are appropriated, when we report these figures to the OECD. For calendar year 2006, the last year for which we have data, the State Department and USAID provided 58 percent of aid, DOD provided 18 percent, and other agencies contributed 24 percent.

What is the value of a unified national security budget that combines defense and international affairs spending? What are the benefits and disadvantages of including all assistance provided by various domestic agencies in the Function 150 account?

Answer. Implicit to the idea of smart power is striking a better balance between spending on hard and soft tools. Hard and soft tools are not necessarily analogous to defense and international affairs spending. Some military spending, for instance, such as toward the USS *Comfort,* promotes soft power rather than hard power. The Smart Power Commission explicitly stated that smart power is not trading hard for soft—both are needed.

That said, the next President will have to make tough decisions involving budgetary tradeoffs. A significant increase in the size of the Foreign Service or, say, Pashto broadcasting on the Pakistan-Afghan border could cost less than the price of one C–17 transport aircraft and bring needed results. There are no good ways,

however, to assess these tradeoffs in the current form of budgeting. A unified national security budget that combines defense and international affairs spending could make these choices more readily transparent.

On the other hand, it is not entirely clear that a unified national security budget will result in more money for soft power tools, if this is ultimately the goal. Defense spending has a natural constituency, and the nonmilitary tools of national power do not. As Defense Secretary Bob Gates has recently pointed out, the F–22 aircraft is produced by companies in 44 States, which means 88 Senators.

A recent review of the major studies and commissions to modernize the civilian tools of national power identified three reports that have called for a unified national security budget between the 050 and 150 accounts. An equal number have called for producing a unified budget just within the 150 account. The benefits of including all assistance provided by various domestic agencies in the Function 150 account are clear. Doing so would help decisionmakers to see a common picture for what tradeoffs are possible within nonmilitary foreign assistance. This could lead to more strategic and better coordinated assistance.

The main disadvantage to this approach is the same as combining the 150 and 050 accounts into a single national security budget. The process would not work unless there were analogous reforms of the committee structures on the Hill. There appears to be little political appetite for this at present. Joint national security authorizing and appropriating committees, however, will be a necessary component of any effort to achieve true coherence to our national security budgeting and assistance efforts.

RESPONSES OF JAMES LOCHER TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RICHARD LUGAR

Question. Aid Coordination. Many observers recommend that we better coordinate and integrate defense, diplomacy, and development. Some would argue that better coordination first needs to occur within each of those pillars. According to the U.S. report to the Organization for Economic Cooperation and Development (OECD) of our official development assistance, there are 27 U.S. Government departments and agencies that provide some type of foreign aid. How would you design a mechanism to achieve governmentwide coordination of our aid programs? What government entity should have the lead?

Answer. The lack of coordination and integration of U.S. Government international aid funding limits the effectiveness of recipient programs and leads to inefficiencies in resource allocation strategies and delivery. Effects of this coordination failure can be significant. For instance, the incapacity of the Department of State, Agency for International Development (USAID), and Department of Defense to effectively coordinate development in Iraq and Afghanistan severely constrained U.S. post-conflict reconstruction and stabilization efforts. Reports by the Government Accountability Office and Congressional Research Service, in addition to numerous independent sources, note that individual agency foreign aid and development goals are often at odds with the conditions on the ground, other department objectives, and larger U.S. strategic interests.

A number of mechanisms could be considered for generating more effective coordination of government aid and development funding. Congress could seek greater integration of independent agency budget requests, ensuring that disparate departmental aid funding is aligned to broader goals and strategy. A number of organizations have suggested ideas for these mechanisms. For example, the 2007 HELP Commission noted that Congress should mandate greater coordination between the Secretaries of State and Defense on all foreign aid activities. Reflecting the systemic limitations identified above, such coordination requirements would help mitigate the current redundancies, contradictions, and gaps in foreign aid.

The Project on National Security Reform has noted that greater congressional coordination of authorization and appropriations is necessary to effectively address the growing and diverse challenges facing the nation. With respect to foreign aid and assistance, this could take a number of forms. Although it would be premature to prescribe particular recommendations, ideas put forward by entities such as the HELP Commission provide a useful starting point. For instance, a joint committee on foreign aid, combining members from foreign relations, armed services, intelligence, and appropriations committees could provide greater coordination of authorization and oversight of international development programs.

The question of which government entity should have the lead is less profound than recognizing that a single government entity should have responsibility for coordinating development assistance. Much as the creation of the Office of the Direc-

tor of National Intelligence assisted in the centralization of intelligence operations, so to the centralization of foreign assistance under one office, agency, or interagency team could significantly increase the efficiency of interdepartmental aid funding. This entity, whether new or existing, should be able to integrate information across the foreign aid spectrum and independently advise Congress on where appropriations and authorization can best be directed to achieve coordinated foreign aid policies that are reinforced on the ground.

Current foreign aid law is a cumbersome, disparate array of 33 goals, 75 priority areas and 247 directives. Passage of a comprehensive foreign aid authorization bill that streamlines current law is a critical first step to achieving effective governmentwide coordination of aid programs and objectives. Future annual authorization bills will also be necessary to refine and modify foreign aid objectives and legislative direction if U.S. interests are to be continually advanced in an increasingly complex and evolving global foreign aid environment.

Question. From a budgetary perspective, it is clear fact that we do not know the level of federal spending from all government agencies on official development assistance until 2 years after funds are appropriated, when we report these figures to the OECD. For calendar year 2006, the last year for which we have data, the State Department and USAID provided 58 percent of aid, DOD provided 18 percent, and other agencies contributed 24 percent.

What is the value of a unified national security budget that combines defense and international affairs spending? What are the benefits and disadvantages of including all assistance provided by various domestic agencies in the Function 150 account?

Answer. The most apparent value of a unified national security budget lies in creating a basis for symbiotic policy that is reinforced through complementary funding. The advantage here lies not necessarily in creating a combined budget but rather in establishing integrated authorization and appropriations processes and structures. For example, the idea of a joint committee to review all international affairs and national security funding could eliminate some of the redundancies and gaps currently present in the system.

The need for new and comprehensive national security appropriations and authorization processes is clear. There have been no major revisions in foreign aid legislation since 1985 and no State Department authorization bill since 2002. As a result, no foreign policy agency receives up-to-date congressional guidance, revised authorities, or timely funding. In 4 of the past 10 years, budget resolutions have not passed to set limits on federal spending. Although there has been a defense authorization bill each year, the measure has been enacted before the October 1 start of the fiscal year only five times since 1985. Even the defense appropriations bill was passed before the start of the fiscal year only 10 times in the past 30 years. The situation is even worse for the appropriations bills for the State Department and Foreign Operations. Neither bill has been passed before the end of the fiscal year since 1996. Only four times in the past 20 years has the Foreign Operations bill been passed on time; for State Department funding, it has happened only three times.

At the same time, it may not be feasible to combine different aspects of the current national security system into a unified and comprehensive budget. For instance, the classified aspects of the intelligence budget cannot easily be integrated into public authorization of the defense and foreign operations budgets. Recognizing the need for certain or entire parts of agency budgets to remain classified, Congress can nevertheless establish comprehensive mechanisms for joint review and authorization. The notion of a select committee on national security could be one such mechanism for ensuring that interdepartmental funding priorities are aligned along shared objectives and national security goals.

The Project on National Security Reform is examining problems in the resource allocation process for national security. A unified national security budget will be among the alternatives that the project considers in formulating its recommendations.

RESPONSES OF DR. GORDON ADAMS TO QUESTIONS SUBMITTED FOR THE RECORD FROM SENATOR RICHARD LUGAR

Question. Aid Coordination. Many observers recommend that we better coordinate and integrate defense, diplomacy, and development. Some would argue that better coordination first needs to occur within each of those pillars. According to the U.S. report to the Organization for Economic Cooperation and Development (OECD) of our official development assistance, there are 27 U.S. Government departments and

agencies that provide some type of foreign aid. How would you design a mechanism to achieve governmentwide coordination of our aid programs. What government entity should have the lead?

Answer. We need institutions and processes at the State/USAID level and at the White House level. First, at the State Department level, a strengthened and reformed Office of Foreign Assistance should have authority over current State and USAID foreign assistance budgets. It should also extend its scope to the MCC, PEPFAR and the multilateral development banks (including the World Bank). It should be empowered to hold budget hearings to deal with all of the 150 accounts, and present an integrated 150 budget document to OMB. Second, at the USAID level, we need a stronger, better funded foreign assistance delivery agency, whose administrator is a regular member of the National Security Council.

Third, at the White House level, we need a Senior Director for Foreign Assistance, who coordinates an interagency working group on foreign assistance that includes not only 150 agencies, but all other executive branch agencies with international programs. We also need a Senior Director for Governance and post-conflict reconstruction, who chairs an interagency working group that does anticipatory planning for post-conflict stabilization and reconstruction programs. Third, we need a Senior Director for Public Diplomacy, who chairs an interagency working group on the topic, combining all federal activities in this area. Finally, the NSC needs to cochair each of these working groups with OMB, to ensure a resource dimension is part of strategic planning.

Question. From a budgetary perspective, it is clear fact that we do not know the level of federal spending from all government agencies on official development assistance until 2 years after funds are appropriated, when we report these figures to the OECD. For calendar year 2006, the last year for which we have data, the State Department and USAID provided 58 percent of aid, DOD provided 18 percent, and other agencies contributed 24 percent.

What is the value of a unified national security budget that combines defense and international affairs spending? What are the benefits and disadvantages of including all assistance provided by various domestic agencies in the Function 150 account?

Answer. On the second issue, OMB needs to issue a data call gathering all agency funding for international activities. These can continue to be budgeted in their existing accounts, but need to be coordinated at the NSC/OMB level through the above working groups.

On the first issue, as I suggested in my testimony, we need, at least, an integrated budget document for Congress that does four things: Lays out the policy priorities of the administration, describes the basic capabilities each agency brings to the table to be able to meet national security and foreign policy needs (DOD, State, Intelligence, foreign assistance, and homeland security). Third, it needs to target 3–4 leading priorities (e.g., nonproliferation, governance, post-conflict reconstruction and stabilization, terrorism, or others) and present an integrated view of how the entire national security toolkit is addressing these problems (the result of an integrated guidance to agencies). And fourth, it needs to provide a cross-agency view (minus guidance) of resources and programs addressing the secondary set of priorities (e.g., climate change, energy, migration, etc.).

APPENDIX TO ARMITAGE-NYE JOINT TESTIMONY—CHARTS EXCERPTED FROM THE CSIS COMMISSION ON SMART POWER REPORT (NOV. 2007)

Figure 1

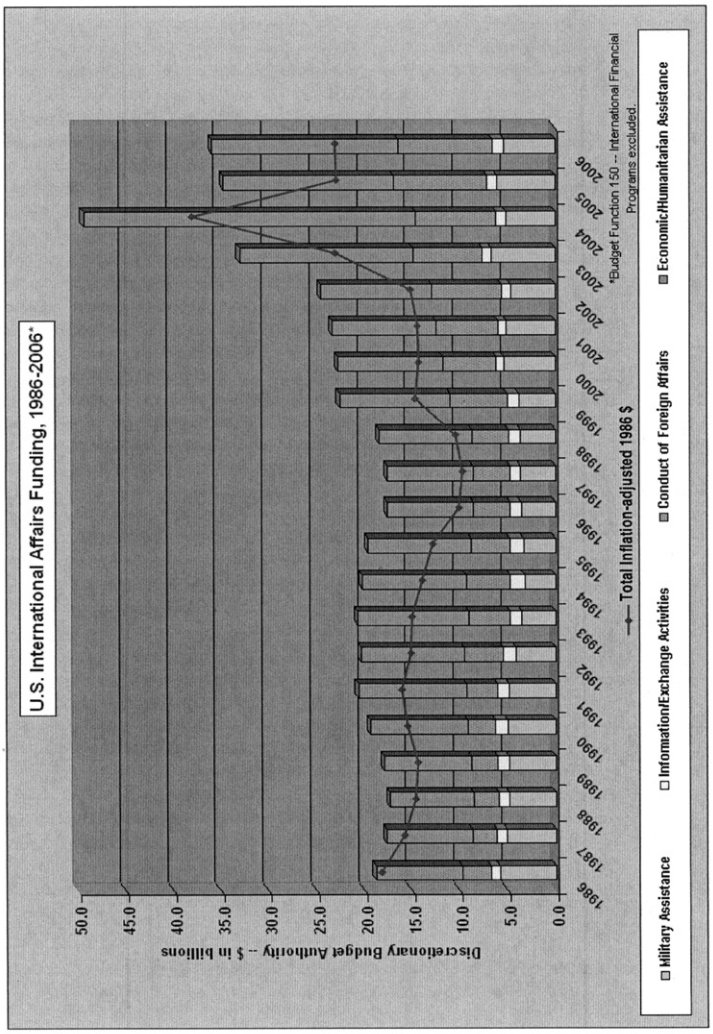


Figure 1 shows U.S. spending on international affairs over the past 20 years. Note that funding was generally stagnant for a decade. Increases in the early 1990s – due primarily to economic aid to Eastern and Central Europe – were offset by reductions in development assistance and public diplomacy funding. Increases from 1999 to 2002 were driven in part by security concerns following the embassy bombings in Nairobi and Dar el Salaam. Recent increases are on account of support to critical countries in the war on terror, the Millennium Challenge Corporation and PEPFAR initiatives, and humanitarian challenges.[1]

Figure 2

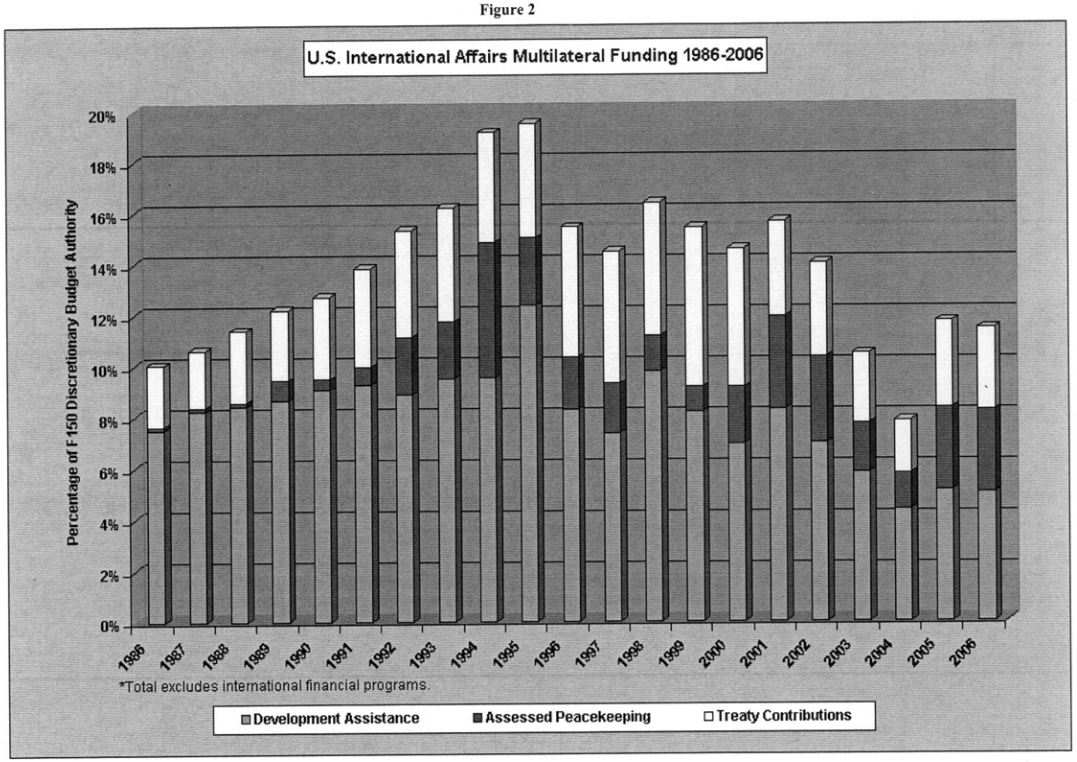


Figure 2 shows U.S. multilateral funding over the past 20 years, excluding international financial programs. Note the decrease following immediate post-Cold War peaks. Recent increases are due to the growing demands of UN peacekeeping operations.[2]

Figure 3

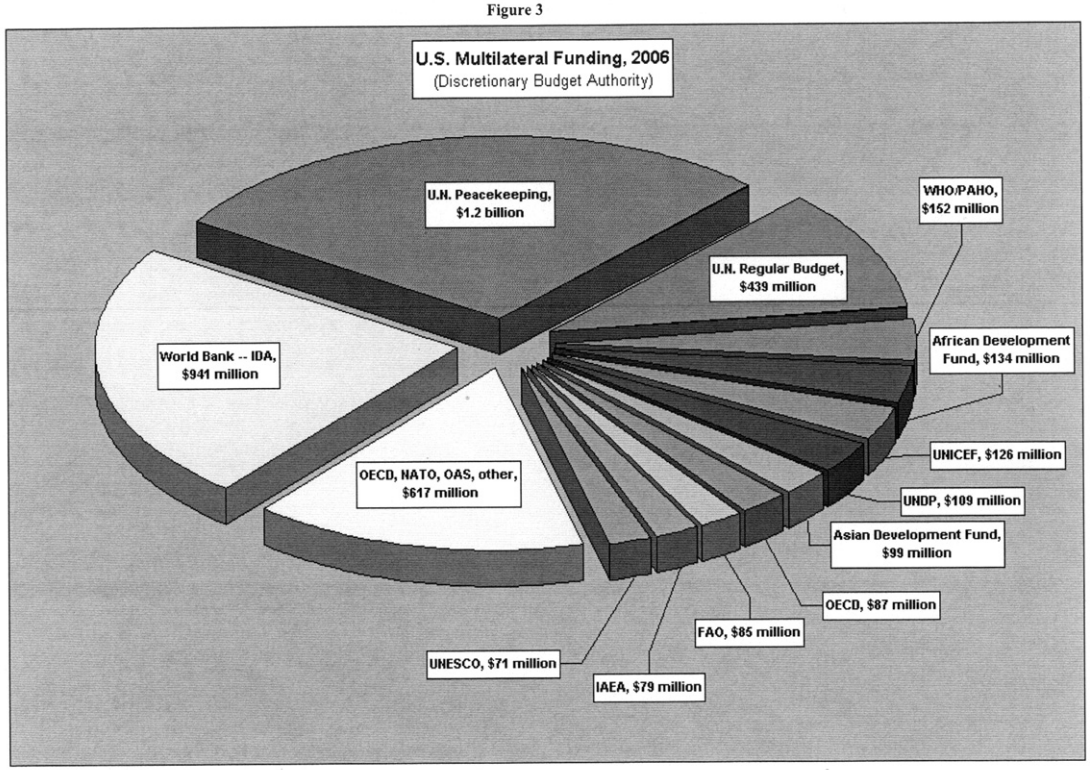


Figure 3 shows U.S. multilateral funding in 2006. U.S. financial support for UN peacekeeping operations hit a 20-year high of nearly $1.2 billion in 2006, up from $28 million in 1986.[3]

Figure 4

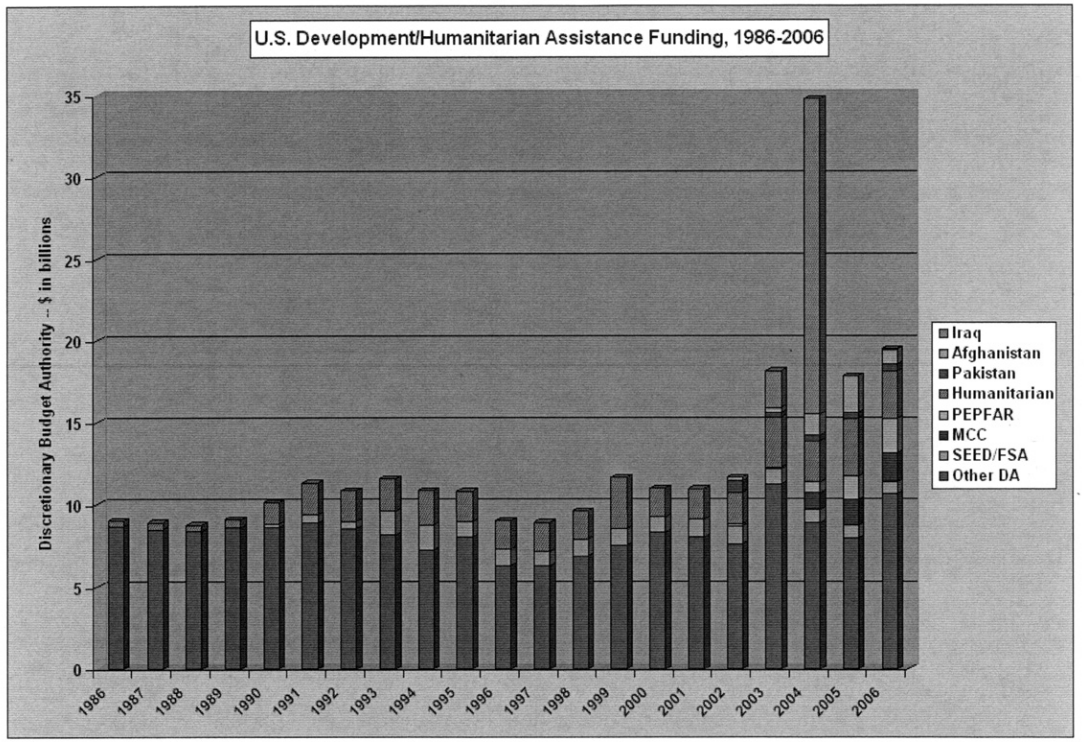


Figure 4 shows U.S. development and humanitarian assistance funding over the past 20 years. Levels here remained fairly constant for assistance that does not fall under the categories of new initiatives, countries vital to the war on terror, or humanitarian emergencies.[4]

Figure 5

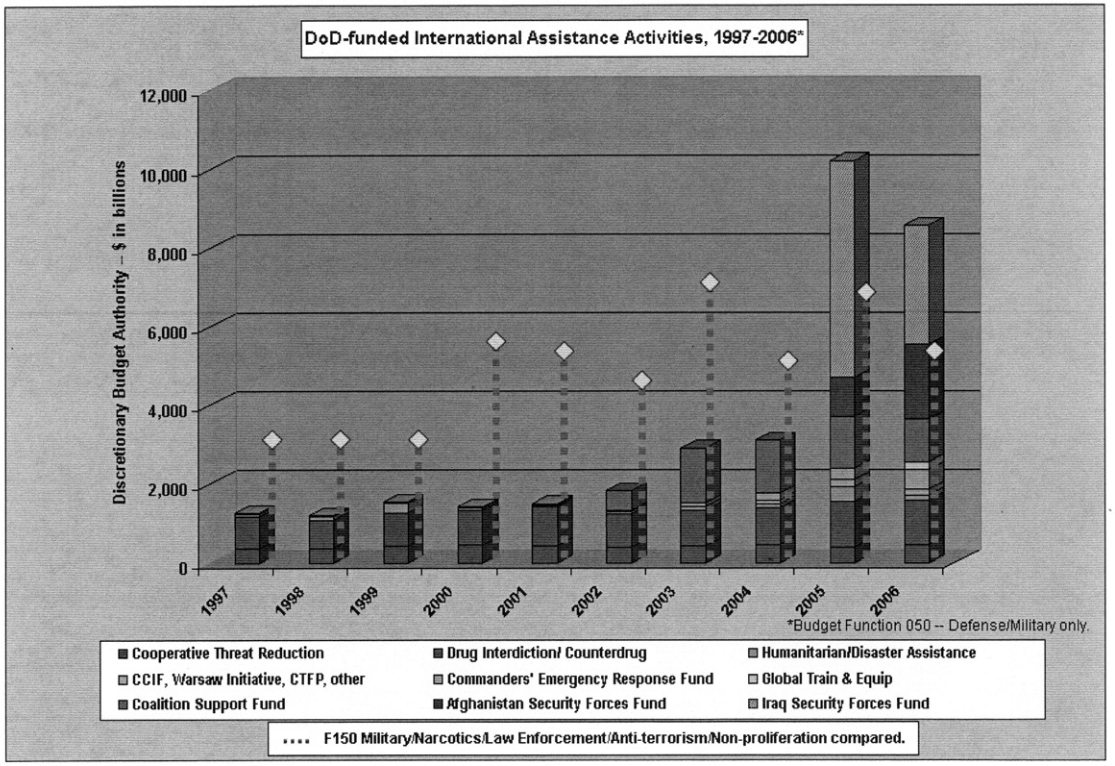
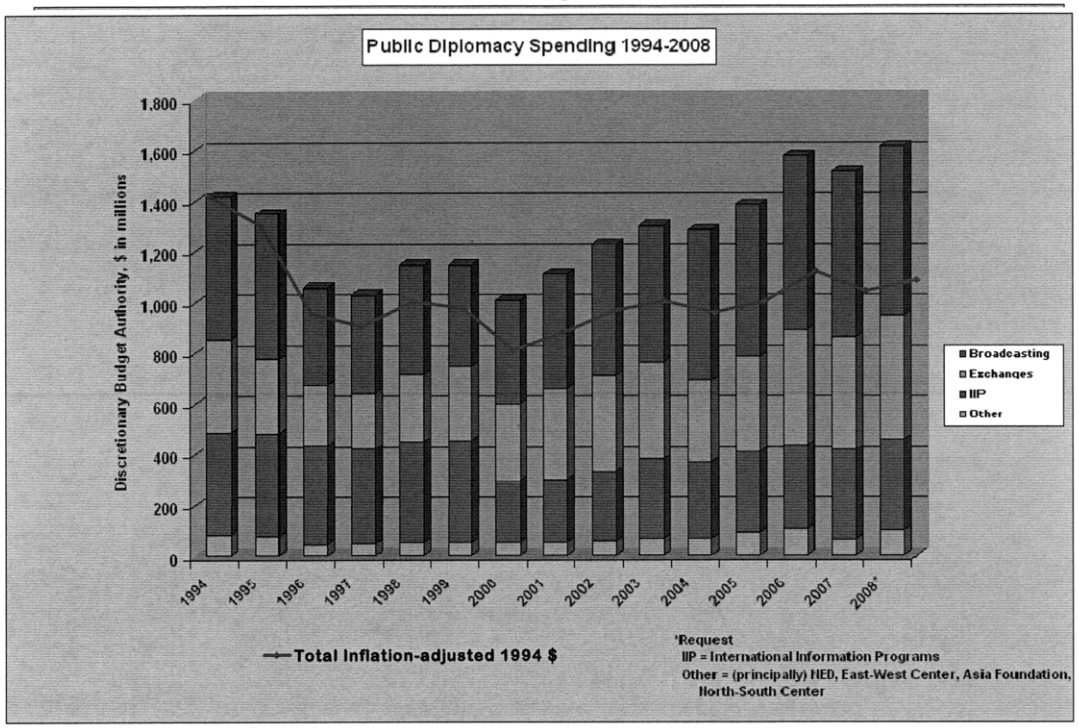


Figure 5 shows how the Pentagon's stake in foreign assistance has grown dramatically in the last decade driven by increased authorities in the war on terror.[5]

Figure 6



Current annual public diplomacy spending is just under $1.5 billion – comparable to what France and Britain each spend annually on public diplomacy efforts. Figure 6 shows the past 15 years of U.S. spending on public diplomacy.[6]

Figure 7

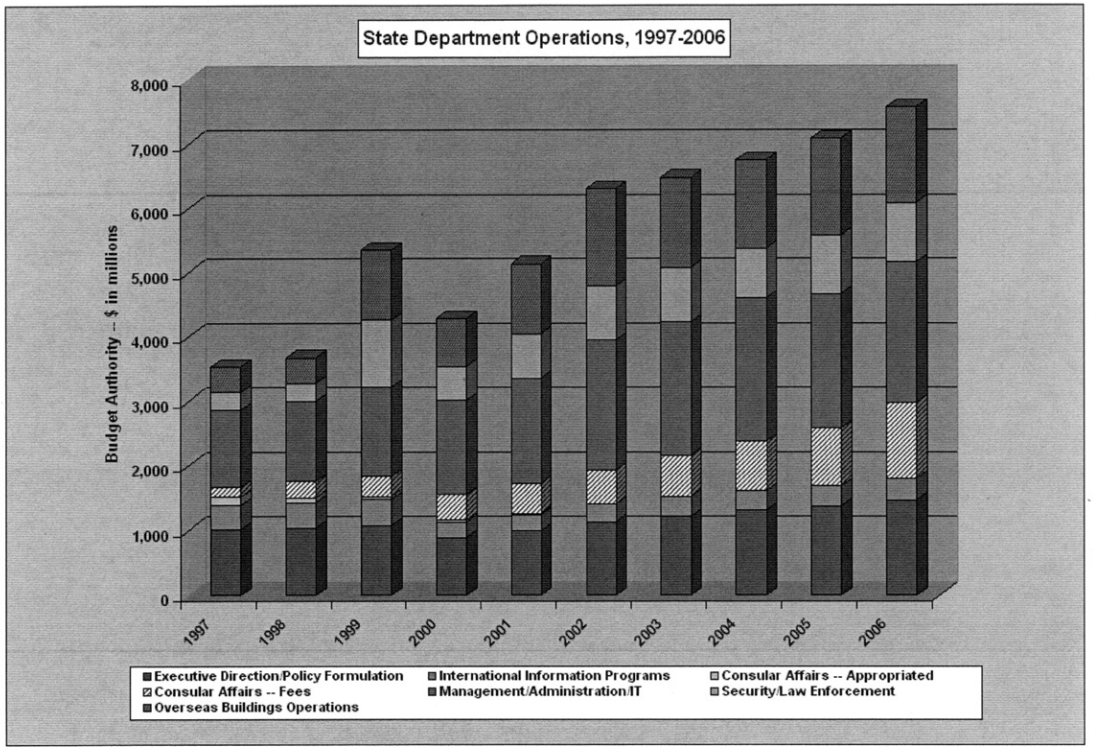


Figure 7 shows U.S. funding for State Department operations over the past 10 years. Although funding more than doubled during this time, increases were attributable largely to border and diplomatic security activities.[7]

Figure 8

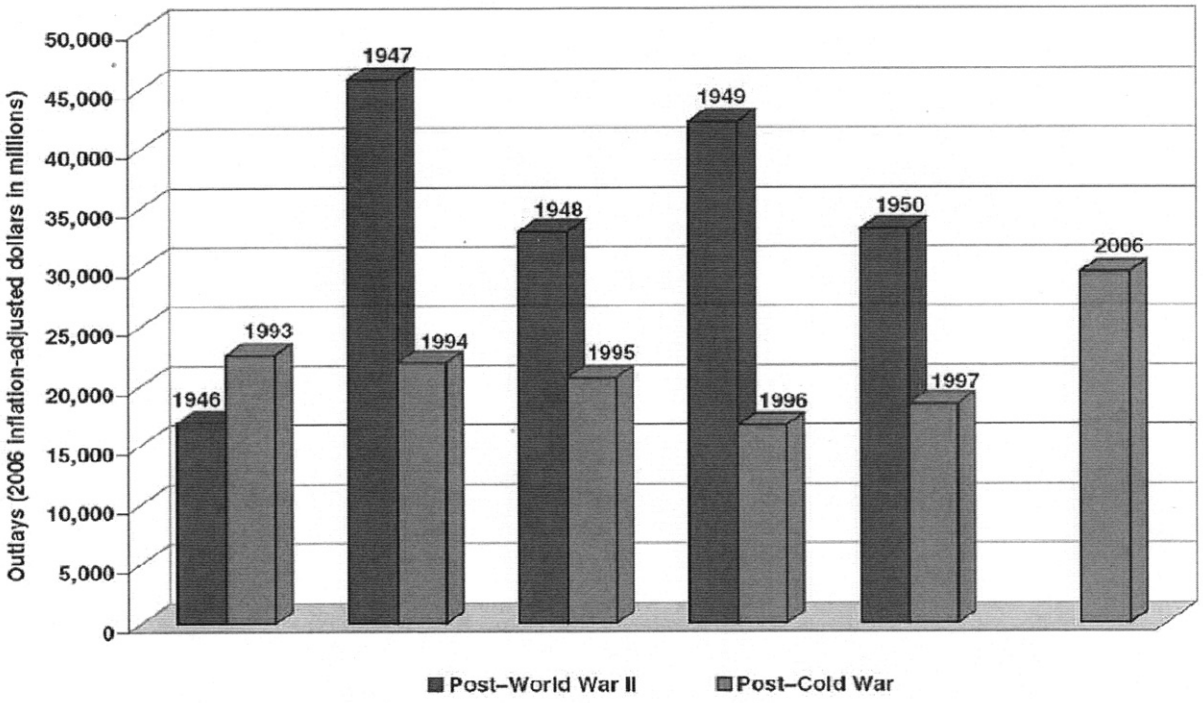


Figure 8 shows comparable U.S. spending on international affairs at the beginning of the Cold War and in its immediate aftermath. Current investments still do not match post-World War II levels, even though soft power is an essential part of our arsenal.[8]

Endnotes

[1] **Figure 1:** Budget function 150 – international financial programs excluded.
Data Source: U.S. Office of Management and Budget, public database.

[2] **Figure 2:** Total excludes international financial programs.
Data Source: U.S. Office of Management and Budget, public database.

[3] **Figure 3:** Budget Function 150- international affairs only. Excludes amounts appropriated to other agencies (e.g., DHHS, DOL).
Data sources: U.S. Office of Management and Budget, public database; U.S. Department of State, Congressional Budget Justifications, FY 2008.
Note: IDA = International Development Association; OECD = Organization for Economic Cooperation and Development; OAS = Organization for American States; WHO/PAHO = World Health Organization/Pan American Health Organization; UNDP = United Nations Development Program; FAO = Food and Agriculture Organization; IAEA = International Atomic Energy Agency.

[4] **Figure 4:** Budget function 150-international affairs only.
Data source: U.S. Office of Management and Budget, public database.

[5] **Figure 5:** Budget function 050-defense/military only.
Data sources: U.S. Office of Management and Budget, public database; U.S. Department of Defense, Congressional Budget Justifications, FY 1999-2008; U.S. Department of Defense Appropriations Acts, Committee and Conference Reports, FY 2002-2006.
Note: CCIF = Combatant Commander Initiatives Fund; CCTP = Counterterrorism Fellowship Program.

[6] **Figure 6:** Request
Data source: U.S. Office of Management and Budget, public database.
Note: IIP = International Information Programs; other = (principally) National Endowment for Democracy, East-West Center, Asia Foundation, and North-South Center.

[7] **Figure 7:** Data Source: U.S. Department of State, Congressional Budget Justifications, FYs 1999-2008.

[8] **Figure 8:** Data Source: U.S. Office of Management and Budget, public database.