

[The Pentagon's New Map: Powerpoint Presentation](#)

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The Military in the 21st Century

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Barnett Transcript - Military in the 21st Century

Introduction - Paul Davis, Executive Director, Center for Strategic Leadership Development

Thank you very much. I'm Paul Davis, Professor in the War Studies Department and Executive Director, of the Center of Strategic Leadership Development. Today it is my distinct pleasure to welcome you to the third event in the celebration of the 80th anniversary of the founding of the Industrial College of the Armed Forces. Last February the Commandant hosted 20 chief executive officers from corporations and associations instrumental to crafting the tools and capabilities the defense department relies on to maintain the nation's security. Deputy Secretary of Defense, the honorable Paul Wolfowitz and Air Force Chief of Staff, General John Jumper presented their strategic estimates of the national security situation. These included their insights into not only the ongoing operations in Afghanistan and Iraq, but also the longer-range war on terrorism and the need for defense transformation.

This event was followed immediately by an honoring of one of ICAF's most famous alumni, General John Vesi, former Chairman of the Joint Chiefs Of Staff. We dedicated the other auditorium in this college to General Vesi and recognize his many accomplishments with an honorary doctorate. General Vesi in turn, honored us with an insightful and inspiring lecture from this very stage. Today's symposium is our opportunity to focus on the present and contemplate what it will mean to lead in the emerging environments. We have titled this symposium, "Strategic Thinking In Complex Environments". One thing we have emphasized this entire academic year is how thinking strategically differs from the focus of our daily operational lives. ***Let me suggest, for this symposium that thinking strategically means to think about how we think and what we think about. To consider our basic values and beliefs of how and why things occur as they do.*** We don't have time to do this as a matter of routine in our operationally demanding lives but such strategic thinking is critically important in these complex and turbulent times.

We will spend this morning with Dr. Thomas Barnett, a strategic researcher and professor at the Naval War College in Newport RI. He will focus our attention on critical national security issues and propose transformational solutions as he develops its strategies for combating global uncertainties and their associated risks. After lunch, we will be joined by Ms. Laura Anderson, a national partner for strategy and development of KPMG in Melbourne Australia, an expert in strategic planning, risk management and capability planning. Ms. Anderson has an international reputation for innovation. Following Laura, we will hear from Mr. Greg Cudahey, the global director of B2B, Business-2-Business and supply chain optimization for the international consultant CapGemini, one of the leading global management, information technology consulting firms in the world. Mr. Cudahey manages the largest supply chain consultancy in the world. Immediately following his lecture, Mr. Cudahey will be rejoined by Dr. Barnett and Ms. Anderson for a short panel discussion in which the audience will have the opportunity to ask questions to which the three will be able to respond. We conclude the symposium tomorrow morning with a lecture by Mr. Chris Myer, CEO of Monitor Networks, a new part of the Michael Porter's Monitor Group. Mr. Myer's entire career has been at the cutting edge of knowledge management and information technology applications for adaptive enterprises. You may be familiar with three books he has co-authored with Stan Davis: *Blur*, *Future Wealth* and *It's Alive*. Our hope is that this symposium will heighten your awareness of the strategic considerations that must be dealt with by leaders of business, the military and governments. As you manage through the uncertainties and risks of the complex environments that are co-evolving at unprecedented rate. So let us begin.

Dr. Tom Barnett earned his PhD in political science from Harvard. He received his on-the-job training if you will, as a project director at the Center for Naval Analysis. He has been a research project director at the Naval War College for over a decade and directed the New Rules Sets Project in partnership with Cantor-Fitzgerald. Dr Barnett is the author of the new book that is causing quite a stir around Washington, "The Pentagon's New Map, War and Peace in the 21st Century". Without further adieu, let

me introduce the person that Vice Admiral Art Cebrowski, the Director of the Office of Transformation for Secretary Rumsfeld, refers to as “My Strategy Guy”, Tom (Barnett).

(Applause)

Dr. Thomas Barnett

I like to describe the brief in this presentation as the product of about a six-year conversation with Art Cebrowski in addition to a long mentoring relationship I’ve had or enjoyed with Hank Gaffney at the Center for Naval Analyses and a similar relationship with retired four-star admiral Bud Flanagan recently of Cantor Fitzgerald. The way I like to describe the conversation with Art is to note that we came to the war college at roughly the same time - summer 1998. He had a list of things he wanted us to study. At the top of that list obviously: net-centric warfare. At that point more a glimmer in his eye than the dogma it has become at the Pentagon. At the bottom of that list was a very odd subject – the potential for the year 2000 problem to serve as a security situation around the planet. As the most recent hire and the professor with the least standing, I was given that project. It turned out to be the most fascinating project I’d ever done. ***It was a grand exploration of how we think about instability and crisis in this interconnected world.*** And that is really how Art Cebrowski really saw it. ***He saw it as a heuristic opportunity – an opportunity for teaching-learning because he knew there’d be unprecedented discussions between the Defense Dept and the rest of the U.S. government, between the government and the private sector and between America and the world.*** So we created a project and we called it the Year 2000 International Security Dimension Project. We came up with a series of scenarios both good and bad. Our worst-case scenario was pretty fantastic. It got us a lot of interesting press. I was dubbed the Nostradamus of the Navy. *Jack Andersen, the muckraking journalist wrote an expose on my secretly training the U.S. government and the Marine Corp to take over society in the event of chaos on January 1st – and he had pictures. My wife said, “If you can do all that from your desk at Newport, why can’t you take out the garbage on Tuesdays like I ask?”*

Our worst-case scenario – pretty fantastic. Wall Street shut down for a week; air travel in the United States shut down for about 10 days; a surge in hate crimes against ethnic groups identified as part of the problem, a surge in gun buying; islanding of certain services – especially insurance; breakdowns of just-in-time supply chains – a terrible description of January 1, 2000; a very prescient description of September 12th 2001. It wasn't because we were predicting anything. I was scheduled to be on 105th floor of the World Trade Center two weeks to the day after 9-11 so obviously we weren't predicting the trigger. ***But we had thought long and hard about the horizontal scenarios that would emerge from that vertical shock.***

9:05

We were approached by Cantor-Fitzgerald in the midst of this workshop series. *They had done a series of workshops with the war college in the early 1990s - looked at a war in the Persian Gulf; looked at a financial crisis beginning in SE Asia; looked at a terrorist strike in downtown Manhattan. So we were pretty impressed with their thinking ahead capabilities. They said we think we've seen this Y2k beast before.* We said really? What did it look like? They said we think we saw it in the Asian flu. We said, "boy, that does not compute". We're talking about software failure and you are talking a financial panic. The way I translated what they said to me next was essentially, "we like to look at the world in terms of Rule Sets". What's a Rule Set? Hockey has a Rule Set; American football has a Rule Set; the U.S. legal system has a Rule Set; the U.S. military has a Rule Set. You walk into these venues; you know what the rules are basically. And their argument for the 1990's, which they said was similar to the 1920's, was that rule sets were out of whack. That in the process of expanding the global economy so dramatically across the 80's and 90's, economic rules sets raced ahead of political rule sets. Technological rule sets and connectivity in general raced ahead of security rule sets. In effect, we wired up much faster than we had the ability to keep pace with in terms of the political and security rule sets. Their fear with Y2k was that it would be something cataclysmic and that it would crystallize our understanding of those rules sets

out of whack and that there would be a period of tremendous rule set catch-up at that point.

We do a workshop with Cantor-Fitzgerald, Windows on the World, 107th floor, WTC 1, 1999. They like it so much; they say lets do a series on globalization itself. We'll call it the New Rules Sets Project. ***We're going to focus on developing Asia.*** Because in their mind, the integration of roughly half the world's population since 1980 is changing rule sets all over the planet.

Best place to catch it frankly, is the Wall Street Journal. And you have to extrapolate back in the direction of New York Times and security, and back in the direction of the Washington Post and politics, which frankly is the slowest of the three in terms of dealing with change. ***So we did a series of workshops on developing Asia. One was on energy. One was on foreign direct investment. One was on environmental damage***

Everything I read in the Wall Street Journal today, I heard about from Wall Street about 5 or 6 years ago. So again, I find their intelligence networks **VERY** impressive.

This project gets shot out from under us somewhat literally on 9-11. Cantor loses between 650-700 people. At that point I'm footloose and fancy-free. Art Cebrowski has just retired as a 3-star, goes to work for Secretary Rumsfeld as his transformation guru. He asks me to come work for him. I said, my wife told me I could marry my divorce attorney and move back to Washington anytime I damn well pleased. He said, don't worry, I'm the father of net-centric warfare, here is a cell phone - it's called southwest to BWI and about 200 flight credits later, this briefing exists. What Art asked me to do in this briefing was to give him a larger context; to elevate the discussion of transformation beyond the whack list - as in what gets cut. As he likes to tell people, ***America doesn't have a grand strategy. I needed one for my job so I***

outsourced the function to Barnett. And that is what this brief became - audacious beyond belief - purposefully so though.

We've briefed it throughout OSD, throughout the Defense Department. I've given almost 200 times to about 5-6,000 people. I've briefed Secretary Rumsfeld's senior people. Art takes care of people above that. Briefed Secretary Powell's senior people. Art takes care of the stuff above that. Briefed Congress, briefed the House of Commons in England. Getting a lot of good purchase in the Information Technology and Banking communities which tend to get this material even better than we do... even better than I do. It becomes an article, March 2003, Esquire. It gets passed around a lot. I get an agent. That agent gets me a book. 28 today Amazon. I've got to give it to Brian Lamb. Wall Street Journal got me to 40. Brian Lamb got me to 6 in 24-hours on a Memorial Day weekend too. So he impresses me to no end.

Ok. **The purpose of the brief, in many ways is to try to find the interface between war and peace.** I was asked by the Singaporean version of Art Cebrowski, what's the difference between your work and Andy Marshall's work, Director of the Office of Net Assessment? I said what Mr. Marshall does and what his office does is that it thinks about the future of war within the context of war - which I think is very important. I say, what I do, and I think what this office does, this Office of Force Transformation needs to do is to think about the future of warfare within the context of everything else. And I think 'the everything else' becomes more and more important as we understand this global war on terrorism within the larger context of the spreading of globalization. So here we go...

I'm going to give you my quick history of the 20th Century. I'm going to talk about Globalization I. I'm going to date from 1870, I'll take it up to 1929 to keep it simple. It was the first great coming together of the global economy. I'll say somewhat facetiously, we screw the pooch one afternoon on Wall Street. We create a systemic stress; we later call the Great Depression. From that, as an economic determinist, I'll argue we get WWII. Because it wasn't just Nazi shenanigans, it wasn't just the harshness of Versailles; **it was the economy stupid that**

destroyed this beautifully designed Weimar Republic. People in my field, political science will tell you that it began in its modern form with the question, "Why did the Weimar Republic fail?"

At the end of the second world war, America decides we're going to firewall ourselves off from this horrible experience - not just the holocaust never again; but the economic nationalism of the 1930's which killed this first great coming together of the global economy, sent all those indices of integration, quite literally back to zero. We institute what we like to call a new Rule Set. Resource flows, strategic alliances, the biggest reorganization of the U.S. government up until that point in history. The international organizations we create. So I'm talking Defense Act of 1947, creation of DOD - Department of Defense, Central Intelligence Agency, creation of the International Monetary Fund, the World Bank, the United Nations, the North Atlantic Treaty Organization, the Marshall Plan, the strategy of containment. A massive new collection of rules. It took us about a decade to figure out. Ostensibly this package was put together to contain the Soviet threat - sub rosa, the real goal was to recreate globalization quite explicitly on 3 key pillars: North America, Japan, and Western Europe. Now if you listen to the World Bank around 1980, you begin to see the so-called new Globalizers. We call them emerging markets after the '87 Crash because all that boomer money is looking for higher outcome. These emerging markets, these two dozen new Globalizers, doesn't sound like a lot in a world population of almost 200 states except that it is half the world's population and a new era of globalization is born. So Deng really turns history, really pivots it in China. Now the Berlin Wall comes down, seemingly everybody on the same rule set page - end of history, maybe a clash of civilizations and then we see a spiking of ethnic conflict and the collapse of the Soviet Empire. But seemingly everybody on the same rule set page as we proceed into the 90's. Massive expansion of the global economy. The question we began asking, Do we encounter new stresses across the 90's that call into question what was the new rule set for the late 1940's and early 1950's now starts to look a little long in the tooth because that rule set was put together to prevent the collapse of Globalization I, not necessarily to further the advance Globalization II which I will argue that qualitatively, quantitatively different.

In Globalization I for example, labor was much more fluid across borders, money not nearly as much as it is today and no global integrated production. First big hint for me, Mexican peso crisis, 1994. It seemed like a lot more than just financial panic. Other examples, rapid climate change, computer viruses with global impact, the rise of catastrophic terrorism. So this rule set put together to prevent this sort of great power war (WWII). Clearest example, permanent members, veto-wielding members UN Security Council, the winning coalition from WWII, WHY? We were concerned they might go back to war with one another. We had been through two world wars at that point - killed 10's of millions. Not exactly the problem set we face today. So what we were interested in thinking about when we first drew this slide back with the Y2k work in the summer of 1998, was to ask what could be a catalytic event coming down the pike that would crystallize a sense of rule sets out of control? Were we talking the same level of destruction as World War II? No, but the same level of disruption on some points meaning lots of new rules would come in its aftermath - tremendous rules.

Now we were interested in Y2k, and we were interested in the tech crash because we could see new rules coming in the financial sector but if you talk to people on Wall Street, they will tell you that there is a financial panic roughly every 13-14 years in the United States, a crash. Why? Because if you get far enough away from the last crash, pretty soon you only have stock brokers - which is a young person's game, who can't remember what that last crash looked like and the further they get from that last crash, they start talking about new rules, new ways of doing things, new realities, which we typically discover after the crash involve lying, cheating, stealing and you get a rule set reset. So we could see that with the tech crash but that was only going to impact the financial sector and again it was regular. We were looking for something really unprecedented that would impact the political and security fields. I think we get it with 9-11. And I can draw a line, I've been thinking about for 5 years - lots of new rule sets since 9-11. I can still pick up a New York Times, a Wall Street Journal, a Washington Post and in every single day, find you a story about an some amazing new rule set that redefines the nature of privacy, how we handle information, definitions of criminal behavior, definitions of un-American behavior, new definitions of war.

How can I tell we are in a rule set reset? We can't even decide what to call the enemy, or where we can try them. I was having breakfast this morning, I thought how hard would it be to find, Page 1, Business Section, on-going story, database on U.S. visitors set for huge expansion. ***The creation of a virtual border*** price tag they are guessing 15 billion over 10 years. Did we need this before 9-11? Apparently. But 9-11 crystallized the sense of a rule set gap so we have been filling rule set gaps with great abandon ever since. Patriot Act is a rule set reset. Pre-emption strategy is a serious rule set change. The biggest rule set we've created in, national security since we invented the concept of mutual assured destruction and spent about a decade selling it to the Soviets. But it is not just a matter of closing the door on the hazy crazy 1990's, which I believe along with Cantor will go down very similar historically in descriptions as the 1920's. I say if that was Globalization I, and this is II and III, what this country needs to ask is what do we want in Globalization IV. We are the world's biggest economy, either we seek to define this as much as possible or we let it define us by default.

23:29

Now we have the so-called wise men, your George Kennans, Chip Bohlen, and what not, your Dean Achesons. In the aftermath of the second world war, they looked around the planet, they said we've lived through two world wars, where are the major sources of violence and insecurity in the system. They decided, not surprisingly, it was Germany, Japan and the Soviet Russia. So they put together a package to buy off the first two and wait out the third. They structured a future and they restructured the U.S. National Security establishment to meet that future and their dream, an amazing dream was that maybe by the end of the century Japan and Germany would be so pacified we'd never have to worry about them again in terms of great power war and maybe the Soviet Union would collapse under the weight of its own contradictions and join our rule set. An amazing vision from that perspective which takes half a century but we actually pull it off. Along the way, a transformative event creating the huge disparity between us and the rest of the world. We move to an all-volunteer force. We professionalize. We solve the problem that has bedeviled militaries throughout history - how to get the Army to actually cooperate with the Navy. The creation of the Department of

Homeland Security is another transformative event but that is largely an inside job. ***We have to locate transformation within the global vision.*** We outspend the world on defense. We're spending over \$450 billion a year. If all we only want to defend this country, we could do it for about \$100 billion per year, I'm certain. So why are we spending \$350 billion dollars extra? ***I will argue we are conducting a transaction with the outside world. We're selling a product.*** The world is buying that product when it buys our debt. For example, we float 130 billion dollars U.S. treasuries first quarter 2003, 4/5 of it was bought by foreigners. Two biggest buyers: Japan and China - two countries with huge dependencies on Middle Eastern oil. That was a transaction whether we realize it or not.

You can call that war unilateral but it was actually paid for by somebody else. If we don't understand that transaction and don't understand the service we provide in the course of that transaction, we're waging war strictly within the context of war and not understanding it within the context of everything else. Now one definition of transformation is you have today's military capabilities and what you are going to do is you're going to whack off what you don't need about 5% a year and add on what you do need on the far end. And in 20 years, you have a new military. But of course, direction is implied. You have to know tooth from tail. You have to have a definition of the future of war. I will tell you that the dominant definition of future war inside the Pentagon today is the same one we've had for about 10 years. It's China, Taiwan Straits, 2025. Why? It's a familiar image. China is big, its bad and it's *allegedly communist*. I say we have to find transformation within a larger global vision, a vision that speaks to all these points.

Now inside the Pentagon, November 2001. I throw those bullets on the wall, people would say slow down, you're getting ahead of yourself. There is no way all that stuff is on the table. No way. Nobody argues any of these bullets anymore because everybody understands they're all on the table. All these things are being changed. In many ways what we are searching for is an understanding of a new definition of the American Way, of not just war, but peace. We have an unprecedented capacity to wage war. Nobody even comes close. We do not have nearly the same capacity to wage peace as we've seen in Iraq since May of last year. I will argue that

we've been **exporting security** around the planet for the last 60 years. For the biggest chunk of that time period we had a competitor in the process. If we exported too much to a particular country or region, he got pissed off. If he did it, we got pissed off. He went away in 1990, demand for our services skyrocketed. Here is the best measure I've developed working for Hank Gaffney at Simi Corporation as a consultant. I'm going to talk about combined service crisis response days. Meaning that if the Navy, Marines, the Air force and the Army all send troops to say Somalia, for 100 days each, I'm going to call that $4 \times 100 = 400$ cumulative combined crisis response days from the services.. **billable hours which I think is the best measure**. Not bombs dropped, billable hours - not just because we value our people more than anything else, but because they cost more than anything else. Here are some numbers, here are some decades. 70's roughly 10,000 days, not including Viet Nam on-going conflict, so we are focusing on crisis response with some level of combat days, so not humanitarian assistance or disaster relief. 80's a rough doubling - spiking in interstate war across the system according to the great data from the University of Maryland. Soviets go away, **demand for our services** increase 4-5 fold. Best definition I've found of a military under real stress across the 90's. How did we deal with that spike? A variety of ways. We **outsourced to contractors**, all the Brown and Roots, we created a new category, military operations other than war. And frankly, we simply denied it, and our denial was dubbed the Powell doctrine - which said that we don't go into any situation unless we have a clear exit strategy meaning as soon as the guns stop shooting, we are out of there as quickly as possible. I'm going to draw a line here. Everything below it, basically cats and dogs, you're going to do this every decade no matter what - like our every decade intervention in Haiti. General George Barnett, my second cousin, was ousted as commandant of the Marine Corp at the end of the first world war because of excessive force used by the Marines in Haiti. Some things never change. Everything above that line is a choice. We decided to go into the Middle East across the 1990's. Iran, Iraq, the tanker wars, Israel into Lebanon, terrorism. We decided to keep Saddam in a box in a 12-year shooting war across which we dropped bombs almost every single day. We decided to dismember the former republic of Yugoslavia. We decided to engage in so-called massive nation building efforts in Somalia and Haiti. And you can see what kind of job we did in Haiti. What was the actual demand for our services? I would argue it was somewhere north of 250,000 days. This is what we managed. The

question we ask is did we use that asset which is the most important asset we have, the time and attention the Defense Department spends on any regions potential or actual instances of mass violence: What did we get for that expenditure?

Now I'm going to give you the core - gap argument from the Esquire article, The Pentagon's New Map. Which got me on a lot of television and generated more hate mail than I could possibly read. I'm going to give you a stretching argument: I'm going to say - If we go back to the beginning of the cold war where we had our stuff and where did our business was largely in sync. Where we had our stuff and did our business in Western Europe. Think Berlin Crisis. We had our stuff and we did our business in North East Asia. Think about McArthur. Think about Korea, Think about a Bridge Too Far in Viet Nam. Basic containment strategy. Box the Soviets in on either side - preserve Japan, preserve Western Europe. Four key events across the 1970's shift our attention to the middle of the world. So the fact that we are trying to transform the Middle East shouldn't be a surprise because we've been trying to do something there positive for roughly 30 years and failing dramatically. Four key events shove us to that part of the world. First European détente settles the question of superpower rivalry between us and the Soviets and sends that competition south with the fall of the Portuguese Empire 1975 Sub-Saharan Africa. The Soviets get countries with socialist orientation, we counter with the Reagan doctrine. The '73 war alerts us to the functioning of the global economy. The rise of OPEC. ***The beginnings of oil as a strategic weapon so to speak.*** I could show you the crisis response from European Command (EUCOM) that shifts from one side of the Med to the other across the 1970's. The same thing happens on the other side of the earth. Viet Nam ends. Fall of Shah of Iran. I could show you the crisis response data from U.S. Pacific Command - shifts from one side of Asia to the other. We discovered this because we stopped responding to typhoons in the Pacific across the late 1970's. And we actually went back and looked at some of the meteorological data to see if there were less typhoons in the Pacific in the late 1970's and early 1980's. The answer was they are always there, same frequency. Our ships just weren't around to respond to them in the same degree that they were previous. So they were the trees falling in the forest with nobody to hear them cause we had shifted to South West Asia. By the time we create CENTCOM here in the early 1980's, over 55% of the cumulative combined crisis

response days for the four services - inside that red circle (Asia). For the Navy and Marine Corp, 75%. ***Our market had shifted.*** Now the Bush administration comes in. They accuse the Clinton administration of focusing too much on the big pieces of the International Financial Architecture - not paying enough attention to the International Security Architecture - decent argument. ***And they come in pretty much decided that China is the long term, near peer competitor*** - the threat against which we have to size our forces. There I have the problem with the logic. ***In the New Rules Sets work all I did was go between the World Trade Center and the Pentagon and what I heard at the WTC was China - future of integration, future of investment, future of deals. And then I would go to the Pentagon and say China - future of danger, threat and war. Which was why we tried to get these two groups to sit across tables and actually talk to one another. Because the Pentagon's map and Wall Street's map overlapped very precipitously in China.***

All that gets wiped off the map with 9-11. China is a huge beneficiary - a huge beneficiary. I draw a new map on 9-11. I'm going to use this phrase - functioning. I'm going to say a country or region is functioning if the following characteristics are roughly met: 1) it welcomes the connectivity and can handle the content flows that come with that connectivity and globalization. Everybody likes connectivity. Bin Laden likes connectivity - loves to get on Aljazeera. Not everybody can handle the content flows. Good example - Barbie the Doll was kicked out of Iran about 2 years ago. Barbie had infiltrated Iranian toy stores through the connectivity of global retail. She began appearing on shelves. The Mullahs called her Trojan horse of western influence. They created Sarah, moon faced doll, covered head to toe in black cloth. Put her next to Barbie on the shelf. Sarah did not sell like hotcakes so Barbie got a sort of a fatwa issued against her. Detain Barbie wherever you see her was the order. Barbie became, for all practical purposes, a doll on the run. You laugh, Saudi Arabia did the same thing the next year.

A country or region is functioning if it seeks to harmonize its internal Rule Set with the emerging global rule set: transparency, free markets, free trade, collective security. We forget

we have fought a number of civil wars, one big violent one over the rule sets we've clashed over in this country. We are fighting a rule set clash right now on gay marriages. Every time we have one of these rule set clashes we come back to the reality that we are fifty member states and Massachusetts can do what it damn well pleases.

We are seeing our civil wars replicated throughout the planet. People say, I can't understand these crazy people. All we need to do is look into ourselves and into our past and we will recognize every conflict we find around the world - every single one including all the ones with religious overtones. We'll say the global rule set is always evolving. It is not just Davos man's interpretation. It is not just Seattle man's interpretation. Increasingly it is Osama man's interpretation - we don't want your globalization and we'll kill you to keep it out. Direction is critical not degree. China is still ruled by the communist party whose ideological mix is about 30% Marxist-Leninist, about 70% the Sopranos. More important to me, China joins the WTO - World Trade Organization, imports rule sets it cannot create indigenously. China just let a foreign company take control of a Chinese bank - this week. Why? WTO rule sets demanded it. ***That's a rule set change. A very profound one. Where will you find it? Wall Street Journal. So, if you don't read the Wall Street Journal right now, you can't figure out security, I would argue.*** I'm not just saying that because they put me on the front page. Not that I wouldn't mind being back on the front page.

I'll say a country or region, it may be functioning doesn't mean that bad things can't happen to it. It doesn't repeal the business cycle by a stretch. You can always fall off the map. That's a concern we have an Argentina or a Brazil or an India when you see a shift in the election. Functioning parts of the world, North American, Europe both old and new, Russia under Putin's managed democracy, India in a pock marked sense, China in a coastal sense, industrialized Asia, South Africa the country, ABC's in South America: Argentina, Brazil, Chile. Put a circle around that and call it the functioning core of globalization - roughly 4 billion out of 6.3 - 2/3 of the world's population. So when people try to sell me on the notion that the world has gone to hell in a handbasket and it's perpetual war, and its global chaos, and its American Empire and it's a global cop role for us, I say nonsense. Two-thirds of the world functions just fine without our

military interventions and has done so for about a decade and a half. Just fine. No major incidents of mass violence anywhere in the core.

Let me show you the other part. Here's the natural ***demand pattern*** that emerges for ***security export*** since the end of the cold war. U.S. crisis response since 1990 - almost 150 separate interventions not including straightforward humanitarian assistance and disaster relief - so some danger of guns going off. This is the pattern. Now simple political scientist that I am, I drew a line around it and I said what is it about these regions that continue to draw our attention. Understanding that this is a fairly simplistic approach, I'm trapping some very globalized societies in there like a Singapore, like an Israel. I briefed the Israelis and I briefed the Singaporeans and they say we have no problem with your description of the world. We know exactly what neighborhood we live in. This is why we enjoy having you as a big security partner... Singapore says, you want to park that carrier? Bring it right here. Pier not long enough? Let's add 50 yards. And I understand I'm leaving the cold war's tail bone, North Korea up there in an otherwise stable North East Asia and why he matters, I would argue is because his take down should create the basis for a East Asia NATO and the beginning of a strategic partnership between us and China. So he still has a function to serve. I'm going to call this the non-integrating Gap. It's globalizations ozone hole. It's bald spot. If you are fighting against globalization, the content flows you don't want it in your neck of the woods because it is so challenging to your traditional society because it empowers women disproportionately to men, or if you can't win at globalization, you're too poor, you don't have the legal rule sets to attract the foreign direct investment that's been integrated into China for the last 20 years.

People say China has the ability to build up its military, I say as long as it gets \$50 billion a year in foreign direct investment from the outside world it does but there is just no such thing as unilateral development anymore - not for the United States, not for anybody. War within the context of everything else. Meanwhile when George Bush asks, Are you with us or against us on September 12th 2001, we're surprised by who is with us. You know what? It is not really a choice so much as an understanding of where they are in history and where they want to go. Now one of the problems the Bush Administration has faced ever since 9-11 is they keep enunciating security policies that seem like reversals of long held cherished ideals that got us

through the cold war successfully - like preemption. My mom called me up after that speech President Bush gave. She said in effect, don't those idiots in the White House realize what they are doing? They are going to ruin mutual assured destruction. Are we supposed to attack China tomorrow? I said, settle down Mom. I'm the futurist in the family. Nothing changes with mutual assured destruction across the core. Nothing changes in terms of deterrence. Isn't it amazing that we no longer talk about strategic arms limitations talks with anybody across this core? Nobody. It was the dominant security agenda for about 25 years. I thought my whole career was going to be about arms talks. Nobody talks about it anymore. Nobody. Nobody even notices that we don't even talk about it anymore. When we're talking about preemption, we're talking inside the gap. My best evidence? International Criminal Court has this article, I think it is Article 98. It is an exclusionary article, which says in effect, you can be exempted from being sued by another country if you choose to invade that country and engage in acts that could be considered worth suing over. In effect, it is an interventionary pre-nup. We have created treaties to take advantage of that exemption under the ICC International Criminal Court. We have signed about 70 of them at last count. 68 of them are inside the Gap. So it is no secret about where we are going with this war on terrorism. And it is no secret where we are not going. Increasingly we are seeing the definition of a seam of deterrence or suppression for bad things coming out of the gap and into the core: 3 biggies - pandemics, terrorism and illegal narcotics. So it is not just one rule set for the United States and another for the rest of the world. It is understanding that globalization is not a binary outcome. It is not nowhere or everywhere. It's a What and a Where. Show me where globalization is, I'll show you connectivity. I'll show you rule sets. I'll show you no mass violence. Show me where globalization isn't, I'll show you much less connectivity, far fewer rule sets and basically all the wars, all the civil wars, all the ethnic cleansing, all the genocide, all the employment of mass rape as a tool of terror, all the situations where children are forced into combat units, I'll show you the vast majority of the drug producers, the vast majority of transnational terrorist groups that we care about - all inside the red (gap). No mystery.

So it is not when unilateralism makes sense, it is where. The core is still the world of multilateralism. We are a strange sort of empire. We go around and ask everybody in the

world, Can we pretty-please invade Iraq? before we did it - which was not how empires throughout history have been run; don't remember with Joe Stalin, Adolph Hitler, the Romans; don't remember anybody doing it like that. We have seen a huge uptick in bilateral security assistance to what I call the seam states that ring this gap. So we have big interests in South African banking networks that we fear Al Qaeda is accessing as sort of a backdoor. We are concerned about the ability of people to move in and out of Thailand's northern forests. We're concerned about this juncture of terrorism, narcotics and rebels. So we are making big efforts. If you track U.S. bilateral security assistance, since 9-11 you will find it all ringing that gap very explicitly. When we engage in unilateralism inside the gap, frankly it is a form of functional unilateralism. We are the only military in the world that can send massive amounts of power at great distances and actually use it. I think it was last year China sent 800 peacekeepers to central Africa and within about 3 weeks, they were bitching about the logistics. 800 guys, their guns and their pup tents and they were straining at the leash. We send something like quarter of a million troops to the Middle East and all the stuff that goes with them to wage war. Nobody else comes even close to that. So we can ask the UN to bless us with a resolution and dress us with coalition partners but frankly we don't need for the war fighting part but we find very handy for the peacekeeping part. But the major employment of war fighting assets around the world is going to be done by the United States in a functionally unilateral role. It is not the U.S. flaunting the rules, but stepping up to the unique tasks of not global cop, but a policeman frankly that walks the beat 24/7 inside the gap and there are different Rule Sets between those two arenas. It's a lot like talking to a cop in Los Angeles. Do you behave the same way in Brentwood that you behave in South Central? He says no.. and you ask why? He says, because I want to get home for dinner in one piece. And the Rule Sets aren't the same in South Central as they are in Brentwood. If you expect me to go there, you're going to have to understand that. Frankly, we have to understand that and our European allies have to understand that. When we go inside the gap and do these kinds of things. I like to emphasize that this is a very bondable problem but it is a very big problem in terms of geography.

Here is my favorite map. It is called the Peter's Projection. It is favored by the U.N. and no, I'm not talking about Ralph Peters because that map would have a war everywhere. What is so great about the Peter's Projection is that everything lines up north to south, east to west which makes it really easy to figure things out. Another thing that's cool and why it looks so distorted frankly to the normal eye is that it is geographically accurate. Here is a secret of cartography. If you've ever looked at the Defense Department map, you're misguided. Greenland is actually much smaller than Africa. They are not actually the same size. Here is what my gap looks like on this map. It is big. Now one of the first things we notice, since the fall of the Berlin Wall, we close over 150 bases, major bases - a thousand people or more across the core. Two dozen and counting new ones inside the gap. So Andy Hoehn, Office of the Secretary of Defense, his big plan for moving bases around the world frankly all it involves is moving them closer to the gap. That's all it involves. This is your expeditionary theatre for the 21st century. It's not going away. You can vote Bush/Cheney out of office. It will still be there. So president after president, administration after administration, Republican and Democrat are going to have to deal with this. One of the first things we discover in this global war on terrorism - We've got a lot of different cooks working on this broth. We've got Southern Command, European command, Central Command, Pacific Command. Basically Precinct captains in what is logically described and is largely an undercover war. ***So one of the first things Secretary Rumsfeld did in this global war on terrorism very indicative I would argue, of his approach to transformation instead of going directly at existing institutions and say change. He designates a cannibalizing agent, and says go be more like them. And that cannibalizing agent where the warfighting ethos of the U.S. Military is going to migrate and has been migrating for quite some time is Special Operations Command. That's why they were given operational control of the global war on terrorism. And we are seeing a redefinition of Strategic Command as a global strike force - the beginnings of a matrixed organization . War fighting is going to migrate in the direction of these two commands previously considered just supporting. Now leads in their own right in distinct contrast to the so-called proconsuls of combatant commanders role.***

Some of the implications we draw from this map....First we emphasize the advantages of exterior position. All of the good stuff is on the outside no matter how you measure it. Fiber

optic cable, money, R&D, population, wealth, trade, it's all better on the outside. It is a very bondable problem. We talk about the need for more sensors because we have to reduce ambiguous warning. Why? Because we want to be about prevention not just retaliation. We have not caught up to that yet. Frankly that is what generated Secretary Rumsfeld's Snowflake they published on the front page of USA Today - asking for metrics. A very honest question which of course brings upon him immediate ridicule and speculations that he is leaving office because Americans don't like to think strategically. Already the historians and the grand strategists and the empire thinkers, who if they thought about it for 10 seconds and if they remembered what they wrote prior to the invasion, would understand we weren't going to deal or transform the Middle East in a matter of 12 months. All these guys are already declaring this an absolute failure after 12 months. That's the level of grand strategy we have in this country. We have historians declaring the grand march of history over in 12 months. A premium on forward deterrence and strike. We have to stay out there. We have to avoid what we've been doing for the last 15 years which is sucking the troops back home. **So are the boys coming home? No. The boys are never coming home. No exit. No exit strategy.**

We need to get more rugged, urban because to be seen in this war is to be killed so people are going to hide increasingly. Good example, *Reason*, Libertarian magazine, June issue sent out to all 40,000 subscribers, on the cover of each issue overhead satellite photo of the neighborhood of the subscriber with their house circled and the title on the front of the magazine, 'We Know Where You Live John Smith'. That's connectivity in the core in its most amazing format. The opposite of that, we can't find Bin Laden in Northwest Pakistan because he is living in a hole in the ground. We've got to get more SOF fighters - Special Operations Forces. If it is a war against super-empowered individuals, everybody we put on the ground, in the air or on the sea has to be super-empowered which gives interesting possibilities for small nations in terms of coalitions. We shift from big bases to smaller bases - that is Andy Hoehn's work in the Office of the Secretary of Defense. And here is the part that I think the retired flags on Fox didn't get, during the last war in Iraq. We've spent a lot of money on strategic speed across the 90's. I think it is the wrong way to think about speed because I don't think we ever go to war quickly. I

differentiate between tactical speed that is an obvious good because it gets our service men and women home at the end of the day, alive in one piece. Differentiate from that and operational speed which I like to call net-centric warfare's Wayne Gretsky speed. Wayne Gretsky, greatest hockey player in history in the NHL. He was asked, why are you so good, you're not the fastest skater. He said, "I don't skate to where the puck is, I skate to where it will be". That's common operational picture. That's speed of command. That's synchronicity.

That's moving bytes more than bullets.

Last point, strategic tempo should never be about speed in this country. Nobody likes a rash hyper-power. We never engage in war quickly. Never. Iraq invades Kuwait, we respond rapidly - re-invading Kuwait about 8 months later. Why? Because we are a democracy. We debate war like crazy - before, during and after. And that is not going to change. Nobody wants us to engage in war quickly. Instead, our strategic tempo should highlight inevitability. It is the ultimate psy-op. We told Saddam cut it out. No really, cut it out. We're coming in about six months. We're coming in four months - 2 months. We're coming next week. We're coming Tuesday morning. When we got there he didn't want to fight. They were all gone. Why? Because nobody wants to fight the U.S. military. We can't find anybody even willing to fly planes against us anymore. That is the disparity between us and them in actual war. A very different disparity than the peacekeeping as we discover - that this is existential dissuasion. It tells the world, if you really want to break rules; if you really want to be rogue nation, this is what you are going to get. And we can do it with ease. What we have not demonstrated is that we can do the back half work. Here is my mantra. ***Disconnectedness defines danger.*** It has to change the way we think about intelligence. Intelligence community frankly, it's like the drunk looking for his car keys under the street lamp even though his car is parked two blocks away - because the light is better over here. We don't know anything about the gap. We don't have the intelligence networks for it. It is absolutely embarrassing. That's why we get such amazing calls wrong - like Did Libya get far in its WMD? How far was Iraq? What do we really know about North Korea - almost nothing. That has to change. Increasingly we have to reorient not just the intelligence community, but the way we think about war to the gap. Does it mean we never hedge against China in the future? Absolutely not. Does it mean the vast

bulk of our resources and imagination should be focused on what I would describe as the absolute failure of U.S. National Security 25 years from now at \$450 billion dollars a year? NO. I think we have to spend money to create success every year between now and 2025. I think we can do that and maintain a certain hedge against China invading Taiwan.

A new definition of crisis to go with this new map of the world. I'm going to explain what I mean by this new definition of crisis by telling you how I was educated as a young Political Military Analyst at the Center for Naval Analyses at the end of the cold war. I'm going to differentiate between what I call vertical and horizontal scenarios. When I became to C N A, I was taught to think about surprise, strategic surprise as strictly a vertical scenario, definition of change and real danger - a vertical scenario. What do I mean by this classic cold war definition of a vertical scenario? It unfolds with lightening speed, It's always a bolt from the blue. The opponents were conveniently known beforehand in the cold war - so were our allies. Strategy and battle plans published in thick volumes up on the shelves - we practiced them day and night. Tom Clancy made a fortune writing about them. Single hand of poker. No evolutions or change. You couldn't be Poland in the middle of world war III (he said III but I think that was a mistake) and say "hey, you know what? I'd like to reconsider". Static timeframe. You're going to fight the war. The world remains frozen in place. Not a lot of good global economic histories in the second world war. Why? Because there was none. It was a global war. Everything froze in place. Then you figured out who the losers were on the far end and you took away their stuff. This is a highly idealized definition of WWI and WWII.

1:00

WWI fight it out in Europe, take away the loser's empires. WWII draw a line though Europe Soviets get half, we get half. World War III, delayed gratification, wall comes down, we go into Russia and loot it for everything we can. Classics of this genre the Fulda Gap which never happened and the mini-mean version, the DMZ which we still have. And my problem with this education was I never actually experienced it across my career - this definition of crisis. Instead, I experienced cognitive dissonance. I kept looking at the world trying to make my mental models fit it. What we saw across the post-cold war era, something very different.

Eventually I came to dub it the post-cold war horizontal scenario. This thing that goes up and down, up and down forever and ever. My definitions of this - no clear beginning or end - drags on forever. Can anybody name the year the Balkans crisis began? 1390... something.

Definition of enemy changes over time. We go into Somalia - at first it was famine, then it was lack of governance, then it was warlords, then it was that one warlord, then we get a bunch of guys killed and we decide it's really the U.N. that was the problem so we get the hell out of Dodge. Allies come and go, not just the French. Coalitions - its almost like festival seating. Strategy evolves. Strikes - not battles. Definition of the problem depends on what Op-Ed you are reading that morning. In fact, on a good morning you can find two or three - on the same page. The world goes on. Meanwhile you are babysitting some crappy situation seemingly in the middle of nowhere.

Two classics of this genre Fighting Monty Python's Black Knight, Milosevic , lopping off limbs of his body politic as he idiotically taunts us and dares us to fight on. He sits limbless in the docket spitting at us still. His trial goes on for another year or so. And then keeping Saddam in the box for about 12 years. What did you get with that? You made the Europeans a little happier. You kept oil stable coming out of the middle east. You let globalization and the go-go 90's Go-Go because you went-went there. No circle for this. Between AIDS and all the deaths from conflict, roughly a holocaust here, roughly a holocaust. Roughly 6 - 7 million. Doesn't appear on anybody's maps -certainly not on the Pentagon's maps. Page 23 NY Times. Nobody cares because nothing comes out of there that we fear enough or value enough to make the effort on. I put these two together and I describe what I call a system perturbation. A shock to the system that alters rule sets. I'm going to talk about Pain and I'm going to talk about Time - sort of the meaning of life. I'm going to say a system perturbation begins with a vertical shock followed by any number of horizontal tails. I'll throw up four here illustratively. Vertical shock: obvious 9-11. Some of the horizontal tails, what happened to the airline industries. What happened to the financial sector. The anthrax scare - fellow traveler or not - I don't care. Pathway dependency - and the immediate horizontal tail called Afghanistan. Some of the tails that come off the original tails - what happens to the airline industry - happens to the tourist industry all over the world - damages dramatically the Egyptian economy within weeks.

Damages the Israeli economy - by extension, the West Bank economy because at that point a lot of day laborers coming across the line backfilling service economy jobs so violence in the Middle East goes up - part of Bin Laden's plan? Absolutely.

What happens to the financial sectors - happens to the insurance industry - happens to the re-insurance industry if you follow that interesting tail. Spills over into the airline insurance industry so you see the merging of these horizontal scenarios. With anthrax we get this interesting tail called the breakthrough on AIDS drugs patent relief around the world - helps launch the Doha Development Round. Part of Bin Laden's secret plan? I don't think so - making AIDS drugs cheaper across sub-Saharan Africa? Yet, it is an interesting line. 9-11 happens. Anthrax guy or gal strikes, 5 dead, 13 sick in the United States. At that point, Canada, normally a wonderful rule set follower, tells Bayer, the German giant pharmaceutical we're going to break your patent on Cipro, we're going to crank it generically here in Canada, you're not going to get a dime, we're going to call it a national emergency. Charles Schumer U.S. Senator from New York says we should do the same thing. Bush Administration kind of whispers across the Atlantic, "We don't think we need to do it AT THIS TIME". Bayer catches the hint. Turns on every factory it has in the world 24/7, cranks out Cipro at an unprecedented rate, floods the market at a cut-rate costs. At that point, figuratively at the back of the room, sub-Saharan African nations raise their hands and they say, "How do you people do that with a straight face?" We've been asking for AIDS drugs patent relief because millions are dying across sub-Saharan Africa. You say, "It's complex. Shareholder's expectations, R&D, patent copyright. Wish I could help." You get 5 dead, 13 sick and you re-write the rules in one afternoon. Sub-Saharan African nations threaten to derail the launching of the Doha Development Round being held in Qatar November 2001. They hoped to launch the development round in Seattle in 1999 but Seattle-Man took care of that. So the powers that be were very intent on showing the world that Bin Laden does not derail the WTO. Sub-Saharan African nations are going to derail it on the basis of their anger over the intransigence of the old core on AIDS drugs patent relief. Bob Zoellick, U.S. Trade Representative steps to the fore, cuts the deal, Doha Development round was launched.

A lot of back and forth since then, but one of the upsides of this whole strain is that you are going to have cheaper AIDS drugs through the Gap. It's interesting, soon after that gets announced, China says, you know what, we have a very serious AIDS problem and decides they're going to start breaking patents all throughout China on creating AIDS cocktail drugs. Absolutely an amazing story which talks about the unintended consequences.

With Afghanistan, you have the new tail - Pakistan. Pakistan frankly, was on the verge of being declared a rogue nation. We were just waiting for the paperwork to come through the system. Now they are our friends all over again - Great. India and Pakistan almost go to a war. After the 12/13 bombing of the New Delhi parliament which occurs in the aftermath of our take down of Afghanistan. Which changes dramatically our relationship with Pakistan and also plusses up our military to military cooperation with India. What was so scary about the massing of the troops on that border after that terrorist attack was that both sides were saying to the other side, "you're in a world of trouble my friend, because I've got a brand new friend called the United States". You want to talk about a scary situation; a rule set reset on nuclear war in South Asia would have been profound. And then we have the tail called 'The Stans'.

We've got military bases in the former Soviet Union. If I'd came to you in 1985 and said in 2004 there would be military bases throughout central Asia, you'd say how many millions died in WWII. Over time, some of these tails disappear and new ones appear. The global war on terrorism is a tail that we create. Within months of 9/11 it looked like we were going to pull the string on Israel and the Palestinian Authority because of the high jump in suicide bombings that were occurring there. You could argue the Bush Administration redirected and said, "No, No, No", we're going to do this one instead. As we ran up to the war last spring, our friend on the Korean peninsula said, "Hey, Don't forget about me. I'm still crazy. What's a guy got to do to get an arms inspection?" Whoops, there goes another one. I have no idea what's in the nose. Now when you show this kind of slide to a complexity theorist, first thing they ask you is "How do you do all the animation, because that can't be PowerPoint. And I'd say, for a consulting

fee, I'll tell you. The other thing they'll tell you is, "Don't kid yourself, a lot of green lines goes into this. This is 20 years payback for Afghanistan; 50 years payback for the creation of the state of Israel; 800 years payback for King Arthur and the Crusades. It's like your marriage; no bad deed ever goes forgotten.

The other thing they will tell you is, when you get that much stress in the system, something's got to pop. This is a super saturated solution at that point and what popped was that we decided to create a vertical shock ourselves: Operation Iraqi Freedom. What happens in effect, when the Perturbed chooses to be come the Perturber that's when it gets scary and exciting all at once I would argue. What's neat about this is you get to set the timing of the creation of the new rule set. Bin Laden picked 9-11 the date. Based upon our fascination of shark attacks across the summer, I would say we probably weren't ready for it. We picked last March. We scheduled it in advance. We let the networks know about it. We priced it before hand. We let the contracts. We put it right after March Madness. It worked just fine. You get to set the conditions under which the new rules emerge. You fight the war for a demonstration effect. There is a reason why interstate war disappeared across the 1990's. One of the reasons why is we took Kuwait back from Iraq. We basically said to the system, if you think you are going to conquer in that old-fashioned way, it's not going to happen. Lo and behold, interstate war seems to disappear across the 90's. Last good interstate war - Ethiopia and Eritrea. Page 29, NY times - exactly where it belongs. You establish the target audience for the rule set export. You define an Axis of Evil and you say listen up - do you want some of this and Libya decides to change its colors. You grab hold of the microphone but you'll force them to hold the press conferences. You force the leadership of the Middle East to explain why there are so many authoritarian governments there. Frankly the bombs that have gone of since 9-11 - inside the Middle East. And the warfare that's engaged since 9-11 - inside the Middle East.

Transnational terrorism is like politics - it is inherently local so you have a choice of dealing with terrorism vectoring into this country. You can try to firewall yourselves off - don't think it will work - think you'll damage our society in the process. You can run around and try to kill these guys as quickly as possible, but as we've seen with Israel and the West Bank and Gaza, you tend

to create more than you can kill in that process. Or third you can try to decide what their strategic goals are and you can try to get there first. There is no secret about Osama Bin Laden's goals for the Middle East. He wants to drive the west out of the Middle East so he can hijack the Middle East out of the world. We've seen it before. It's the same basic deal that Vladimir Lenin and the Bolsheviks pulled off. An exclusionary rule set for a big chunk of humanity. Lenin eventually grabbed one-third of humanity thanks to Mao and others. We're just seeing a modern variant of it. And he's fairly explicit with it. Osama says to the Europeans, you leave the Middle East, I'll stop killing you. You've got 90 days. What the Bush Administration is really trying to do - and they are quite explicit about it - is to create a Big Bang in the Middle East. They hope to change serious behavior - by extension to create a better situation in Lebanon, by extension better situation with Palestine by extension - relief for Israel. They hope to create a process of change in Iran. We hope to alleviate some of the stresses for Saudi Arabia so we move some of our troops out. They're still hoping for positive evolutions there - so a lot of expectations. Of course, our friend Kim Jong Il he can always throw a hex on this party anytime he wants - pull us right over to northeast Asia in a heartbeat. That's the fear. But what is so thrilling and dangerous about what we just are tried to pull off and are still trying to pull off - and No, I don't think you can judge it completely in 12 months - I think that is ridiculous.

This Big Bang is basically the pursuit of a system perturbation. What Osama Bin Laden tried to achieve on 9-11 was to throw our rule sets in such tremendous flux with that attack that we would retreat militarily, economically, and politically from the Middle East. He wants to disconnect the world from the Middle East. So if we want to deny that entity's strategic goal, we have to connect the Middle East faster than he can disconnect it - and that's very difficult. A way of thinking about the scenarios in the Middle East - What happens with Iraq? Did we get the makeover or does it become our West Bank. The effect on the rest of the region - Does it become a chosen trauma for Muslims worldwide or do you get the hoped for Big Bang. Worst case, West Bank - chosen trauma, Blackhawk Down, the series - not just a bad movie - a reality series we watch every week to numbing and/or enraging effect. Why? Because we have the reserve component over there big time now. The Abrams doctrine when we put it together

back in the early 1970's said that you can't go to war unless you use the reserve component. We've gotten around that rule. We can go to war whenever we want without using the reserve component. What we can't do is wage the peace without them and we are going to discover that increasingly as this occupation drags on. The danger here is that this becomes a global magnet. Next worst case situation - the Arab Yugoslavia - sequential instabilities around the dial. That is probably the path you take if you accept the notion that you are going to have 3 Iraq's at the end of this. The Kurds, the Sunni's and the Shites. The better route I think, what I call the New Berlin Wall Muslims are still angry about our situation and our presence, we succeed somewhat in Iraq, we focus on the next problem set. Israel and the Palestinian Authority. We sit on that security fence probably for two or three decades. You say, it can't be done. I say we did it in Berlin. We're still doing it in Korea. Europeans have done it for decades in Cypress. We know how to sit on walls. Israel will be just fine without the West Bank. The West Bank is going to need a lot of aid. But I'll ask you which is cheaper over the long run?

Best case, makeover, you get the Big Bang. Call that scenario, Persian Gulfed. I would argue, the counter-revolution is waiting for a Chernobyl like spark in Iran. It won't take a whole heck of a lot. I think we are within several years of that happening. I don't expect the Mullahs to rule that country the same way they do now by 2010. And I think Saudi Arabia sees the handwriting the wall and will move progressively in that direction. Why? Because the terrorists are coming back home and blowing up things in Saudi Arabia now.

So a system perturbation. This is a slide I developed for the National Intelligence Council because John Landry says, can't you just give me a slide with words on it. A system perturbation - is an international security order thrown into a state of some confusion by a perversely shocking development - emphasize perverse. 9-11 was the first live broadcast mass snuff film in human history. First opportunity in my life to watch several dozen people I knew die live on national television. I was meant to watch that. I was meant to be impressed. Same thing with Nick Berg. It was designed to get an emotional response. But we have to understand when Marines walk unopposed in Baghdad last April, at the end of that conflict before the occupation set in, that turned the world upside down throughout the Arab world,

that was a perversely shocking development - the notion that Saddam would drop like that. This vertical shock generates an outflow of horizontal waves cascading effects can cross sectoral boundaries. Think about the SARS superspreaders. One guy gets on a plane in Hong Kong, flies to Toronto. Toronto gets shut down by the World Health Organization. Absolutely amazing. In this outflow process, seemingly every rule set is somehow disturbed, altered. We got a preemption strategy. That is a huge change. The fluxing of the system is temporary but it is path dependent. We will never, thanks to 9-11 plus the anthrax scare, not have a Department of Homeland Security. You take away 9-11 and the anthrax scare would have been nothing. It would have been a Columbine. It would have been a Michael Moore movie. You put it the aftermath of a 9-11. You change history. So whoever that individual was wielded an enormous amount of power I would argue. The potential for conflict, class of cultures doesn't have to be always violent. Europe and the U.S. over Iraq - we see a war, they see a police action in the global war on terrorism. China and the World Health Organization on the SARS - very interesting rule set clash. WHO basically said to China - you want to be connected to the global economy, you'd better clean up your medical act now - or we'll stop traveling to your country. Just like that.

End states some new rules - like the Patriot Act, some old rules like the UN Security Council and some mixing of old and new. Russia joins NATO, Russia still a problem.

A New Ordering Principle

Take that map, take that definition of crisis, talk about how we are going to change DOD, I will make an argument about ordering principle =

I will say it is a core conflict model around which everything is

planned

procured

organized

trained

operated

how you become a flag - most importantly how you become a flag.

You change career paths, you change the military in about 8-10 years. Frankly I would like to see all flags become totally purple. All admirals and generals once they reach flag rank, they lose all service identity. As soon as that happens, I can really start smashing some rice bowls. And in 10 years I'll have a dramatically different military because everybody who wants to become a flag will understand that's the price - not just jointness, way beyond jointness.

I will argue that we've had an ordering principle since we created DOD, Defense Department back in 1947. That ordering principle I'll describe it as great power war. We assume we are going to fight somebody very big, high level of technology just like ours. It's going to be an all out declared war. It is an industrial era, mobilization model which I don't think any more fits the circumstances we face. So I will argue for a larger definition and I will call that definition System Perturbations. You will say we have new definitions of war, It's called a *Revolution in Military Affairs*, It's called 4th generation warfare. It's called net-centric warfare.

I will tell you those are all definitions of war within the context of war. But we have to think about war within the context of everything else - like who pays for the war. Who shows up for the peace. How did we get to this point? Three tiered perspective. I'm going to talk about the system as a whole, nation states, individuals living within nation states. In the cold war, we had a system level definition of conflict and threat - it was called big power war - WWII between us and the Soviets. Because we could never fight them in that kind of war - too dangerous, on the level of nation states we only engaged in proxy wars. Our side fought their side, their side fought our side. Sometimes we'd get bored and switch sides, like with Ethiopia and Somalia - you take them for a while. Down here we have the so-called lesser included's which we preferred to leave to law enforcement. This is what we organized around even though 95% of our business was this. We sub-optimized for that because this was the whole enchilada.

Since we got through the cold war without global nuclear Armageddon, I'll say good choice. We get to the 1990's, Soviets don't come along. We downshift. We say - two major theatre wars is almost like a great power war. Do you think we could sell Congress on that? And we did, it was called Les Aspin's Bottom-Up Review. I know because when I briefed Congress, they said Yeah, that's it... That's what you sold us. Down here, everybody got a promotion - I'm not just a terrorist - I'm a transnational Actor. Up here we didn't have anything so we made something up. A threat to be determined. China all grown up. But this is what we sold to Congress. This is what we organized around - an abstract force sizing principle. We come to today. What shall we organize around?

Some people say, for \$450 billion dollars you'd better do better than just whacking the Taliban six weeks later. How about protecting Americans. How about protecting Americans? How about taking \$200 billion out of defense and putting it into the Department of Homeland Security NOW. What the military fears about that kind of argument is that they will be dragged down into the muck. They will be ruined as a military. You'll ruin this military that we took 25 years putting together -since the end of Viet Nam. You'll destroy it. You'll turn us into a giant police force. I say relax. We've got a department for that. Third biggest one. Some people say, we've just invaded Sicily, let's figure out who Italy is. It's World War IV. Hell I say, lets just kill all of their leaders and Christinize them. And then I think I was channeling Ann Coulter there. It's good to be that thin. Since she breathes fire and I breathe air I'll say that is simply fear mongering. You can't tell the world, your grand strategy is: "Let's Roll! Bring it on! Who's Next! Are you talking to me? Cause I'm the only military superpower here. What is left unsaid by this Administration encourages a lot of bonehead ideas and a lot of fear mongering by people who frankly should be shouted off the stage.

We are a system level power. We need a system level definition of instability and insecurity. This is what we should organize around. The rest of the world will fall into place if we can

manage this. You know what? That is a whole lot more than DOD. It is a whole lot more than the Pentagon planning for war. It is way beyond interagency. What we face is a problem of success not failure. This is the deeper reach of U.S. military power over time. I got into this business 15 years ago to do strategic nuclear planning against the Soviets. It was a war against a bloc. By the middle of my career I was working on regional Hegemons - wars against bad regimes. Now we fight warfare against individuals. We went into Panama, we wanted Noriega. We went into Somalia and we figured out it was Aidid and his clan. We went into the Balkans, we figured out just get Milosevic and his people. We went into Iraq looking for a deck of cards. We're just here for the bad guys - please go about your business. We don't fight militaries any more. We don't fight nation states. We call it interstate war when the U.S. comes in as a leader of a coalition to take down a few bad actors. It is such an abuse of the phrase. When I got into this business the standard was 8 to 9 minute response to Soviet nuclear launching of attack. Within a couple of years our standard is going to be a UAV, unmanned aerial vehicle operating on the far side of the earth. It is going to find, recognize and kill one person in 8-9 minutes. That is an amazing evolution in my 15-year career. How much will our military forces change to mirror this environment? I'll tell you our legacy in terms of capabilities spread looks something like this - we are primarily built to fight other nation states. So the bulk of our capabilities are found there. We have a certain strategic capacity and the ability to go inside nation states and deal with individuals. Civil Affairs. Special Ops. I will tell you the Revolution in Military Affairs crowd in this administration when they came in, this OSD - Office of Secretary of Defense. Their dream of transformation was a very pristine military that was going to be largely a system level function. A certain capacity to defeat nation states - never were going to do any of this stuff. Never go inside nation states. Never nation build. None of that stuff. Condi Rice, National Security Advisor said no Special Operations personnel are ever escort kids to kindergarten on my watch. Words she has subsequently had to eat because the global war on terrorism adds back this part big time. If you are going to deal with global terrorism, you're going to get inside nations. Otherwise you field a first half team in a league that insists on keeping score until the end of the game. So we can run up the score by half time and then get our asses kicked the rest of the time - unless we rethink the seam between war and piece. This force gets you the Iraq War - brilliant. This force gets you the trouble we have now. That was Rumsfeld argument -

great argument. This was Shinseki's argument Chief of Army Staff - great argument. Problem is that we called both definitions, how to fight this war. The answer was that they were two definitions for two different things. One was to fight the war. One was to wage the peace. Until we separate those concepts we're not going to understand that we're not going to move from this diamond shape to this hourglass and it's going to be hard.

What I think has to be done - here is my favorite bonehead definition on the future of war from the 1990's: Asymmetric - Area denial anti-access strategies - which is the Pentagon's way of saying that "we're really huge, anybody we are going to fight is going to be much smaller, they won't fight us in a straight up fashion, but we can't say that because people would understand that. So we call it Area denial anti-access asymmetrical challenges. Why? Because it's got a lot of A's in it apparently.

Here's the definition. You've got a battle space. You've got an enemy embedded within that battle space. United States is going to try to access that battle space. They are going to throw up Area denial, anti-access, asymmetrical strategies - banana peel on the tarmac. They are going to slip computer viruses on our networks. All of our Achilles heels will be exposed. This is largely a geographic definition. It focuses almost exclusively on the start of conflict. Frankly we're a first quarter team. We're like Bill Walsh and the SF 49'ers in the 1980's. We have our first 20 scripted plays - we're just brilliant. Problem is we don't adapt well after that. It's because of the way we think about war. I will argue there is no battle space we can't access. They told us we couldn't do Afghanistan. We did it. They told us we couldn't do Iraq. There would be 10's of thousands of deaths. Not a problem, 150 lost. What we have trouble accessing over time is the transition space that follows - this huge territory between the end of war and the start of real peace. What we have trouble accessing are the outcomes that we seek to create. Very different Asymmetrical anti-access, area denial strategies. This is not overwhelming force, but proportional force. It's not firing live bullets into a crowd of angry women and children in Baghdad. Why? Because the minute you do that, the International Red Cross says to you, if you are going to behave like that in public, I can't be seen with you people in public anymore. When you lose access to the International Red Cross, your credibility takes

a dive. This is not about projecting power but it's about staying power. What you lose access to are partners. 17,000 peace keepers we did not get from India. In this struggle, the assumption is the west is weak and flaccid. So this is a western struggle against an Islamic world. That is the way they like to paint it. Imagine what a different occupation it is if we have 15-20,000 Russians, 15-20,000 Chinese, 15-20,000 Indians. You say, we'll never get the Chinese. Who's energy is going to double? Who's energy requirements are going to double in the next 20 years - and where are they going to get it? Who's blood, Who's oil. But we are not making those deals because we are not thinking strategically. So we are going to declare something that we can't access frankly in a real fashion. We're going to declare a political handoff 30 June - fundamentally for presidential election reasons - and that's too bad. We have to understand that we are going to fight different people across these spaces. Until we create a force for these back half situations, we're not going to score any real victories in this global war on terrorism.

What we really need and what this reflects is the lack of an A-Z system for dealing with politically bankrupt states. What do I mean by that? An A-Z system - meaning you take a country into A and they come out on Z. What's a good example? The International Monetary Fund has a system A-Z system for dealing with an economically bankrupt state. It's basically a sovereign Chapter 11. You go in at A, you come out at Z. We argue about this rule set incessantly. But it is basically there. What we have for dealing politically bankrupt states? Think about front half, think about back half. We have the UN Security Council as a grand jury- I Indict you, I Indict You - I can't do anything about it, but I Indict You. We have a Leviathan called the U.S. Military which says in effect, "You want me to take them down? I'll take them down". And on the far end, we have an International Criminal Court to try these guys. What we are missing is an executive function to take that indictment and do something with it. I think that is going to be found in a G7, G8, G20 over time. Not in the UN Security Council. What we are missing is the U.S. enabled Sys Admin force as I like to call it. The back half force that attracts coalition partners because we make clear that we are going to wage peace as effectively as we wage war. And what we're missing is what Sebastian Malnoby describes as

an International Reconstruction Fund, an IRF like an IMF to deal with the rehabilitation and reconstruction of any regime you decapitate. I will argue though that if the U.S. Military doesn't create this, this system can't come into being because until we create this, we won't get the coalition partners. When I give this brief abroad to foreign militaries, they tend to jump at the Sys Admin concept as opposed to the Leviathan concept. Because they say, You know what? We can't even play with you on big war. We can't keep up. We can barely talk to you but we can do the back half stuff. A lot of gap countries prefer to do this... why? They get paid \$1100 per soldier, per month by the U.N. It's a money maker. But if we don't create this capability, this system cannot come into being. You'll say you are asking too much of DOD. I say You created the Internet, you changed the world. I'll say, you created GPS, you changed the world. You created UAV's, Unmanned aerial vehicles and you have changed the world and you are continuing to change the world. You create this force, you seed it, you prioritize it, you show me a four-star military police officer and you'll change the world. This is why we need to change.

I'm going to talk about the difference between reality and desire - which is always tricky inside the beltway. I'm going to talk about the 1990's, Berlin Wall comes down, Desert Storm - a split emerges inside U.S. Military between those who see a future they can live with and those who see a future they cannot live with. Good example, U.S. submarine community - looking for somebody to get nervous about. Office of Naval Intelligence will tell you right now - Chinese are looking 10 feet tall. Why? Because Osama Bin Laden doesn't have submarines. Those who don't see a reality they can live with have moved towards desire over the 1990's and they have invented a special coded language to describe their journey - problem is they need a big sexy opponent to fight against. If they can't find one, they will make one up. Whereas the rest of the military got pulled into the muck, and this muck was described with a very derisive term - called Military Operations Other Than War. I ask you who joins the military to do things 'other than war'. I ask you, Who becomes a four-star admiral general specializing in things 'Other Than War' - other than Tony Zinni? This is Pentagon code for 'We don't want to do this'. We spent the 90's working the messy scene between the globalizing parts of the world and the non-globalizing parts. The Clinton Administration was not interested in running the DOD after

the fiasco of gays in the military yielding us two of the quietist Secretaries of Defense we've ever had. I don't even remember their names. The second guy was really good looking, I remember that. So we were left home alone across the 1990's. What did we do? We bought one military, we operated another. It's like the guy who goes to the doctor and says, Doctor it really hurts when I do this. Doctor says - stop doing that. I used to give this brief inside the Pentagon to the Barons inside the Navy - the resource Barons. I'd come in - it's like '93 I'd come in and I'd say you're buying one Navy and you are operating another and it's wrong - it's just wrong. They'd say, Dr. Barnett you are so right. Can you come back next year and remind us again? And I did - for several years in a row. The patient could not change the self-destructive behavior even though the patient was aware of it. 9-11 heals the rift. It jerks the transformation gurus out of their long-term fantization about China and says you know what? Make it good for now. If you're going to transform this force I've got a reason for you now. We've got a networked opponent. We need to free up resources because we're going to elevate this from crap to real grand strategy because that is how we are going to shrink the gap. Some people put these two things together and they call it empire. They sell a lot of books that way. I think that is a load personally. Empire is about the enforcement of not just minimum rule sets but maximum rule sets. Not just what you can't do, but what you must do. It has never been the American system of governance to do that. It's not the way we interact with the outside world. Our function is one fundamentally of system administration. We only advocate certain minimal rule sets that must be followed in order to remain connected to the global network - the global economy. Now I'm going to give you a short break - lets reconstitute at 25 after.

I'll take you through definitions of war and conflict. Then I will take you through some definitions of the system and how we seek to administer it and how we seek to understand the waging war within the context of everything else. I'm going to give you a classic Royal Dutch Shell methodology - two questions - four outcomes. What happens to Globalization IV - as I define it 2002 and counting. The first question, a WHAT question. How do we define the nature of the struggle? Is it the best versus the rest - or the west versus the rest? Basic breakdown arguments. Tom Friedman - *Lexus and the Olive Tree* up on top - Sam Huntington,

Clash of Civilizations - down below. Tom Barnett, number 28 on Amazon, the *Pentagon's New Map* up on Top, Robert Kaplan - anything he has ever written, down below. Robert Kaplan went to West Africa and saw the future of the world. I said..no, its West Africa. He went to Los Angeles, got even more scared and wrote another book. How this comes about. I talked about that rule set misalignment that develops across the 90's. Does that persist? Are we always chasing to catch up with technology and economics in terms of the political and security rule sets. Or do we actually normalize? We catch up and everything is back in sync for sometime. Four possible outcomes. Worst case, division by culture. This character flaw in the system remains. Call that one globalization traumatized. Can you imagine - the old core turns on itself. Europeans are from Venus, Americans are from Mars. The gap only grows - real Robert Kaplan territory. A division by culture but new rules emerge - at least they are recognized by the old core Japan, Europe and the United States. The danger is that new cores arise. So when I see the group of 20 nations plus in the World Trade Organization negotiations as an intermediary between the old core of Europe, the United States and Japan and those negotiations with the gap and I see that that group of 20 plus that staged the walk-out at Cancun is India, Brazil, China, all the countries I define as the new core, I get worried about that. I get worried about the fact that we have absolutely no new core powers in the occupation force we have in Iraq now. Better outcomes - division by competency but we don't deal with this character flaw. This is a knee jerk reaction. Let's put a fence around these crazy people and let them kill each other. We'll move on to hydrogen - what would Jesus drive? Problem is that the gap strikes back on a regular basis in that phenomenon - in that scenario. You can't retreat from the world and expect the rest of the world to work out. They will export their pain and anger in your direction on a regular basis. Best case outcome. **A division by competency. New rules emerge. Call this one globalization normalized. The core both old and new master 9-11's which they are going to keep trying until you demonstrate it have no impact. They will not drive you out of the Middle East and you shrink the gap progressively meaning you take down bad actors militarily and the real integration comes through private sector. Government tiny role.**

Four elements are put together. I'll confess, I'm an economic determinist. I'll say that technology is the main driver of history. If globalization continues to advance - all these good things will happen. You can attach numbers to most of these in terms of per capita income. Get them below a certain level and they stop doing a lot of these bad things and they start moving in the direction of these positive things. But I'll argue we have to manage carefully four crucial flows within Globalization IV. Those four crucial flows meaning resources in regions where they are plentiful have to migrate to regions where they are in scarce supply. The movement of people is a key flow. The money of energy is a key flow. The movement of money - long term, foreign direct investments - not flows in and out of stock markets, not commercial bank loans but foreign direct investment - equity ownership. Finally, the exporting of security which only the United States can do in any appreciable manner.

Look at migrations first. Focus on populations. This is a population growth curve. There are some numbers in billions. Here is some history. This is where we've gone. When people want to scare the hell out of you, this is what they show you - We'll all be eating soylent green. These are the other scenarios. This is the best bet right now. Demographers are focusing on this scenario. What is interesting about this scenario is you get to 2050 - I'll be 88 years old - starting the second half of my life, you will see us peek as a global population. Absolute turning point in human history. After that point, we begin to depopulate as a species. Great article not too long ago - New York Times - Sunday. China, the most populace country facing a population shortage. They are going to age more rapidly than any country in human history - meaning they are more likely to get old before they get rich. Why is this important to us? Six billion now - this is the spread now. We love these guys because they work. We've got more coming in than coming out in this equation. We are going to have an equaling of young versus old 2050 and from that point on, the old are going to outnumber the young. Absolutely amazing. Shouldn't happen in nature. The wolves should hunt us down and kill us in large enough numbers. By extension, why this matters to all of us. I like to say, I should be worrying about my PSR, I tend to worry about my PSA, but I should be worrying about my PSR. Why because I'm only 41 and I can still do something about - or let me say, my wife can still do something about it.

PSR - Potential Support Ratio. Every working person for everybody in retirement. This is global history. In 1950 the number was 12 to 1 - still pretty rural and agrarian. With Globalization II it gets you down to 9 to 1, Why? Most of the world hadn't joined globalization till very near the end of the process of the century. This is what happens when you get an old and a new core coming together and 2/3 of humanity are deeply integrating in a global economy. That number comes down over the next 5 decades very dramatically. Now a lot of assumptions in here. Major organization. Huge upticks in technological productivity. People living longer and working longer. But you ask yourself, how are you going to manage that global PSR of 4 to 1 in 2050? What can come along and knock that baby off its pedestal. What can come along is a fix already in the works. We can track it and we can predict it with great accuracy. We distinguish between the old core, the new core and the gap. PSR's across these 3 groups - dramatically different. 2 to 1 in the old core, 5 to 1 in the new core, still 10 to 1 here. Above replacement rate here in the 50 poorest countries in 2050. So no great mystery. You've got to get people to move from the right to the left. Not just into the old core, but frankly into the new core too. And you've going to have to see a lot of jobs move in this direction. The politically sensitive issue of outsourcing. Third alternative - a very interesting one - a global commute. My favorite example covered in Wired magazine last year. In the Philippines, one tenth of its working age population works overseas - and the government encourages this. They give them special holidays, free medical care, special communications and special rates on travel. What does it sound like? It sounds like how we get the U.S. military to be the largest global commuting force on the planet. Why is that no surprise? The Philippino's learned it from us. The original stewards on the ships. Right now they have 2 million workers in the United States - annual basis, they take out 3 billion dollars - quadruple that number and you get the actual impact on the Philippino economy - multiplier effect. What Hispanics of Latin America send back to Latin America is six times what the core gives it in foreign aid and that's keeping 95% of the money they earn here - here. They only send 5% back and it is six times the aid that the core sends to Latin America. This is enormously important. And again, all the things they use in the system to make this happen, are the things that we're putting under attack after 9-11 - the ability to travel freely, the ability to communicate freely, the ability to move money as freely as possible.

Now let's talk about energy. I'm going to give you some huge numbers here. Quadrillion British Thermal Units (btu's) Quadrillion - sort of a Dr. Evil number. Nobody really knows what it means, it is just really big. Regions. 2001. North America has been the number 1 the global demand center for as long as we can remember and can't imagine a future that isn't like that. Here comes that future in one generation. We go up about 30% in energy requirements. Developing Asia doubles in one generation. That is a huge rule set shift. Let's look at that. Asia in 2025. Break it down. Here is your transportation. Electricity, Electricity, Electricity. Quintupling of cars - China. Four-fold increase at least, in electricity. Where are they going to need help? They have lots of coal. They know how to turn on a nuke - don't need anybody's help there. Where they are going to need help either to develop resources intra-region or to go out of region to buy those resources is gas and oil. Already 2/3 of the oil coming out of the Persian Gulf goes to developing Asia - 2/3. How are they going to pay for that doubling of energy? Foreign direct investment. This is the outflow since the second world war - 7 trillion dollars roughly, excuse me, this is the inflow - where the money has gone. This is where people like to invest. See if you can't spot my gap in the middle. Who's got the money - who has sent the money outward. Tell me Middle East is connected to the outside world. All those petro-dollars.

This is why I have trouble with the *Clash of Civilizations* theory - because to get all that energy, the Asians have to be friends with the Slavs, the Muslims and increasingly the Africans. To pay for all energy and all the infrastructure associated with it - trillions of dollars of worth of investment. They have to be friends with the Europeans and those crazy Americans. Which pretty much only leaves the Latinos for a clash of civilizations. That's understanding global integration. If you think you can wage war with no understanding of that, then you really aren't paying attention. But let's talk security and how we export it around the planet. Another stretching argument. I'll go back to the imperial heyday. In the old core basically - in terms of its public sector exports. It exported administration basically it kept the natives from getting too restless while it took the raw materials out at uncompetitive rates. It was called colonization. Jump ahead. End of WWII. The surviving core's first order of business, resurrect those parts of the core that you want to resurrect - Europe and Japan - Marshall Plan, NATO,

the whole shebang. Over time, by the late 1950's, you have a resurrected core - much bigger than the surviving core that came out of World War II. And you see a new public sector export emerge - we create the US Agency for International Development, OECD - Organization for Economic Cooperation, Coordination and Development. They create this category of official developmental aid. Foreign aid becomes a new public sector export - end of the 1950's and early 1960's. And then the Arab's get all that money with the oil and you see a big transaction rate on arms - which we are still dealing with. 1970's the great heyday for arms transfers. You get to the globalization era, I'll argue you have a surviving superpower and partners. Japan is sort of a head case right now, but I think they are coming out of it. Our main public sector export right now is security. You'll say it is technology - I'll tell you it is private sector. You'll say it is mass media content - I'll tell you it is private sector. The real public export is security. You'll say what about foreign aid? I'll tell you that foreign direct investment which was half of official developmental aid at the beginning of the 1990's is now 5 to 1 official developmental aid. Meaning that we send 5 times as much foreign direct investment to emerging markets and developing markets as we send foreign aid.

Why does this matter? Let me show you the conflicts across the 1990's. Here is roughly 3 dozen. I'll give you annual per capita GDP. Here is the poorest countries - roughly half your conflicts. Here is your next level of poverty - basically all the rest. When you are talking advanced states, you're not talking about much violence. And frankly, those are the two poorest neighborhoods there. So simple guy that I am, I'll argue - you get a country above \$3,000 per capita GDP, they tend to get out of the violence business. How do you get them above the \$3,000 per capita GDP - it is not official developmental aid - it is foreign direct investment. Why? Foreign direct investment needs security. Basic argument - Ray Vernon's product cycle. Any industry over time - profits rise, peak and then the labor gets too darn expensive and so you send the job overseas. We had a textile industry here in the United States - that was country A. Then it went to Mexico - that was country B. Then it went to China - that was country C which is turning out to be Country C for a lot of industries - Why? They crank out millions and millions of workers every year. So think about the global economy. Think about 3 big engines of job creation - EU, NAFTA and Japan which is becoming a huge

patron and mentor to the Chinese economy. And it is the demand of China that has pulled Japan finally out of that long term recession. Where they send jobs, technology and investment - that is the core. Where they do not send it - that's basically the gap. Does this matter in terms of development? Absolutely. This is per capita income growth across the 1990's. Rich countries got richer - big surprise. Globalizing economies got a lot richer. Non-globalizing economies got poorer. You'll say that all those globalizing economies produce is garbage - it is just manufactured raw materials. It is not really high-end goods. Twenty years ago, you were right. Twenty years ago the globalizing economies manufactured goods as a percentage of the economy - only about 25% One generation of foreign direct investment. This is the change - China is going to start exporting pickups and SUV's under the Great Wall name within the next couple of years. 9,000 to 18,000 cars coming from China to the United States. So I agree with Jesse Helms on one point, official developmental aid, plus correction equals a rat hole. But rule sets that attract foreign direct investment that gets you real development. Why? Because official developmental aid is an optimist - it hopes to change human behavior. Money is essentially a coward. If it gets scared it runs away. That's what security enables. This is why the Middle East is screwed up I will argue. It's poorly connected to the global economy. Basically, They send out oil, we send in money - Tom Friedman's cheap gas station argument. Inter-regional trade in the Middle East is the lowest in the world. It's lower than sub-Saharan Africa. The Middle East attracted a bigger percentage of global foreign direct investment twenty years ago than it does today. It accounted for more trade twenty years ago than it does today. Latin America, Asia they've have moved off raw materials to manufacturing. Middle East has not. Eight of the eleven biggest economies in that region do not belong to the World Trade Organization - they are not synchronizing their rule sets. They do not connect their money to the outside world. Meanwhile their population has doubled in the last twenty years. Guess where this is going? Saudi Arabia had a per capita income of about 28,000 twenty years ago. It's \$6,000 now. With a huge chunk of their population under the age of 15, it will be below 3,000 very soon and I guarantee you, you will see mass violence there.

What do I mean by the exporting of security? Pretty simple stuff for this audience:

Train their military leaders

Exhibit presents

Cooperate with their militaries

You respond to crisis over there

You do Joint Exercises

Pre-position equipment over there

You have permanent bases, alliances - sometimes you go all the way to an occupation

My point is that you don't measure it in terms of bombs dropped, you measure in terms of the attention we pay regions because that is what it really costs.

I'm going to start wrapping this up. I'm going to make an argument about how we interact or transact with the outside world.

The United States is a mere 5% of the world's population. 95% over there. Somehow we manage to expel a quarter of the world's pollution and garbage on the planet. Somehow we manage to burn a quarter of the world's energy. 5% of the world's population. I call that living large.

My friend's on Wall Street say this is perfectly fair. We generate a quarter of the world's wealth. Another way to look at it. Economic footprint. We are experts at exporting our sovereign debt. We do it better than anybody in the world. It allows us to live beyond our means. Of course, if you took \$350 billion dollars out of the U.S. federal budget and stop paying for security around the planet, you'd have a different economy I would argue and a different world unfortunately. My friends on Wall Street say, why do you bring this up in public? Do you know what it costs to print those little pieces of paper we send around the world? Nothing. They are just promises. What we get in return computers, cars, it's tremendous deal. I think the real transaction is that we export security and we import connectivity. Global stability is a COLLECTIVE good. Why do we pay more for it than anybody else? Because we enjoy it more than anybody else. So how I view those major flows as

transactions. We've got to let their youth in. We've got to give them opportunity cause we are going to age. That is an essential transaction that we have to pursue. You put in the Patriot Act, you divert the flow of Latinos coming to the United States that are supposed to account for 2/3 of our population growth between now and 2050 and you're changing human history because they are going to the Iberian peninsula now - in Europe because they feel more welcome there in far larger numbers than we anticipated since 9/11. Unanticipated consequence. We're exchanging our security for their instability. So we are going to firewall ourselves from some of the worst things inside the gap. You can't grow the core unless you protect the core. Their energy matters to us - even if it is in an extended fashion. The price of energy goes up in China, the price of goods goes up in Walmart. That's how it works. With our money, we exchange for their development and we buy off the only long term threat that really matters - China.

So think about those four flows Core-Gap. What has to happen? Essentially, people got to go from the Gap to the Core in large numbers. Security's got to go from the old core specifically in the first instance to the Middle East increasingly throughout the Gap. But we first focused on the Middle East because a lot of energy has to come out of here in the next twenty-five years before we move on to hydrogen. And the long-term investments have to continue to integrate this half of the world's population over here.

That is the baby we cannot throw out with the bathwater in this global war on terrorism. So I am concerned, very much when we don't have Indians and Chinese and Russians as part of the occupation force in Iraq. It is a real problem. It is a strategic error. I'll start rapping it up. We master this new definition of crisis and instability so we understand how to wage war within the context of everything else. We screw up any one of these flows, we can screw up the system. We have destroyed globalization before and we can definitely do it again. We have to understand that when we wage war, we administer to a system. I see it as a three-pronged strategy.

1. Strengthen the Cores ability to withstand system perturbations like 9/11
2. Firewall the core off from the Gap's worst exports.
3. Shrink the Gap

Only a small portion of it involves military actions. The vast bulk of it is foreign direct investment. The vast bulk.

Here is the stuff that gets the most play now in the book. Frankly, I wasn't going to put it into the book because I thought it was a little too far out there. But events in Iraq make it a lot more relevant.

I'll make an argument now - another stretching one. Difference between defense and security. Historically defense means take care of the homeland. As Art Cebrowski likes to say, security means 'everything else'. I could do this for \$100 billion. We spend \$350 billion over here. Historically we had two different forces to do that. It's written in the Constitution. Raise an Army. Maintain a Navy. Your big stick force. Your baton stick force with the Marines. Your can of whoop ass. How you keep the system functioning.

We decide in 1947 to put those two together. Why? Because we believed - correctly, that we were going to be involved in a long-term hair-trigger standoff with the Soviets. So we merged the definition of America's national defense and the whole world going up in flames. I won't argue with that definition. The problem is that - that definition no longer holds. What has happened since the end of the Cold War? What has happened - basically the bifurcation that I described earlier - operating one military, buying another. It's gets harder over time. It will get very hard in the next year in Iraq - very hard. We've been having these arguments ever since the end of the Cold War. Let's go back to what we had before. As somebody at the Naval War College - we like the idea. Some people think that 9-11 really triggered the bifurcation. Home game Homeland Security. Away game Department of Defense I believe the creation Department of Homeland Security was a strategic error. I don't think it is going to increase coordination whatsoever. I think we are going to waste a lot of money. We're going to feel

good about it, but any notion of putting up walls between us and the rest of the world is a waste of time. The shock of 9-11 should have pushed us into embracing the world, not pulling back from the world.

I knew when we went into Iraq, we would defeat the Iraq army with ease, yet we'd probably screw up the occupation badly. Why? Because we don't have a back half force and because we don't have a back half force - we don't get those 17,000 peace keepers from India. Which basically says, You know, I don't think you've got it. I think the occupation of Iraq is transforming transformation. I think it is about time that we admit we have living uncomfortably inside the Department of Defense, both the Department of War and the Department of Everything else. I think Don Rumsfeld is an amazing Secretary of War. I don't think we have a Secretary of Everything Else - and that is how you get an Abu Ghraib. That's how you get all the screw ups in Iraq. We don't have a secretary for Everything Else. Two missions fundamentally at odds.

We need a Leviathan force for that Hobbsian world called the gap. That force is going to win you wars. We also need a peace waging force - the back half force. What does this mean? In practical terms, divorce is unlikely any time soon. I say, we'll stay together for the sake of the children. Nobody wants the Marines to be orphaned. What I do advocate for example - totally obliterating service identity once you become flag. Nobody joins the U.S. Military. They join the Marines, the Air Force, the Army, the Navy. I believe in that processing function. But I believe once you achieve flag rank, you'd better be able to do it all. People tell me it can't be done. I say you haven't been paying attention to jointness over the last 10 years. As I proceed in this discussion, I'll talk about what I consider to be an extent situation that is only going to get more dramatic over time. I call it the sleeping in separate bedrooms arrangement. Two forces uncomfortably lodged inside the Department of Defense and every once in a while they bump into each other on the battlefield.

When an essential civilian, Jessica Lynch wanders into a fire zone. We say, How did that happen? And you get Pete Schoomaker, new Chief of Staff of the Army saying, we're going to make everybody a rifleman in the Army. We don't have that many rifles. We don't have that many bullets. Two different forces. Two very different functions. We've been trying to do the same with one military throughout the 90's. It's not easy. Read all the articles. The great articles in the Times, the Post and the Journal about what it is for these guys to try and do both jobs both day and night. Some people say, the Brits do it. The Brits aren't the U.S. Military in terms of size. What's amazing is, when our forces get to do this stuff - they come back with very high re-enlistment rates. They feel very good about Sys Admin work. So don't tell me you can't find people for that right hand force. Because I know we can. But you can't take them under the circumstances of this - especially the reserve component. Then send them over for extended duties - and oh, by the way, you might have to slip back into this because we didn't shut down the war very effectively. Other differences. The Leviathan force has traditional partners. Who all look suspiciously the UK and their former colonies. Which is without surprise. They're multi-national states, like an India, like a Canada, an Australia and the United States. These partners - much different. A much wider array. This is your jointness. This is so much more.

This is so much more - interagency. I call this, your Dad's military. I call this, your Mom's military. Your Dad's military - Leviathan force, I want them young, male, unmarried, slightly pissed off. They like Nintendo? I say great. I've got a nine year old they can have right now. This is going to be older, married with children, more educated, gender balanced. This one is not coming under the purview of the International Criminal Court. This one is. This one will not move in the direction of civilian law, but remain very distinct from society in military law. This one will move in the direction of civilian law - become more like cops. This one will respect the restrictions of the Posse Comitatus - military forces operating inside the United States. This force is going to obliterate those distinctions over time. These are the ground troops for your Northern Command. Leviathan force will not hold press conferences. Sys Admin force will be open source. Different definitions of network. And then the command arrangements. This is how you make sense of Dana Priest's work - Washington Post - they are your pro-counsels. They have been doing Sys Admin around the world for years. All we have to do is admit it. Your

combatant commanders with the biggest foreign policy budgets in the U.S. government - dwarfing that estate. And then look at what the Vice Chairman, Peter Pace is doing in terms of long term war planning. You are going to see that war fighting force drawn back into these previously supporting commands. You're going to see that force commanded increasingly by a joint forces command. And that is going to be the big stick we break out every so often. Plus this is the force that is never coming home.

And now the best slide. Who get's the kids. This is the part in the brief where the Marines go.. GAH! This makes perfect sense historically. Small arms, small wars. This is what these guys have been doing throughout their history. This is why this is not going to be a toothless force. The Marines are like my West Highland terrior.. They get up every morning, they want to dig a hole, they want to kill something. So it is not going to be a toothless force. Absolutely not. And it returns them to their historical roots.

Now let's talk the Navy. Submarines, strategic go over to the Leviathan force. Service combatants, Sys Admin force. We move progressively towards what I call the Smart Dust Navy. Based on our experience of tracking things with Soviet subs. We need to get global on that basis. Carriers go in both directions. Why? Because I work for the Naval War College and I'd like to have my contract picked up. No. They go in both directions because they are so darn good. Same thing with airborne - same principle. Your big armor goes towards the Leviathan. Your ground troops by and large go to Sys Admin. So I believe in the transformed force that largely wins from the air and decimates the opponent. But you've got to have a lot of boots on the ground for the Sys Admin work - for the peace waging. And then the Air Force. Your logistics - both directions just like carriers and airborne. You see the similarities - but your fighters and your bombers - they're are Leviathan force. And then Special Ops - distinct from the Marine Core. They are really your assassination squad - they're your 'leave behind force', your first in, last out. That's how it breaks down.

Last slide. Definition of transformation. Art Cebrowski likes to say it is a three-headed monster. Inside the Pentagon, it is mostly about buying stuff. That's what the Hill cares about. To hell

with your vision - do you build it in my district? Inside the E Ring it is all about running the Defense Department better. The Revolution in Business Affairs. This is the one that is really changing. The role of the Defense Department in National Security. The best question I ever got in response to this brief came from Esquire staff, which after they told me to stop wearing button-down shirts with formal suits - very important rule, ask the question, In your vision of the future, what changes more? These are the answers we came up with. We think the rest of the world is going to change more than the United States. It is not about building fortress America. Its about raising security practices outside which is why I believe in building the virtual border concept. I believe in tracking containers at where they start, not where they come. Private sector is going to change a lot more than the public sector. Private sector has a hard time with security as a collective good. They consider it a sub-cost. They hate it. If you want to see a good example of private sector security? It's called security at airports before 9-11. The U.S. government as a whole is going to change more than the Defense Department. These guys have to aggregate a lot of disparate skill sets. All I'm talking about in this bifurcation is returning to what we know throughout history. Interagency is going to change a whole lot more than jointness. Interagency is the new jointness. Peacekeeping is going to change a whole lot more than war fighting - which is still about smoking holes. And military operations are going to change a whole lot more than what we buy or how we buy it. Now we send the defense budget over to the Hill. We call it a transformation budget and the military expenditure force structure weenies come out of their little cubby holes in the think tanks around Washington and they say I'm a transformation expert. I say, how do we know you are a transformation expert? They say I've memorized every line of the U.S. Defense budget. That makes me a transformation expert. So they say, I've gone through your defense budget. I've looked at every line. I don't see transformation anywhere. Show me where it is. We say, maybe you need a larger perspective. Because maybe there is all sorts of change going on throughout the system but you are not paying attention to it because you only define it in terms of programs of record - the whack list. And that has to end if we are going to understand transformation. If we are going to understand the seam between war and peace. If we are going to succeed in reaching a finishing line in this global war on terrorism which I'll define as making globalization truly global. Connecting the disconnected. Ending the threat as we know it...

Q & A were not transcribed.