

NATIONAL PRESS CLUB LUNCHEON WITH GENERAL PETER PACE, CHAIRMAN,
JOINT CHIEFS OF STAFF

SUBJECT: THE MILITARY SITUATION IN IRAQ, PENTAGON SPENDING PRIORITIES
AND THE STATUS OF FORCE MODERNIZATION

MODERATOR: JOHN DONNELLY, MEMBERSHIP SECRETARY, NATIONAL PRESS
CLUB

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MR. DONNELLY: (Sounds gavel.) Good afternoon. Welcome to the National Press Club. My name is John Donnelly. I'm a reporter with Congressional Quarterly -- I cover defense -- and I'm membership secretary of the National Press Club.

I'd like to welcome club members and their guests in the audience today, as well as those of you watching in C-SPAN.

Please hold your applause during the speech so that we have time for as many questions as possible. For our broadcast audience, I'd like to explain that if you hear applause, it may be from the guests and members of the general public who attend our luncheons, not necessarily from the working press. (Laughter.) There was some confusion about that.

The video archive of today's luncheon is provided by ConnectLive and is available to members only through the National Press Club website at www.press.org. Press Club members can also access free transcripts of our luncheons at our website. Non-members may purchase transcripts, audio and videotapes by calling 1-888-343-1940. And for more information about joining the National Press Club, contact us at 202-662-7511.

Now, before introducing our head table, I would like to remind our members of some of our future speakers from this podium. On February 27th, George Pataki, governor of the state of New York; on February 28th, Tom Vilsack, governor of the state of Iowa; and on March 14th, Mark Everson, who is commissioner of the Internal Revenue Service -- one month before the deadline. (Laughter.)

If you have any questions for our speaker, please write them on the cards provided at your table, pass them up to me. I will ask as many as time permits.

And I'd now like to introduce our head table guests, starting from my left and your right, and ask them to stand briefly when their names are called. Please hold your applause until all head table guests are introduced and then applaud vociferously.

First, Michael Bruno, congressional correspondent for Aerospace Daily and Defense Report; Geoffrey St. Onge of Bloomberg News; Andrea Stone, congressional correspondent for USA Today; Dave Ahern, editor of King Publishing's Defense Today; Marta Fita (sp), Washington correspondent for Poland's weekly news magazine Prost (ph). Ms. Fita (sp) is one of the newest members of the National Press Club and we welcome her. Mark Heller, Washington correspondent for the Watertown New York Daily Times; John Hughes, Bloomberg News and chair of the Club Speakers Committee.

Skipping over our speaker, Ken Dalecki, freelance journalist and the Speakers Committee member who helped arrange today's luncheon -- thank you, Ken -- Rick Whittle, military affairs correspondent for the Dallas Morning News; Ivan Scott, Pentagon correspondent for WTOP. General Pace has known Ivan for many years, and refers to him in public as his older brother. (Laughter.)

IVAN SCOTT: It's an honor, bro! (Laughter.)

MR. DONNELLY: (Laughs.) Although Ivan fears he may refer to him as something else in private. (Laughter.)

Our speaker today is the nation's top military officer, Marine Corps General Peter Pace, chairman of the Joint Chiefs of Staff. He leads the most powerful military in the world -- indeed, the most powerful in the history of the world. He is the principal military advisor to the president, the secretary of Defense and the National Security Council. The annual budget for his department is about half a trillion dollars, give or take a few billion.

Last September, General Pace became the first Marine to be chairman of the Joint Chiefs. And prior to that, he had served four years as vice chairman of the Joint Chiefs. He has commanded

U.S. Southern Command, which covers Latin America; was commander in Somalia during the difficult U.S. intervention there in the Clinton administration.

General Pace was born in Brooklyn and raised in Teaneck, New Jersey, and his father was an Italian immigrant. He graduated from the U.S. Naval Academy in 1967, and he served as a rifle platoon leader in South Vietnam.

His varied career has included stints as a graduate student here in Washington at the George Washington University and at Harvard, head of security at Camp David and White House social aide.

General Pace is the recipient of numerous decorations, including the Bronze Star, the Legion of Merit, the Navy Commendation Medal and the Defense Distinguished Service Medal. He oversees nearly 1.4 million U.S. soldiers, sailors, airmen and Marines. About 140,000 of them are serving in harm's way in Iraq and Afghanistan in wars that cost, through the current fiscal year, nearly \$400 billion. Nearly 2,300 U.S. military personnel have died in Iraq, along with thousands of Iraqis, plus thousands more wounded.

General Pace has a tough job, but he also has a soft spot for the men and women who serve our nation in uniform. Under the glass on his desk in the Pentagon is a picture of the first soldier who was killed when General Pace commanded that platoon in Vietnam, and at least one our head table guests saw tears in General Pace's eyes last summer when he read commendations for soldiers wounded in combat in Iraq.

Ladies and gentlemen, please give a warm National Press Club welcome to the chairman of the Joint Chiefs of Staff, General Peter Pace. (Applause.)

GEN. PACE: Thank you. (Applause.) Thank you all very much. When you get standing a ovation when you stand up, the best thing to do is just sit down. (Laughter.)

John, thank you very much. It's a distinct honor and pleasure for me to be here with you today, to wear this uniform, to be the chairman of the Joint Chiefs of Staff, to represent the incredible young men and women who serve our armed forces today and our nation.

I do want to get to your questions, and I promise you I'll leave most of the time to do that, but a couple of observations, if I may, before that.

There are multiple reasons, as I was sitting here this morning, that we, and certainly I, feel good about being an American citizen. This past week -- last week in front of the Senate Armed Services Committee and in the House Armed Services Committee, this week in front of the House Appropriations Committee, the secretary of Defense and I answered questions for multiple hours from our elected representatives. As a citizen of the United States, that makes me feel good to know that the senior civilian and military leaders of our country will appear in front of the Congress of the United States and will answer our elected representatives' questions until they're done asking questions. That's a very, very healthy thing.

And as John mentioned in my introduction, my dad was born in Italy in 1914, another reason to be proud to be an American. My dad came here, became an electrician, worked very hard all of his life in New York City, raised four children. And in most other countries in the world, I would be an electrician working in New York City, which is an honorable job, and serve my family well. But what other country in the world would allow an immigrant's son to be chairman? Not many, if any, and it's a reason for us all to be proud of this country.

Just before I came here was another reason to be proud of this country. I had the opportunity to meet with the wives, moms of many of our wounded who are currently at Bethesda and Walter Reed Hospitals. We all know of the incredible sacrifices that our fighting men and women are making for us. Not as well known is the valor, the sacrifice, that the families of our service members show every day. In fact, I would tell you that I believe in my heart of hearts that our families serve this nation as well as anyone in uniform ever has. (Applause.)

When we go off to combat, they stay at home and they pray for us. When we're safely home and we receive awards, they stand in the background and pretend that we did it all by ourselves. When we get tired, they dust us off and remind us how important what we're doing is. They keep our families tied together, which is incredible.

The next reason I'm proud to be an American today is this event -- this National Press Club event -- which is just one example of the free press in this country. I cannot imagine how our Constitution could be protected better than by a free press. I am proud of what I do to protect the Constitution of the United States as a uniformed member of the armed forces, but I am very proud of what you all in the press do to protect our country. Your questions, some of which may make me feel uncomfortable today, are exactly what you should be doing, and I should be trying to answer you the best I can and I will.

This last week has seen the culmination of over a year's worth of effort in several ways.

First, the Quadrennial Defense Review, which started last February and was delivered to Congress this week, represented the efforts of the civilian leadership and military leadership of the Department of Defense. To my knowledge, it was unprecedented in the way that it was put together at the senior leadership level. I know that I personally as vice chairman and then as chairman spent literally thousands of hours sitting with my civilian and military counterparts discussing where we were, what the challenges are for the future and how we're going to meet those challenges. And we did a lot of things to include what we would call wargaming the possible things that are out there -- taking everything we are doing today in the war on terrorism; taking the things that we've done in the past, like tsunami relief, hurricane relief, earthquake relief; adding to that mix the possible challenges that lie ahead; and trying to put together the worst possible cocktail of things that could happen to us -- the perfect storm, so to speak -- that we might have to look at in the future, execute in the future; and then taking the force we have today and the force that's going to be bought and provided in the QDR and the budget and seeing how those all worked together. Based on that year, I can tell you that your armed forces are fully ready to execute every part of the national military strategy.

Part of my responsibility as chairman was to provide to the Congress of the United States two assessments. One was the assessment about risk to the nation if the QDR was executed the way it had been proposed. The other was to provide my assessment of risk to the nation today in the current threat environment and our ability. I was proud to be able to report to the Congress that both in the case of the Quadrennial Defense Review and in the case of the national military strategy, your military is fully ready to succeed.

And the budget that just went up will allow us to prosecute the war on terror, transform the military, enhance joint warfighting, and provide quality of life for our service members and their families.

All of this together has, for me, culminated for the last week- and-half, two weeks in a way that has truly encouraged me about the way our nation functions and where we are today and how we are postured for the future.

I laid all those out there because I think somewhere in there probably rich territory for your questions.

I should, certainly before I stop for your questions, talk about Iraq and Afghanistan.

The progress in Afghanistan has been incredible. They now have not only a freely elected president, but a parliament as well. They are going about the business of building their own country in a way that makes you proud. I get back there about once every six months and I know many of you do more frequently, but when you see it in six- month chunks, you really get a feel for the enormous changes that the Afghan people and the Afghan government are providing for themselves.

Traffic jams don't sound like a good deal until you've been there when there weren't. Glass and windows doesn't sound like much until you've been there when there weren't. Boys and girls going to school, incredible. Business growing. The Afghan people are voting with the presence by coming back to their country, and through their purse in the way that they are rebuilding their businesses. They are voting that they believe their future is very strong, as do we.

And now NATO, twenty-six countries as an entity, coming forward to take on other responsibility to ensure that the security environment remains stable so that the Afghan people can prosper.

In Iraq, the progress has been enormous. We still have a lot of work to do, but when you look back over this past year, for example -- a year ago, there were just a handful of Iraqi army battalions that were in the fight. Today there are over 130, a battalion being 500 to 600 guys. Just over a year ago, there were no brigades. Brigades are about 3,000 men. Today there are over 30 Iraqi brigades. Just over a year ago, there were no divisions of 14,000 or better. Today there are 10. And the Iraqi armed forces are taking over more and more responsibility for more and more territory. So as the combined armed forces of the coalition and more and more of the Iraqi security forces provides stability in the country, the Iraqi government can step forward and take hold of their future.

The door has been opened wide. The election in January of '05, the referendum and the writing -- writing of the constitution and a referendum in October of '05, the elections in December of '05, and now the selection of their own prime minister and the establishment of a government that's going to rule for four years, all those provide incredible opportunity for the Iraqi people. It is now their time to step up, walk through that door and lead themselves to the future that they have.

With that, I'd like to answer your questions. (Applause.)

MR. DONNELLY: Thank you, General. I think you win an award for brevity, but that's good because we have a lot of questions.

But before I get to them, I'm sorry to say that I was a little distracted during the introductions and left out a couple of our distinguished head table guests. And they are John Fales, the author of the Sergeant Shaft column in The Washington Times -- John, please stand -- (applause) -- and Ed Prina (sp), retired Washington bureau chief and military correspondent from Copley News Service. Ed has been a member of the National Press Club for 58 years, and he covered every secretary of Defense from Forrestal to Weinberger. (Applause.) Again, my apologies, gentlemen.

And now to the questions. I've tried to group them in broad categories: Iraq and the global war on terror, sort of military personnel-related things and then some weapons acquisitions type things. So I may skip between them, but I'll try to stay organized.

The first question is a nice broad one. It's about the term "the long war" that the administration is now using. The question is will there be an end to the long war, and what will be the criteria by which we could describe the end of this war?

GEN. PACE: The long war refers to the fact that in all the terrorist campaigns that we have known about, the terrorist campaign has lasted 10, 20, 30 years, and therefore there is no reason to believe that these terrorists would have a time span in their minds of anything less.

That does not mean that we will be doing the kinds of things we're doing in Iraq for another 20 or 30 years or in Afghanistan for another 20, 30 years. It does mean that free peoples, free governments, are going to need to continue to be alert and proactive against terrorist cells.

If you would use the analogy of a police department in a city, it's not that the city itself is without crime, but that the police department itself is capable of keeping the crime level down at a level below which the society can function.

And that is what I believe will be the, quote, "end state" of the war on terror; not that all terrorists will no longer exist, but that, collectively, the community of nations will be able to keep the number of terrorist incidents down below the level at which all of our freedom-loving societies can function and provide the kinds of services that we want for our people.

MR. DONNELLY: The military command in Baghdad reports that insurgent attacks are up dramatically this month, especially in Al Anbar province. What's the explanation?

GEN. PACE: If you take a look at the entire year of 2005 and now January of 2006, the numbers of attacks in January are lower than the average number of attacks per month during 2005. But it is certainly true that over the last two or three months the numbers of attacks had been lower than they were in January.

I believe that the enemy knows the truth, which is that Iraq is a center of gravity for this war on terror. They tried to stop the elections in January of 2005 and they failed. They tried to stop the writing of the constitution and they failed. They tried to stop voting on the constitution by the Iraqi people and they failed. They tried to stop the elections in December and they failed. And now, through these attacks, they're trying to disrupt the process of the Iraqi people picking their prime minister and their leadership, and they are going to fail again.

MR. DONNELLY: When the Iraq war began, did you foresee the tremendous influence Iran would come to have there? And how is the Iranian presence inhibiting U.S. operations in Iraq?

GEN. PACE: It's not clear, first of all, how much influence Iran has. Certainly, as a Shi'a country, there is linkage and influence in Iraq. Not clear what and how much that is. That is not something that we should fear as a neighbor talking to neighbor. I do believe that it's important for the Iraqi government to be representative, to have Kurd, Shi'a and Sunni who, oh, by the way, think of themselves as Iraqis. We do more talking about Kurds, Shi'a and Sunnis than they do. They talk about being Iraqis.

So I believe that Iran will, as a neighbor, try to influence. I believe that the religious linkages are a way through which they can do that, but I also believe that the Iraqi people have much more interest in being Iraqi than they do of being a particular group or not.

MR. DONNELLY: There are a couple of questions on prisoner abuse. Some new photographs -- new yet familiar photographs -- from Abu Ghraib emerged I guess it was yesterday. The questioner asks whether you were disgusted by them, and do you believe that any responsible military officers higher up the chain of command will ever be prosecuted for these abuses?

GEN. PACE: The short answer is yes, I am disgusted by those pictures. I was disgusted by them when they first came out and were made available for us to see.

The pictures that are being published now, to the best of my knowledge -- and we're checking to make sure, but to the best of our knowledge -- are, in fact, more pictures from the same incident. And we will make sure that is true.

Those pictures from two years ago have been thoroughly investigated. There has been over 400 investigations. There have been multiple court martials. There have been multiple punishments. There are folks who are serving in prison right now for as much as 10 years for what they did.

There are also open cases about which it would be improper for me to speak, other than to say that we will continue to investigate this.

Remember that this was brought to the attention of all of us by a soldier who believed that what he saw was wrong, did the exact right thing and reported it to the chain of command. The chain of command did the exact right thing, which was to report it and investigate it. And we will continue to do the right thing, which is to report it as we know of it, investigate it, and prosecute as necessary.

MR. DONNELLY: The other event -- prisoner-abuse-related event yesterday was the disclosure of a U.N. report calling for the closure of Guantanamo Bay. How do you feel about that?

GEN. PACE: Well, I would feel a whole lot better about the report if the people who wrote the report had ever been to Guantanamo. When you write that kind of report and have that kind of impact and haven't been to the place you're reporting about, there's something wrong with that. (Applause.)

Having said that, Guantanamo is a facility that is run in a humane way. It has been the policy of the United States -- it is now and will continue to be -- that we will treat detainees humanely.

Your military does not want to be the jailors for the world. We have these individuals -- just under 500 right now in Guantanamo -- who say to us -- us as citizens -- if you let us go, we will try to kill you. So how -- how do you handle that? This is not a question for your military to answer. We've been given a mission to provide a secure environment inside of which these individuals will be kept, and we are doing that to the best of our ability, and we will continue to do that. But the nation has to decide the nature of the threat that these people pose and how best to deal with it because some of those who have been at Guantanamo over time have been judged to be less threatening than they were when they were picked up on the battlefield, and some of those have returned to their countries and resumed a, quote, "normal" life. Others have gone immediately back into the battle and have tried to kill us again. So there's a dilemma here.

But these are unlawful enemy combatants. They are our sworn enemies. They have said that they want to kill us and do away with our way of life. And oh, by the way, if they had their way, you and I would not be having this conversation in this room right now. This room would not exist because they would not have this kind of a free press.

It's an important thing for having national dialogue about. But the military standpoint, as long as we have the mission to provide security and protection for those folks, we will do so in as humane a way as we possibly can.

MR. DONNELLY: Back to Iraq. Senator John McCain, among others, has argued that we need more troops there, not fewer. What is your response to that? And if we don't need more troops, can you explain why?

GEN. PACE: I've been a member of the Joint Chiefs of Staff since 1 October 2001, when I became the vice chairman. General Franks when he was commander, General Abizaid as commander, General Casey as commander, are the ones who have done the assessments of what we call troop to task -- here's what you've got to get done and how many troops do you need to get that done. They have been the ones who have come forward and said this is what we need.

The Joint Chiefs then have met multiple times, every single time there's been a request for forces -- to change the size -- and we have agreed with the field commander's assessments of what is necessary. And we have recommended to the secretary of Defense and to the president that they, in fact, provide the levels that have been requested, and the secretary and the president have consistently allowed us to provide those resources. So the numbers that are there are there because your uniformed military, doing the analysis that we do, have recommended that that's the right size.

Now part of this is balance. There is a balance between having enough forces to provide security and too many forces to be an oppressive occupier. And understandably, the Iraqi people would like to have fewer foreign forces on their soil than more. And if you look at the opinion polls, the vast majority say they would like us to leave. The vast majority also says not yet. And it's the not yet part that we need to continue to work between Ambassador Zalmay Khalilzad, who is our U.S. ambassador, who's doing a fabulous job; General George Casey, who is his running mate in theater on the military side; and the Iraqi government to get that balance right.

That you've got 227,000 Iraqi security forces right now, growing to 335,000 under the current Iraqi government plan. And as that force gets stronger, we will come down.

So, for example, just before the elections we had 160,000 U.S. forces in Iraq. Today we're down to about 135 (thousand), 136,000, based on the assessment of the commanders on the ground that that is the size force that's needed. And routinely, General Casey gets his commanders together, they assess what is needed, they tell us on the Joint Chiefs what their recommendation is, we review it and give our own judgment to the secretary and the president, and that's how that -- that's how that process works.

MR. DONNELLY: On the subject of the training of Iraqi security forces, which is the linchpin of our exit strategy there, we've been told that more Iraqi security forces are taking the lead in operations in which they're fighting jointly with the U.S. But last year during Congressional testimony it was disclosed that only one Iraqi battalion was capable of fighting independently. What is that number today?

GEN. PACE: Last year the number was one, with five or six other battalions that were capable of going into the field and fighting. This year -- the specific answer to the question is one, with about 60, 70 or 80 more battalions in the Iraqi army plus another 50 in the Iraqi military, for a total of over 130 that are available to the fight.

Let me try to be more specific. We have done a disservice to the understanding of what is happening by the way that we said level one, level two, level three, level four. That was an internal way of looking at capacity. Level one is you can -- you, as a battalion, can go do anything you're called up on to do without any help from anybody. Let me put that in context for you.

I was a Marine rifle battalion commander from 1983 to 1985. I had just over 700 guys. There is not a place on the planet I would not have gone with that battalion and been proud to serve. If you had asked me to judge myself level one, level two, level three, level four, based on the

criteria that we're applying to the Iraqi armed forces, I would tell you my battalion was not level one, but level two. Why?

Because to get to the fight I would have had to hitch a ride with the Navy or the Air Force. To be in the fight, I would have needed sustainment, probably, from the United States Army. To get medically evacuated from the fight, I would have needed help from the Navy or the Air Force. So if you need any kind of outside assistance at all to do your job, you are level two, and that is why this focus on level one and level two in Iraq is really doing a disservice.

What you need to look at is the combination of levels one and two. Level two is fully capable of doing your job, but you need the people who provide support to provide the kind of support that you don't have organic to your unit. That number has gone from just over a handful last year to, as I said, over 130 this year, and that's what we should be looking at as far as their capacity.

MR. DONNELLY: A couple of other prisoner abuse things. I said I would try not to jump around, but they're good questions. The U.N. investigators, were they given full access down at Guantanamo? Were they given the access that they asked for?

GEN. PACE: To my knowledge, the U.N. investigators were invited to go, but were not going to be allowed to be one-on-one with prisoners. There had to be somebody present, which is a reasonable thing for those of us who have responsibility to ensure that nothing untoward is going to happen, to have somebody present in the room when someone from the outside comes in. As I understand it -- and I would have to check the facts -- as I understand it, that was unacceptable to the U.N. and that's why they did not go.

MR. DONNELLY: This was a question that came up at a Pentagon press conference, and I guess people are still a little confused about it. If a U.S. soldier or Marine in Iraq saw an Iraqi civilian being abused by a member of the Iraqi security force, should that soldier or Marine intervene? And a related question, should people in the U.S. military disobey orders that they believe are illegal?

GEN. PACE: In Iraq there's an order signed by General Casey, the commanding general in Iraq, that specifically stipulates that if a member of the U.S. Armed Forces witnesses abuse of Iraqi detainees by either U.S. or any force they have an obligation to try to intervene. And if they're not -- if it's one against 12, if it's not possible to physically intervene, then to report as quickly as possible so that the situation can be corrected.

Number two, it is the absolute responsibility of everybody in uniform to disobey an order that is either illegal or immoral.

MR. DONNELLY: Several question on worldwide threats. Let's start with Iran, obviously working toward a nuclear capability, or seemingly. What sort of military options does the United States have in Iran, and are our deployments in Iraq and Afghanistan -- do those deployments make us less likely to respond in Iran?

GEN. PACE: Well first of all, I believe that the international community has many, many, many diplomatic, economic, other opportunities to influence Iran -- not only the United States, but all the international community -- to affect the way that Iran is acting in the world. So from where I stand, from where I sit, we are a long way away from needing the military option.

If the United States military needs to do anything in the world, as stipulated in the national military strategy, as I already said, we are fully capable of doing whatever our nation needs us to do. One simple number: there are about 135 -- that's more than one number, sorry. There'll be a couple of numbers. There are about 135 (thousand), 136,000 U.S. service members in Iraq right now. In the Gulf region there are just over 200,000. That is out of a total force of active, Guard and Reserve of 2.4 million.

Said another way, there are 2.2 million U.S. service members, active, Guard and Reserve, who are not currently in the Gulf who are ready to respond to whatever our nation needs us to do.

MR. DONNELLY: Do you see China as a future military rival and, if so, what should we do about it?

GEN. PACE: I see great promise in our relationship with China. I believe that there is so much more good possible than potential bad. I believe that the more that we have economic ties, which we are increasing every day; that the more that the people of the United States and the people of China benefit from open trade, the more -- the less likely it is that there'd be any kind of conflict.

Having said that, we should not be, as military men and women, we should not be oblivious to the fact that the Chinese are very, very capable people. And therefore, without deciding who you may have to fight, you have to take a look out 10, 15 years and take a look at what the world is capable of producing in the way of capacity and capability, and then positioning ourselves in a way that allows us to defeat any potential enemy.

A threat is a combination of somebody else's capability and intent. I do not believe that the Chinese have the intent to have some kind of military confrontation with us right now. They are very, very capable, as are other nations around the world and, therefore, it's my responsibility, and those of us in uniform, to be able to provide to this nation the capacity to deal with any challenge. But I truly believe that the future for China and the United States has much more potential to be very, very positive than to be negative.

MR. DONNELLY: The Wall Street Journal is reporting this week that the Army is making basic training more a warm and cuddly place. Are the Marines going to follow suit? (Laughter.) And are we softening them up too much?

GEN. PACE: I'm wearing the wrong uniform to respond. (Scattered laughter.) I've read that article, I have not -- I'm in discussions with General Pete Schoomaker, the chief of staff of the Army, multiple times a week. I don't know that that article is accurate, number one. I do know this: that we have the world's best army, it is the world's best-trained army, that we will continue to provide to our recruits both in the Army and the Marine Corps the kind of stress that's needed to ensure that they understand where their own personal limits are.

You don't want Pfc. Pace to find out where his personal limit is in combat. You want him to understand what he can do, what he's capable of doing, before he has to go do it in combat. So the Army will continue to do what it does, which is train the world's best soldiers. The Marine Corps will continue to do what it does, which is train the world's best Marines, and together we'll do whatever the nation needs us to do.

AUDIENCE MEMBER: Hoo-ah, sir! (Laughter.)

MR. DONNELLY: A couple questions on proposed changes in the health care system for military personnel, something you've testified about in recent weeks. TRICARE fees are going up, deductibles and annual fees for retirees under the age of 65. The first question, why is that happening? And the second is apparently most of the cost savings are assuming that people will not sign up for the programs because of these increases. Is this a realistic initiative?

GEN. PACE: In 1995 the Congress of the United States provided to your military a terrific health care benefit, and it was a health care benefit based on the individual member paying about 27 percent of the cost. In 2001 it was costing about \$18 billion a year for that program. Five years later, in 2006, it's going to double to just below \$36 billion -- correction, I got those numbers wrong. It was 19 billion (dollars) and just below 38 billion (dollars) -- are the right numbers. Why?

One, health care costs have gone up.

Two, the program is so good that individual employees are telling their retired military employees to use the military health care system instead of the company's health care system.

Three, state and local governments are doing the same thing; they're telling their military retirees to go use the military retiree system before they try to tap into state and local.

The Joint Chiefs looked at that and said, it's 19 billion (dollars) -- was 19 billion (dollars); it's 38 billion (dollars) this year. It's going to go to 65 billion (dollars), give or take, by 2015. We want to protect this benefit for not only today's retirees, but tomorrow's, of which, oh, by the way, I hope to be someday. And to think that in 2025 we'll still be paying 1995 premiums doesn't make sense. And I failed -- I think I forgot to say that another reason was that the 1995 premium has not changed, so that instead of 27 percent of the cost being borne by the individual, now it's about 12 percent of the cost.

So after many hours of discussion, to include making sure that we are taking care of those who have already served, the Joint Chiefs concluded that to protect the benefit today and into the future, we recommended unanimously that the Congress of the United States renorm -- for the retired population under 65 only, renorm for that population to today's dollars what they were paying in 1995 to get the system back in balance.

It has zero effect on active duty and their families. It has zero effect on people 65 years and older. It does not touch the \$1,000 catastrophic cap on active duty families. It does not touch the

\$3,000 cap on retired families. What it does, if acted upon by Congress, is take the 1995 benefit and renorm it to 2006 prices.

MR. DONNELLY: And are you -- the savings that you project from that program, are they predicated on an assumption that people will no longer access the program in considerable numbers?

GEN. PACE: When the Joint Chiefs met and considered it, the only thing we looked at was the change in premium from 1995 dollars to 2006 dollars. I have heard reported in the press that some folks think that maybe others -- that some folks will not use the benefit. That was not part of the Joint Chiefs' calculation. We purely looked at renorming from 1995 to 2006.

MR. DONNELLY: Currently, the widows and orphans of deceased or fully disabled military personnel receive two benefits, one from the Defense Department called the survivor benefit program, and the other one from the VA, I think it's called the indemnity compensation program or something like that, you probably know what I'm referring to. But the questioner -- right now you can't get both. You can't get the DOD one without it being offset by the amount of the VA one. And there has been an effort in Congress that hasn't succeeded so far to try to allow those widows and orphans to receive both without having the one offset the other. What's your view on that?

GEN. PACE: First let me digress, because this brings up another point that I should have mentioned in the health care thing, and that is that we want to ensure that the widows and children, and that those who are retired because of injuries in combat and the like, are not adversely affected by the premium changes. So we asked that as we renormed, that we also take special consideration for the widows and children of our fallen heroes.

I don't know enough about the dollars and cents issue of what you just brought up to make a good comment, so I will not. I will look into it and get better advised. I know that there have been multiple years of our organizations that work for military benefits. I know they've been chasing that particular benefit for multiple years.

I do not have in my head the numbers that would be -- the number of individuals that would be affected, nor do I have in my head the cost of that. And therefore, to pontificate publicly would be wrong.

MR. DONNELLY: Here's another non-controversial question. With the long war possibly occurring on many fronts, should the Congress reinstitute the draft? (Laughter.)

GEN. PACE: Whether or not the nation has a draft is the nation's call. I can tell you whether or not I need the draft. And I do not -- not Pete Pace -- we do not as a nation need the draft.

Why? Inside of the 2.4 million service members, we have been working really hard for the last several years to rebalance the force between active, Guard and Reserve so we have a good mixture on active duty without having to call up the Guard and Reserve. We've also been working real hard to take those jobs that can be done by civilians, so we can contract civilians to

do them, to free up soldiers, sailors, airmen and Marines to do jobs that only military folks can do.

As a result of that, your Army, for example, had 33 brigades that they could put into combat. A brigade is about 4 (thousand) or 5,000 soldiers. Had about 33 of those when this internal reworking began between active and Reserve and civilianizing billets so we could free up a soldier. The Army is building to 42 brigades over the course -- there are 37 -- there were 33, they're at 37, going to 42. That's in this budget as part of the Quadrennial Defense Review.

If you think about rotations of forces as being one year out and two years back for a normal two-year tour of a soldier in a division, for example, in a brigade -- one year out, two years back -- that means, of the 42 brigades, you could have 14 deployed all the time, and continue to have a very, very good rotation pool, not forgetting that as people come back they transfer out of their other jobs, new soldiers come in, and the pool starts again. That's on the active side.

On the Reserve side, you had -- correction, on the National Guard side -- you had 15 what were called enhanced brigades. But the enhanced brigades did not have the same equipment, did not have the same manning, were not, through no fault of their own, as well resourced as the active-duty Army was.

This plan is taking the 15 brigades that were only partially funded to 28, and there's \$21 billion in the budget -- correction, in the four-year budget; not just this year, but in the next five years -- \$21 billion to buy the equipment and man those units. So you will have 28 National Guard units.

And the policy that goes with that is, on the Reserve side, that you have one year in combat, or activated, doing something like hurricane relief or whatever is needed; and then you would have five years where you would -- your unit would be at rest. Using that math, you can then have four or five National Guard brigades on active duty continuously for the nation. Collectively, then, you can have 18 to 19 brigade-sized units on active duty for the nation for as long as you need to. Today you've got 15 in Iraq, you've got -- you're going to 15 in Iraq, excuse me; you'll be down to 15 at the end of March -- and you are going down to two in Afghanistan by the end of June, for a total of 17.

So even today's force could be sustained for as long as we need to with the numbers that are in the budget and in the plan. If another challenge comes along, then you surge. You either bring on duty more active -- or more Reserves, or you use more of your active force. But there is plenty of flexibility in this plan to be able to go for as long as we need to, anywhere in the world, at today's employment rate, and still have lots left to surge if a challenge comes our way.

MR. DONNELLY: What you just said dovetails into this question. Many in the Reserve forces have been activated for up to a two-year period for the current conflict. Do you think there will be a need for Reserves to serve over two years to maintain troop strength, or is it going to be solved by what you just said?

GEN. PACE: I believe in large measure it's going to be solved by what I said and the fact that the time that we have had over the last two years, where we've been able to rely on our Guard and

our Reserve, has bought us the opportunity to restructure the Army to get, as I said, from 33 brigades up to 37, now going to 42, which means that in this next rotation of forces that's going to the Gulf region that begins in March, instead of 40 percent of the force being Guard and Reserve as it was two years ago and about 30 percent being Guard and Reserve as it is now, it'll be down around 19 or 20 percent for the force that goes out in the coming months. The total force Army has allowed itself to get reconfigured.

In addition, with the cycle I talked about for the Reserves and the Guard -- one year out and five years back -- it allows that unit to know that in 2006 it's potentially going to go someplace. Whether or not it does go someplace, for the following five years it knows it's not going to go unless there is some spike that we need to respond to.

That gives the unit commanders the opportunity to plan their training cycle in a way that means that instead of having to bring them on active duty three to six months before they deploy to finish up their training, that they will have had the previous five years to focus in on those trainings -- that training time -- and then, instead of having to have six months ahead of time, 12 month deployed, and then a month or two cleaning up your equipment and getting back into the civilian community, they can do it perhaps in just a month or two on the front end, 12 months deployed, and maybe a month or less on the back end.

So we're trying to respect the value and time of our Guard and Reserve by managing the resources much more efficiently.

MR. DONNELLY: We have a number of questions about weapons acquisitions. I guess -- I think I only have time to frame it in a larger question about -- you just finished the Quadrennial Defense Review and the '07 -- fiscal '07 budget, but you received a lot of criticism for not -- what critics say would mean making tough choices about cutting what they call Cold War weapons. They are thinking about destroyers and things like that. Have you made the hard choices, or are we just stalling them for -- to be made down the road?

GEN. PACE: This is very much a continuum. It's not that the QDR started in February of last year and ended in February of this year and it didn't exist before and won't exist tomorrow.

There are a lot of things that happened before February of '05 when we started the formal process of the QDR, to include doing away with the Comanche and other type of assets. The Army cancelled or terminated many, many systems over the last couple of years that were legacy that you needed to fight the Soviet Union but you didn't need in that many numbers for the present environment.

Today, tomorrow and the next day, we're taking what the QDR report says now and working out the road maps to make sure that what we said we wanted to accomplish will get accomplished. Metrics, timelines, responsibilities apply to individuals to get things done, to ensure that we get to where we're going.

If I could remind you of what I said up front, we took what we believed was the worst possible cauldron of things that your military might have to respond to in the next 15, 20 years -- the most

stressing for the Army, the most stressing for the Navy, the most stressing for the Marine Corps, et cetera -- and pretended that all of that happened at the exact same time, and modeled -- and used our modeling capacity to then apply the forces that were in existence at that time against the requirement. And that's how we got to the comfort level about the numbers of ships that are being bought, the numbers of airplanes that are being bought.

You do need high-end capacity. There is not a peer competitor in the world to your armed forces today. We want to keep it that way. We want to make sure that nobody thinks that through military force they can coerce the United States of America to do something. That requires a certain amount of our resources to ensure that we pay that insurance to be available.

Then you have what's happening today for sure, and that's the war on terror. And that is why you see a significant increase in special operations, a significant increase in human intelligence, a significant increase in language capacities, all the kinds of things that you need to fight terrorists.

But you -- when you take whole cloth and the whole spectrum that we need to do, and then you do it in the way we laid it out in our modeling over the course of a year -- thousands of hours -- I have the confidence to stand in front of you and say what I did, which is that for everything that we can see that your nation -- that our nation will need your military to do, what is stipulated in the national military strategy and all the things that we can dream up that might happen, we are ready with the force we have and with the force that we propose we buy.

MR. DONNELLY: Before I ask the last question, I want to present you with a certificate of appreciation from the National Press Club, General, and the coveted National Press Club mug for -- (applause) -- for the beverage of your choice.

And one last question -- I'll let you put that down -- at a recent Pentagon news conference, you inadvertently contradicted Secretary Rumsfeld by referring to the enemy in Iraq as "adversaries," a term that he believes gives them more stature than they deserve. If you keep doing that, how long will you keep your job, this questioner asks? (Laughter.)

GEN. PACE: Actually, I'm calling them insurgents, which was the word that he prefers not to use. But collectively when you look at the folks we're fighting against, they are operating and acting like an insurgency. You prefer not to give them that kind of credibility because they don't deserve it, but on the other hand, when you think about how to counter what they're doing, you need to have it in some kind of a framework where you can have a discussion with folks in uniform.

So I think I made that mistake a couple of times and haven't gotten fired yet. (Laughter, applause.)

MR. DONNELLY: Thank you, General Pace. Thank you very much.

I'd like to thank you all for coming today. And I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's lunch. And thanks to the National Press Club library for their research.

Thank you and good day. (Sounds gavel.) (Applause.)

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