



Transition to Power: Challenges Facing the New Administration

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SIX INSIGHTS -- THE WAR ON TERROR

- The terrorist organizations threatening the U.S. have been intimidated and badly damaged -- but remain a danger to the American people.
- Global animosity toward US foreign policy and the Bush Administration was intense -- but reduced by the leadership of Secretary of Defense Bob Gates -- and the new Administration of President Obama and Secretary of State Clinton.
- Homeland security has improved immeasurably since 9/11 (not withstanding Katrina) but is grossly under-resourced and not well organized by Congress.
- The proliferation of WMD nation states and technology remains the principal threat to the American people and our allies.
- The war in Iraq has taken a dramatic turn for the better -- we will largely withdraw in the coming 36 months.
- The war in Afghanistan is badly supported by our NATO Allies and threatened by an ineffective Afghan government and instability in Pakistan.



US TOOLS TO SHAPE THE INTERNATIONAL ENVIRONMENT

- Diplomacy is under-resourced and poorly organized.
- International Development Assistance lacks money and leadership.
- Arms Control is more effective than air attacks.
- International Law Enforcement Cooperation is a major success. (FBI and DEA)
- Nonproliferation Initiatives lack a modern framework and international leadership.
- Shaping World Opinion is a function of sound policy and collective diplomacy -- not slick PR.
- Covert Action and Collection has improved enormously with new resources and courageous dedication by the US intelligence community. (CIA, NSA, and DIA)
- US Military Intervention must be the tool of last resort. When employed it must be violent, focused on clear objectives, and fully integrated with other elements of national power.



PROTECTING US CRITICAL INFRASTRUCTURE

- Protecting America's critical infrastructure and key assets is a formidable challenge. Our open and technologically complex society presents a huge array of targets.
- The macro numbers are enormous: 87,000 communities; 1,800 federal reservoirs; 2,800 power plants and 104 commercial nuclear power plants; 5,000 airports; 120,000 miles of railroads; 590,000 bridges; 2 million miles of pipeline; 80,000 dams.
- 85% of our critical infrastructure is privately held. Critical Infrastructure Protection (CIP) must be a public-private enterprise. Owner-operators must protect their resources.
- It is impossible to defend everything against every conceivable threat. We must move beyond gates, guards, and guns. We need to design security features into new infrastructure. We need new technology to protect potentially high-casualty targets.
- Federal Government support is vital in the transportation sector. Transportation choke points are a particular concern. We must develop a coordinated mechanism for assessing vulnerabilities and evaluating risk mitigation activities.



THE US ECONOMY IN TURMOIL

- The US economy will bounce back in the coming 24 months despite the ongoing recession caused by:
 - The credit market meltdown.
 - The collapse of the housing bubble.
 - Trade export-import balance deficits.
 - Tax revenue vs. expenditure shortfalls.
 - A grossly weakened US currency.
 - Oil price fluctuations.
 - Incompetence in US economic regulatory mechanisms.
 - Corruption in senior financial community leadership.
 - Massive loss of jobs particularly in the industrial base.



THE POWERFUL US GLOBAL ECONOMY

- 2007 global GDP was \$56 trillion +
 - US contributed 25% (\$14 trillion)
 - China only contributed (\$3 trillion+)
- US tops the World Economic Forum global competitiveness report.
- US attracted \$2 trillion + in foreign direct investment in 2007. (UK – Hong Kong – France next top three each @ \$1 trillion)
- US has manufacturing lead in pharmaceuticals and aerospace.
 - 25% of the world's total output.
- Giant US GDP:
 - Brazil GDP = Florida + Illinois GDP
 - Russia GDP = Texas GDP
 - India GDP = 1/2 of California GDP
- Leading global exporters -- US, China, and Germany all export over \$1 trillion each.



LOOKING TOWARD THE FUTURE

- Relations with Europe will dramatically improve with the President Obama Administration.
- US-Russia relations will grow more hostile – Prime Minister Putin has re-established authoritarian control of the state and its mechanisms.
- Political and economic relations with China will continue to remain strong even as the PRC emerges as a major Pacific naval and air force military power.
- The crisis in Iraq will stabilize and US forces will largely withdraw in the coming 36 months. (35,000 US killed and wounded -- \$687 billion total).
- The next five years in Afghanistan will be complex. The political and economic situation may improve with massive new US resources. (\$184 billion expended). Our Allies will not step up to the military challenge. The country is in misery.
- North Korea will come apart. We must facilitate a soft landing for this dangerous regional nuclear power.
- The situation in Pakistan is unstable. Our position in Afghanistan would be untenable without Pakistani support. Democracy is at peril.



LOOKING TOWARD THE FUTURE (Continued)

- Political and economic relations with India are now immeasurably better than pre-9/11.
- Iran (Persian/Shia) will go nuclear and create instability in the Persian Gulf. The Sunni Arabs will create a nuclear-military coalition.
- US – Japanese economic, military, and political cooperation will grow even more intense.
- Saudi Arabia will continue to modernize, maintain stability, and greatly improve the capabilities of their Armed Forces and internal security.
- Mexico in desperate need of serious US political and economic support to confront violent criminal drug cartels. US must act in deference to Mexican sovereignty.
- The death of Castro -- meltdown of repression – 250,000 refugees within 36 months.
- Confrontation with Chavez -- instability and oil. We have no US Latin-America regional strategy.
- Terrorists will strike at America during the next Administration's first term.
- The President Obama Administration must urgently address the strategic challenges we face: immigration, social security/Medicare, health care, education, transportation infrastructure, and national security.