

Season 2- Episode 6

Olga Torres: Thank you for joining us today on the Torres Talks Trade podcast. My name is Olga Torres and I'll be your host today. Today we're joined by Lieutenant General Stephen Lanza, who retired from the U.S. Army in April 2017 as the commanding General of America's I Corps and Senior Mission Commander for Joint Base Lewis-McCord in Washington State. During his most recent command, Lieutenant General Lanza led projects to ensure over 53,000 troops remain globally responsive and regionally aligned. Under his leadership, I Corps implemented the Department of Defense's initiative to rebalance forces to the Pacific by deploying headquarters to Australia, Japan, and Korea and incorporating American forces in Alaska, Hawaii, and Japan, while still remaining ready to respond to Forces Command Global requirements. He has extensive command experience, including with the 7th Infantry Division at JBLM; 5th Brigade Combat Team, 1st Cavalry Division, Fort Hood, Texas; Operation Iraqi Freedom, Iraq; and the 1st Battalion, 5th Field Artillery, 1st Infantry Division, Fort Riley, Kansas. His operational deployment experience includes Operations Desert Shield and Desert Storm, Saudi Arabia; Operation Joint Guard, Bosnia-Herzegovina; Operation Iraqi Freedom Iraq; and Operation New Dawn, Iraq. He also holds a master's degree from Central Michigan University and the National War College, and he has served as a National Security fellow at the Massachusetts Institute of Technology.

What an impressive bio. I'm reading it and I am getting nervous. Just reading all these impressive things that you've done. Thank you so much for joining us today. You are our first military discussion that we've had in the podcast. We typically have, obviously on the civil side and we deal a lot with national security, export controls, economic sanctions, and we're very excited to be able to have a discussion on the state of affairs of the U.S. military based on your experience and some of the new geopolitical challenges that we're having, specifically Russia, as well as China. We're hearing a lot of questions from our audience and from our clients. "What happens if such and such thing happens?" So, it's going to be very interesting to have you answer some of those questions that we're getting. But first of all, we would like to thank you, thank you so much for devoting your life to protecting our way of life. We're very honored to have you on our podcast.

Stephen Lanza: Well, thank you very much. And it's a privilege to be part of this Olga. So, thank you for the opportunity to talk to your listeners, and I hope I bring a perspective perhaps that they haven't heard, or something that they'll find interesting about future global affairs and where we are today as a nation.

Olga Torres: I'm sure that will be the case. So, I always like to start the podcast just to break the ice a little bit. Just tell us a little bit about your personal background. Where are you from? Why did you decide to join the military and what led you to where you are?

Stephen Lanza: Well, great. And, again, thanks for the opportunity. So, I'm from New York City, originally born in Brooklyn, New York. Grew up in Brooklyn, in Staten Island. The first person in my family to go to college. So, my dad was very proud of the fact that his son could go to college. So, pretty emotional, my dad just passed a while back. But anyway, I decided I wanted to play sports and I wanted to find a good academic institution. So, I applied to a variety of colleges and as happenstance West Point came through and my dad said do you really want to go there? And I looked at the brochure and it looked very exciting. It looked just like an exciting place to be, but I didn't know I was going to be a military officer as a career. I thought I would go to West Point, get a great education. It was a full scholarship, which was always helpful, and then did my commitment and leave. But once I joined West Point and once, I got into the military, I found that I really enjoyed being on that particular team. I love the mission. I love responsibility. I love the fact that I was part of something bigger than myself. It was about what we did with the team and the collaboration we had and the trust we had on each other. And I just gravitated towards that. So, after my five-year commitment, I decided to continue. And then once I had command in the military, I think Olga, that was the hook. I first got command as a captain. I think that was the hook that kept me in because I just loved being around the soldiers and I loved the missions that we were doing.

Olga Torres: That's very interesting. So, a little bit of not to digress too much, but when I first came to the U.S. I came in as an international student. And when I was attending college one of my, technically he's a very close friend of our family and I call him an uncle, and he was a Marine. And I try to imagine, what if I joined the Marines? And back then, I don't know now, they didn't count your college degree if you were not a U.S. citizen. So, I was like, eh, I don't know if I want to do that. But I actually do have questions about that later because I've been reading about recruitment for the military, it's down and whether maybe things will change in the future depending on how much, or how many people we need.

Stephen Lanza: I'm happy to talk about that because it's such a big issue in the military to meet our recruiting goals and some of the initiatives that the Chief of Staff of the Army has done to kind of work through that.

Olga Torres: Interesting. So, I guess we can get started, just again, our audience is not going to be your typical military. They may not have as much knowledge about our military. So, tell us about the U.S. military, our size, our budget organization, how does it work, how is it structured? And I actually had an interesting discussion as I was preparing for the podcast with one of my associates at least with respect to China, we were talking about how much we need the Navy. And so, we were discussing how it would work? How does the Army fit in, because we have air Force, Army, Marines, and so understanding some of that structure that will be clear for our listeners.

Stephen Lanza: Well, let's talk a little bit about the U.S. military and the Army is a large institution. The military is a large institution. The army is a million-man, strong man and women strong. That counts the active component, the reserve component, and the National Guard. We are stationed globally all over the world in 157 countries. We have military people, American soldiers in 157 countries. What is great about our military is the ability to do joint and combined operations to work together. You brought up the Navy, but working together with the Air Force, the Navy, the Marine Corps, and the Army is very significant. I think for your listeners, if you see the challenges that Russia has had right now doing joint operations, we are extremely competent in doing that. We're also able to project combat power very easily. We have a large ability to globally lift our soldiers. We have an incredible Air Force and Navy, so the ability to project combat power is extremely important.

I think one of our other great capabilities is logistics and sustainment. The ability to sustain and take care of our combat forces wherever they are. I'll talk a little bit about the budget later on, but it is a fairly large budget. But again, this budget is about three rheostats. So, the military has a large budget, 860 billion dollars, about \$186 billion for the Army. But there's three rheostats. The first one is about personnel, and that's pay, that's medical, that's retirement. The second one is about readiness, and the third one is about modernization. So, we have to take care of all those three rheostats. And a little bit in the future I'll talk about why we've had some challenges with modernization based on Iraq and Afghanistan. But I think the biggest thing about the military is the trust that the nation has in us as an institution. We are a professional military. We're an all-volunteer force. And I think the nation, if you look at our statistics, we have our challenges like any other large organization, but there's a certain amount of trust the nation has as an institution, especially as a profession, as a values-based organization.

Some of our other capabilities we have for the government is we're able to work with large, complex problems. If you look at some of the geo-strategic problems

the United States has, the military has been able to lead a lot of those efforts, interagency wise, for the U.S. government. And then we have a tremendous capacity with intelligence, as you probably know. So, the ability to collect intelligence, the ability to do reconnaissance is something that we value very much. And of course, the advanced technologies that we have, I think we do a tremendous job developing advanced technologies for the government and for the country. I'll give you one very good example, as you know, in Iraq and Afghanistan, we had a lot of wounded soldiers, unfortunately due to combat, but a lot of the gains that America has seen in medical capabilities have come from combat operations. A lot of the things you see with prosthesis is a lot of things you see with clotting of blood. A lot of things you see with medical procedures have come because of the innovations that we've done in those particular situations. And I think one of the great things about the military is that we continue to innovate with our technologies and then those technologies are passed out through the rest of America.

So again, I'm just very proud of the military, but more importantly, I'm proud of how we work together as a cohesive team. And I think that adds a lot of value to the government.

Olga Torres: Very interesting and I think you gave us a big overview and you also sort of touched on what sets us apart from other militaries. But zooming in, and I know you know a lot of it, this will be China, how do you think we compare against the Chinese military. And I believe that we have the strongest military, but I've been hearing a lot of in the news and just reading that they have invested so much in their military and some of the recent exercises that we've been conducting, whether nonprofits or sometimes I think the OD simulations. If there was some if there was a war against China, I was surprised to hear that it wasn't a convincing win on our side. So, I was wondering why that is.

Stephen Lanza: Let me go back a little bit. I think as your listeners probably know, for the last two decades we've been involved in Iraq and Afghanistan. We have been focused on what was called counterinsurgency operations in those two countries. Prior to that, the military was scaled for Russia. We were scaled against doing things for deterrents. We were scaled for the Cold War and that kind of mission. But in the last two decades, we've really changed our operations for counterinsurgency and to be frank with you, the Chinese have learned from that. They have watched us over the last two decades. They have changed the way they fight. They have changed the way they organize. They have trained, changed the way they operate as a military. Let me give you some examples. the Chinese military is doing more with joint operations. I just

mentioned that earlier about how they work together and break down the stove pipes within their military. They have professionalized their force. President Xi has looked and tried to root out corruption in the military to make them more professional. They have established what's called theater commands, which look very close to our combatant commands. As you know, the U.S. military has combatant commands that are geographically and globally aligned throughout the world. China has continued to do that. The Chinese are also looking to do expansion work. They now have op bases in Djibouti. They have deployed to Syria. They have established the nine-dash line in the South China Sea, which some of your listeners might be familiar with. They have expanded into some of the barriers and reefs in the South China Sea and have operationalized and militarized those bases. They have increased their advanced technologies with hypersonic weapons.

Olga Torres: I've heard that they were more advanced than us with respect to hypersonic weapons.

Stephen Lanza: In some areas they are. And again, I'll cut to the chase here, we are in a race to transform. The U.S. military is in a race to transform our capabilities right now in some areas to make sure that we have the deterrence capability for China. But I will be frank with you, we don't want to have a war against China. What we want to do is we want to win in competition. So, the Chairman of the Joint Chiefs of Staff General Millie, now has published what's called the Joint Concept on Competition, which is a whole of government approach leveraging the military, our political entities, our economic entities, and other interjencies so that we can compete against China and win without having to go to a global scale of war. And I'll be frank with you, if we ever get to that global scale of war, it would not just be about Taiwan, it will spill into other areas. You still have challenges with North Korea. You still have regional threats in Iran, you still have challenges with violent extremist organizations. So, there's much more of a threat out there to the nation than just China. But it is very consistent that I think the government does not want to have a full-scale war. But this winning in competition is significant. In order to do that, you asked about the U.S. Army, we have to be present. We have to be forward of the international dateline, so the Navy and the Air Force can do that, but having Army presence in different areas will do that.

General Flynn, the U.S. PAC Commander, United States Pacific Command, has stood up what's called multi-domain task forces with unique capabilities that are designed to be in that first island chain in the Pacific to enhance with deterrents. What the Chinese have done brilliantly in the last two decades is they've established what's called anti-access area denial capabilities. You brought up a

couple of them, hypersonic weapons, integrated air, and missile defense is another, but this is designed to keep the United States military out of areas they do not want us in. Think of the South China Sea, think of the Straits of Taiwan, and it is very hard to penetrate those anti-access capabilities. So, we're developing capabilities to do that with our Navy. We're also developing capabilities where our military, as I said earlier, will be present forward. Some of the capabilities our military has to develop as the Air Force is focused on bombers, the B 21s, our Navy is focused on new submarines and new capabilities to do that. And our army now is focused on long-range precision munitions and also integrated air and defense capability that can be positioned in the Pacific.

Olga Torres: I heard and read that our submarines are at least a generation more advanced than the Chinese equivalent submarines. So that made me feel a little better. But going back to what you said, which it's reassuring to hear that, that no one wants to go to war with China. At the same time, we're hearing, at least the public non-military, we're hearing a lot about whether the Chinese would invade Taiwan and what will be the U.S. response. And it's sort of been made clear by the administration that we would intervene and our military would intervene and defend Taiwan. Are we ready for that?

Stephen Lanza: Let me couch this about Taiwan because I think this is a very important point. I happened to be in China a few years ago.

I had the opportunity to go into their bunker where their equivalent of our chairman sits, their chairman of the joint chiefs of staff. One of the things he told us is that everything is negotiable except Taiwan. One of the things he talked about is that they want Taiwan, Taiwan to them is part of China, just as Hong Kong was. So, I think that will be a challenge for us in the future. And I've been in Taiwan as well, and I would argue that they're under attack every day. It may not be with kinetic weapons, but if you look at cyber, if you look at some of the challenges that Taiwan faces, the Chinese are working very hard every day to disrupt Taiwan. Now be that as it may, because of what's happened now in the last couple years with China, we have gone to great efforts now to try to reinforce Taiwan. And there's a strategy called the Porcupine strategy for Taiwan to make them so hard to penetrate, that it would be very hard for the Chinese and would not be cost effective for them to do that. So, there's a lot of weapons now that are being given, when I say given to Taiwan, but sold to Taiwan. We now have military engagements with Taiwan, which we have not had in the past. But there's a completely different perspective now on how to make Taiwan more of a porcupine for the Chinese, so that it's extremely hard.

But the biggest challenge Olga is one, the tyranny of distance. You know, Taiwan from China is a hundred miles. If you think about Hawaii, yes, Hawaii's in the Pacific, but it's 5,100 miles from Taiwan, right? So, think about the advantage you have in terms of distance and the tyranny of terrain and distance as it pertains to our ability to engage. And that's why we need to be positioned forward of the international date line, to have that presence there in the theater.

Olga Torres: So, what I'm hearing is, at some point, my understanding is right now our militaries are not talking, the U.S. military and the Chinese military. But at some point, when you did have access to military there, Taiwan is out of the question. At some point there could potentially be invasion to Taiwan and at that point it becomes what is our reaction to that invasion?

Stephen Lanza: I think, yeah, I think politically we'll have to determine how much we want to react, but I think right now we want the Taiwanese to react accordingly. I will tell you also that other countries now are involved in this. If you look at Australia.

Olga Torres: And that was my next question. So, we're working with Australia, we're working with our allies too.

Stephen Lanza: Japan, we're working with India. I mean, this is not about just the U.S. going alone. It has never been about the U.S. going alone. There is nothing we can accomplish, I think, and this is Steve Lanza's perspective, without partners and allies. So going alone is not the right answer. We need partners and allies, and I think the Chinese are watching very closely what happens in the Ukraine. They're watching very closely on our treaty. How do we keep NATO together? The reaction of our partners and allies. How do we continue to help Ukraine because that's going to have an impact on Taiwan. So, we have conducted a lot of partnerships and a lot of training, and we have a lot of treaties now in the Pacific. We're going to base forces in the Philippines. This is something new. Well, it's not new, we're coming back to the future, but we're going to put forces back in the Philippines. We are reinforcing Guam. We are reinforcing our training with Australia. The Australian Navy is looking at their capabilities as well to project combat power. The Japanese have relooked at their constitution on conducting more offensive operations instead of just force protection and self-defense, which is what their constitution has had them to do.

So, these things are very significant in how we look at Asia and how we look at the theater. India has their own problems with the Chinese, as you know, on their border in the north. So, India can be a partner, an ally, but India is tough because they also have a unique relationship with Russia.

Olga Torres: I was just going to say, so India, when I watch what India's doing, it's sort of very lukewarm with respect to Russia. I feel like they're playing double agent there. But I always, just from a geopolitical, not as much from a military standpoint, I kept thinking India's not necessarily kind of side with China, just historically, with the relationship between the country. So, I'm glad that you're saying the same thing.

Stephen Lanza: And we're doing a lot with India. We have a lot more engagements. A lot more exercises. I know when I was in command, we actually did operations in India and had the Indians come here to do operations with us. So, there's a lot more of that. And General Flynn is taking on a greater role in extending operations into India and leveraging our resources with India as a partner.

Olga Torres: Yeah. And I saw recently that we're calling it the Indo-Pacific region, right? And I think that's us. Is that, is that us trying to bring in India?

Stephen Lanza: Yes, it's not just the Pacific Ocean, it's that Indian ocean as well. We used to just say we were the Pacific Command, but if you think about the Pacific, it goes into India as well, it's a South Asia.

Olga Torres: And I'm assuming we're doing that to, Hey India, we need you.

Stephen Lanza: You're part of the solution. Yes. I hope.

Olga Torres: You mentioned something about China's watching what the U.S. is doing. I'm assuming they're doing something similar where they're trying to reach out to even the same countries and trying to figure out where they would side.

Stephen Lanza: Yeah, I think you're referring to the belt and road initiative. So, China has gone to great detail and great lengths to do this belt and road initiative, which by the way, giving money to nations and helping them with technology and helping them with their infrastructure also allows them to bring in their military. And I'll share a story with your listeners. When I was in Iraq, we got a call to go down to Basra. If you've been in Iraq, Basra is one of the major areas in Iraq.

Olga Torres: I have not been to Iraq.

Stephen Lanza: Well, hopefully one day you'll go. But Baghdad's an amazing city, but in Basra there's a lot of oil. In fact, the oil is so rich there that it's

basically you can skim it off the top of the ground. So, the Chinese went there while we were there to drill for oil, and we got a phone call from the embassy, from the ambassador to say the Chinese were having issues with the Iraqis. So, we took our team, we went down to Basra to meet with the Chinese. And the Chinese had set up this very elaborate camp, the state-of-the-art camp. And we talked to the Chinese and we talked to the Iraqis. And what we found out is that while the Chinese were there, they didn't empower and hire any of the Iraqis. It was strictly a Chinese operation, and they kept the Iraqis out. And if you've been in the Middle East, you have to include them in the operation. You have to share the resources, you have to hire them, you have to bring them into the discussion. And once the Chinese didn't do that, the Iraqis pushed back. And the only way they knew how back then, which was IEDs and attacking the Chinese. And the Chinese asked for our protection, which I thought was very interesting to protect us from the Iraqis because they said, hey, we're not here to fight. We're just here for the oil. But they forgot that you have to account for the people that live in that area. So quickly they left and they, they went back to China because they could not operate in that kind of environment.

But I think it's important for the listeners to know, and you're much more cognizant of the built-in road initiative than I am, but it comes with a price. The money that China gives to countries comes with a price, and it comes with a payment down the road that some countries find hard to do. Whether it be Malaysia, whether it be Kenya, and other countries where the built-in road initiative has taken part.

Olga Torres: Yeah, and I don't want to jump around too much, but it's so interesting to see China sort of brokering deals as of very recently, right? Between countries and specifically Middle East and for example, Latin America, watching them they're so involved in all of Latin America.

Stephen Lanza: Yes.

Olga Torres: I think maybe with the exception of Mexico, and maybe that is changing as we speak. And sort of watching how much more involved they have been in those regions than the U.S. and I wonder what the impact, I mean, again, we're moving regions now we're in Latin America, but Latin America being so close to the U.S., right? It's basically our backyard. How will that impact our military? Because we're used to fighting war from far away.

Stephen Lanza: I think you bring up a significant issue. We're broken up into combatant commands that are globally aligned. We have what's called Southern Command that's in Miami that is responsible for South America and Latin

America. Normally that command is resourced the least. Right now, the command that is resourced the most is IndoPACOM, which is the Pacific Command. Central Command, which has the Middle East is resourced. The European command, which has all of Europe is resourced. So, it's tough for Southern Command because they don't have all the resources of the other countries. And I would be frank to say that the Chinese have made great gains in South America. I think it's important though, for the military and for the government to have strategic messaging that we are going to be involved with these nations and to find ways to leverage our capability and our capacity to show that we're in support of these nations.

And this is about competing with China. This is about winning a competition. We have to compete with them in areas that we're not in. We have to show countries that a democratically elected government, that a government is powerful and a country as great as the United States can help other nations. Not just in combat operations and not just for security, but in other areas. Whether it be economic, whether it be diplomatic, whether it be informational, and that we can add value. So, I think our strategic communications, I think our engagement, and I think our working on deterrence through competition is going to be extremely important in South America because it does have a detrimental effect on security in the United States.

Olga Torres: Yeah, I mean just location alone being so close. You mentioned something about democratic values and democracies. I wonder at least with respect to China, I mean even Russia, not being democracies, does that actually give them an advantage from a military standpoint? Because they can get things done quick?

Stephen Lanza: And I'm not part of the Chinese military, but I know they have a budget of about 226 billion. It's increased over 7% since last year. It's not as much as ours, but I don't think they have some of the challenges politically. But they have other challenges. I mean, president Xi has internal challenges and I think some of his Achilles heel is internal to the country and the threat of internal issues within his population. So, I think that's an internal challenge that President Xi has to deal with.

Olga Torres: Do you mean, the fact that they're not having babies?

Stephen Lanza: But there are domestic issues he has in the country with his own population, with his own internal struggles, his own domestic economy. He has to be cognizant of that, I think. And I think anything he does outside the

country, if it has reciprocal effects inside the country, I think that's something he has to be wary of.

Olga Torres: Okay. Yeah, because I've been watching economically speaking demographics, it's going to be a big issue with them, right? With their one child policy eventually that's catching up. But I was wondering if there was something closer, just not necessarily, I think the one child policy is in the demographic problem. I think it's going to be in the next decade. But something right now whether that would swing the balance between them deciding to get into a direct confrontation with the U.S.

Stephen Lanza: You talked about advanced technologies. We have to close the gap. We are working hard to transform. We are working hard to regenerate our defense industrial base to produce capability faster than we have had in the past. We're looking to generate and project combat power into the theater faster. I've talked about the joint concepts for competition, so I think those things right now are very important. And there is a race on with us to get our capabilities and it's going to cost money. Chairman Milli was on TV the other day talking about an increase to the budget, and he said, if we're going to have this, we have to talk about an increase to the budget.

Now, as I talked earlier, our budget for military operations is not just about buying weapons, it's about sustaining our readiness and it's about taking care of our people, which has a large amount to our budget. I'd also tell your listeners that over 50% of the budget is about people. So, when you look at the defense budget, writ large, a lot of it, almost 50% is taking care of personnel. Whether that be medical issues, whether it be pay, whether it be retirement, whether it be taking care of facilities that has a large aspect of our budget. Which again, I'm back to the three rheostats that I think your listeners, once they know about those will realize that not everything is about buying weapons with our budget. Therefore, when increases are asked for, it probably is going to go towards modernization. And in fact, in the last 20 years, we have not done a good job in modernization. We have been focused on counterinsurgency, we've been focused on Iraq and Afghanistan, and we're playing a little bit of catch in some areas to modernize our military.

Olga Torres: Does modernization have any role in becoming, I know that budget increases are expected, but in becoming more competitive in terms of budget and being able to reduce budget rather than continue to increase or is that never going to happen?

Stephen Lanza: I think we have. I think I can speak, and I can't speak for the Army, but I can tell you what the Army has done in night court under Secretary Esper and other secretaries to actually try to reduce where the Army is actually spending their money to optimize the resources they've been given. So, they've gone into what was called night court. They cut a lot of their legacy programs, a lot of their programs that were not going to move forward, that were not going to be modernized. And they leveraged the money that they got from Congress to go into modernized programs. The Army stood up Army Futures command to look at the future, to look at future capabilities. Under the Army right now they've re-looked their modernization strategy to optimize the dollars they've been given. So, I think from the Army perspective, they've done a good job in mitigating the Legacy programs and then optimizing those modernization resources. I think standing up Army Futures Command was a good sign because it looks at where the Army's going in the future and how the army's going to project their capabilities and capacities all the way out to 2040.

Olga Torres: And that brings me to another question. What are DOD's right now, procurement priorities in your opinion? Or for example, if we have listeners that are government contractors or startups in the defense sector, like what are the main areas.

Stephen Lanza: I think a couple of things, I think DOD is looking for disruptive technologies. So, if we have technologies that are disruptive, that will be very important.

Olga Torres: What would be an example of a disruptive technology?

Stephen Lanza: I think anything that has to do with electronic warfare, I think anything that has to do counterspace, I think anything that has to do with disrupting data flow and how data moves I think is disruptive.

I think anything in the cyber world can be disruptive.

Olga Torres: My understanding, going back to China, if there was any kind of conflict with China, which it's already happening, I suppose, but if it was a direct conflict cyber-attacks would be more frequent on U.S. soil. So, what are your thoughts on that?

Stephen Lanza: My personal view is I think cyber-attacks are going on as we speak.

Olga Torres: Regardless, yeah.

Stephen Lanza: I think regardless, I think that is something that is perhaps your listeners don't see, or perhaps they've been exposed to in different industries, but I think the United States is under cyber-attacks. And I think our cyber command, we have a command, we have a combatant command called Cybercom at Fort Meade, Maryland that is responsible for this. And I think they're looking at not just defensive capabilities, but also offensive capabilities as well. Again, once again, to ensure we can deter and to ensure we can protect our national assets.

I think when you ask me about DOD, we're looking at what we can do to win in what's called large scale combat operations. So, DOD right now has looked at joint all domain command and control. How do we bring our weapon systems together? How do we communicate with different weapon systems across the services? What's our ability to move data from one weapon system to another? I think that's going to be very important, and that acronym is joint All Domain Command and control. The Army has now embraced a doctrine of called multi-domain operations where they're not looking not just at operations on land and air, but what it takes to operate in space and cyber and how to do that collectively, holistically with all those domains being integrated. I think some of the other things that DOD is looking at is how to optimize what's called the kill chain. From a sensor to an effector to a shooter. How do you do that and how do you do that in an agnostic way where, a sensor, a satellite or an intelligence capability can translate data and the weapon system that's available can fire at the enemy to mitigate latency and decision making. I think that's very important in something they're looking at.

Again, I talked about the other services, and what they're doing. Of course, air Force with bombers, Navy with submarines, the Marines with amphibious ships. The Army's two major priorities are long range precision fires, long range weapons that can fire, and then an integrated air and missile defense system. I think one of the biggest threats we have to counter is drones. I think when you think of drones right now, it's not just aerial drones, but the Chinese have what's called naval drones as well, unmanned vessels that can operate in the ocean. Unmanned vehicles that can operate in the air. How do you counter those? So, this counter UAS or counter unmanned aerial systems is extremely important. And that's something I think we're very much focused on, on how to not only defeat it, but what we can do with our own capabilities. Again, as you brought up earlier, hypersonic weapons is something that we're working on, something that we're testing. And I know industry right now is looking for solutions on how we can close the gap on hypersonic weapons with China, I think your readers know that China has tested a lot more hypersonic weapons than we have, but we're closing that gap. And I think the last area is one of lasers. What are we doing with high energy lasers? What are we doing with microwave

weapons? Are there things we can do with microwave weapons and lasers to defeat those unmanned aerial systems? So, I think those are some areas, Olga, are very important as we move.

Olga Torres: When you mentioned drones there was something in the news this week about an attack on the U.S. and it was using an Iranian drone.

Stephen Lanza: In Syria, which it just happened in Syria.

Olga Torres: And I believe there was a contractor that died.

Stephen Lanza: Yes. Unfortunately, in Syria.

Olga Torres: Yeah. I wasn't fully aware that Iran had drones. We're basically creating a new world order right as we speak. I mean we're seeing sites, China, Iran, Russia, and U.S., the West. What's going on? Like how do not just looking at China and their capabilities, I mean, again, like seeing something coming from Iran. What are other areas where the military, especially if there was some kind of conflict with China, will have to be worried about, like you mentioned at the beginning, well, we still have the Middle East and we still have to pay attention to other areas in the world.

Stephen Lanza: Sure.

Olga Torres: What are your thoughts on that and this new, I guess, you know, people taking sides with different countries.

Stephen Lanza: Yeah. And I think that's why Ukraine, to be honest, is so important. I think what happens in Ukraine, if Russia is, is brought to bear on what happens in the Ukraine. And again, time is not on the Ukrainian side, I think as we all know, but I think that's going to have an impact on other countries.

But let me go back to your question. We still have the challenge of North Korea with nuclear weapons. North Korea is a threat that is not going away. And the South Koreans know that. We still have the regional challenges we have, such as what you just saw when Iran in the Middle East. We have violent extremist organizations, we have narco issues that occur south of our border. And I think over time you're going to see challenges that add to security issues with immigration, not just in the U.S. but these mass migrations of populations and the security issues that that entails. So, I think over time here, these treaties that we had, you know the U.S. is part of 11 Treaties. One of our biggest treaties

obviously is NATO, but having this working together with partners and allies is going to be extremely important, and keeping these organizations together is important. Let me give you one example, Finland and Sweden want to join NATO, which I think is tremendous, which I think Putin did not account for. But if Turkey continues to push back on Sweden, that has a chance to undermine our relationship as NATO. So, I guess working together and partnering together and not finding cracks in our ability to work with partners and allies is going to be extremely important.

But there are other threats in the world besides China. And again, China is involved in a lot of these other areas. It is not just about the South China Sea, it's not just about Taiwan. Their ability to project combat power using the belt and road initiative, using their military capabilities right now has increased significantly in the last 20 years. That's why this discussion on winning the competition is so important and we have to be there with the Chinese and we have to show people that we can compete in other areas besides just military with other nations.

Olga Torres: Something that is really interesting to me, and again, since I started my career, we've had a lot of defense controls on China, but it wasn't really a full war or trade war until the Trump administration. And we see basically decades of let's trade with China. And China is not at all a threat for the U.S. And we saw that with both President Bush and President Obama. So, I guess my question is how can the administrations miss that? And why did the Trump administrations all of a sudden sort of turn it on?

Stephen Lanza: I think sometimes people think in our nation, we're either at peace or we're at war, but there's this gray area that sometimes we don't account for because we're not at peace and we're not at war. And I think sometimes as a nation, we look through our U.S. lens and we want people to be like, we are. And we view the fact that if we bring enough business into China, if we accommodate them in a certain way, if we do certain things, then they'll be just like us. And under President Xi, they have not, I mean, he has his strategy for the future and China does have a strategy. China does want to be a global power. They want to exceed the United States, not just economically, but also militarily. And I'm not going to talk about specific administrations, but I think over time the rebalance we had to the Pacific under President Obama was a great initiative, but it wasn't embraced holistically by the government. And I think now that we've seen what China is doing, we've seen the threat that China puts on the table here. We've taken a different approach to it, and it's going to take some challenge in the United States with our businesses. Do we want to do business with China to the way we've been doing business in the past? And

what risk is the U.S. willing to accept? What business risk are we willing to accept? What economic risk are we willing to accept that we have not had to do in the past because of the lucrative markets in China? So again, I don't think you can have it both ways. And I think until the Chinese change some of their ways, I think some of the positions we've taken in in the past is going to have to get through to President Xi because they do understand one thing. They do understand power, they do understand that when you project power either economically, either diplomatically or militarily, and these are what autocratic governments do understand, unfortunately, that you have to be able to project power and you have to show that you have the capability to deter. And if you don't have the capability to deter, then you don't have deterrents. So, you have to be able to show that in order to effectively deter.

Olga Torres: Yeah, I have a couple of questions and comments. So, something really interesting that happened in our world, in the trade world was after the section 301 tariffs. The U.S. had multiple decades of trading with, with China, we impose section 301 tariffs, which basically targeted a lot of Chinese product and merchandise with very high tariffs. So, we have seen, it started with the Trump administration, continues with the Biden administration. And we are seeing now from just a business perspective, you mentioned that briefly, we are seeing sort of a decoupling at least in certain areas where people are truly worried that okay, it wasn't just a Trump administration, it's maybe here to stay and it's affecting our business. It's cutting our margin. And also, I think so much coverage regarding the potential for a Taiwan invasion and the posture of the U.S. and whether we will defend, and it looks like we would. And again, it would be, if we look at what we did with Russia, at least in my world, export controls, economic sanctions where it becomes impossible to do business in those regions or getting paid and the risk is just too high. So obviously China being a much larger economy and being one of our largest trading partners, because it typically goes between Mexico and China. But China being, I would say depending on how you measure it being one of the largest. So, it does seem interesting that we are seeing some of that hesitation now, right? Like where before I was used to seeing people, hey, we're going to invest in China, and there was no hesitation. Obviously, there's a lot more studying done and a lot more people are preoccupied, like what if something happens and then we have a geopolitical situation.

At the same time, I thought it was so interesting when Russia invaded Ukraine, there was this situation where the Russians could trade with China and the government of China has always been sort of not protective of Russia, but definitely sort of assisting Russia. And I saw it from a pure private industry in China. We didn't see the same behavior by the Chinese companies. Like we would typically see Chinese companies not wanting to trade with Russian

companies, because they didn't want to have any potential repercussions by the U.S. government. And I thought it was so interesting, because we were seeing something from the Chinese government and sort of this posture of, we're okay with Russia. But the Chinese companies were doing everything they could to make sure that they didn't have any potential exposure if they traded with Russia because they did not want to lose their U.S. base, their U.S. customer base. And I thought that was so interesting because you had the government doing one thing and private industry doing one thing. And to a certain extent we had it in the U.S. as well, right? We had, okay, now we have these tariffs, and this is probably not going to stay. That's crazy. It's our largest business partner. It's just probably this administration, the other one will get rid of them. And you know, it's still up in the air what's going to happen. And it's so interesting to see government action now finally sort of, kind of coming down and business is finally understanding there is a real threat. And so finally I feel like we're seeing some hesitation to either open a new shop there or invest in that region. And we're starting to see people looking at other supply chains, right? Looking at Philippines. Having said that, I have seen clients that are doing studies of, okay, well if we try to relocate at least some of the manufacturing to a different country, what about Taiwan? And Taiwan is becoming pretty much radioactive because of the fear of it could be another Hong Kong situation. So, from a military perspective, do you think if there was an invasion and I don't think I've asked you this before and if I did, well, I can ask some something else, but if there was an invasion, I think we said we would go in do you think we're ready today?

Stephen Lanza: I don't, I'm not sure we'd go in. I said, I talked about the porcupine strategy so that initially Taiwan could defend themselves.

Olga Torres: So, showing off power, right. And so, deterring, but if it happened, if the porcupine strategy falls apart.

Stephen Lanza: Yeah. I think from what I know about China, China's first goal is to win without fighting. China, the way they've conducted themselves right now, whether it be in business or other areas, they want to win without fighting. They would like to get Taiwan back without having to fire a shot. That would be their goal.

Olga Torres: That doesn't seem like it's plausible.

Stephen Lanza: If you put enough pressure on the Taiwanese government, even though China has issues in or they have people in Taiwan now that are trying to undermine the government, they're trying to be divisive, they're trying

to sow discord inside Taiwan. Maybe you can get the president unelected and put somebody in government right now that's more favorable to China in Taiwan, would be helpful to China. So, all those things obviously are considered, but China would like to win without fighting.

I think that's the first thing I think when you talk about Russia, what you're seeing right now is tension, right? We talked about this, the tension of what Xi wants to do as an autocratic geostrategic leader, vice the tension with his own businesses that run and make the Chinese economy work. And if those companies aren't making money and bringing in revenue, what's the impact on the Chinese people domestically, and is that going to cause a problem for him? Because domestic challenges are one of his biggest concerns. So, I think Russia will always be a junior partner to China. I don't think China will ever embrace Russia as a total partner. I think they're much smarter than that, but they do want to try to decouple what's going on in the Ukraine from what's going on in Taiwan. They don't want to link the two. So, anything they can do to decouple that narrative or that rhetoric that Taiwan is the same as the Ukraine is very different because they propose what they want to do in Taiwan is much different than what Putin wanted to do with the reasons he went into the Ukraine.

Olga Torres: I remember before the invasion, and I have another question, so I, I wrote it down, so I don't forget. I personally never thought it would happen because I was just, I guess naive it's 2023, who goes and takes countries like that anymore. But I remember that Putin met with, basically he went to China, he had a state visit. Do you think that he received support from China at that point and or do you think it's just a coincidence.

Stephen Lanza: I don't know. What I do know is that so far China has not provided them kinetic weapons and I think Xi right now did not realize that this was going to be such a debacle for Putin.

Olga Torres: That it would take that long.

Stephen Lanza: That it would take that long. And I think a lot of people underestimated the Ukrainians. I think a lot of people underestimated their resolve, even though we have not provided weapons as fast. I think our policy to help them has been important. But I don't think we realized just how determined the Ukrainians were to fight for their country. And I think, and we were also surprised at just how bad, in some cases, the Russian military was. And their inability to do exactly what Putin wanted to do, which was rapidly take over the Ukraine. Their military had significant failures and challenges and they've been

bolstered now by the Wagner group, and they've been bolstered now by Xi's coming to visit Russia. But I'm not sure that's going to change the calculus unless we fail to continue to support the Ukraine. I think that is the only thing that will fail.

Olga Torres: Xi's last visit to Russia, he didn't provide more weaponry, right?

Stephen Lanza: No, I think, and I can't tell you what they're providing because I don't know, I assume they're providing some capability. I don't think they're providing offensive weapons or weapons systems. But look at the Iranian drones though. Those drones, right now, some of the drones, they're flying and some of the equipment they're flying is coming in from Iran. So, there is this partnership with China, Russia, and Iran that is very destabilizing to the world. Some people call it the new access of evil. You've heard that term as well.

Olga Torres: So, there was something that I was trying to explain to you, and I was talking about countries take sides, and I almost used that term, but I was like, I don't think it applies. But one of the comments when you were speaking about the difference between government and referring to my previous statements, I just went and came back from Singapore, and it was the first time I was in Singapore. I was there for business. And I thought it was so interesting because there were so many Chinese expats so much movement of money from China to Singapore. And recently I was reading about, I believe it was a Chinese businessman, high profile, I want to say billionaire in China who was trying to move money from China to Singapore, probably due to this situation where there is going to be more tension with the U.S. and Taiwan, et cetera. And he was arrested, and nobody has seen him ever since.

Stephen Lanza: Interesting. Wow.

Olga Torres: So, it is interesting there in the situation that I do see from just, obviously I don't have a military background, but I am seeing that Chinese industry doesn't necessarily want to get into conflict with the U.S. and I hope that will also serve as some kind of deterrent for any kind of military action.

Stephen Lanza: I think it will and I think it's going to cause President Xi problems. I mean, markets in Europe are important to China, NATO nations, their markets are important to China. The U.S. is an important market to China. Australia's an important market to China. Vietnam is an important market to China, India, a variety of countries that we partner with militarily do provide significant economic resources to China. I think one thing that's fascinating about your comment that I'll share with your listeners is I happen to be in

Vietnam when I was on active duty for a mission and I was working with the Vietnamese military, we've come full circle now, we're now partnering with the Vietnamese military. And I was talking to my counterpart, and he looked me in the eye, and he said, we were talking about China, and he said, we have to live with the Chinese. We understand that we have to work with the Chinese. He said, but he looked me in the eye, and he said, but we trust the United States. And I never forgot that comment because it was so important to me that here, we are half a world away and we're working with a nation that we were at war with many decades ago. But his comment to me as a general officer in the Vietnamese military is, we trust the United States. We don't trust China. We have to work with them, but we trust the U.S. And I thought that was an important piece of information about how other countries value our country and they value what we bring. They value our governance, and they value what we're about. I just thought it was very significant at the time and I was just taken aback by it a little bit.

Olga Torres: Yeah, that's very interesting. Going back to whether hopefully our trade relationship with China and industry in China, not wanting to get into direct conflict with the U.S. that was the whole point of globalization, right? Like we always said if we globalize that we have trading relationships, we won't have wars. I think that was part of why it was so surprising. I guess Russia, I mean, was Russia really part of the global system? Yes, but they don't really have like true industry. I feel like they're more like a natural resource type country. But I always say they're like a very large gas station. But China, I mean specifically if, obviously they don't have a democracy, but I, like you said, I wonder if industry has, and globalization works. Now, what I worry about is that we are making changes in the U.S. from, from an export control perspective, economic sanction perspective, where we are seeing some of that. I don't know if it's full decoupling, but we are seeing hesitation, like I mentioned, like, okay, let's explore some other areas. Maybe we don't fully open a new facility there. Maybe we will move to another area, another country. And I wonder whether that alone, I mean, because I have no hesitation, there are certain areas that we don't want to be doing business in China, right? Anything related to defense and sensitive technologies, anything that, but you know, like our little widgets and things that are not sensitive, that are not technologies that are highly piped, emerging technologies or anything like that. But if we start seeing some of that we are going to get out of it completely. I wonder if that tends to bring us into conflict more because we don't have that pushback from Chinese industry, right? Like they're not as dependent on U.S.

Stephen Lanza: But I still think as a military person Olga, I still think we need our military capabilities to deter. I think if we don't, the Chinese will continue to expand beyond the first island chain. And think of the fact, if we don't have

freedom of navigation for trade. Think about that, if we can't sail where we need to sail, think about if the Chinese would close the Straits of Malacca. You mentioned Singapore. What if the Straits of Malacca were closed and U.S. shipping could not go through there? What if we couldn't trade where we want to trade? What if the Chinese decide to close the Arctic down? As you go through this global warming. And the Arctic starts to have more sea lines of communication open. What if the Chinese and Russians partner and start closing down the Arctic? What if they closed down the airspace again, as they did in the Pacific a few years ago when they stopped commercial travel? That's why military deterrents I think are important. And that's why these capabilities that the government is talking about militarily is so important because it has an impact on other areas that are economically viable to the United States. But that's why the Navy, you mentioned the Navy earlier, that's why they sailed through the Straits of Taiwan. That's why they sail in international waters. That's why we put the Navy in the Black Sea in international waters because we have to be able to operate in international waters. And that includes the South China Sea, where the Chinese have extended themselves beyond the international waters in what's called the nine-dash line. That has had an impact, not just on the United States, but other countries that operate in that area in the South China Sea. So, we have to be able to move and go where we need to go.

And that's why world order is so important. But more importantly, a rules-based order is important and there has to be rules-based order. And China, in my view, has to be accountable to that rules-based order. You can't have it both ways.

Olga Torres: Yeah, okay. And my last question. It's going to be maybe too simplistic and it, it's probably going to be very complicated for you to answer it, but just try.

Stephen Lanza: And hopefully I'm doing my best today.

Olga Torres: If we went to direct conflict with China tomorrow are we in a good position to win? Or what are your thoughts on that?

Stephen Lanza: I think if we went to war with China tomorrow, if China, I think it would be, I think it would scale rapidly. I don't think it would stay constrained to the Pacific. I think it would be a global war and I think it would bring in our partners and allies and I don't think how it could be constrained. Do I think we would win? Yes. I think this time we would win. I think it would be extremely competitive. I think there will be a lot of losses. I think it would be detrimental, obviously, to the world order, but we would we win with our capabilities that we have? Yes. Would it scale into a nuclear confrontation?

That is something that you have to consider. And then would the Chinese use nuclear weapons at some point? Would they be compelled at some point if they were going to lose, would they be compelled to use nuclear weapons? Just as we've had this discussion about Russia using tactical nuclear weapons in the Ukraine, I think anytime you have countries with nuclear weapons, you have to consider that. And then what would North Korea do? So, if we went to war with China, would North Korea shoot a nuke into South Korea? Would North Korea shoot a nuke into Japan? And then once you do that, every country is going to want to have nuclear weapons. So again, I think it's a very complex question. I don't have a good answer for it. The bottom line is, would we win? Yes. And the cost would be significant.

Olga Torres: Well, I hope human reason prevails.

Stephen Lanza: And again, as I said earlier, the Chinese want to win without fighting. So that's what they would like to do.

Olga Torres: And one last question that I just thought of.

Stephen Lanza: Go ahead.

Olga Torres: What are your thoughts on the balloon situation?

Stephen Lanza: The balloon situation that was over the United States?

Olga Torres: Yeah. The balloon that was supposedly Chinese spying on U.S. soil.

Stephen Lanza: My view is it was spying. And my view is we're being spied on every day. And I think we have our capabilities as well. I think it was a surprise to people in the United States to see this. I don't think it was a surprise to the military. I think perhaps what concerned the military is from when they saw it to when they acknowledged it. And I think a lot of it was how they communicated this to the United States people.

Olga Torres: You mean the fact that they hadn't seen it?

Stephen Lanza: I think did they see it in the Ellucian Islands? How long did they see it? How long did they track it for, and when did they inform the American public? I think the challenge you had during that, because of the news and because of the way media is today, is that the American public first found

out when a farmer from Montana called somebody in the media and said, I've got this large balloon, and then all of a sudden everybody converged on it.

So, I think one of the key things with between the military and our nation is the ability to communicate effectively. And I think you have to be, in some cases, as transparent and collaborative as you can be so that people don't fill in the narrative with things that are going to cause challenges. And I think in some cases the balloon issue caused some challenges just on how people perceive that we're weak. We are not weak. We have extremely good capabilities. But I think the fact that we argued when we shot the balloon down under what conditions should we have shot it down earlier, all that was being debated in the media when it should have been done, obviously earlier in advance. And then the nation should have been told exactly what we're going to do.

Olga Torres: Yeah, that's one way of looking at it. The other way I thought about it, at least me personally, it was sort of a realization that we have a very capable, potential actor spying on us. Not that it didn't happen before, but it was just so obvious, that maybe, devil's advocate, it helps with budget for the military. Things like that, people are finally realizing it's real. I mean, it, we have I think a rising power.

Stephen Lanza: I think the Chinese have actually brought our two parties together. I think there are very few things that can bring our parties together and our government together. It seems to me the Chinese, whether it's the balloon or other things, have really brought our country together in terms of really seeing China as the threat they are.

Olga Torres: Yeah. The other question I had, and I know I told you I was almost done, but this is another one. Just based on recent development, there have been rumors and those were the accusations by the Chinese government obviously, but the accusations where, well, the U.S. government is trying to contain us. What would you say to that?

Stephen Lanza: We're not trying to contain them. We're not trying to deter them. We want to compete with China. We are not trying to deter China. We are not trying to stop the Chinese from markets and trade. We're not trying, we're not trying to stop them from doing anything. And they always use that as a reason. Hey, you're trying to deter us. You're trying to keep us down. We are not. We want to compete with them, and we want to win. We want it to be competitive. And that's why this winning and competition is so important though. It's not about deterrence, it's about competition and it's about China not

asserting their capabilities at the detriment to the U.S., especially in international areas where we should compete effectively.

Olga Torres: Very interesting, and I agree. Well, thank you so much for joining us today, and thanks to our audience. If you have any questions, feel free to email us. We'll be in touch with more on Torres Talks Trade. Thank you.

Stephen Lanza: Olga. Thank you very much. This was wonderful.