

**Acting Secretary of Defense Patrick Shanahan**  
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Written Statement for the Record  
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**INTRODUCTION**

Chairman Smith, Ranking Member Thornberry, distinguished members of the Committee, I appreciate the opportunity to testify in support of the President's budget request for Fiscal Year (FY) 2020. I am joined today by Chairman of the Joint Chiefs of Staff, General Joseph Dunford, and the Department's Comptroller and Chief Financial Officer, Mr. David Norquist.

The size, scale, and importance of collaboration between Congress and the Department of Defense (DoD) shows we are united in our purpose to protect and defend our Nation. During my time as Deputy Secretary of Defense and now as Acting Secretary of Defense, I have engaged in substantive discussions with many members of this Committee. I look forward to continuing our engagements, in this hearing and beyond, with both long-serving and new members, as the Department drives results along our strategic priorities.

We in DoD appreciate Congress's partnership in repeatedly demonstrating the bipartisan nature of defense. I thank Congress for voting to lift budgetary caps and providing sustained funding increases over the last two years, which have helped our military meet today's challenges while preparing for those of tomorrow. Members of this Committee, the entire Congress, and the American people can rest assured that DoD has efficiently and effectively invested your money. Thank you, in particular, for your support of the FY2019 2.6 percent pay increase for our military personnel.

Our responsibility is to remain responsible stewards of your trust and the American people's hard-earned tax dollars. DoD has accelerated necessary changes in how we develop, posture, and employ our Joint Force. We are taking a clear-eyed approach to the strategic environment in which we operate and marrying our past experiences to new ideas, driving progress and fostering innovation in the process.

Our FY2020 budget reflects the President's vision for prioritizing the security, prosperity, and interests of the American people. It also reflects my vision for the future – one marked by a more lethal, results-oriented Department of Defense with the capabilities and capacity to ensure national security and implement our National Defense Strategy (NDS) at the speed of relevance. Today I look forward to discussing that vision and how it is reflected in DoD's posture and resourcing decisions.

## **THE 2018 NDS: AN ENDURING FRAMEWORK**

To provide context for that discussion, I want to take us back in time: two years ago, our Department had brand new civilian leadership ready to drive results. With a military enduring the longest continuous duration of combat in American history, we contended with a host of challenges, including an increase in North Korean missile testing; an aggressive Iran; violent extremists in Iraq, Syria, and Afghanistan; and growing strategic competition with China and Russia. In addition, cyber and space emerged as contested, warfighting domains, further complicating an already complex security environment.

Amidst these challenges, the release of our 2018 NDS last January provided the strategic unity DoD needed, with clear direction on restoring military readiness and modernizing the Joint Force to address great power competition.

The 2018 NDS's unified framework enables a potent combination of teamwork, resources, and an unmatched network of allies and partners stepping up to shoulder their share of the burden for international security. The NDS also fosters alignment within the Department, the Interagency, industry, and Congress.

Fourteen months after its release, I say with conviction: the NDS remains the most effective aligning mechanism for the Department. Its implementation is our most critical mission. Yet, strategy cannot be static; it must be constantly reevaluated. Last month, my staff concluded a clear-eyed assessment of our NDS priorities and our progress in meeting them, highlighting our successes and making clear we still have more work to do. Most significantly, it reaffirmed that erosion of our competitive edge against China and Russia continues to be DoD's most pressing "central problem." Our three primary lines of effort – increasing our military's lethality, strengthening our network of alliances and partnerships, and reforming DoD's business practices – remain the most effective avenues for addressing this challenge.

I thank Congress for its own evaluation via the NDS Commission. Having reviewed the findings of both our internal DoD assessment and of the Commission's report, I am confident we are aligned on the most critical matters. The few areas where we did not agree reflect the reality that finite resources require tough choices. DoD stands by these choices as necessary components of our strategic approach.

As our Department has aligned behind our Strategy, our competitors have not been complacent. They have accelerated their own military modernization efforts and vigorously pursued the development and fielding of advanced technologies with a clear intent: create an asymmetric military advantage against us, our allies, and our partners.

## **PRIORITY THREATS & POLICY OBJECTIVES**

### **THE CHINA THREAT**

As this Committee recognizes, the Chinese Communist Party exports coercive influence far beyond its borders while internally wielding authoritarian governance over its own people. To achieve hegemony in the Indo-Pacific in the near term and shape a world consistent with its authoritarian model, China is: (1) aggressively modernizing its military, (2) systematically stealing science and technology and seeking military advantage through a strategy of Military-Civil fusion; (3) undermining the rules-based international order, which has benefited all countries, including China, and (4) building an international network of coercion to further its economic and security objectives.

#### *Military Modernization*

The trajectory of China's military spending is clear. In just twenty years, China's official defense budget soared from roughly \$20 billion in 1998 to \$170 billion in 2018, with actual spending even higher. Just last week, China announced a projected 7.5 percent increase in defense spending in 2019. China devotes these funds to aggressive military modernization and advanced weaponry development, from nuclear and missile capabilities to space and cyber. Accounting for purchasing power and the significant portion of our military budget going to pay and benefits, today, China's defense spending approaches that of the United States.

China has made investments specifically intended to offset U.S. advantages, including robust anti-access/area-denial (A2/AD) networks, more lethal forces, and new strategic capabilities. If deployed to overwhelm U.S. or allied combat power at initial stages of a conflict, these capabilities could seek to achieve a "fait accompli" that would make reversing Chinese gains more difficult, militarily and politically. Implementation of our Strategy ensures we have the capabilities, posture, and employment of forces so this never comes to pass.

On the nuclear front, China is developing long-range bomber capabilities that, if successful, would make it one of only three nations in the world to possess a nuclear triad. In addition, China is building up its inventory of missiles, focusing on those intended to circumvent U.S. and allied defenses and deny the United States critical military access to the Indo-Pacific. Within the past five years alone, China has successfully tested hypersonic cruise and boost glide weapons concepts for these purposes.

In 2018, China conducted more space launches than any other nation. In choosing to develop counterspace and dual-use space capabilities and enhance space-based intelligence, surveillance and reconnaissance, China has demonstrated its ability to weaponize space, if desired. We, in turn, cannot ignore China's ability to target U.S. and allied space capabilities. We also cannot ignore China's ambitions in the cyber domain, which it recognizes as the battlefield's "nerve

center.” With all People’s Liberation Army (PLA) cyber operations coordinated under one roof, China can operate in this contested domain without bureaucratic red tape to slow it down.

### *Technology Theft*

The rate at which China is systematically stealing U.S. and allied technology for its own military gain is staggering. Reversing this dangerous trend – one which could impact our troops on the battlefield – means acknowledging reality: every Chinese company is at risk of being either a witting or unwitting accomplice in China’s state-sponsored theft of other nations’ military and civilian technology. To quote China’s own cybersecurity law, private companies are required to “provide technical support and assistance to public security organs and national security organs,” whether they want to or not. Any U.S. or allied company that works with Chinese companies, without proper safeguards, thus opens itself to theft as well.

To grasp the pervasiveness of the problem, look to the Federal Bureau of Investigation (FBI). There are open Chinese economic espionage or technology theft cases in nearly all FBI field offices. For years, the U.S. Department of Justice (DoJ) has indicted members of the Chinese state and military for stealing U.S. technology. In January, DoJ recognized China’s escalating tactics and took a step further, indicting executives of Chinese telecommunications company Huawei for scheming to steal T-Mobile’s trade secrets.

Huawei exemplifies the Chinese Communist Party’s systemic, organized, and state-driven approach to achieve global leadership in advanced technology. With initiatives like the Digital Silk Road, Made in China 2025, and Thousand Talents Program in play, which spur companies and individuals to carry out its bidding, China aims to steal its way to a China-controlled global technological infrastructure, including a 5G network. China pursues large-scale acquisition of foreign companies in sensitive sectors and pressures companies into transferring technology. Finally, China’s Military-Civil Fusion strategy seeks to translate cutting-edge technology into advanced weapons.

Here I must note: some U.S. companies have voiced ethical qualms about working with DoD to develop advanced technology, in some cases even terminating relationships – often while continuing to work with China. DoD takes ethical considerations extremely seriously when researching and developing emerging technologies, and our efforts improve performance and allow human beings to make better decisions. China, on the other hand, repeatedly demonstrates little regard for international ethical rules and norms.

China’s approach to technological advancement matters for our military advantage, and its ambitions threaten the security of critical U.S. capabilities and technological infrastructure, and thus our military operations, safety, and prosperity.

Let me be perfectly clear: the United States does not oppose competition, as long as it takes place on a fair and level playing field. However, we cannot accept the unfair and illegal actions

of others who intend to tilt the playing field through predatory economics and underhanded tactics.

### *Undermining the Rules-based International Order*

We all know China's population is comparable to the Americas and Western Europe's combined. But China is also geographically situated within arm's reach of 2.4 billion people, roughly a third of the earth's population, across Southeast Asia, Japan, and India. Make no mistake – China is extending that reach by increasing its overt military and coercive activities vis-à-vis its neighbors.

China's increasingly provocative behavior in the Indo-Pacific, particularly the South China Sea (SCS), should concern us all. Between 2013 and 2018, China increased its air and sea incursions into the SCS twelvefold. Within those five years, it also increased deployments of offensive and defensive weapons systems to the SCS by the same order of magnitude.

China's land reclamation and militarization far exceed that of other claimants combined in the South China Sea. Between 2013 and 2015 alone, China created more than 3,200 acres in the SCS, building features within its self-proclaimed 'nine dash line' – a claim the Permanent Court of Arbitration in The Hague ruled in 2016 has no legal basis. These constructed features are almost four times the size of Central Park in New York City and roughly five times the size of this Capitol Hill neighborhood. Imagine walking from this hearing room to the Marine Barracks at 8<sup>th</sup> and I over what used to be part of the Pacific Ocean.

Now also picture Chinese interference in freedom of navigation. Yet for this, we do not have to use our imaginations. China habitually threatens this freedom, using both conventional military force projection and "gray zone" or irregular warfare activities. For example, in September, Chinese military vessels came dangerously close to the *USS Decatur* off the coast of the Spratly Islands. China's force projection inside and outside the SCS disrespects and undermines our rules-based international order and threatens regional stability and security.

### *International Network of Coercion*

Lastly, China is diligently building an international network of coercion through predatory economics to expand its sphere of influence. Sovereign nations around the globe are discovering the hard way that China's economic "friendship" via One Belt, One Road can come at a steep cost when promises of investment go unfulfilled and international standards and safeguards are ignored.

Let us look at just a few examples. Saddled with predatory Chinese loans, Sri Lanka granted China a ninety-nine-year lease and seventy percent stake in its deep-water port. The Maldives owes China roughly \$1.5 billion in debt – about thirty percent of its GDP – for construction

costs. Pakistan owes China at least \$10 billion in debt for the construction of Gwadar Port and other projects.

In Africa, Djibouti owes China more than eighty percent of its GDP and, in 2017, became host to China's first overseas military base. In Latin America, Ecuador agreed to sell eighty to ninety percent of its exportable crude oil to China through 2024 in exchange for \$6.5 billion in Chinese loans. And after leasing land tax-free to China for fifty years, Argentina is denied access and oversight to a Chinese satellite tracking station on its sovereign territory, unwittingly allowing the facility's use for military purposes.

The list of nations entrapped by China's predatory debt tactics runs long, and some have started to push back. Yet, under the guise of good-intentioned development, Beijing continues to leverage debt for economic or political concessions – a practice we expect will intensify as more nations prove unable to pay China back.

## POLICY OBJECTIVES TO MEET THE CHINA THREAT

Left unaddressed, China's success in unfairly tilting the playing field in its favor has serious implications for our own military advantage. While we do not seek to contain China, we expect China to play by the rules, meeting the same standards to which the United States and all other nations are held. We will cooperate with China wherever and whenever possible, but we also stand ready to compete where we must to ensure our military's competitive advantage for decades to come.

As German Minister of Defense Ursula von der Leyen said last month in Munich, "our partnerships are not built on domination. They do not create political and economic dependencies." Our pursuit of many belts and many roads creates alternative options for nations unwilling to succumb to China's increasingly coercive methods.

As such, DoD's priority policy objectives are to outpace Chinese military modernization to deter future conflict, or win decisively should conflict occur; protect U.S. and partner research and development of advanced technology from rampant Chinese theft, and; maintain a free and open Indo-Pacific built on strong alliances and growing partnerships.

## THE RUSSIA THREAT

China is not the only nation attempting to undermine U.S. interests and security to alter the international order in its favor. Despite having an economy smaller than that of the state of Texas, Russia, against the economic odds, seeks a return to great power status. Though it has not reached that goal, Russia is playing a weak strategic hand well by: (1) aggressively modernizing its military; (2) projecting military might beyond its borders; (3) intimidating its neighbors, including exploiting their energy dependence for strategic gain, and; (4) undermining other nations' sovereign democratic processes.

## *Military Modernization*

Russia is aggressively modernizing its military to gain an asymmetric advantage over the United States and NATO. Russia plans to spend \$28 billion to upgrade and modernize each leg of its strategic nuclear triad by 2020, and has already spent more than ten percent of its total military budget every year since 2011 on nuclear modernization efforts. In March 2018, Russian President Vladimir Putin announced Russia's development of six new strategic weapons systems – five of which are nuclear capable – including hypersonic systems able to maneuver at ten times the speed of sound and intended to circumvent U.S. missile defense capabilities. One of those hypersonic systems is expected to enter service this year.

In addition to modernizing its strategic weapons systems and delivery platforms, including its submarine fleet, Russia is building a large, diverse, and modern set of non-strategic systems, including the dual-capable SSC-8 cruise missile, which clearly violates the Intermediate-Range Nuclear Forces (INF) Treaty. Every NATO Ally agrees on this point and supports our decision to suspend U.S. Treaty obligations in response to Russia's material breach. A treaty not followed by all parties cannot be an example of effective arms control. For any who doubt U.S. efforts to bring Russia back into compliance with the Treaty, I would emphasize: we held over thirty meetings with the Russians at every level of government for more than five years – across two administrations, one Democrat and one Republican.

Moving to space, Russian systems are intended to disrupt, degrade, and damage U.S. satellites in orbit. There is no question: Russia treats space as a warfighting domain to gain military advantage over the United States. Moscow has already fielded ground-based directed energy laser weapons and is developing air-based systems and additional novel counterspace capabilities to target our space-based missile defense sensors. Russia now has the third largest collection of operational satellites in the world, behind only us and China.

## *Projecting Military Power*

On top of modernizing its military capabilities, Russia also projects its military might around the globe. In 2018, Russia conducted its largest strategic military exercise since 1981. Today Moscow deploys a variety of aviation and naval missions to the Pacific, the Arctic, the Mediterranean Sea, the Indian Ocean, and the western hemisphere, including the Caribbean. In December, Russia conducted landing and overflight operations in our own front yard, sending bombers to Venezuela. In the Middle East, it has continued support for Syria's murderous regime with expeditionary operations and long-range strikes. These examples make clear Russia's ambitions for a more globally dominant military footprint.

## *Strategy of Intimidation*

In addition to projecting military power far beyond its borders, over the last decade Russia has attempted to incrementally push geographic boundaries with its neighbors. From its 2008

invasion and continued occupation of twenty percent of Georgian territory to its 2014 invasion and continued occupation of Crimea, Russia demonstrates blatant disregard for other nations' sovereignty. Lest we forget, Russia still holds twenty-four Ukrainian crewmembers it captured last November, when it attacked three Ukrainian ships near the Sea of Azov in violation of international law.

Russia's escalating intimidation efforts are amplified by irregular warfare and "gray zone" tactics intended to sow confusion, conceal military movement, and limit accountability. By deploying mercenaries – like those of the Wagner Group to places like Crimea, Syria, Libya, and now Venezuela – instead of uniformed soldiers, Russia hopes its use of proxies will further muddy the already murky waters of conflict and limit international response to its actions. Russia's attempts at deception are not fooling anyone.

### *Undermining Sovereign Processes*

Russia's duplicity also extends to the cyber domain, where it propagates coordinated disinformation campaigns to undermine sovereign democratic processes. In April 2018, Facebook estimated that roughly one million users followed a page operated by Russia's Internet Research Agency (IRA). Last year, Twitter identified more than 3,800 IRA accounts that had generated millions of tweets over a nine-year span. These accounts are intended to foster divisiveness in the West and undermine trust in democratic institutions.

Russian efforts extend beyond their bots and internet trolls – they conduct deliberate cyber operations against the United States and other sovereign nations. To name a few examples of Russian handiwork: it has targeted U.S. government and critical systems to allow damage or disruption of U.S. civilian or military infrastructure during a crisis; launched distributed denial of service attacks against NATO, Ukraine, and German government websites, and; released a potent cyber virus that caused billions of dollars in damage around the world.

In response, we are not complacent. DoD is getting after the problem, and we are achieving results, most notably in our recent successful efforts to stymie Russian disruption of our midterm elections. We are determining what other actions DoD and our Interagency partners must take to ensure the continued safety and integrity of our democratic institutions.

### **POLICY OBJECTIVES TO MEET THE RUSSIA THREAT**

As these examples make clear, Russia is intent on undermining U.S. military advantage to alter the existing balance of power in its favor. In order to thwart Russia's efforts to regain peer competitor status, DoD is focused on modernizing our military to enhance deterrence and prevent future conflict, while bolstering burden sharing to ensure the NATO Alliance remains credible and capable against Russian aggression.

We are also working diligently with the Interagency, our allies, and our partners to deter Russia's physical intimidation and contest its cyber aggression, information warfare, and "gray zone" tactics in Syria and beyond. That includes ensuring Russia does not control the international narrative, casting its malign intentions and actions under a cloak of subterfuge, disinformation, and malign propaganda. We are strengthening our ability to counter this deliberate deceit, both on our own and with our allies and partners.

## REGIONAL THREATS: NORTH KOREA & IRAN

As DoD modernizes to win competition with China and Russia, we also remain alert to regional threats, like those posed by the Iranian and North Korean regimes.

While President Trump and our diplomats negotiate for the denuclearization of North Korea, its collection of nuclear weapons and ballistic missiles continues to pose a threat to the U.S. Homeland, as well as our allies.

Iran, for its part, relentlessly seeks to expand its malign influence across the Middle East and beyond. By providing conventional manpower and support to the Syrian regime and Houthi rebels in Yemen, and offering support and financing to terrorist groups like Lebanese Hezbollah, Iran is entrenching and proliferating its clout across the region. In addition, Iran demonstrates reckless behavior in the maritime domain. Iranian leaders repeatedly threaten to close the Strait of Hormuz – the gateway for almost a third of all global sea-traded oil – to international shipping and allow Iranian-backed Houthis to conduct attacks on international shipping in the Bab al-Mandab.

Iran has also increased funding for its cyber efforts twelvefold under President Rouhani, as well as increased espionage and targeting of U.S. government and commercial entities since withdrawing from the Joint Comprehensive Plan of Action. DoD also remains closely attuned to the threat of Iran pursuing nuclear weapon and advanced missile capabilities, including Iran's testing of space launch vehicles with technology virtually identical and interchangeable with that of ballistic missiles.

## POLICY OBJECTIVES TO MEET REGIONAL THREATS

In support of the ongoing negotiations for the denuclearization of North Korea, DoD aims to ensure our diplomats continue to speak from a position of strength. Our alliances in the region remain ironclad, including with the Republic of Korea and Japan. Together we deter North Korean aggression and maintain our ability to protect the Homeland and win decisively should conflict ever occur.

To counter Iran's destabilizing influence across the Middle East, DoD seeks to deepen and expand alliances in the region and strengthen local partners' capabilities and capacity to manage and counteract threats. We also seek to ensure freedom of navigation for all, bolster resilience

against destructive cyber-attacks, and prevent weapons of mass destruction (WMD) from falling into the hands of irresponsible actors.

## **THE TERRORISM THREAT**

Working by, with, and through an expansive network of international partners, we have made meaningful progress in thwarting terrorist designs against the U.S. Homeland and interests. Yet we do not discount the threats that continue to emanate from violent extremist organizations (VEOs), as they seek to conduct and inspire attacks, gain legitimacy by exerting control over territory, enjoy safe haven in under-governed countries, obtain access to WMD material, and proliferate their ideology to others across the globe.

Taking a step back from our hard-won successes against the Islamic State in Iraq and Syria (ISIS), we also recognize the global fight against radical Islamist terrorists is not over. From the 1980s to now, the number of nations, either unwittingly or willingly, providing safe haven to VEOs has increased eleven-fold. Today, radical Islamist terrorist movements are organized in more than two dozen countries, and the globe must contend with more than one hundred VEO-directed, enabled, or inspired attacks every year. VEOs continue to take advantage of instability in places like Yemen, Syria, Libya, Iraq, the Maghreb, Lake Chad, Somalia, and Afghanistan, preying on the conflict-ridden to grow their influence.

## **POLICY OBJECTIVES TO MEET THE TERRORISM THREAT**

Recognizing terrorism as a global threat, we must pursue global solutions that utilize the unique capabilities and capacities of our allies and partners, in addition to our own. Military might alone will not eliminate terrorist ideology or the threat of future terrorist attacks.

However, we can and are reducing the likelihood of an attack on our Homeland, our troops, and our interests by contributing to a whole-of-government and coalition approach. Together, we are removing terrorists' ability to control and hold territory; bolstering the internal security and stable governance of vulnerable states; ensuring the proper safeguarding of WMD material from terrorist hands; checking their ability to exploit emerging technologies, including unmanned systems; targeting VEO financial networks and countering terrorist ideology online to limit its spread to the greatest extent possible; and sharing intelligence to limit the risk of attack around the world.

## **WHAT DoD IS DOING ABOUT IT**

To meet our policy objectives, DoD cannot simply keep pace with our competitors as they increase their regional and global influence, grow their military capabilities, and develop and field advanced technologies. We must – and will – significantly outpace them.

We have made tough choices that align finite resources with our strategic priorities, reducing some day-to-day operational requirements now so we are prepared to deter, compete, and win against strategic competitors in the future. Our work bringing the NDS to life is far from over, but we are demonstrating clear progress along our three lines of effort.

### *Increasing Lethality*

In order to protect the Homeland and remain the most lethal military in the world, we have begun a paradigm shift towards a more balanced, distributed, survivable, and cost-imposing Joint Force. In 2018, we closely linked our combatant commands' operations to policy objectives and our Service plans to capability and capacity, with a focus on execution and performance. We are adjusting our posture, increasing lethality, improving operational readiness, and beginning to modernize and innovate at scale. These efforts allow us to better exploit adversary weakness, project power in contested environments, and expand our combat credible forward presence.

We have shifted our posture in key regions, taking initial steps to economize for sustainable missions in the Middle East and South Asia to prepare for the possible high-end fight of the future. In doing so, we maintain strategic predictability and implement operational unpredictability via the Dynamic Force Employment (DFE) model. This approach provides assurance to our allies and partners, while keeping our competitors and adversaries on their toes. We demonstrated DFE in action last year, when one of our carrier strike groups returned early from deployment unannounced and quickly redeployed to the North Atlantic – the first carrier strike group to conduct operations there since the 1990s.

We encourage and welcome all individuals who can meet our exacting requirements to join our military's ranks. A key element of strengthening our military and increasing lethality is ensuring our warfighters achieve established physical, mental, and security vetting standards. War is unforgiving, and our mission demands we remain a standards-based organization. In upholding systematically applied standards, we ensure the readiness of our Joint Force and cohesion of our units. One of those standards is deployability. Since June, we have lowered the percentage of non-deployable Service Members from 6.4 to 5.4 – that means roughly 21,000 fewer non-deployable Service Members today than eight months ago.

DoD has also worked diligently to ensure our personnel have the capacity, training, and capabilities they need to achieve results. Last year, we accelerated delivery of more than 14,000 munitions and precision guidance kits to our warfighters, turned the corner on replenishing critical munitions stockpiles, and made strides to rapidly deploy cutting edge equipment to the warfighter. Our Close Combat Lethality Task Force continues to strengthen our infantry's lethality, survivability, resiliency, and readiness for close combat. Four out of five U.S. combat deaths occur in our infantry. Therefore, it is a strategic imperative to ensure those who confront war's grimmest realities never enter into a fair fight.

This work on personnel and munitions readiness feeds into complementary efforts to increase equipment readiness. In October 2018, we set an eighty percent readiness target for mission critical aviation platforms. In just a few months, almost every type, model, and series of aircraft targeted by that memorandum has demonstrated progress. This year, we will establish similarly ambitious readiness targets across the DoD enterprise. In addition, our Services have made impactful readiness gains. As one example, the Air Force's operational squadrons are twenty-three percent more ready today than in 2017, and we will have twenty-five percent more pilots able to carry out missions in FY2019 than in FY2016.

On modernization, we remain committed to a safe, secure, and effective nuclear deterrent. Nuclear deterrence has kept the peace over the last seventy years, and its importance has been reaffirmed by every Congress and every president since Harry Truman. Last year, DoD released our Nuclear Posture Review (NPR), which details the need for modern and tailored nuclear capabilities and capacity that meet the realities of our times. We are moving out on those efforts. With FY2019 funding, we are recapitalizing and modernizing our aging legacy forces, including our nuclear command, control, and communications (NC3), while pursuing prudent, modest adjustments to our arsenal, which will increase the flexibility of our response options.

Here it is worth re-stating – Russia is aggressively developing and modernizing a suite of strategic and non-strategic nuclear weapons. Not only does this add urgency to the modernization of our legacy forces, it underscores the importance of the supplemental capabilities called for in last year's NPR. Both the low-yield submarine-launched ballistic missile (SLBM) and the sea-launched cruise missile (SLCM) close what we believe to be troubling gaps in regional deterrence. These are not redundant capabilities. The low-yield SLBM, deployed in small numbers, will provide a highly tailored response to specific developments in Russia's forces and doctrine that may lead Russia to mistakenly believe it could potentially use a small number of low-yield nuclear weapons without risking a U.S. military response. A nuclear SLCM will provide a similar capability in response to serious developments and trends in Russia's nonstrategic nuclear forces. These supplemental capabilities enhance deterrence and stability.

Turning to emerging technology fields, DoD has identified ten key areas: hypersonics; fully networked C3; directed energy; cyber; space; quantum science; artificial intelligence (AI)/machine learning; microelectronics; autonomy; and biotechnology.

We have invested in basic research, rapid prototyping, and experimentation to mature technology that can be used at scale. We are also updating our warfighting doctrine as the character of warfare changes. Take AI for example – competitors are investing heavily in this field, redefining the future of warfare. Last year, DoD established the Joint AI Center (JAIC), and we released our AI Strategy just last month. These efforts accelerate DoD's delivery and adoption of AI at the speed of relevance, while attracting and cultivating the best global talent.

In pursuit of stronger missile defense, DoD released our Missile Defense Review (MDR) in January, which recognizes the accelerating proliferation of advanced offensive missile capabilities around the world. The MDR articulates a comprehensive approach that combines deterrence, active and passive missile defense, and attack operations. We continue to maintain ground- and sea-based missile defenses while also developing new capabilities to counter new threats.

As the MDR illustrates, our military is not constrained by earth's geography. We are taking steps to secure unfettered access to and freedom to operate in space, in accordance with our international agreements and obligations. Reforming the organization of the military space enterprise is fundamental for protecting our roughly \$19 trillion economy and our position as the world's strongest military. Earlier this month, we submitted a legislative proposal to Congress, requesting authorization for a U.S. Space Force. If authorized, the Force would transform our approach to space, increasing our responsiveness in this warfighting domain. Establishing a sixth branch with dedicated military leadership will unify, focus, and accelerate the development of space doctrine, capabilities, and expertise to outpace future threats, institutionalize advocacy of space priorities, and further build space warfighting culture. I ask for your support of our proposal, so we can move out in this critical domain.

We recognize restoring military readiness, modernizing our Joint Force, and increasing lethality will not happen overnight, but as the above examples demonstrate, we are making meaningful progress.

### *Strengthening Alliances and Partnerships*

Beyond DoD's efforts to improve readiness and lethality, we are expanding collaboration and cooperation outside the Department. DoD's participation in combined military exercises has increased by seventeen percent in the last two years, and our Foreign Military Sales have increased by more than sixty-five percent in the last three years. Across the globe, DoD has leveraged opportunities to expand and deepen our already unmatched network of allies and partners, while making real progress on burden sharing for international security.

Starting in the Indo-Pacific, our priority theater, we continue to pursue many belts and many roads by keeping our decades-old alliances strong and fostering growing partnerships. In all our actions, we demonstrate our commitment to a free and open region, marked by respect for the sovereignty and territorial integrity of all nations, big and small.

We are fortifying our bedrock alliances with Australia, Japan, the Republic of Korea, the Philippines, and Thailand while growing key partnerships across the Indo-Pacific. It is worth noting here that four out of the five nations in our Five Eyes intelligence-sharing network are also Pacific nations, further emphasizing the region's importance.

In 2018, the United States took historic strides with two key partners in particular, Vietnam and India. Our Navy conducted the first U.S. aircraft carrier visit to Vietnam since the Vietnam War, and we participated in the inaugural U.S.-India 2+2 Strategic Dialogue in New Delhi, showing growing trust between the world's oldest and largest democracies.

While our diplomats chart a path to the denuclearization of North Korea, DoD continues to enforce United Nations Security Council resolution sanctions against North Korean ship-to-ship transfers, alongside allies and partners. We have also improved integration of our missile defense assets on the Korean Peninsula to better protect U.S. Forces and allies.

In July 2018, we conducted the largest naval exercise in the world, the Rim of the Pacific or RIMPAC, alongside twenty-five other nations. That and our Southeast Asia Maritime Security Initiative have boosted interoperability and increased our allies and partners' ability to conduct maritime security and awareness operations on their own. Our efforts across the region have enabled our allies and partners to take a tougher stand against Chinese aggression in international waters. For example, this past year France, the United Kingdom, Japan, Canada, Australia, and New Zealand all increased their presence in the East and South China Seas, reiterating our collective stance to fly, sail, and operate wherever international law allows.

In Europe, the United States is fortifying relationships, realizing burden sharing gains, and developing a more lethal, combined capability. This year, NATO – the most successful Alliance in history – marks its seventieth anniversary as the bedrock of transatlantic security. NATO is poised to bolster deterrence through larger and more frequent exercises, mobility and infrastructure improvements, a revamped command structure, and increased force presence in territories most vulnerable to Russian aggression. We are rapidly pursuing our “Four Thirties Readiness Initiative” by 2020: thirty mechanized battalions, thirty air squadrons, and thirty combat vessels ready to fight within thirty days or less.

Over the last two years, NATO has made significant burden sharing progress, both financially and operationally. Since 2017, our NATO Allies have increased their defense spending by \$41 billion. The nine percent increase from 2016-2018 represents the largest in a quarter century. By 2020, NATO projects Allies will increase defense spending by \$100 billion. These are impressive numbers. Yet NATO contributions do not all boil down to simple dollar amounts. The Alliance continues to provide valuable manpower, specialized capabilities, and territory that no other partnership in the world can match.

I now move to the impactful work we are doing by, with, and through our allies and partners across the Middle East and South Asia.

In Syria and Iraq, the United States, as part of the seventy-nine-member Defeat-ISIS Coalition, and our local partners have liberated more than thirty towns and cities from ISIS control since January 2017 – that's virtually all of the territory ISIS once held.

As we look ahead in Syria, we will continue to stand with those who fought and continue to fight alongside our Coalition, address Turkey's security concerns along Syria's northeast border, maintain the global Defeat-ISIS Coalition, and set conditions for continuing U.S. counterterrorism operations in the region. We fully support the Government of Iraq in its fight against terrorism and will continue to enable the Iraqi Security Forces' progress in securing liberated areas and thwarting ISIS attempts to mount a clandestine insurgency.

In Afghanistan, we are executing President Trump's South Asia Strategy, R4+S (regionalize, realign, reinforce, reconcile, and sustain). In applying military pressure on the Taliban, we support Ambassador Zalmay Khalilzad and Secretary Pompeo's ongoing negotiations, which are Afghanistan's first chance for real peace in forty years. We are also applying maximum pressure on ISIS-Khorasan (ISIS-K) and other terrorist groups in Afghanistan, to stymie any threats to the U.S. Homeland.

Since 2016, our allies and partners have stepped up to create necessary conditions for negotiations. Afghan forces now lead one hundred percent of missions, with U.S. and coalition personnel performing train, advise, and assist roles. In 2018, international partners agreed to extend their roughly \$1 billion in annual financial sustainment of Afghan forces through 2024. NATO's fulfillment of requirements in Afghanistan has increased more than fourteen percent since the introduction of President Trump's South Asia Strategy, its highest level in the Mission's history. Since 2016, the number of non-U.S. Coalition troops to NATO's Resolute Support Mission has increased by more than thirty-five percent, and two new countries, Qatar and the United Arab Emirates, are formalizing their status as operational partners.

Defeating Al Qaeda in the Arabian Peninsula (AQAP) and ISIS remains the United States' top national security interest in Yemen. At the same time, we fully support UN Special Envoy Martin Griffiths's efforts to bring all relevant parties of the civil war to the negotiating table. I am encouraged by the ceasefire in the strategically-important city and port of Hudaydah. Though not easy, these are necessary first steps on the path to lasting peace.

In Africa, we are helping partners build their security forces' capacity to counter terrorist and other transnational threats, bolstering relationships to ensure U.S. influence and access against great power competition, enhancing our ability to conduct crisis response, and supporting whole-of-government efforts to advance stability and prosperity.

The last stop in our abbreviated walk around the world is closer to home – to our allies and partners in the western hemisphere and our efforts to protect our southern border. Over the last year, we have fostered strong military-to-military ties with our Canadian and Mexican neighbors, while bolstering relationships with Brazil, Argentina, Colombia, and Chile. We appreciate and applaud these nations' contributions to international security, demonstrated notably last year when Chile served as the Combined Forces Maritime Component Commander at RIMPAC – the first time in the exercise's history a non-English speaking nation has done so.

As we continue to monitor the situation in Venezuela, we are working closely with the Department of State, U.S. Agency for International Development, and regional partners to provide humanitarian assistance, while maintaining our posture to protect our national interests and citizens abroad.

On the southern border – last month, I visited the El Paso area to assess the security situation and DoD’s role in supporting our Department of Homeland Security partners.

As these myriad examples illustrate, our thriving, global constellation of alliances and partnerships provides an asymmetric advantage no competitor or adversary can match. We take that advantage seriously, and we continue to foster its growth at every opportunity.

### *Implementing Reform*

Let me now turn inward – to reform of our internal business practices. Over the last year, we have made marked improvements to our fiscal transparency, instituting a wide range of reform initiatives that bolster efficiency, effectiveness, and performance.

We have focused reform in key areas, including healthcare, contract management, information technology (IT), acquisition, civilian resource management, and financial management. Let me provide a brief overview of our progress so far. Over the course of FY2017 and FY2018, we have saved \$4.7 billion from reform across our headquarters’ activities – a down payment on more to come.

On healthcare, we realized savings of almost \$519 million in TRICARE reform, with \$3.4 billion in savings planned through FY2021. Our entire Fourth Estate has now participated in contract service requirement reviews to eliminate unnecessary contracts, resulting in \$492 million in programmed savings.

Within the IT field, we modernized our defense travel system, trimming our regulation by almost 1,000 pages. The reform allows for better industry competition and has saved nearly \$160 million to date. Within acquisition reform, our Services saved more than \$550 million in FY2017 and FY2018 by selling equipment to foreign partners and negotiating multi-year procurements over single year contracts.

And within financial management, DoD completed our first-ever consolidated financial statement audit in 2018, covering roughly \$2.7 trillion in assets. As of February 1, DoD had developed corrective action plans to address more than thirty-three percent of the total audit findings and recommendations, with many more corrective actions to come.

In addition to business reform, the Department has also made important structural reforms, including elevating U.S. Cyber Command to full combatant command status, standing up U.S. Army Futures Command, and finalizing our split of the Acquisition, Technology, and Logistics

office into two separate offices: Acquisition and Sustainment (A&S) and Research and Engineering (R&E).

### *The Way Ahead*

Our Department has been busy, but we are just getting started. I am encouraged by our initial progress. Focus and discipline are vital for our NDS's continued execution.

### **OUR FY2020 REQUEST: A STRATEGY-DRIVEN BUDGET**

Our FY2018 funding stopped the erosion of our competitive edge by beginning to restore military readiness. Our FY2019 funding continued readiness gains and made key down payments on a more lethal military. Now our Department needs adequate, sustainable, and predictable funding to maintain momentum and expand our modernization and readiness efforts. Every line of our FY2020 request is designed to implement our Strategy. Therefore, every dollar of it – both in baseline funding and overseas contingency operations – is critical. I ask for Congress's support for on-time funding of our \$750 billion topline for National Defense, so we can continue to breathe life into the NDS.

Our strategy-driven budget drives further progress along our three lines of effort and brings our military modernization efforts to life at the speed of relevance. It enables critical shifts to compete, deter, and win in any high-end fight of the future, while preserving capabilities to support current operations. With this funding, we ensure America maintains our asymmetric military advantage with a more lethal, agile, and innovative Joint Force.

The FY2020 request includes the largest research, development, test, and evaluation (RDT&E) budget in seventy years, when adjusted for inflation. That is \$104 billion in total requested funds for FY2020 – \$9 billion more than what we will spend this fiscal year. We have made strategic choices to prioritize lethality for the high-end fight.

Across DoD, these choices move our capabilities from cost-accepting to cost-imposing, from the exquisite and purely survivable to the affordable and attritable. Through targeted investment, we will replace a federated approach with an enterprise one, enabling a more distributed, scaled path to innovation and modernization. This path prioritizes unmanned and machine capabilities, as well as the ability to “fight in the dark” without network dependency.

With that broader context in mind, I will now focus on four priority areas: (1) Investing in the contested space and cyber domains; (2) modernizing in traditional air, maritime, and land domains, as well as multi-domain enterprises; (3) innovating in emerging technology fields to strengthen our competitive edge, and; (4) building on readiness gains to meet requirements for our current operational commitments and future challenges.

## *Space and Cyber Investments*

Our request recognizes the critically important role space will play in maintaining military superiority in the future. The \$14.1 billion dedicated to space will counteract the erosion of our competitive advantage by enhancing our existing space-based capabilities, like GPS, satellite communications, and missile warning, as well as increasing launch capacities. We will also stand up the U.S. Space Force Headquarters, U.S. Space Command, and Space Development Agency to best prepare DoD to assure freedom of operation in space, deter attacks, and when necessary, defeat space and counter space threats to the United States, our allies, and our partners.

We also note the cyber domain's crucial role, both now and in warfare's future. That is why we have requested \$9.6 billion to support offensive and defensive cyberspace operations, shore up network resiliency against adversaries, and improve our cyber posture. These efforts help ensure DoD has the information and communications technology capabilities necessary for implementing our NDS and realizing our mission.

## *Traditional and Multi-Domain Investments*

The FY2020 budget will ensure the U.S. military maintains long-term competitive advantage on land, in the air, and on the sea. Across these three traditional domains, we are investing a total of \$107 billion for modernization.

In the air domain, this includes \$57.7 billion to increase the procurement and modernization of our fighter force. A balanced mix of fourth and fifth generation aircraft will effectively and affordably meet the entire spectrum of NDS missions, providing the stealth needed to gain air superiority, execute precision strikes, and conduct stand-in electronic attack against peer competitors in highly-contested environments, while also providing counter-air and strike in more permissive environments. We will also purchase additional tankers, Advanced Medium-Range Air-to-Air missiles, and Joint Air-Surface extended range missiles.

On land, we will invest \$14.6 billion to fund roughly 6,400 combat and tactical vehicles, including M-1 Abrams upgrades and Amphibious Combat Vehicles, as well as multiple combat systems that provide overmatch on the last two hundred meters of the battlefield.

In the maritime domain, we will increase and diversify our strike options, including offensive-armed unmanned surface and underwater vessels and advanced long-range missiles. FY2020 funds will also accelerate fleet growth, delivering more ships faster, including cutting edge unmanned variants.

The FY2020 request also invests \$14 billion in modernizing and recapitalizing all three legs of our nuclear capabilities, to include the Ground-Based Strategic Deterrent system, Columbia-class ballistic missile submarine, Long-Range Standoff Weapon, B-21 bomber, life-extended

Trident SLBM, and the F-35 dual-capable fighter aircraft; while also enhancing our missile warning and NC3 capabilities.

We also slate \$13.6 billion for missile defeat and defense modernization, increasing the capability and capacity of our ground-based defenses, Terminal High Altitude Area Defense, and Aegis Ballistic Missile Defense systems; enhancing our space-based missile warning and other capabilities to address hypersonic threats; and developing boost-phase missile defense systems, including directed energy and air-launched kinetic interceptors.

Also on the multi-domain front, we will invest \$3.4 billion for our Special Operations Forces. The FY2020 request refocuses on strategic competition by increasing funding for research and development, modernization, and expanded capabilities for the high-end fight, while maintaining irregular warfare as a core competency.

### *Innovation and Advanced Technology Investments*

With more than \$7.4 billion directed toward DoD's development and fielding of technologies focused on the high-end fight, the FY2020 budget prioritizes funding across four key emerging areas: autonomy, AI/machine learning, hypersonics, and directed energy.

Let me expand on hypersonics for a moment as one example. Without the long-range, survivable, and fast strike capability of hypersonic weapons, it will be difficult for our military to maintain access to key regions or come to the defense of allies and partners in a crisis or war. Yet, with the \$2.6 billion requested in FY2020, projected doubling of funding requests in coming years, and close inter-service cooperation, we are accelerating pursuit of options deliverable from land, sea, and air, with some capabilities expected to deploy to the warfighter three years earlier than previously planned.

### *Sustainment and Readiness Investments*

This budget sustains our Joint Force and builds on critical readiness gains. We will invest almost \$125 billion in operational readiness and sustainment, including \$1.5 billion for advanced training facilities and ranges, \$2.6 billion for improving and expanding cyber operations training, and \$41.2 billion for further improving tactical aviation readiness.

In addition, the FY2020 budget will allow an increase to our total end-strength by roughly 7,700 Service Members over the projected FY2019 level, as well as give our men and women in uniform a much-deserved 3.1 percent pay raise, the largest in a decade.

In concert with the funding priorities I have just outlined, we will continue to pursue opportunities that balance capacity and capability by realizing economies of scale in large equipment acquisitions, like aircraft carriers and the F-35 Joint Strike Fighter. As we do so, we will continue to assess the utility of our investments through a lifecycle lens.

## CONCLUSION

With Congress's support and delivery of on-time funding at our requested topline, this budget ensures our military maintains the lethality, adaptability, and resiliency necessary to compete, deter, and win against any adversary in an increasingly dangerous world.

It is a privilege and honor to lead the most lethal military in the world. I thank those in uniform and their families for all they do, today and every day, to keep us safe, and I appreciate the critical role Congress plays to ensure our warfighters are ready to succeed on the battlefields of today and tomorrow.

The men and women of the Department of Defense stand ready, as always, to protect liberty and freedom.

Thank you.

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