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Acting Secretary Shanahan's Remarks at the IISS Shangri-La Dialogue 2019
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Thank you, Dr. Chipman and the IISS team for organizing this conference. I especially want to thank Dr. Ng and our gracious host, Singapore.

It's good to be back: I visited Singapore many times while working in private industry, and I'm honored to join you today as Acting Secretary of Defense.

As Prime Minister Lee said last night, "the United States is welcome and has many friends in Asia." That is a real honor, and I would say that the United States has no better friend in Asia than Singapore.

On behalf of President and Commander-in-Chief Trump, and the men and women of the U.S. Armed Forces, I am here to affirm the United States' enduring commitment to the Indo-Pacific region – and to the values that keep it secure and prosperous, free and open.

The United States has a natural presence here: as Secretary Mattis said from this podium last year, we are a Pacific nation. We are a resident power, with deep economic, cultural, and personal connections that inextricably link us with the growth and vitality of the world's most dynamic region.

Our shared geography has spurred the integration and linkage of our economies: America's annual two-way trade here is \$2.3 trillion, and U.S. foreign direct investment is \$1.3 trillion, more than China's, Japan's and South Korea's combined.

Our defense ties are similarly strong: we have a long history of engagement, and we have strong, longstanding relationships, from our five treaty alliances to our large and growing number of defense partners.

Our defense relationships have expanded along with this region's prosperity, and as our own economic interests increased. And this region's prosperity has been increased by the stabilizing influence of our defense relationships. So the synergy between prosperity and security is well-understood.

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With that linkage in mind, I am pleased to have this opportunity to describe the very real progress the Department of Defense is making to usher in a new age of technology, partnerships, and posture that presents an unprecedented opportunity for our Indo-Pacific network of allies and partners.

Standing here today, we are nearly three years into this significant undertaking. In spite of a very dynamic world, we are focused. We have continuity, and this continuity is propelling us forward.

Our direction is unambiguous, and our efforts are captured in our National Defense Strategy and the Indo-Pacific Strategy Report, which describes how we are implementing the strategy in this region.

These are important documents and they capture many headlines. The strategy is much more than words. The strategy underpins the Department's budget and drives our resourcing. We have more than a strategy. We have a plan.

In this context, it is important to recognize the heavy lifting done by our Congress, which has shown extraordinary bipartisan support to provide the Defense Department with the resources needed to execute our defense strategy. Congress did not just remove the budget caps limiting our efforts; they have fully funded our defense strategy.

Their contribution is significant, and many have made the long journey to be here with us today. I would like to recognize them: House Armed Services Committee Chairman Smith; Ranking Member Thornberry; Representatives Larsen, Norcross, and Brown; and Senators King, Gardner, Duckworth, and Blackburn.

I thank them for their vital support to our National Defense Strategy, and I can personally speak to their engagement. I truly appreciate all the help.

Congress' focus is global and regional, and this region in particular will benefit from their passage of the bipartisan Better Utilization of Investment Leading to Development or BUILD Act, which President Trump signed into law last October.

The BUILD Act establishes a new U.S. International Development Finance Corporation that will prioritize low- and middle-income countries. Through it we will more than double U.S.

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development finance capacity, from \$29 billion to \$60 billion, helping to unlock the potential of private capital to support high quality, high standard, transparent investments to better service infrastructure needs across the region and the world.

On the security side, the importance of Congressional support to the U.S. Department of Defense is hard to overstate. It has enabled us to fully resource our strategy, without artificial constraints created by budget pressures.

Equally as important, we are aligned across the Department of Defense – the single largest employer in the United States. The more than three million men and women of our Department are singularly aligned behind this strategy; not just on my staff, but also in the Services, the Joint Staff, and the Combatant Commands.

We are undertaking a significant modernization effort which is underpinned by innovation, experimentation, and new technology that will allow us to combat new threats, strengthen our alliances, and build new partnerships by allowing us to communicate and share at speed.

This is a massive effort: the United States is the world's largest economy, and the defense budget is 60 percent of our discretionary spending. Our government is devoting significant resources to this mission. And our geographical focus, the priority theater of our strategy is right here, in the Indo-Pacific.

This represents an enormous opportunity for our allies and partners. The United States is rapidly developing the technologies critical to deterring and defeating the threats of the future. Partners who pursue interoperability with us as part of a regional security network will be able to access much of these technologies and benefit from the compounding effects of U.S. investments and progress.

Going forward, we should seek to grow, integrate, and realize these synergies as we build a regional security network together that is inclusive and resilient, based on trust, and which upholds a free and open Indo-Pacific.

If I can speak personally for a moment... Like Secretary Mattis, I grew up in Washington State, on the Pacific Coast.

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My formative experiences over a 30-year career with The Boeing Company were heavily influenced by my work with partners across this region, including Japan, South Korea, China, and Singapore, among others.

I learned firsthand the immense value of relationships – that trust is built over time, through *actions* as well as words.

If I can offer an analogy: in the past, I worked on teams that designed and manufactured airplanes and sourced and assembled parts from dozens of nations across this region.

Each nation’s business arrangement was different; one size did not fit all.

It was complex work, and every country in the supply chain made a unique contribution that matched their capability and ambition. No one nation could do it all.

But by working together, we created something larger than the sum of its parts.

Today we – this collective gathering – are building a shared security order. Every nation, independent of size, has an important role to play. And like the business of building airplanes, no one nation can go it alone.

No one nation can – or should – dominate the Indo-Pacific. It is in all our interests to work together to build a shared future, one that is better than anything any of our nations could achieve on our own.

Whether airplanes or security architectures, you start with a blueprint – a guide that ensures everyone’s contributions fit together. The United States’ blueprint for the region is a Free and Open Indo-Pacific. Many regional nations have advanced similar plans, and we welcome those.

The Free and Open Indo-Pacific vision is an effective guide for regional contributions because it is based on enduring principles of international cooperation:

- Respect for sovereignty and independence of all nations, large and small;
- Peaceful resolution of disputes;
- Free, fair, and reciprocal trade and investment, which includes protections for intellectual property; and,

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- Adherence to international rules and norms, including freedom of navigation and overflight.

These are not American principles; they are broadly accepted across this region and the world. We know these principles are valuable because we have seen the damage that erupts when they are ignored. We also know from history that following these principles leads to greater security and increased prosperity.

It has already happened here, where a regional order based on these principles spurred decades of growth, lifting billions out of poverty and transforming the Indo-Pacific into the world's most dynamic region.

We know the inter-dependence of security and economics, that economic security *is* national security. That's why we want the Indo-Pacific to remain free and open:

Because it allows countries to prosper, and prosperous countries are stable and capable of contributing to regional security and stability.

For this reason, the United States does not want any country in this region to have to choose or forgo positive economic relations with any partner. Expanding prosperity is vital for us all.

This region has experienced an unprecedented 70 years of relative peace and rising prosperity, supported by steady American engagement in all spheres.

However, some in our region are choosing to act contrary to the principles and norms that have benefitted us all.

I want to use some of our time together this morning to take stock of pressures on the regional order and their implications.

Acknowledging those actions is not enough; we also need to extrapolate the trend line and recognize the likely future we arrive at if we do not act to call out disruptive actors and take a stand against the challenges to regional order.

The challenges are significant. We are focused on negotiations to achieve “final, fully verified denuclearization of the Korean peninsula,” we acknowledge that North Korea has neared a point

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where it could credibly strike regional allies, U.S. territory, and our forward-deployed forces. North Korea remains an extraordinary threat and requires continued vigilance.

A full range of transnational challenges persists: attacks by militants affiliated with or inspired by ISIS – as seen in Sri Lanka’s deadly Easter Sunday bombings – and other international terrorist groups, proliferation, narcotics, natural disasters, and disease.

Perhaps the greatest long-term threat to the vital interests of states across this region comes from actors who seek to undermine, rather than uphold, the rules-based international order.

These actors undermine the system by using indirect, incremental actions and rhetorical devices to exploit others economically and diplomatically, and coerce them militarily.

They destabilize the region, seeking to reorder its vibrant and diverse communities toward their exclusive advantage.

We see this manifested in a range of behaviors and activities throughout the Indo-Pacific, “a toolkit of coercion,” to include:

- Deploying advanced weapons systems to militarize disputed areas, destabilizing the peaceful status quo by threatening the use of force to compel rivals into conceding claims;
- Using influence operations to interfere in the domestic politics of other nations, undermining the integrity of elections and threatening internal stability;
- Engaging in predatory economics and debt for sovereignty deals, lubricated by corruption, which take advantage of pressing economic needs to structure unequal bargains that disproportionately benefit one party; and,
- Promoting state-sponsored theft of other nations’ military and civilian technology.

In contrast to the free and open vision broadly shared by the region, some seem to want a future where power determines place and debt determines destiny:

- Where nations are unable to make use of natural resources within their exclusive economic zones;

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- Where coral reefs are dredged and destroyed with disastrous ecological and economic consequences;
- Where fishermen’s livelihoods are in peril as they are denied access to waters they and their ancestors have fished for generations;
- Where freedom of navigation and international overflight are restricted; and,
- Where the fundamental respect for the dignity of all peoples is ignored and religious freedoms are suppressed.

If the trends in these behaviors continue, artificial features in the global commons could become tollbooths. Sovereignty could become the purview of the powerful.

When a country makes a pledge and does not follow it, you should worry. When that same country makes *no* pledge ... You should *really* worry.

We can’t wish away reality or continue to look the other way as countries use friendly rhetoric to distract from unfriendly acts. Now is the time to call out the mismatch between words and deeds by some in the region and encourage them to work constructively and transparently toward a positive future.

The United States rejects those actions that run counter to the order that many of the countries represented in this room have built together.

We want a different future – a more promising future, one where small nations need not fear larger neighbors.

And the U.S. Department of Defense is working systematically to deliver it.

What is the United States’ view of the future? In our Indo-Pacific vision, respected partners find security and prosperity in a mesh of interconnected peoples, economies, and security relationships.

This is not new nor exclusively an American vision; this is an inclusive and enduring approach, embraced by almost all of us who call the Indo-Pacific home.

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What is the value we create from this interconnected, networked future? Nations are empowered through their relationship with the United States and others in this common bond. They remain free to choose their destiny, as strategic partners, exercising strategic independence.

Regional institutions, like ASEAN, retain their centrality. They remain able to unify diverse interests, pool resources, and contribute to a shared future.

In short, the region's shared principles are upheld by countries coming together of their own accord to support regional security and stability.

This approach is in keeping with America's long history of working together with allies and partners in this region to defend a rules-based order in the Indo-Pacific. Many of us stood together against imperialism, fascism, and Soviet domination in decades past.

In many of these instances, China stood with us as a cooperative partner in pursuit of shared goals. I say now that China could still have a cooperative relationship with the United States. It is in China's interests to do so: no country has benefitted more from the regional and global order than China, which has seen hundreds of millions lifted from poverty to increasing prosperity.

We cooperate with China where we have an alignment of interests, from military-to-military dialogue to develop risk reduction measures, to tackling transnational threats such as counter-piracy, to enforcing UN sanctions on North Korea.

And we compete with China where we must. But competition does not mean conflict. Competition is not to be feared. We should welcome it, provided that everyone plays by internationally established rules.

China can and should have a cooperative relationship with the rest of the region, too. But behavior that erodes other nations' sovereignty and sows distrust of China's intentions must end.

Until it does, we stand *against* a myopic, narrow, and parochial vision of the future, and we stand *for* the free and open order that has benefitted us all—including China.

At the Department of Defense, we are making this vision a reality by focusing our investments on preparedness, strengthening our alliances and partnerships, and empowering a regional

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security network. For that network to thrive, we need all who seek to derive benefit from it to contribute their part.

When we talk about preparedness, we mean having the right capabilities in the right places to respond to crises, and to compete with and deter high-end adversaries.

The United States does not seek conflict, but we know that having the capability to win wars is the best way to deter them.

We want to ensure no adversary believes it can successfully achieve political objectives through military force.

To that end, as part of our broader, Department-wide modernization, the U.S. Department of Defense is investing significantly over the next five years in programs critical to ensuring a stable and secure Indo-Pacific. This is major step to technologically scale capability and capacity on behalf of our security – and yours.

For example, we are increasing investments in contested domains like space and cyber, while preserving our advantages in undersea warfare, tactical aircraft, C4ISR, and missile defense to ensure the commons remain open to all in the Indo-Pacific.

We are focused on the future in our request of \$104 billion – the most ever – in research and development in the next fiscal year, with significant investment in emerging technologies like AI, hypersonics, and directed energy, much of which is aimed at unique operational challenges in this theater.

We have also spent the last two years focused on restoring the readiness of our forces.

We continue to build on these gains with \$125 billion in operational readiness and sustainment requested for the next fiscal year. This funding will boost the depth and capacity of our armed forces, and also help expand our training—including with allies and partners—to improve mission readiness critical to meeting this region’s challenges.

These funds will enhance our already sizeable and reliable capabilities distributed across the region:

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- More than 370,000 American Soldiers, Sailors, Airmen, Marines, and civilians live, train, and work alongside our allied and partner forces across the region.
- U.S. Indo-Pacific Command has four times the assigned forces as any other geographical combatant command.
- Across the Indo-Pacific, the United States has more than 2,000 aircraft, providing us the ability to rapidly project power across the vast distance of this region.
- More than 200 ships and submarines ensure freedom of navigation, search and rescue, and rapid assistance in the event of natural disasters.
- We are investing in advanced missile defense systems, interoperable with allied systems in Japan, Australia, and South Korea.
- Our security guarantees are reinforced thanks to strategic enhancements like our *Columbia*-class ballistic missile submarines; and our purchases of 110 fourth- and fifth-generation aircraft and advanced munitions.
- Our acquisition of 10 new destroyers will increase anti-surface and anti-submarine warfare capabilities, and ballistic missile defense, ensuring our forces – and those of our allies and partners – remain safe in a turbulent world.
- We are also accelerating forward presence of U.S. land forces to deepen real, operational relationships with those of allies and partners.
- We are expanding into space alongside allies Australia and Japan. This has been an opportunity to station some of our highest-end, most capable assets in the Indo-Pacific – right where they belong.

To reiterate, the Indo-Pacific is our priority theater. We are where we belong. We are investing in the region. We are investing in you, and with you. And we need you to invest further in yourselves.

We need you to invest in ways that take more control over your sovereignty and your own ability to exercise sovereign choices.

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Every nation has a responsibility in the free and open Indo-Pacific. The United States will uphold our commitments, and we need our allies and partners to contribute their fair share. We need you to:

- Invest sufficiently in your own defense; it strengthens deterrence.
- Build third-partner capacity; it helps the network scale.
- Uphold a rules-based international order; it keeps the playing field level.
- Provide access to address contingencies; it makes us more responsive.
- Strengthen interoperability and think carefully about the implications of defense sales; you are buying a long-term relationship, not just a platform.
- Expand information sharing with like-minded countries and ensure your own networks are secure and trusted by others; it keeps us connected.
- Pool resources for common objectives; it distributes the weight.

As you invest in yourself, know that we are strengthening *even further* our unrivaled network of alliances and partnerships. We know this region's size and complexity requires the greatest degree of cooperation. And we know we are up to the challenge.

No other nation can match the United States' ability to work across distance, cultures, languages, and time – and we are increasing the rate at which we do this.

Global participation in our combined military exercises increased 17% in the last two years. This region has benefitted immensely from it.

An excellent example can be found in last month's "La Pérouse" exercise in the Indian Ocean: the U.S. Navy drilled alongside the French aircraft carrier *Charles de Gaulle*, Japanese helicopter carrier *Izumo* and destroyer *Murasame*, and Australian frigate *Toowoomba* and submarine *Collins*. Who else can bring together militaries otherwise separated by three oceans and more than 9,000 kilometers?

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This is just one vignette out of thousands. Project this training, interoperability, and shared capability across the full scope of exercises and you find that our mutually beneficial alliances and partnerships give a durable, asymmetric advantage that no competitor can match.

Let me give a brief snapshot of just some of these capabilities:

Japan hosts our 7th Fleet and Third Marine Expeditionary Force; the *USS Ronald Reagan*, our only forward-deployed aircraft carrier; ballistic missile defense assets, including Aegis destroyers and Patriot units; and more than 54,000 military personnel. This capability enables unparalleled operational cooperation and lets us project strength *together* in support of regional stability.

South Korea hosts 28,500 U.S. service members; two fighter wings of F-16 and A-10 aircraft; and a host of other forces, including a Terminal High-Altitude Area Defense battery. Together, we deter aggression on the Korean peninsula, support the path of diplomacy to achieve the final fully verified denuclearization of North Korea, and uphold the international rule of law.

With the Philippines, we have 280 bilateral defense activities planned for 2019 *alone*. Our flagship Exercise BALIKATAN this year incorporated fifth generation F-35 fighters for the first time. We also rotate U.S. troops through the southern Philippines to help our allies combat terrorism.

With Australia, we are pushing the sophistication of our alliance capabilities through our Enhanced Aircraft Cooperation initiative and Marine Rotational Forces-Darwin. These initiatives enable our alliance to deepen interoperability and expand our cooperative capacity in our home region, just as the alliance has contributed to shared objectives globally for decades.

Thailand continues to host Exercise COBRA GOLD – the largest multilateral exercise in the Indo-Pacific – and we are working with Congress following the recent Thai elections to fully return our defense cooperation to the levels appropriate for our longest-standing treaty partner in Asia.

Let me briefly highlight some other work we are doing with our committed partners:

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U.S.-India defense relations have strengthened significantly over the last decade, and India is now a Major Defense Partner. We are increasing the scope, complexity, and frequency of our military engagements, to include our first tri-service exercise later this year.

The signing of the Communications, Compatibility, and Security Agreement or COMCASA last year was a historic development that enables us to further expand our relationship toward more practical and meaningful areas of cooperation. This includes greater interoperability and information-sharing.

I visited Indonesia earlier this week and was impressed by the strength of our strategic partnership with the world's third-largest democracy. The United States and Indonesia have an active exercise program that includes more than 200 bilateral military engagements annually, and our interoperability is enhanced by common platforms such as F-16 fighters and Apache attack helicopters.

Singapore is a steadfast U.S. partner in Southeast Asia with a strong commitment to promoting regional and global stability. Singapore is our only Major Security Cooperation Partner in the region and provides valuable access to U.S. Navy ships and U.S. military aircraft whose presence contributes to security and stability in the region. And we are glad to have Singapore's fighter aircraft train alongside the U.S. Air Force.

The U.S. and Mongolia have a comprehensive partnership based on common values and shared strategic interests. Mongolia is a net security exporter upholding the free and open Indo-Pacific, enforcing U.N. Security Council Resolutions to de-nuclearize North Korea, and contributing to coalition operations in Afghanistan and UN peacekeeping operations. I was proud to host my Mongolian counterpart at the Pentagon earlier this year.

We continue to meet our obligations under the Taiwan Relations Act to make defense articles and defense services available to Taiwan for its self-defense. This support empowers the people of Taiwan to determine their own future. We maintain that any resolution of differences across the Taiwan Strait must occur in the absence of coercion and accord with the will of the people on both sides of the Taiwan Strait.

Last week at the Pentagon, I hosted the Presidents of Palau, the Federated States of Micronesia, and the Marshall Islands – who also met with President Trump at the White House – for

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substantive discussions on furthering our unique relationships. I appreciate the important role the Freely Associated States play in enforcing sanctions against North Korea, upholding a free and open Indo-Pacific, and enabling U.S. regional presence.

So, from our tri-lateral relationships with Australia, Japan, and South Korea; to our work with Thailand co-organizing the ASEAN-U.S. Maritime Exercise scheduled for this September; we are building an interconnected Indo-Pacific.

And while America works with allies within the region, we also leverage our global alliances on behalf of Indo-Pacific security. We welcome leadership from France, Canada, and the United Kingdom on asserting navigational rights and upholding the international rule of law. We also thank Germany and Spain for helping to enforce UN Security Council Resolutions on North Korea.

All this brings us together – we are building a cooperative, regional security network that supports common goals – whether maritime security, counter-terrorism, counter-proliferation, you name it – across shared domains and in defense of shared principles.

This is what we are doing now: effectively working together to advance our mutual interests, deter conflict, and support the stability that generates economic growth. Our defense relationships are already strong and there can be a tendency to focus on incremental improvements to our existing cooperation.

But I challenge all of us to look beyond the present and envision possibilities for the future. We can and will do so much more. The new age of threats and the technologies needed to meet them will allow for improved partnerships whose potential is beyond imagination.

Now, we need to be pragmatic. Partnerships require trust to effectively solve problems together. Disagreements are ok, and welcomed.

The strength of our partnerships is our ability to solve problems, not merely identify them. And we will resolve them in an inclusive, transparent fashion based on agreed-upon rules.

We *will* be successful. We are focused on the right priorities; we are postured for success. In my 30 years working with partners in this region, I have seen this region come together to solve tough problems. We *can* find solutions if we are truly committed to seeing a task through.

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It is said that “grit” is the ability to do something difficult for a prolonged period of time. We’ve got grit. We’ve been working this for 70 years.

Our *responsibility* is to make this region more secure and prosperous for future generations. They expect – and we owe them – the same free and open Indo-Pacific that we have built and benefitted from over the past 70 years.

Thank you.

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