

18TH ASIA SECURITY SUMMIT
THE IISS SHANGRI-LA DIALOGUE

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ACTING SECRETARY OF DEFENSE, US

Dr John Chipman, Director-General and Chief Executive, IISS

Ministers, ladies and gentlemen, the International Institute for Strategic Studies that is now in its 60th year – in November, we celebrated our 60th anniversary – has had a long tradition of engaging with defence ministers and military staff, and so we have absorbed the culture of punctuality that is typical of those professions. Since many of you here are in the defence and military worlds, I trust that you will now also show the discipline needed to take your seats and allow us to begin – within a minute of the starting time of 8.30 – this first plenary of the 18th IISS Shangri-La Dialogue.

In the celebrated phrase, we have a rich and packed agenda this morning, with over half a dozen ministers of defence and foreign-policy leaders addressing us before lunchtime, and I think it will be important not only to hear their prepared remarks but also to ensure that there is a conversation amongst us that helps advance the purposes of this Dialogue. Those of you who are in conversation, I hope you will bring those conversations briskly to an end so that we are able to start.

I would like to begin by thanking the Prime Minister of Singapore, Lee Hsien Loong, for a really splendid speech last night at our opening dinner. That keynote address charismatically set the agenda for this 18th Shangri-La Dialogue and I hope you will agree that the exchange of views from the floor, questions posed and answers given, displayed a frankness and intellectual vigour that is characteristic of this Dialogue. His speech is on the IISS website. It is equally very well reported in today's *Straits Times* – it has a few pages of coverage of the Shangri-La Dialogue and, in particular, of yesterday evening's activities.

May I remind you that all the speeches and remarks made from this podium are on the record. It is equally the case that the questions and comments made from the floor are on the record, and so I would ask those who are asking questions to exercise the same discipline of intellectual coherence and succinct expression as we would expect from the speakers if you are to maintain your own reputations, so do be brief and end your third sentence with a question mark so that we can include as many people as possible.

If you wish to seek the floor, we here at the IISS are very technologically advanced, so there are only two things that you need to do. The first is to put your badge in the right slot of the microphone that each of you have in front of you and, if you wish to take the floor, you press the button on the right. That will not mean that your microphone is on; it will only mean that your name appears in the queue, so you can put your badge in the right-hand side of the microphone set now. If at any time you are interested in having my attention, please press the button on the right. I have the supreme authority here to put your microphone on and indeed to turn it off, so do not worry if you have pressed the button. If you want to whisper something indiscreet to your neighbour, unhappily we will not all hear it here, but at least that discretion will be preserved. Those are the two steps, your instructions are on the table, and I would now like to formally open the first plenary of this 18th Shangri-La Dialogue.

It is a real delight to have with us Patrick Shanahan. From the beginning of this Shangri-La Dialogue process in 2002, every US secretary of defense since Donald Rumsfeld has addressed this Shangri-La Dialogue. Patrick Shanahan had a splendid career in the defence industry, had a distinguished academic record at MIT and at the Sloan School of Management, was the 33rd deputy secretary of defense, and it is a real pleasure for me to invite him to take the podium and address us on the US vision for Indo-Pacific security. Secretary Shanahan.

Patrick M Shanahan, Acting Secretary of Defense, US

You have a full house here. Good. Thank you, Dr Chipman and the IISS team, for organising this conference. I especially want to thank Dr Ng, our gracious host here in Singapore. It is good to be back – I visited Singapore many times while working in private industry and I am honoured to join you today as the Acting Secretary of Defense.

As Prime Minister Lee said last night, the US is welcome and has many friends in Asia. This is a real honour, and I would say that the US has no better friend in Asia than Singapore. On behalf of the President and the Commander-in-Chief Trump and the men and women of the US Armed Forces, I am here to reaffirm the United States' enduring commitment to the Indo-Pacific region and to the values that keep it secure and prosperous, free and open.

The US 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 US foreign direct investment is \$1.3trn – more than China's, Japan's and South Korea's combined. Our defence ties are similarly strong; we have a long history of engagement and we have a strong, long-standing relationship, from our five treaty alliances to our large and growing number of defence partners.

Our defence relationships have expanded along with this region's prosperity, and as our own economic interests have increased and this region's prosperity has increased by the stabilising influence of our defence relationships, so the synergy between prosperity and security is well understood. 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 recognise the heavy lifting done by our Congress, which has shown extraordinary bipartisan support to provide the Department of Defense with the resources needed to execute our defence strategy. Congress did not just remove the budget caps limiting our efforts; they have fully funded our defence strategy. Their contribution is significant and many have made the long journey here to be with us today. I would like to recognise 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 their help.

Congress's 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 (BUILD) Act, which President Trump signed into law last October. The BUILD Act establishes a new US International Development Finance Corporation that will prioritise low- and middle-income countries. Through it, we will more than double US development-finance capacity from \$29 billion to \$60bn, 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 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 US. The more than 3 million men and women of our department are singularly focused and aligned behind this strategy, not just my staff but also in the services, the Joint Staff and the combatant commands.

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

This is a massive effort. The US is the world's largest economy and the defence budget is 60% of our discretionary spending. Our government is devoting significant resources to this mission, and our geographic focus, the priority theatre of our strategy, is right here in the Indo-Pacific.

This represents an enormous opportunity for our allies and partners. The US is rapidly developing the technologies critical to deterring and defeating the threats of the future. Partners who pursue inter-operability 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 US investments and progress. Going forward, we should seek to grow, integrate and realise 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. My formative experiences over a 30-year career in 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 first-hand 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 aeroplanes 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 the parts.

Today, at this collective gathering, we are building a shared security order. Every nation, independent of size, has an opportunity and an important role to play and, like the business of building aeroplanes, 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 aeroplanes or security architectures, you start with a blueprint, a guide that ensures everyone's contributions fit together. The US 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 protection of intellectual property;
- 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 interdependence of security and economics, that economic security is national security. That is 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 US 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 all of us.

This region has experienced an unprecedented 70 years of relative peace and rising prosperity, supported by steady American engagements in all spheres. However, some in our region are choosing to act contrary to the principles and norms that have benefited 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 recognise 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 a final, fully verified denuclearisation of the Korean Peninsula. We acknowledge that North Korea has neared a point where it could credibly strike regional allies, US territory and our forward-deployed forces. North Korea remains an extraordinary threat and requires continued vigilance.

A full range of transnational challenges persist: 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 the states across the 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 destabilise the region, seeking to reorder its vibrant and diverse communities toward their exclusive advantage.

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

- deploying advanced weapons systems to militarise disputed areas, destabilising 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 sovereignty in 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 a 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; 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 people is ignored and religious freedoms are suppressed.

If these trends and these behaviours 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 cannot 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 towards a positive future.

The US 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 neighbours, and the US Department of Defense is working systematically to deliver it.

What is the US view of the future? In our Indo-Pacific vision, respected partners find security and prosperity in a network of interconnected peoples, economies and security relationships. This is not new, nor exclusively an American vision. This is an inclusive, enduring approach, embraced by almost all of us who call the Indo-Pacific home.

What is the value we create from this interconnected, networked future? Nations are empowered through their relationship with the US and others in a common bond. They remain free to choose

their destiny as strategic partners exercising strategic independence. Regional institutions like the Association of Southeast Asian Nations (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 the 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 US. It is in China's interests to do so. No country has benefited 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 United Nations 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 behaviour 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 view of the future, and we stand for a free and open order that has benefited us all, including China.

At the Department of Defense, we are making this vision a reality by focusing our investments on preparedness, strengthening our allies and partnerships, and empowering a regional security network. For that network to thrive, we need all who seek to derive a 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 US 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 a broader, department-wide modernisation, the US Department of Defense is investing significantly in the next five years in programmes critical to ensuring a stable and secure Indo-Pacific. This is a 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 (command, control, communications, computers, intelligence, surveillance and reconnaissance) and missile defence to ensure the commons remain open to all in the Indo-Pacific. We are focused on the future in our request of \$104bn – the most ever – in research and development in the next fiscal year, with significant investment in emerging technologies like artificial intelligence, hypersonics and directed energy, much of which is aimed at the unique challenges in this theatre.

We have also spent the last two years focused on restoring the readiness of our forces. We continue to build on these gains, with \$125bn in operational readiness and sustainment requested in 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 the region’s challenges.

These funds will enhance our already sizeable and reliable capabilities distributed across the region. More than 370,000 American soldiers, sailors, airmen, marines and civilians live, train and work alongside our allied and partner forces across the region. US Indo-Pacific Command has four times the assigned forces of any other geographic combatant command. Across the Indo-Pacific, the US has more than 2,000 aircraft, providing the ability to rapidly project power across the vast distances 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-defence systems, inter-operable 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 ten new destroyers will increase anti-surface and anti-submarine warfare capabilities and ballistic-missile defence, ensuring our forces and those of our allies and partners remain safe in a turbulent world. We are also accelerating forward presence of US land forces to deepen real, operational relationships with those 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 theatre. We are where we belong. We are investing in this 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 ability to exercise sovereign choices. Every nation has a responsibility in a free and open Indo-Pacific. The US 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 defence – 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 inter-operability and think carefully about the implication of defence 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 unrivalled network of alliances and partnerships. We know this region’s size and complexity requires the greatest degree of

cooperation, as we know we are up to the challenge. No other nation can match the United States' ability to work across distance, cultures, language 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 benefited immensely from it.

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

This is just one vignette out of thousands. Project this training, inter-operability and shared capability across the full scope of exercises and you will find that our mutually beneficial alliances and partnerships give durable, asymmetric advantage that no competitor can match. Let me give you a brief snapshot of some of these capabilities.

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

South Korea hosts 28,500 US 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 to diplomacy to achieve the final, fully verified denuclearisation of North Korea and uphold the international rule of law.

With the Philippines, we have 280 bilateral defence activities planned for 2019 alone. Our flagship exercise *Balikatan* this year incorporated fifth-generation F-35 fighters for the first time. We also rotate US troops through the southern Philippines to help 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 inter-operability and expand our cooperative capacity in our home region, just as the alliance has contributed to shared objectives 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 defence 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. US–India defence relations have strengthened significantly over the past decade and now India is a major defence 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 (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 inter-operability and information-sharing.

I visited Indonesia earlier this week and was impressed by the strength of our strategic partnership in the world's third-largest democracy. The US and Indonesia have an active exercise programme that

includes more than 200 bilateral military engagements annually, and our inter-operability is enhanced by common platforms such as the F-16 fighters and *Apache* attack helicopters.

Singapore is a steadfast US 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 US Navy ships and US military aircraft whose presence contributes to security and stability in the region, and we are glad to have Singapore's fighter aircraft train alongside our US Air Force.

The US and Mongolia have a comprehensive partnership based on common values and shared strategic interests. Mongolia is a net security exporter, upholding a free and open Indo-Pacific, enforcing UN Security Council resolutions to denuclearise North Korea, and contributing to coalition operations in Afghanistan and US 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 defence articles and defence services available to Taiwan for self-defence. 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 substantive discussions on furthering our unique relations. 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 US regional presence.

From our trilateral relationships with Australia, Japan and South Korea to our work with Thailand co-organising the ASEAN-US maritime exercise scheduled for this September, we are building an interconnected Indo-Pacific. While America works with allies within the region, we also leverage global alliances on behalf of the 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 defence 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 defence relationships are already strong and there could be a tendency to focus on incremental improvements to our existing cooperation. But I challenge us to look beyond the present and envision the possibilities of the future. We can and will do so much more. The new age of threats, and 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 okay and welcomed. The strength of our partnership 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 the 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. It is said that grit is the ability to do something difficult for a prolonged period of time. We have grit. We have been working on 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 benefited from over the past 70 years.

Thank you.