

PREPARED STATEMENT
OF
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AND
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Chairman McKeon, Ranking Member Smith, and members of the Committee, we appreciate the opportunity to discuss DoD's 2014 Quadrennial Defense Review. Building on the 2012 Defense Strategic Guidance and 2013 Strategic Choices Management Review, the Secretary used the QDR to articulate his vision and describe the Department's updated defense strategy, which builds on and incorporates many of the strategic priorities outlined in the 2012 Defense Strategic Guidance. This updated strategy will inform DoD's long-term efforts to structure, prepare, and posture our future Joint Force to support U.S. global leadership and our national interests.

The 2014 QDR was a strategy-driven and resource-informed process that focused on preparing the Department for the future, and prioritizing our efforts in a period of fiscal constraint. In the first phase of the QDR, the Department conducted an assessment of the security environment, looking two decades into the future. Informed by this assessment, senior leadership identified objectives the Department will need to be able to accomplish in support of U.S. national security interests, and assessed the sufficiency and proficiency of the Joint Force to meet these demands. The results of these assessments guided development of the Department's force planning construct and informed the President's FY2015 budget request. Throughout the QDR, the Department worked closely with our partners in the interagency and the National Security Council, to ensure the core concepts in the 2014 QDR were consistent with and complementary to other national strategic guidance under development.

The United States faces a rapidly changing security environment. Challenges to our many allies and partners around the globe remain dynamic and unpredictable, particularly from regimes in North Korea and Iran. Unrest and violence persist in other parts of the world as well, creating a fertile environment for violent extremism and sectarian conflict, especially in fragile states, stretching from the Sahel to South Asia. Meanwhile, modern warfare is evolving rapidly, leading to increasingly contested battlespace in the air, sea, and space domains – as well as cyberspace – in which our forces enjoyed dominance in our most recent conflicts.

Our sustained attention and engagement will be important in shaping emerging global trends, both positive and negative. Unprecedented levels of global connectedness provide common incentives for international cooperation and shared norms of behavior, and the growing capacity of some regional partners provides an opportunity for countries to play greater and even leading roles in advancing mutual security interests in their respective regions. In addressing the changing strategic environment, the United States will rely on our many comparative advantages, including the strength of our economy, our strong network of alliances and partnerships, and our military's human capital and technological edge. Doing so will require exceptional agility in how we shape, prepare, and posture the Joint Force.

The Department of Defense is also facing a changing and equally uncertain fiscal environment. Beginning with the FY2012 appropriations, the Department began absorbing significant impacts from the \$487 billion, ten-year cut in spending due to caps instituted by the Budget Control Act (BCA) of 2011. The BCA also instituted a sequestration mechanism requiring cuts of about \$50 billion annually. The Bipartisan Budget Act of 2013 provided modest immediate relief from sequestration, but unless Congress acts, annual sequestration cuts are set to resume in FY2016. To protect the security interests of the United States most effectively while recognizing the fiscal imperative of deficit reduction, the President's FY2015 Budget reduces projected defense

budgets by about \$113 billion over five years compared to levels requested in the FY2014 Budget. The President's Budget provides a balanced and responsible path forward given continuing fiscal uncertainty. It reflects the strict constraints on discretionary funding required by the Bipartisan Budget Act in FY2015, but it does not accept sequestration levels thereafter, funding the Department at about \$115 billion more than projected sequestration levels through 2019.

Given this dynamic environment, the 2014 QDR is principally focused on preparing for the future by rebalancing our defense efforts in a period of increasing fiscal constraint. The 2014 QDR advances three important initiatives. First, it builds on the Defense Strategic Guidance, published in 2012, by outlining an updated defense strategy that protects and advances U.S. interests and sustains U.S. leadership. Second, the QDR describes how the Department is responsibly and realistically taking steps to rebalance major elements of the Joint Force given the changing environment. Third, the QDR demonstrates our intent to rebalance the Department itself as part of our effort to control internal cost growth that is threatening to erode our combat power in this period of fiscal austerity. We will protect the health of the All-Volunteer Force as we undertake these reforms.

The QDR makes clear that this updated national defense strategy is right for the Nation, sustaining the global leadership role of the United States and providing the basis for decisions that will help bring our military into balance over the next decade and responsibly position us for an era of both strategic and fiscal uncertainty. The FY2015 funding levels requested by the President will allow the military to protect and advance U.S. interests and execute the updated defense strategy – but with increased levels of risk for some missions. Overall, the Department can manage these risks under the President's FY2015 Budget plan, but the risks would grow significantly if sequester-level cuts return in FY2016, if proposed reforms are not accepted, or if uncertainty over budget levels continues. It is essential that we work closely with Congress to ensure that, as we put our Nation's fiscal house in order, we provide sufficient resources to preserve our national security.

Building on the Defense Strategic Guidance

The United States exercises global leadership in support of our interests: U.S. security and that of our allies and partners; a strong economy in an open economic system; respect for universal values; and an international order that promotes peace, security, and opportunity through cooperation. Protecting and advancing these interests, consistent with the National Security Strategy, the 2014 QDR embodies the 21st century defense priorities outlined in the 2012 Defense Strategic Guidance. The 2014 QDR builds on these priorities and incorporates them into a broader strategic framework. The Department's defense strategy emphasizes three pillars:

- *Protect the homeland*, to deter and defeat attacks on the United States and to support civil authorities in mitigating the effects of potential attacks and natural disasters.
- *Build security globally*, in order to preserve regional stability, deter adversaries, support allies and partners, and cooperate with others to address common security challenges.

- *Project power and win decisively*, to defeat aggression, disrupt and destroy terrorist networks, and provide humanitarian assistance and disaster relief.

These pillars are mutually reinforcing and interdependent, and all of the military Services play important roles in each.

Across each of the three pillars of the updated defense strategy, the Department is committed to finding creative, effective, and efficient ways to achieve our goals and assist in making strategic choices. Innovation – within our own Department and in our interagency and international partnerships – is a central line of effort. We are identifying new presence paradigms with the intention of maximizing effects while minimizing costs. With our allies and partners, we will make greater efforts to coordinate our planning to optimize their contributions to their own security and to our many combined activities. Our actions to increase energy and water security, including investments in energy efficiency, new technologies, and renewable energy sources, will increase the resiliency of our installations and help mitigate these effects.

Reflecting the requirements of this updated defense strategy, the U.S. Armed Forces will be capable of simultaneously defending the homeland; conducting sustained, distributed counterterrorist operations; and in multiple regions, deterring aggression and assuring allies through forward presence and engagement. If deterrence fails at any given time, U.S. forces will be capable of defeating a regional adversary in a large-scale multi-phased campaign, and denying the objectives of – or imposing unacceptable costs on – a second aggressor in another region. The President’s Budget provides the resources to build and sustain the capabilities to conduct these operations, although at increased levels of risk for some missions. With the President’s Budget, our military will be able to defeat or deny any aggressor. Budget reductions inevitably reduce the military’s margin of error in dealing with risks, and a smaller force strains our ability to simultaneously respond to more than one major contingency at a time. The Department can manage these risks under the President’s FY2015 Budget plan, but the risks would grow significantly if sequester-level cuts return in FY2016, if proposed reforms are not accepted, or if uncertainty over budget levels continues.

Rebalancing for the 21st Century

Given major changes in our nation’s security environment – including geopolitical changes, changes in modern warfare, and changes in the fiscal environment – our updated defense strategy requires that the Department rebalance the Joint Force in several key areas to prepare most effectively for the future.

The U.S. military will shift focus in terms of what kinds of conflicts it prepares for in the future, moving toward greater emphasis on the full spectrum of possible operations. Although our forces will no longer be sized to conduct large-scale prolonged stability operations, we will preserve the expertise gained during the past ten years of counterinsurgency and stability operations in Iraq and Afghanistan. We will also protect the ability to regenerate capabilities that might be needed to meet future demands.

The Joint Force must also be prepared to battle increasingly sophisticated adversaries who could employ advanced warfighting capabilities while simultaneously attempting to deny U.S. forces the advantages they currently enjoy in space and cyberspace. The Department of Defense will rebalance our counterterrorism efforts toward greater emphasis on building partnership capacity, especially in fragile states, while retaining robust capability for direct action, including intelligence, persistent surveillance, precision strike, and Special Operations Forces. We will remain focused on countering WMD, which undermine global security. We will sustain efforts to strengthen key alliances and partnerships, placing more focus on deepening existing cooperation as well as building new and innovative partnerships. Finally, Combatant Commanders will invigorate their efforts to adjust contingency planning to reflect more closely the changing strategic environment.

In striving to achieve our three strategic objectives, the Department will also continue to rebalance and sustain our global posture. We will continue our contributions to the U.S. rebalance to the Asia-Pacific region, seeking to preserve peace and stability in a region that is increasingly central to U.S. political, economic, and security interests. The United States also has enduring interests in the Middle East, and we will remain fully committed to the security of our partners in the region. Given our deep and abiding interests in maintaining and expanding European security and prosperity, we will continue our work with allies and partners to promote regional stability and Euro-Atlantic integration, as well as to improve capacity, interoperability, and strategic access for coalition operations. Across the globe, we will ensure the access needed to surge forces rapidly in the event of a crisis.

After more than twelve years of conflict and amid ongoing budget reductions, the Joint Force is currently out of balance. Readiness further suffered due to the implementation of sequestration in FY2013, and the force has not kept pace with the need to modernize. We will need time and funding to reset and reconstitute the Joint Force as we transition from operations in Afghanistan. The President's FY2015 Budget proposal outlines a range of realistic and responsible adjustments in specific areas the Department believes must be made in the near term to restore balance in the Joint Force. The force will become smaller in the next five years but will gradually become more modern as well, with readiness improving over time. Taking the prudent steps outlined in this QDR in the near term will improve the Department's ability to meet our national security needs should the fiscal outlook not improve. The longer critical decisions are delayed in the hope that budget caps will be raised, the more difficult and painful those decisions will be to implement, and the more damaging they will be to our ability to execute the strategy if no additional resources are made available.

Key end strength and force structure decisions in this QDR include:

- Maintaining an Air Force with global power projection capabilities crucial for this updated defense strategy. We will modernize next-generation Air Force combat equipment and reduce or eliminate capacity in some single-mission aviation platforms. If sequestration-level cuts are imposed in FY2016 and beyond, the Air Force would have to retire 80 more aircraft, slow down purchases of the Joint Strike Fighter, and make other difficult adjustments.

- Sustaining a world-class Army capable of conducting the full range of operations on land by maintaining a force structure that we can man, train, equip, and keep ready. To sustain this force, the Department will rebalance within the Army, across the Active, Guard, and Reserves. If sequestration-level cuts are imposed in FY2016 and beyond, all components of the Army would be further reduced.
- Preserving Naval capacity to build security globally and respond to crises. Through an aggressive effort to reduce acquisition costs and temporary ship lay-ups, the Navy will modernize its fleets of surface ships, aircraft, and submarines to meet 21st century threats. If sequestration-level cuts are imposed in FY2016 and beyond, the USS George Washington aircraft carrier would need to be retired before scheduled refueling and overhaul.
- Maintaining the role of the Marine Corps as a vital crisis response force, protecting its most important modernization priorities and ensuring readiness, but planning for a smaller end strength of active Marines, including Marines protecting U.S. interests and installations abroad. If sequestration-level cuts are imposed in FY2016 and beyond, the Marines would continue to drawdown forces even farther.

In addition to these adjustments to the Joint Force, the QDR outlines how the Department will protect key capability areas in support of our strategy – for example cyber, special operations forces, precision strike and ISR – so that the Joint Force remains modern, capable, and ready.

Finally, the Department itself will rebalance internally to control cost growth and generate greater efficiencies in order to prioritize spending on combat power. Key ongoing activities include reducing the Department’s major headquarters budgets by 20 percent, making selected cutbacks in civilian personnel and contractors to hold down costs, seeking to slow growth in military health care expenses, and improving its financial management, in part to achieve auditable financial statements. We are also continuing to implement acquisition reform efforts, most notably through the Better Buying Power initiative.

Substantial long-term savings will be realized if the Department is permitted to eliminate unneeded infrastructure. We estimate that we already have more infrastructure than we need, and this will grow as we reduce end strength. The only effective way to eliminate unneeded infrastructure in the United States is through the Base Realignment and Closure (BRAC) process. The Department’s requests for another BRAC in each of the past two years were not approved. If the Department is to make more effective use of taxpayer dollars, it is imperative that Congress authorize another BRAC round in 2017.

Maintaining the Strength of the All-Volunteer Force and Implementing New Reforms

As we restore balance to the Joint Force and the Department, the United States will maintain its two-fold sacred contract with U.S. Service members: to properly compensate and care for our men and women in uniform and their families both during and after their service, and to provide our Service members the best training and equipment possible so they can safely accomplish their missions.

Service members will be treated fairly and equally, on and off the battlefield. Eliminating sexual assault is one of the Department of Defense's highest priorities, requiring an absolute and sustained commitment to improving the Department's prevention and response programs – ensuring that we provide a safe environment free from threats to our military personnel. For those returning from combat ill or wounded, and for those who require hospitalization or rehabilitation, we will continue to provide the best possible care. And the Department of Defense will continue working with the Departments of Veterans Affairs and Labor to provide the best possible assistance to Service members transitioning into private life.

In a constrained fiscal environment, the Department cannot afford to sustain the rate of growth in military pay and benefits that we experienced over the last decade. The Department is proposing prudent and responsible changes that will ensure we can continue to offer a competitive compensation package to recruit and retain our Joint Force of the future. If implemented fully, these proposals would save approximately \$12 billion over the next five years and considerably more by the end of ten years.

Without support from Congress and the American people for reforms to slow the rate of growth in military compensation, the Department will be left with no choice but to take resources away from its ability to field the future Joint Force we need. The Secretary of Defense, the Secretaries of the Military Departments and Service Chiefs, the Senior Enlisted Advisers, and the Department's senior leadership team support this comprehensive approach to reform and will work in partnership with Congress and the American public to continue to sustain the world's finest military.

Implications of Sequestration-Level Cuts

The FY2015 funding levels requested by the President will allow the military to protect and advance U.S. interests and fulfill the updated defense strategy – but with increased levels of risk for some missions. In the near term, U.S. forces will remain actively engaged in building partnerships and enhancing stability in key regions, but our engagement will be even more tailored and selective. We will continue to sustain a heightened alert posture in regions like the Middle East and North Africa. At requested budget levels, we can sustain adequate readiness and modernization that is most relevant to strategic priorities over the near term. Moreover, the President's "Opportunity, Growth, and Security" Initiative would fund an additional \$26 billion in FY2015 defense investments, helping the Department to make faster progress toward restoring readiness, investing in weapons modernization, and making needed facilities improvements. The development of advanced capabilities and sophisticated weapons systems by global rivals and potential adversaries will inevitably pose more risks to our forces and our security. The Department can manage these risks under the President's FY2015 Budget plan, but the risks would grow significantly if sequester-level cuts return in FY2016, if proposed reforms are not accepted, or if uncertainty over budget levels continues.

If the modest, immediate relief that the Bipartisan Budget Act provides from sequestration – more so in FY2014 and less so in FY2015 – is followed by the return of annual reductions to the sequestration level, the Department would be unable to adjust the size and shape of the Joint Force in the more balanced way envisioned in the President's Budget submission. Our ability to

implement the defense strategy would be significantly reduced over the entire BCA period. The Department's readiness challenges, particularly in the near term, would greatly reduce both our ability to conduct steady state activities and to respond quickly in a crisis. Critical modernization programs would be slowed or truncated, creating deficiencies in the technological capability of our forces. The United States would likely need to count more on allied and partner contributions in future confrontations and conflicts, assuming they would be willing and able to act in support of shared interests. Reductions in capacity and capability would significantly challenge our ability to respond to strategic surprise, particularly those requiring large numbers of modern forces.

Left unaddressed, continuing sequestration-level cuts would greatly affect what the U.S. military can and cannot do over the next ten years. The American people would have to accept that the level of risk in conducting military operations would rise substantially. Our military would be unbalanced and eventually too small to meet the needs of our strategy fully, leading to greater risk of longer wars with potentially higher casualties for the United States and for our allies and partners in the event of a conflict. Ultimately, continued resourcing at sequestration level would likely embolden our adversaries and undermine the confidence of our allies and partners, which in turn could lead to an even more challenging security environment than we already face.

Conclusion

The United States remains committed to protecting its interests, sustaining U.S. leadership, and preserving global stability, security, and peace. Recognizing current fiscal realities, the Department has made a number of decisions to ensure the Joint Force remains as balanced as possible over time, even as it must begin force structure reductions due to fiscal constraints. We will prepare the Department of Defense for the future and preserve the health of the All-Volunteer Force as we implement reforms.

The President's FY2015 Budget provides a realistic alternative to sequester-level cuts, supporting the Department's ability to achieve our updated defense strategy and beginning an efficient transition to a smaller force over time. Resumption of sequestration-level cuts would lead to more immediate and severe risks to the strategy. Ultimately, with sequestration-level cuts, by 2021 the Joint Force would be too small and too outdated to fully implement our defense strategy. As a global leader, the United States requires a robust national defense strategy to protect and advance its interests and to ensure the security of its allies and partners with a military and civilian workforce that can implement that strategy effectively. This can only be achieved by the strategic balance of reforms and reductions that the Department is presenting to Congress and will require Congress to partner with the Department of Defense in making politically difficult choices.