HEARING TO RECEIVE TESTIMONY ON THE DEPARTMENT OF DEFENSE
BUDGET POSTURE IN REVIEW OF THE DEFENSE AUTHORIZATION
REQUEST FOR FISCAL YEAR 2018 AND THE FUTURE YEARS DEFENSE
PROGRAM

Tuesday, June 13, 2017

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:29 a.m. in
Room SD-G50, Dirksen Senate Office Building, Hon. John
McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain
[presiding], Inhofe, Wicker, Fischer, Cotton, Rounds, Ernst,
Tillis, Sullivan, Perdue, Graham, Strange, Reed, Nelson,
McCaskill, Shaheen, Gillibrand, Blumenthal, Donnelly,
OPENING STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR
FROM ARIZONA

Chairman McCain: Good morning. The Senate Armed Services Committee meets this morning to receive testimony on the Department of Defense's fiscal year 2018 budget request.

We welcome Secretary Mattis, Chairman Dunford, and Secretary Norquist, and thank you for your many years of distinguished service and your leadership of our men and women in uniform.

Before we begin, we all want to acknowledge the service and sacrifice of Sergeant Eric Houck, Sergeant William Bays, and Corporal Dillon Baldridge. These three soldiers from the Army’s 101st Airborne Division were killed this weekend in Afghanistan. The thoughts and prayers of this committee are with their loved ones.

The sacrifice of these heroes is a painful reminder that America is still a Nation at war. That is true in Afghanistan, where, after 15 years of war, we face a stalemate and urgently need a change in strategy and an increase in resources, if we are to turn the situation around.

We also remain engaged in a global campaign to defeat ISIS and related terrorist groups, from Libya and Yemen, to Iraq and Syria, where U.S. troops are helping to destroy
ISIS and reclaim Mosul and Raqqa.

Meanwhile, threats around the world continue to grow more complex and severe. North Korea is closing in on the development of a nuclear-capable intercontinental ballistic missile that can target our homeland. And Iran continues to destabilize the Middle East and seeks to drive the United States out of the region.

At the same time, we have entered a new era of great power competition. Russia and China, despite their many differences, are both modernizing their militaries, developing advanced capabilities to undermine our ability to project power globally, threatening their neighbors, and challenging the rules-based world order. Russia, in particular, continues to occupy Crimea, destabilize Ukraine, threaten our NATO allies, bolster the murderous Assad regime in Syria, and pursue a campaign of active measures to undermine the very integrity of Western democracies.

With thousands of our soldiers, sailors, airmen, and marines deployed in harm's way around the globe, those of us who are charged with the awesome responsibility of providing for the common defense must ask ourselves if we are doing everything possible to support our brave men and women in uniform to meet the challenges of an increasingly dangerous world and succeed in their mission.

I am sad to say that we are not. In response to rising
threats, we have asked our military to do more and give more
but have given less and less to them.

Our witnesses' opening statements are a harsh
indictment of this failure, but they are right. I implore
my colleagues to listen carefully to their testimony and
heed their admonition to us.

Since 2011, spending caps mandated by the Budget
Control Act have led to a 23 percent cut to the defense
budget. These reductions, compounded by growing fiscal
uncertainty and continuing resolutions, have left our
military with shrinking forces, depleted readiness, and
aging equipment. This has put the lives of our men and
women in uniform at greater risk, as this committee has
heard in testimony for years from our civilian defense
leaders and senior military officers.

The administration's fiscal year 2018 budget request,
if enacted, could help to arrest the decline in our
military's readiness. But ultimately, and unfortunately, it
falls short of the President's commitment to rebuild our
military. The proposed defense budget of $603 billion is
both arbitrary and inadequate -- arbitrary because the
topline is simply what was written into the Budget Control
Act 6 years ago prior to the sequester cuts, and inadequate
because it represents just a 3 percent increase over
President Obama's defense plan.
It is hardly surprising, then, that this committee has received lists of unfunded requirements from the military services totaling over $31 billion, all of which Secretary Mattis testified last night in the House Armed Services Committee that he supports. Our military service leaders have testified to this committee that this budget would stanch the bleeding, but we owe our men and women in uniform more than that.

It has been said that this budget request focuses on readiness, and it is true that the requested funding increases would make the current force more ready for the next year. But ultimately, readiness is more than training hours and time on the ranges. Real readiness requires sufficient capacity to enable our troops simultaneously to conduct operations, prepare for deployment, rest and refit, and focus on the challenges of tomorrow. This budget delivers no growth in capacity, which means that the joint force will continue to consume readiness as quickly as it is produced. These increases in capacity are reflected in each service's unfunded requirements.

True readiness is also modernization, because if we mortgage future capability to pay for present commitments, we have achieved little, especially at a time when our adversaries are moving at an alarming rate to erode America's military technological advantage and call into
question our ability to project power.

Here, too, unfortunately, this budget request poses the old false choice between readiness and modernization. The fact is that $603 billion simply is not enough to pay for both priorities, which is why the services' unfunded requirements are heavy on the procurement of new and additional capabilities that are desperately needed.

All of this presents this committee, and this Congress, with a significant choice. The administration's budget request is just that -- a request. Ultimately, it is our independent responsibility to authorize and appropriate funding for our military at levels and in ways that we believe sufficient to provide for the common defense. I believe that this budget request is a start, but we can and must do better.

This will not be possible, however, as long as the Budget Control Act remains the law of the land. This defense budget request and the additional funding that our military needs is literally illegal under the Budget Control Act. This law has done severe damage to our military. It has harmed the department's ability to plan and execute budgets effectively and efficiently. It has ground the Congress' budget and appropriations processes to a halt. And, worst of all, there are 4 more years of BCA caps to go. We cannot go on like this. Our men and women in
uniform deserve better. It is time for the Congress to
reinvest in our military, restore readiness and
capabilities, rebalance our joint force, and renew America's
military advantage.

To do so, we must revise or repeal the Budget Control
Act. And we must give our troops what they need to succeed,
today and in the future.

Will the politics of this be difficult? Yes. But the
question all of us here must answer is: How much longer
will we send our sons and daughters into harm's way
unprepared before we get over our politics and do our jobs?

Senator Reed?
STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE ISLAND

Senator Reed: Thank you very much, Mr. Chairman, for holding this hearing to consider funding levels for the Department of Defense to maintain our Nation's military.

I also want to welcome our distinguished witnesses this morning and thank them for their service to our Nation.

I want to join with the chairman in paying tribute to the soldiers of the 101st who gave their lives, and their families. They are examples of thousands and thousands of Americans who serve, and their families here at home who serve here with them.

Today, we consider the fiscal year 2018 Trump administration budget that seeks $574 billion in base funding and $65 billion for Overseas Contingency Operations.

As we all know, the Budget Control Act, the BCA, of 2011, and the sequester, are still law of the land, and this budget request for DOD exceeds the BCA defense spending cap by $52 billion. Rather than negotiate with Congress or propose an outright repeal of BCA and the sequester, President Trump proposed to offset an increase in defense spending with a $52 billion cut in nondefense spending. But unless the BCA is changed, the offset will seriously harm nondefense spending and fail to prevent across-the-board cuts reclaiming the $52 billion, leaving DOD in a worse
position.

We have already held many hearings this year where senior civilian and military leaders have repeatedly urged us to remove the BCA caps and end sequestration. Like Chairman McCain, I believe it is time to repeal the BCA. Setting arbitrary thresholds on defense and nondefense spending has not made our country safer, and it has not fixed our broader fiscal problems, nor do these caps, which were set nearly 6 years ago, accurately reflect what our military needs in order to confront today's threats, or the kind of domestic investment we need to keep America competitive and strong.

Let me be clear. I am not opposed to increased military spending. Democrats have and will continue to support robust defense spending. But it is the duty of this committee to carefully review the budget proposals presented by the President to ensure that the funds are allocated properly so that our fighting men and women have what they need to complete their mission and return home safely. Every member, regardless of party, takes this duty seriously.

I also believe that our budget must reflect our Nation's core values and take care of Americans who remain at home. Our military personnel have a vision of the America they are fighting for, and it is our duty to protect
that. I, therefore, have grave concerns about the
President's budget request, because it robs from Peter to
pay Paul. The President's proposal increases defense
spending, but it also eliminates $17.3 billion from the
State Department's efforts to prevent wars and foster peace,
which is the very kind of spending that Secretary Mattis has
said is so crucial to our military efforts. It also slashes
funding for health investments like the NIH and CDC, and
training for health care professionals to fight against
global public health epidemics, such as Ebola, before they
reached the U.S. This budget request also eliminates
programs that help vulnerable Americans here at home.

Certainly, our military needs additional resources to
climb out of the readiness hole it is in and, at the same
time, deter conflict with near-peer competitors, but I do
not believe we should do so at the expense of diplomacy and
vulnerable Americans.

I would also note that for over the last 15 years, we
have found it important enough to send our brave men and
women to war, but we have not had the courage to raise
revenues to pay for these wars, as this Nation has
historically done. As we examine what funding requirements
are necessary for the safety and security of our country, we
need to look at our Federal budget in much more context.
The BCA's delineation between defense and nondefense
spending has had the unfortunate effect of pitting each
category of funding against the other. Instead, we would be
better served if we considered the needs of our Nation
holistically.

I also believe that it would be best if we examined the
President's budget request in the context of an overall
National Security Strategy. Such a strategy, however, has
not clearly emerged as we enter the sixth month of this
administration.

We seem to careen from one foreign policy crisis to
another, many of which are the administration's own making.
This takes up valuable energy and attention at a time when
there are several significant national security challenges
on which we need to be focused.

Secretary Mattis and General Dunford, you have been
consummate professionals and steady hands in a tumultuous
time, but we face many difficult decisions, both strategic
and budgetary, that demand the kind of leadership and
engagement that only a grounded and focused President can
provide. I look forward to working with you and my
colleagues as we address these important issues. I am proud
that this committee has always worked in a bipartisan
fashion during this process. I look forward to working with
the chairman and all the committee members to come to a
reasonable agreement again this year.
Thank you very much, Mr. Chairman.

Chairman McCain: Secretary Mattis, welcome back.
STATEMENT OF HON. JAMES N. MATTIS, SECRETARY OF
DEFENSE, ACCOMPANIED BY DAVID L. NORQUIST, UNDER SECRETARY
OF DEFENSE, COMPTROLLER, CHIEF FINANCIAL OFFICER, U.S.
DEPARTMENT OF DEFENSE

Secretary Mattis: Thank you, Chairman McCain, Ranking Member Reed, and members of the committee. I appreciate the opportunity to testify in support of the President's budget request for fiscal year 2018. Mr. Chairman, I request the committee except my written statement for the record.

I am joined by Chairman Dunford and the department's new comptroller, Under Secretary of Defense David Norquist. Thank you, Mr. Chairman, and members of the committee for your swift consideration and the Senate's confirmation of Defense Department nominees.

This budget request holds me accountable to the men and women of the Department of Defense. Every day, more than 2 million servicemembers and nearly 1 million civilians do their duty, honoring previous generations of veterans and civil servants who have sacrificed for our country. And it is my privilege to serve alongside them.

We in the Department of Defense are keenly aware of the sacrifices made by the American people to fund our military. Many times in the past we have looked reality in the eye, met challenges with the help of congressional leadership, and built the most capable warfighting force in the world.
There is no room for complacency, and we have no God-given right to victory on the battlefield. Each generation of Americans, from the halls of Congress to the battlefields, earn victory through commitment and sacrifice.

And yet, for 4 years, the Department of Defense has been subjected to or threatened by automatic, across-the-board cuts as a result of sequester, a mechanism meant to be so injurious to the military it would never go into effect. But it did go into effect, and as forecast by then-Secretary of Defense Panetta, the damage has been severe, hollowing out our force.

In addition, during 9 of the past 10 years, Congress has enacted 30 separate continuing resolutions to fund the Department of Defense, thus inhibiting our readiness and our adaptation to new challenges.

We need bipartisan support for this budget request. In the past, by failing to pass a budget on time or to eliminate the threat of sequestration, Congress sidelined itself from its active constitutional oversight role. Continuing resolutions coupled with sequestration blocked new programs, prevented service growth, stalled industry initiative, and placed troops at greater risk.

Despite the tremendous efforts of this committee, Congress, as a whole, has met the present challenge with lassitude, not leadership.
I retired from military service 3 months after sequestration took effect. Four years later, I returned to the department, and I have been shocked by what I have seen about our readiness to fight. While nothing can compare to the heartache caused by the loss of our troops during these wars, no enemy in the field has done more to harm the combat readiness of our military than sequestration.

We have only sustained our ability to meet America's commitments abroad for our security because our troops have stoically shouldered a much greater burden. But our troops' stoic commitment cannot reduce the growing risk.

It took us years to get into this situation. It will require years of stable budgets and increased funding to get out of it.

I urge members of this committee and Congress to achieve three goals. First, fully fund our request, which requires an increase to the Defense budget caps. Second, pass a fiscal year 2018 budget in a timely manner to avoid yet another harmful continuing resolution. And, third, eliminate the threat of future sequestration cuts to provide a stable budgetary planning horizon.

Stable budgets and increased funding are necessary because of four external factors acting on the department at the same time.

The first force acting on us that we must recognize is
16 years of war. When Congress approved the all-volunteer force in 1973, our country never envisioned sending our military to war for more than a decade without pause or conscription. America's long war has placed a heavy burden on men and women in uniform and their families.

A second concurrent force acting on the department is the worsening global security situation that the chairman spoke about. We must look reality in the eye. Russia and China are seeking veto power over the economic, diplomatic, and security decisions on their periphery. North Korea's reckless rhetoric and provocative actions continue, despite United Nations censure and sanctions, while Iran remains the largest long-term challenge to Mideast stability. All the while, terrorist groups murder the innocent and threaten peace in many regions while targeting us.

A third force is adversaries actively contesting America's capabilities. For decades, the United States enjoyed uncontested or dominant superiority in every operating domain or realm. We can generally deploy our forces when we wanted, assemble them where we wanted, and operate how we wanted. Today, every operating domain -- outer space, air, sea, undersea, land, and cyberspace -- is contested.

A fourth concurrent force is rapid technological change. Among the other forces noted thus far,
technological change is one that necessitates new
investment, innovative approaches, and new program starts
that have been denied us by law when we have been forced to
operate under continuing resolutions.

Each of these four forces -- 16 years of war, the
worsening security environment, contested operations in
multiple domains, and the rapid pace of technological
change-- require stable budgets and increased funding to
provide for the protection of our citizens and for the
survival of our freedoms.

I reiterate that security and solvency are my
watchwords as Secretary of Defense. The fundamental
responsibility of our government is to defend the American
people providing for our security, and we cannot defend
America and help others if our Nation is not both strong and
solvent.

So we in the Department of Defense owe it to the
American public to ensure we spend each dollar wisely.
President Trump has nominated for Senate approval specific
individuals who will bring proven skills to discipline our
department's fiscal processes to ensure we do so.

This first step to restoring readiness is underway
thanks to Congress' willingness to support the
administration's request for an additional $21 billion in
resources for fiscal year 2017 to address vital warfighting
readiness shortfalls. Your support put more aircraft in the
air, ships to sea, and troops in the field. However, we all
recognize that it will take a number of years of higher
funding delivered on time to restore readiness.

To strengthen the military, President Trump requested a
$639 billion topline for the fiscal year 2018 defense
budget. This year's budget reflects five priorities.

The first priority is continuing to improve warfighter
readiness begun in 2017, filling in the holes from tradeoffs
made during 16 years of war and 9 years of continuing
resolutions and Budget Control Act caps.

The second priority is increasing capacity and
lethality while preparing for future investment driven by
the results from the National Defense Strategy we are
working on now. Our fiscal year 2018 budget request ensures
the Nation's current nuclear deterrent will be sustained and
supports continuation of its much-needed modernization
process.

The third priority is reforming how the department does
business. I am devoted to gaining full value from every
taxpayer dollar that is spent on defense, thereby earning
the trust of Congress and the American people. We have
begun implementation of a range of reform initiatives
directed by the 2017 National Defense Authorization Act, and
we are on track to enter into a full agency-wide financial
statement audit, as required by statute.

I urge Congress to support the department's request for
authority to conduct a 2021 base realignment and closure, or
BRAC, round. I recognize the careful deliberation that
members must exercise in considering this, but BRAC is one
of the most successful and significant efficiency programs
we have. We forecast that a properly focused base closure
effort will generate $2 billion or more annually and, over a
5-year period, that would be enough to buy 300 Apache attack
helicopters, 120 F-18 Super Hornets, or four Virginia class
submarines.

The fourth priority in the fiscal year 2018 budget
request is keeping faith with servicemembers and families.
Talented people are the department's most valuable asset,
but we must continually balance these requirements of
investment in our people against other investments critical
to readiness, equipping and modernizing the force to ensure
the military is the most capable warfighting force in the
world. Investment in military compensation, blended
retirement, the military health system, and family programs
are essential to fielding the talent we need to sustain our
competitive advantage on the battlefield.

Our fifth priority is support for Overseas Contingency
Operations. The fiscal year 2018 President's budget
requests $64.6 billion focusing on operations in
Afghanistan, Iraq, and Syria; increasing efforts to sustain NATO's defenses to deter aggression; and global counterterrorism operations. ISIS and other terrorist organizations represent a clear and present danger, and I am encouraged by the willingness of our allies and partners to share the burden of this campaign alongside us.

Moving forward, the fiscal year 2019 budget informed by the National Defense Strategy will have to make hard choices as we shape the 2019 to 2023 defense program. The department will work with President Trump, Congress, and this committee to ensure future budget requests are both sustainable and provide the Commander in Chief with viable military options that support America's security.

In summation, first, I need the BCA caps lifted and a budget, not a continuing resolution, passed on time, and elimination of future sequestration cuts, so we can provide a stable and adequate way ahead on budgets.

For those who are concerned we are not asking for sufficient dollars, please consider the following. For 2017, as a supplemental, we asked for $30 billion and the Congress provided $21 billion for our administration to address readiness shortfalls.

Second, this fiscal year, President Trump has requested $574 billion plus $29 billion in the Department of Energy budget, plus $65 billion for Overseas Contingency
Operations. This is a 5 percent growth over what the department had for 2017.

This request is $52 billion above the Budget Control Act defense caps. We have underway at this time a National Security Strategy review, and that will give us the analytic rigor to come back to you for the fiscal year 2019 to fiscal year 2023 budget request when we will build up our military to confront the situation that the chairman and I have laid out in our written statements.

I am keenly aware that each of you understand the responsibility we share to ensure our military is ready to fight today and in the future. I need your help to inform your fellow Members of Congress about the reality facing our military and the need for Congress as a whole to pass the defense budget on time.

Thank you, members of the committee, for your strong support over many years and for ensuring our troops have the resources and equipment they need to fight and win on the battlefield. I pledge to collaborate closely with you for the defense of our Nation in our joint effort to keep our Armed Forces second to none.

Thank you, ladies and gentlemen. And Chairman Dunford is prepared to discuss the military dimensions of the budget request.

[The prepared statement of Secretary Mattis follows:]}
Chairman McCain: General Dunford?
STATEMENT OF GENERAL JOSEPH F. DUNFORD, JR., U.S.
MARINE CORPS, CHAIRMAN OF THE JOINT CHIEFS OF STAFF

General Dunford: Chairman McCain, Ranking Member Reed, distinguished members of this committee, thank you for the opportunity to join Secretary Mattis and Under Secretary Norquist with you today with you today.

I am honored to represent your men and women in uniform, and it is because of them that I can begin by saying, with confidence, that your Armed Forces remain the most capable in the world.

However, the competitive advantage that the United States military has long enjoyed is eroding. A number of factors have contributed to the erosion. Chairman McCain, you mentioned several of these in your opening comments.

Since 9/11, an extraordinarily high level of operational tempo has accelerated the wear and tear of our weapons and equipment. Meanwhile, budget instability and the Budget Control Act have forced the department to operate with far fewer resources than required for the strategy of record.

As a consequence, we prioritize near-term readiness at the expense of replacing aging equipment and capability development. We also maintain a force that consumes readiness as fast as we build it. We lack sufficient capacity to meet our current operational requirements while
rebuilding and maintaining full spectrum readiness.

The Secretary and the service chiefs have addressed the dynamic in their testimonies, and I fully concur with their assessments. But beyond current readiness, we are confronted with another significant challenge that I assess to be now near term. While we have been primarily focused on the threat of violent extremism, are adversaries and potential adversaries have developed advanced capabilities and operational approaches specifically designed to limit our ability to project power. They recognize that our ability to project power is a critical capability necessary to defend the homeland, advance our interests, and meet our alliance commitments.

As Secretary Mattis alluded to, Russia, China, and Iran have fielded a wide range of cyber, space, aviation, maritime, and land capabilities specifically designed to limit our ability to deploy, employ, and sustain our forces. Russia and China have also modernized their nuclear arsenal while North Korea has been on a relentless path to field a nuclear-armed ICBM that can reach the United States. In just a few years, if we do not change the trajectory, we will lose our qualitative and our quantitative competitive advantage. The consequences will be profound. It will affect our nuclear deterrence, our conventional deterrence, and our ability to respond, if
deterrence fails.

Alternatively, we can maintain our competitive advantage with sustained, sufficient, and predictable funding. To that end, the fiscal year 2018 budget is an essential step. However, this request alone will not fully restore readiness or arrest the erosion of our competitive advantage. Doing that is going to require sustained investment beyond fiscal year 2018.

Specific recommendations for fiscal year 2019 and beyond will be informed by the forthcoming National Defense Strategy. However, we know now that continued growth in the base budget of at least 3 percent above inflation is the floor necessary to preserve just the competitive advantage we have today, and we cannot assume that our adversaries will stand still.

As we ask for your support, we recognize the responsibility to maintain the trust of the American taxpayer. We take this responsibility seriously, and we continue to eliminate redundancies and achieve efficiencies where possible.

Thank you again for the opportunity to appear before you this morning, and, more importantly, thank you for ensuring that America's sons and daughters never find themselves in a fair fight.

With that, Chairman, I am prepared to take questions.
[The prepared statement of General Dunford follows:]
Chairman McCain: Secretary Norquist?

Mr. Norquist: Mr. Chairman, I have no separate opening remarks.

Chairman McCain: Thank you.

Secretary Mattis, the committee received unfunded requirement lists from each of the military services that amounted to more than $31 billion. Have you reviewed those unfunded requirements lists?

Secretary Mattis: I have, Chairman.

Chairman McCain: Do you agree these are military requirements that should be funded?

Secretary Mattis: Chairman, I think we have our priorities right in the base budget, but I have reviewed the unfunded requirements. I believe it is $33 billion, and I think if we were to receive more money, those requests are appropriate.

Chairman McCain: I guess my question is, is it your request that we give you $31 billion more?

Secretary Mattis: Chairman, I am here to defend the budget as it stands because I can defend every priority there. If the Congress were to allocate additional funds to national defense, I believe the unfunded priorities lists give good priorities.

Chairman McCain: So you are satisfied with what is basically a 3 percent increase in budgetary requirements?
Secretary Mattis: Chairman, when it comes to defense, sir, at this point, I think that the President's budget is allocated appropriate to the priorities. The priorities listed by the service chiefs, as we go more deeply into the readiness challenge, are certainly well-tuned to what we need.

I would be happy to see more money, if the Congress was to allocate additional funds along the lines of the unfunded priorities lists.

Chairman McCain: Well, I appreciate your willingness to cooperate. But a lot of times, we depend on your recommendations in shaping our authorization and appropriations.

Secretary Mattis: Yes, sir. I cannot think of any priorities I would put in place of the unfunded priorities list, if we are given additional money, sir. That would be a decision by you. I have to represent the President's budget, since he is having to deal with a wider portfolio than just defense.

Chairman McCain: Let me put it this way, will this 3 percent increase give you the confidence that we need that we are doing everything we can to make sure that our men and women serving in uniform are adequately equipped and trained and ready to fight?

Secretary Mattis: Chairman, it took a good many years
to get into the hole we are in. It will not be enough in itself to take us where we need to go. It is going to be a campaign, as I laid out, that started with our request for an additional $30 billion during this fiscal year, the growth that we have in the 2018 budget. And when I get done with the defense strategy and review that, we will be coming back to you for more and probably along the lines of close to 5 percent growth, 3 to 5 percent growth for 2019 to 2023. But, no, it will not take us the whole way. It is in the right direction.

Chairman McCain: It is now mid-June. Congress has not passed a fiscal year 2018 budget, something that should embarrass every Member of the Senate and House. Neither the House nor the Senate has started drafting or considering appropriations bills, because there is no resolution of the topline.

This body knows what needs to be done, a bipartisan budget deal to set the budget levels, but it has refused to begin such work. If we do not begin negotiating today, it is very likely the military once again will begin the fiscal year on a continuing resolution.

What would be the impacts of starting this year on a continuing resolution at the Budget Control Act levels, or $52 billion less than your request?

Secretary Mattis: Chairman, it can only worsen the
readiness situation we face now, which has been laid out starkly, I believe, by the service chiefs, if we go in with a continuing resolution.

Chairman McCain: The first conversation that you and I had was about a strategy for Afghanistan. We are now 6 months into this administration. We still have not got a strategy for Afghanistan.

It makes it hard for us to support you when we do not have a strategy. We know what the strategy was for the last 8 years: Do not lose.

That has not worked. I just mentioned in my opening statement that we just lost three brave Americans.

When can we expect the Congress of the United States to get a strategy for Afghanistan that is a departure from last 8 years which is, do not lose?

Secretary Mattis: I believe by mid-July we will be able to brief you in detail, sir. We are putting it together now, and there are actions being taken to make certain that we do not pay a price for the delay. But we recognize the need for urgency, and your criticism is fair, sir.

Chairman McCain: Well, I am a great admirer of yours, Mr. Secretary, and so are those men and women who have had the honor of serving under you. But we just cannot keep going like this. You cannot expect us to fulfill the three
requirements that you gave -- funding increase, pass a
budget, present a stable budget -- if you do not give us a
strategy.

And I hope you understand that I am not criticizing
you, but there are problems within this administration. I
was confident that within the first 30 to 60 days we would
have a strategy from which to start working. So all I can
tell you is that, unless we get a strategy from you, you are
going to get a strategy from us. And I appreciate our
wisdom and knowledge and information and all of the great
things, with the exception of some to my left here, but the
fact is, it is not our job. It is not our job. It is
yours.

And I have to tell you, the frustration that I feel is
obviously palpable because it is hard for us to act when you
do not give us a strategy, which then leads to policy, which
then leads to authorization, which is our job. So I hope
you understand that we are going to start getting more vocal
in our criticism of not having a strategy for Afghanistan.

Do you agree that we are not winning Afghanistan?

Secretary Mattis: Sir, I understand the urgency. I
understand it is my responsibility. We are not winning in
Afghanistan right now, and we will correct this as soon as
possible.

I believe the three things we are asking for stand on
their own merit, however, as we look more broadly at the protection of the country. But in no way does that relieve me of the need to deliver that strategy to you, sir.

Chairman McCain: I thank you, General, and I understand very well, as do members of this committee, that some of this is beyond your control. But at some point, we have to say, look, the Congress owes the American people a strategy which will then lead to success in Afghanistan. I am sure that the three names that I just mentioned in my opening statement, their parents and their wives and their husbands and their families, members of their family, are very aware that we have no strategy.

So let's not ask these families to sacrifice any further without a strategy which we can then take and implement and help you. I am fighting as hard as I can to increase defense spending. It is hard when we have no strategy to pursue. So I hope you understand the dilemma that you are presenting to us.

Secretary Mattis: I do, sir.

Chairman McCain: Senator Reed?

Senator Reed: Thank you very much, Mr. Chairman.

Mr. Secretary, as we discussed in your testimony, and in the chairman's and in my testimony, even if you get the additional $52 billion, with sequestration in place, you would essentially have to turn around and forfeit that in
across-the-board cuts. Is that your understanding?

Secretary Mattis: Yes, sir.

Senator Reed: And those across-the-board cuts would be more disruptive than anything I could conceive, because there would not be no prioritization. It would just be taking from the most sensitive program and, in fact, leaving money in programs that might not even need it. Is that correct?

Secretary Mattis: That is correct, sir. It would be injurious. And, again, it would sideline both this committee and myself in making wise decisions.

Senator Reed: Did you make that point to the President, in terms of the ultimate consultation about this budget, in his role as Commander in Chief?

Secretary Mattis: I assure you, sir, President Trump is keenly aware of this situation.

Senator Reed: What is his position on sequestration?

Secretary Mattis: I would prefer to speak to mine, sir, because I can speak most authoritatively there. The bottom line is the administration believes that the Congress has to repeal the Budget Control Act and the sequestration that follows.

Senator Reed: But wouldn't it be not only appropriate but essential that that be incorporated in the President's budget because the ramifications of sequestration are
clearly played out in every aspect of the budget? And remaining silent, as I believe he did in the budget, leaves a lot of people wondering what is his real position or does he even understand what is going on?

Secretary Mattis: Senator Reed, we are part of the executive branch and Article One of the Constitution gives you that authority to deal with that very situation. And I think we all know what needs to be done. I have heard it from Republicans and Democrats on this committee for a long time.

Senator Reed: But the interesting thing is I have not heard a clarion call from the President and also a practical response and solution as to how we not only undo the BCA but how do you then allocate resources between defense spending, domestic spending, and other spending. And without that, again, it goes in the same trajectory of no strategy.

There is no budgetary strategy here either. It is just, "Congress do something." I thank the chairman's point is, it is very late in the game, and the ability for us just institutionally to rewrite a budget, to reallocate resources between defense and nondefense, to increase defense spending without any guideline or framework from the administration, it is not impossible, it is very difficult.

Do you sense that?

Secretary Mattis: Senator Reed, we have submitted a
presidential budget for the Department of Defense. We believe that is guidance. We have submitted the unfunded priorities list from the Pentagon, in accordance with the will of Congress, and we believe that is guidance for what we need.

Senator Reed: Just a final point, Mr. Secretary. I do, like all my colleagues, respect you immensely. But the budget that is submitted will not work. If nothing is done to change the BCA, sideline the BCA, the $52 billion we give you, we will take back, in fact in a more harmful fashion even if we did not give it to you. If we just left the BCA levels, at least you could prioritize.

So let me just change gears for a moment. Have you received direction, you and your colleagues in the national security agencies, from the President to begin intense planning and preparation for what appears to be an inevitable renewal of cyberattacks by Russia against the United States, particularly in the context of elections? Have you received any guidance?

Secretary Mattis: We are in constant contact with the national security staff on this, and we are engaged not just in discussing the guidance but in actual defensive measures, sir.

Senator Reed: And that guidance, the President has clearly laid out, in some type of authoritative way, the
mission to protect the country in this respect? Or is it something just collateral to your discussions?

Secretary Mattis: Senator, I am under no confusion whatsoever of my responsibilities in the organizations I have, the National Security Agency and Cyber Command, about what we are supposed to be doing right now. We are taking active steps on that that I can brief you on in a closed hearing.

Senator Reed: So, General Dunford, I think you testified previously that Russia represents the most significant threat to the United States, not only in their new area denial systems that I think you alluded to, but also in their cyber operations. Is that still your position?

General Dunford: It is, Senator. And I included their nuclear capability as well as their behavior.

Senator Reed: And again, finally, in my last few seconds, do you believe that is the position of the President of the United States, that Russia, particularly in all these new dimensions, is the most significant threat to the United States, Mr. Secretary?

Secretary Mattis: Sir, I prefer to let him speak for himself on that. I can assure you that, from law enforcement to the intelligence agencies, and all that information is available and briefed to the President, we
are recognizing the strategic threat that Russia has provided by its misbehavior.

Senator Reed: But you recognize it. The question is, does he recognize it?

Secretary Mattis: Sir, I have had full support, for example, for the European Reassurance Initiative, where we are sending more troops to Europe. They are not being sent there for any reason other than to temper Russia's designs. I have had full support on the things that we have had to do in order to address Russia's choices.

Senator Reed: Thank you, Mr. Secretary.

Thank you, General Dunford.

Chairman McCain: Senator Wicker?

Senator Wicker: Thank you, gentlemen. Thank you for your service.

Let me just say this about sequestration. When I think about the failure of this Congress and this government to deal with this, I look in the mirror and I take my share of the responsibility. One thing that has not been said is that the reason we got to sequestration to start with is that there is two-thirds of American spending that is on autopilot. It is very popular programs, the entitlement programs, Medicare, Medicaid, Social Security, and, of course, interest on the debt. And sequestration was meant to focus us on that two-thirds of the budget that we do not
deal with every year.

We have been unwilling politically to do that on both sides of the aisle. And until we do that, we are not going to really be able to get back to the problem that got us to sequestration to start with.

But let me talk about something, Secretary Mattis, that might save us a good deal of money, and that is multiyear procurement authority, which is assumed in your budget proposals for destroyers, fast attack submarines, and V-22 aircraft.

It is my understanding that the Cost Assessment and Program Evaluation office, or CAPE, that the Navy and OMB all agree that savings would be significant if we go with multiyear procurement authority, but we lack at this point a preliminary determination to begin to implementation this. A final determination can come later, but we need the preliminary determination.

So are you aware of this situation, Secretary Mattis? Do you agree that the assumption in your budget is correct, that this will save money? And can you help us on this?

Secretary Mattis: Senator, I have no doubt it would save money to have multiyear procurement, especially of things that take a lot of steel, a lot of equipment to build. The economies of scale allow for enormous savings. We would have to have a repeal of the BCA act in order to
give the confidence to industry that they can buy that stuff
and it will not sit in the shipyard when funding dries up
the next year.

So again, we come right back around to the very thing
the chairman and the ranking member have been discussing
about what BCA does to us. It removes the chance for even
wise investment of the money you give us, sir.

Senator Wicker: Okay, but at this point, the immediate
situation is that I need you to commit to this committee
that you will intervene to ensure that we get the
preliminary determination necessary to move us forward at
that point. We do not need to repeal BCA to get that done.
Will you help us on that?

Secretary Mattis: We will help you. Yes, sir.

Senator Wicker: All right. Thank you very much.

Now let me ask you, in the remaining time, I appreciate
what has been said about winning in Afghanistan. Now I
noticed, over the last few days, a group of my colleagues
have advocated just, "It has been too long. We need to look
at the timetable. A decade and a half is too much. We just
need to pull out and let Afghanistan take care of itself."

And let me just say I think that would be a massive
mistake which would affect the security of Americans. I
hope you agree with that.

So if you could comment on that, but also define for us
what winning in Afghanistan means. And if we are successful
there and have a follow-on force that is not involved in
combat, much as we have had for 70 years in Europe and a
long, long time in South Korea, that would be certainly
something that I could live with.

But if you would comment on that in my time remaining?

Secretary Mattis: I believe you are correct that to
walk away from this, we have already seen what can come out
of these kinds of spaces, these ungoverned spaces. The
problems that originate there do not stay there. They come
out. They threaten all of us. They threaten the world
order. They threaten our economy. They threaten our very
country.

As far as what does winning look like, the Afghan
Government, with international help, will be able to handle
the violence, drive it down to a level that local security
forces can handle it. And with our allies, it would
probably require a residual force doing training and
maintaining the high-end capability so that the threats,
should they mature, we can take them down and keep this at a
level of threat that the local government and the local
security forces can handle.

It is going to be an era of frequent skirmishing, and
it is going to require a change in our approach from the
last several years, if we were to get it to that position.
Senator Wicker: Do the people of Afghanistan want us there?

Secretary Mattis: There is no doubt the majority do, sir. The reason the Taliban and Haqqani use bombs is because they cannot win at the ballot box, and they know that.

And the people do want us there, and that is based on loya jirga outcome. That is the rather large assembly of local and provincial and national level leaders. Plus, it is based on polls not run by the United States but by other organizations.

And I have no doubt the majority want us there. Not all of them do, but the ones who do not are not the ones who are looking forward to Afghanistan's future as we think it ought to look, we and the Afghan people.

Senator Wicker: Thank you, sir.

Chairman McCain: Senator Gillibrand?

Senator Gillibrand: Thank you, Mr. Chairman.

I want to continue the line of questioning started by the ranking member.

I am deeply concerned about the success of Russian information warfare efforts in influencing the course of the 2016 elections here in the United States, as well as its efforts to destabilize democracies across the globe.

How is the department working with other Federal
agencies to counter Russian information warfare in the
United States and the hacking of our electoral systems? And
how are you working with our partners and allies to fight
these efforts? Secretary Mattis?

Secretary Mattis: First of all, ma'am, there is
constant information flow defining the problem as critical,
because they try to do it in a deniable manner. So we work
inside our interagency effort, law enforcement, everything
from FBI and any other police organization that gets
information on this, but it mostly has been FBI. Our
intelligence agencies work together, too.

We have good sharing of information, and we also
work with our allies, sharing information back and forth.
You have seen some of that. Some of it can be released.
You will see it in the newspaper, about what is going on in
other nations' elections right now, for example, in Europe.

Senator Gillibrand: This morning, Bloomberg reported
that Russia managed to hack 39 States' electoral systems and
attempted to alter data, though it was not successful.

Last week, a leaked NSA document suggested that GRU,
Russia's military intelligence agency, attacked a company
that provides software to manage voter rolls in eight
States, including New York. The attackers then used that
information they stole to launch targeted attacks against
122 local election officials just 12 days before the
This information highlights the urgent need to protect our election infrastructure from cyberattack going forward to protect our democratic process. During the last election, several National Guard units assessed the States' election systems from these types of intrusions.

Do you think there is a role for the National Guard, with its unique authorities, in assisting and securing election systems?

Secretary Mattis: There may be, ma'am. I think our organization right now is still adapting to this new domain. One of the reasons we do not want continuing resolutions is because we have to do new things. I also assume in something like this that what you just outlined is not the whole problem. It is worse.

Senator Gillibrand: Do you think we should consider a 9/11-style commission to just do a deep dive on where are our cyber vulnerabilities, what are the 10 things we need to do to prevent cyberattack in the future, in the same way the 9/11 commission made recommendations that, frankly, have subverted terror attacks, certainly in New York State, over the last decade, because those recommendations really did have an impact on how to protect against future terrorism?

Secretary Mattis: Senator, I would have to look at what is the problem we are trying to solve. I think
reorganization of Cyber Command and NSA along the lines that
have been proposed by the Congress, I think that also is
part of defining the problem and defining the defensive
measures that we need to take.

But I would not be against something like that. I
would have to look at what the specific problem is it would
be assigned to do, but I am not against that.

Senator Gillibrand: It would just make recommendations
to prevent another cyber hack of our elections, just the
same way the 9/11 commission did it, basically impaneling
nonpartisan experts in cyber to just come up with the 10
things we need to do.

Secretary Mattis: Yes, I will just tell you we have
efforts underway to do these very things right now. But at
the same time, I am not against what you are proposing.

Senator Gillibrand: Okay. I want to talk a little bit
about sort of the world order, in my last 1.5 minutes.

President Trump's decision to withdraw from the Paris
climate agreement was just one of the several signals to the
world that the administration is repositioning the United
States not as a global leader but as a country focused
exclusively on its interests. Upon his return, National
Security Adviser H.R. McMaster and Gary Cohn wrote in the
Wall Street Journal, "The President embarked on his first
foreign trip with a clear-eyed outlook that the world is not
a 'global community' but an arena where nations, nongovernmental actors, and businesses engage and compete for advantage."

Our defense strategy has been predicated on working with allies to maintain the stability of different regions of the world, and yet this op-ed suggests that we would only work with allies and partners when it suits us. Is the department redrawing its defense strategy around this new paradigm?

Secretary Mattis: We do work by, with, and through allies. We have alliances. We have bilateral agreements. I think that we will continue to be working alongside others.

The Greatest Generation came home from World War II and said, like it or not, we are part of the world. And that is a philosophy that guides our foreign policy, as well as our military policy.

Senator Gillibrand: Admiral Mike Mullen, former Chairman of the Joint Chiefs, and former National Security Adviser Jim Jones just wrote an opinion piece on the same topic, and you said something similar several years ago, that the less we invest in diplomacy, the more we invest in bullets.

Do you still agree with that analysis?

Secretary Mattis: Yes, ma'am. It has to be a whole-
of-government approach to the world. Absolutely.

Senator Gillibrand: Thank you, Mr. Chairman.

Chairman McCain: Senator Fischer?

Senator Fischer: Thank you, Mr. Chairman.

Good morning, gentlemen. I would like to thank you both for your service and for being here today.

First, I would like to note my appreciation for this budget's strong support for nuclear modernization and the comments that both of you made on this issue in your prepared comments. I know, Mr. Secretary, you alluded to that in your opening statement as well. I was pleased to see the department's request reflect the necessary prioritization for that nuclear modernization, so thank you for that.

General, in your opening statement, you said that you assess that, within 5 years, we will lose our ability to project power. Can you put that in context? What does being unable to project power do to our ability to protect our homeland and deter conflict, meet our obligations to our allies, Article 5 under NATO, for example?

General Dunford: I can, Senator. From my perspective, really since the 1990s, China, Russia, other countries, have studied U.S. capabilities from precision munitions to our ability to project power. We identify that as -- we call it our center of gravity, but our source of strength, the
ability to project power when and where necessary to advance our interests, to meet our alliance commitments.

We think that plays an important role in deterrence. It plays an important role in assuring our allies that we can meet our alliance commitments.

In the specific areas where they have invested in -- anti-ship cruise missiles, anti-ship ballistic missiles, electronic warfare capabilities, cyber capabilities -- all focus to prevent us from projecting power when and where necessary to accomplish our objectives. So they want to keep us from getting into the area. And this is both the case with Russia with regard to our NATO alliances and China with regard to meeting our commitments in the Pacific. They want to keep us from being able to deploy forces into the area and to operate freely within the area.

So when I talk about competitive advantage, in my judgment, the problem that we are trying to solve is to continue to be able to do what we have historically been able to do, and that is simply to project power when and where necessary.

Again, I mentioned the role it plays in assuring our allies and meeting our commitments. I also believe that source of strength plays a very, very important role in deterring potential adversaries from initiating provocation or conflict.
Senator Fischer: You mentioned that 5-year period. Do you believe that it is in doubt now?

General Dunford: It is eroding now. We have historically had the ability to do that, not uncontested but in a decisive way. I think our competitive advantage has eroded right now.

We would be challenged in projecting power today. We have done some very careful analysis at a classified level looking function by function at our current capabilities, our adversaries' current capabilities, the path of capability development that we are on, the path of capability development that our adversaries are on. And what we have seen is an erosion over the past 10 years.

In our judgment, we will get to the point where we would suffer significant casualties and significant time delays in meeting our objectives and projecting power in 5 years.

Senator Fischer: In 5 years. Do you think now that, regardless of our intent, we do not have the capability to act unless we change the path we are on?

General Dunford: Senator, I do not think there is any question that, unless we change the path we are on, we are going to be at a competitive disadvantage, qualitatively and quantitatively.

Senator Fischer: So that is pretty consequential,
isn't it?

General Dunford: Senator, to me, it affects our ability to deter conflict. It affects the confidence that our allies have in our ability to meet our commitments. And at the end of the day, it makes it a more dangerous world, because both nuclear deterrence and conventional deterrence would be affected.

Senator Fischer: And if we are unable to meet the needs of the force that we have now, that they are incapable or that they are not ready, do you believe that any leader will send that force into the battle?

General Dunford: I think it would be very difficult for a leader to send a force in battle when his military leadership would articulate the risk associated with doing that.

I do want to make it clear, I believe we have a competitive advantage over any potential adversary today. What I am doing now is projecting into the future based on a trend line that we have seen over the past decade where we will be if we do not turn it around.

Senator Fischer: Thank you.

Secretary Mattis, in the last 4 weeks, the United States has conducted three strikes against pro-regime forces that threaten coalition soldiers in Syria. Do I have your assurance that we are going take any and all measures
necessary to protect our forces in that area?

Secretary Mattis: Absolutely, Senator. Those are self-defense strikes, and the commander on the ground has the authority to take whatever action necessary, and I support that.

Senator Fischer: Okay. And during your confirmation hearing, you talked about how Russia had chosen to be a strategic competitor. And with respect to engagement with Russia, you stated, "I am all for engagement, but we also have to recognize reality and what Russia is up to. And there is a decreasing number of areas where we can engage cooperatively and an increasing number of areas where we are going to have to confront Russia."

Do you believe this is still an accurate characterization of Russia's behavior?

Secretary Mattis: I think there are very modest expectations for finding areas of cooperation right now with Russia until they change their behavior.

Senator Fischer: Thank you, sir.

Thank you, Mr. Chairman.

Chairman McCain: Senator Heinrich?

Senator Heinrich: Thank you.

Mr. Chair, first, I want to associate myself with the views of 16 former senior military leaders who submitted a letter today in support of foreign assistance.
Specifically, they made the following point. "Proactive
conflict prevention strategies are far less expensive in
terms of resources and lives expended than reactive use of
our Armed Forces."

This is signed by a number of folks we will all
recognize, from General Breedlove to Admiral Mullen to
General Petraeus to General McChrystal. I think we should
keep that in mind when we review the President's budget,
which I believe is particularly shortsighted with regard to
foreign assistance.

I want to move now, Secretary Mattis, to something you
said at your confirmation hearing in January. I asked you
for your assessment of the key threats to our vital
interests and at what priority level. And you said that the
principal threats start with Russia.

Do you still view Russia as a significant threat to the
United States?

Secretary Mattis: Yes, Senator, I do.

Senator Heinrich: Can you walk us through a little bit
how this year's budget request invests in the resource
areas, the programs, and the initiatives that can help
counter those threats posed by Russia?

Secretary Mattis: Senator, I think the European
Reassurance Initiative alone of $4.8 billion is designed
with one target in mind. That is to dissuade Russia from
thinking that this is a time when they want to test NATO or
the Americans.

I would also point out that, in terms of technology, we
are looking at specific technologies that address some of
the maturing threats that they have -- air, space,
underwater, that sort of thing.

And I think, too, that the investment in pre-positioned
equipment that allows us to move forces quickly into an area
would cause a change in their strategic calculus, as far as
the risk from their behavior, from their perspective, would
go up.

There is also a fair amount of ground munitions and
airfield enhancements that are going on specifically
targeted to your concerns, Senator.

Senator Heinrich: I want to thank you for that. I
think those are all very important investments.

One of my concerns is that the Russians employed a set
of hostile, highly asymmetrical tools during our election
last year, and that for the cost of a fraction of a single
ship, they were able to use very low-cost tools like
hackers, trolls, and social media bots to manipulate our
media and even penetrate our political and election
structures.

Do we have an overall strategy to meet that threat
either in CYBERCOM or as a whole-of-government approach?
Secretary Mattis: Sir, we have vulnerability assessments and analyses going on that cause us to buttress our defenses in different areas to shift our filtering of information and to shift our focus or intelligence services to define the problems to a level that we can figure out what to do about them.

So is there an overall strategy? We are working on a broader strategy that this would be part of. But right now, we have enough definition that we do not have to delay taking steps at this time intel-wise and defenses-wise against the Russian threat.

Senator Heinrich: Should there be consequences when Russia does this kind of thing?

Secretary Mattis: Absolutely. I mean, that is a decision that has to be taken by the Commander in Chief and certainly with the Congress' support, involvement. But I think that this sort of misbehavior has got to face consequences and not just by the United States but more broadly.

Senator Heinrich: I could not agree more.

I want to shift gears a little bit in my last 40 seconds or so.

You know my interest in directed energy weapons systems. They have enormous potential to be a game-changer, the kind of thing that we have seen change asymmetry in the
past for our warfighters.

Section 219 of last year's defense bill instructs the Secretary of Defense to designate a senior official at the Pentagon to have principal responsibility for the development and transition of directed energy weapons systems. As of today, it is my understanding that this position remains unfilled.

Secretary, can I have your commitment today to meet this requirement and to assign someone this critical responsibility at the Pentagon?

Secretary Mattis: Yes, sir. Thank you for bringing it up. I did not know I had that responsibility. I am learning more every day. If that is a responsibility you have assigned, it will be done. I will tell you that, right now, I have been briefed on directed energy R&D and advances, so I know people are working it right now. But if we have not filled that line number, that assignment, I will get onto it.

Senator Heinrich: I appreciate that very much. Thank you, Mr. Chair.

Chairman McCain: Senator Cotton?

Senator Cotton: Thank you, gentlemen.

I want to associate myself with the remarks about our budget picture that Secretary Mattis had and Chairman McCain had. I will say that I agree with Chairman McCain. I think
the President's budget is inadequate to the threats that we face.

But the more fundamental problem is the Budget Control Act, and the simple solution, colleagues, is to repeal the Budget Control Act. From Senator Fischer all the way down to my right, and Senator Donnelly all the way down to Senator Peters, not a single one of us was here in the summer 2011 and voted for that bill.

The Budget Control Act is not the Constitution, and the 112th Congress was not the Constitutional Convention. We should simply repeal it.

Now some people say it is going to increase the deficit, but it is not going to go into effect. We know that. We know exactly what will happen. We will have a continuing resolution in September. We will have some kind of 2-year budget in October, November. We will have an omnibus in December 2017, an omnibus in December 2018. And then we will do it all again in 2019.

Let's simply repeal the Budget Control Act and take our responsibilities seriously and own up for our annual budgeting cycle. And I would urge all the Democrats and all the Republicans on this committee to work together to do so in the Senate itself.

Now, off my soapbox.

Mr. Secretary, the Open Skies Treaty allows for aerial
surveillance of military forces. U.S. and Russia are both parties. However, according to the State Department, Russia has not been playing ball lately. They are denying the United States overflight of certain parts of their territory.

I know that we have sought resolution with Russia on these matters. My understanding is those efforts have come up empty.

Does the U.S. believe that Russia is in violation of the Open Skies Treaty?

Secretary Mattis: We are meeting on that issue. I have been briefed on it, and we will be meeting with the State Department and the national security staff here in the very near future. There certainly appears to be violations of it, but I have to go into the meeting and figure out that I have all the information.

Senator Cotton: Would you care to elaborate in a classified manner, in this setting, on the nature of those violations?

Secretary Mattis: There are areas that we have been prevented from overflying. I think some of the other aspects of it, I would prefer to talk privately with you. But that is one of the clear, to me, violations.

Senator Cotton: Could we get your commitment to submit a response on the record, classified or unclassified, as
Secretary Mattis: I would prefer to do it even before I had the consultation. I can get it to you right away. I can tell you what we know right now, what we believe right now, and then we can update you later, sir.

Senator Cotton: That is fine, if we can get that on the record in writing.

General Dunford, while we are on the topic of Russian treaty violations, our EUCOM Commander, General Scaparrotti, testified in March, saying, Russia has repeatedly violated international agreements and treaties that underpin European peace and stability, including the Treaty on Intermediate-Range Nuclear Forces and the Treaty on Conventional Armed Forces in Europe.

Do you agree that Russia is in violation of both those treaties?

General Dunford: I do, Senator.

Senator Cotton: So let's put this plainly then. If Vladimir Putin wanted, he could hold U.S. troops in Europe at risk with nuclear-armed cruise missiles, and our only choices would be, one, we send 30-year-old F-16s with 30-year-old weapons against state-of-the-art Russian defenses, or we have a choice to escalate a tactical crisis to a strategic one by responding with long-range bombers or intercontinental missiles or submarine-launched ballistic
missiles. Is that the situation we face in EUCOM right now?

General Dunford: Senator, that is a good reason why we have argued to modernize our nuclear enterprise and make sure we have an effective deterrent, an effective response.

Senator Cotton: One of the modernization priorities is the air-launched cruise missile, which is going on 40 years now. General Selva said, "A decade from now, ALCMs will not be able to penetrate Russian air defenses, and, therefore, there is an urgency to their replacement."

Given Russia's treaty violations and the imbalance between American and Russian nuclear forces, and the age of ALCM, do you agree that it is an urgent priority to replace the ALCM with the long-range standoff cruise missile?

General Dunford: Senator, as you know, we are going through a Nuclear Posture Review right now.

What I would say is this, the third leg of the triad, the bomber, needs to be able to penetrate. It needs to be able to achieve effects. That is the criteria that we should have going into the Nuclear Posture Review.

Senator Cotton: Thank you.

To conclude, we had Admiral Harris from PACOM in a few weeks ago as well. He pointed out that although China is obviously not a party to the INF Treaty, if they were, over 90 percent of their missiles would be banned by it. So the situation that we face is the INF Treaty gives China a
lethal advantage over American forces in the Pacific. Russia is out-right ignoring the INF Treaty in Europe. We have no matching response to either of those threats. And even if we did, it would be illegal because we are literally the only Nation in the world that restrains itself from developing intermediate-range cruise missiles.

Is that right?

General Dunford: Senator, it is. And I think what is important about the Chinese capability is that is in that category of anti-access/area denial that we discussed earlier, where the large number of missiles and rockets that they have do present a challenge to us as we try to project power.

Senator Cotton: It seems a critical strategic problem that we face. I know that you gentlemen are working to address it. I hope that we can do everything possible to help you. Thank you.

General Dunford: Senator, there is a wide range in the fiscal year 2018 budget. Frankly, we started in 2017, a wide range of capability areas, where we requested resources designed specifically for those challenges that you have articulated.

Chairman McCain: Senator Warren?

Senator Warren: Thank you, Mr. Chairman.

And thank you to our witnesses for being here today.
I want to ask about what is happening between Qatar and its neighbors. Last week, Saudi Arabia severed all diplomatic and economic ties with Qatar. And almost immediately, Bahrain, the UAE, Egypt, and Yemen did the same.

This crisis began in part because it was reported that the leader of Qatar gave a speech praising Iran and criticizing other countries in the region. Now it appears that that was fake news and that the leader of Qatar gave no such speech. Now the media has reported that the FBI believes that it was actually the Russians who planted the story.

I do not want to ask a question that depends on classified information, so let me ask this question instead. If the news reports are accurate, what motive would the Russians have had for doing something like that?

Mr. Secretary, might you be able to answer that?

Secretary Mattis: I think a disruption of the international order is something that Russia, in a shortsighted way, thinks works to their benefit. I think it does not, but I cannot speak for them.

I think what you are seeing here, though, is the continued prevalence of threats not just to our own country, not just to Western Europe democracies, but they are trying to break any kind of multilateral alliance, I think, that is
a stabilizing influence in the world.

Senator Warren: Good. Good, in terms of your
description. This is very helpful, and I hope we are going
to be able to get to the bottom of this.

Our intelligence agencies have told us that the
Russians conducted a successful cyberattack against our 2016
elections. A few months later, the Russians tried to do the
same thing in France. Now it appears they are trying to
take this to a whole new level.

So I also, though, would like to ask for your help to
clarify the U.S. policy on this current dispute. After the
Saudis cut off diplomatic and economic ties, the President
immediately tweeted his support for the move, saying, and I
am going to quote here, "So good to see the Saudi Arabia
visit with the King and 50 countries already paying off."

But soon afterward, Secretary of State Tillerson called
on those countries to ease the Qatar blockade, saying it
was, "hindering U.S. military operations in the region and
the campaign against ISIS."

Then, in testimony to this committee, the Air Force
Secretary contradicted Secretary Tillerson and said that the
dispute was, in fact, not impacting air operations at Al
Udeid, our base in Qatar.

Secretary Mattis, can you please clarify? What is the
policy of the United States Government toward the current
dispute among gulf countries in the Middle East?

Secretary Mattis: Yes, ma'am.

Senator, the Secretary of the Air Force was referring to the operations at that one airbase. There is more than that going on in the region. So she was quite correct in what she was saying about that.

Secretary Tillerson was nonetheless correct as he looked more broadly at the situation where we have to work with many of what we call Gulf Cooperation Council states together.

We have friends in the region, Senator, who have problems. They admit it. One of the issues that came up when President Trump visited Saudi Arabia was their effort to turn off the spread of rabid ideologies that undercut stability and create the kind of the ocean in which the terrorists swim, that sort of thing.

So we have friends out there. We have to work with them. Our policy is to try to reduce this problem. But at the same time, we have to make certain that we are all working together and there is no funding, whether it be from a state or from individuals in the state, who can get away with it because there is a lack of oversight or law or that sort of thing.

So there are a lot of passions at play here. It is not tidy as we deal with it.
Senator Warren: And I understand that Qatar needs to do more to fight terrorism in the field. I just want to make sure I clarified the point and understood it correctly. General Dunford, is the Qatar blockade affecting U.S. military operations?

General Dunford: Senator, it is not.

Senator Warren: Okay.

General Dunford: We are watching that very, very closely, but we have had good cooperation from all the parties to make sure that we can continue to move freely in and out of Qatar where we have both an important airbase as well as the headquarters forward of the United States Central Command.

Senator Warren: Good. Thank you very much.

I just want to say this cyberthreat appears to be getting bigger and bigger, more and more dangerous, taking on multiple permutations. I think that means it is really important, and I am going to ask you later for an update on the status of trying to implement our Cyber Command elevation. But this is something we have to fight back against.

Secretary Mattis: We are on track with elevation.

Senator Warren: Good.

Secretary Mattis: It is going fine. I do not see any issues there. There are some other things about splitting
them that we are working through, but we will work through it.

Senator Warren: Good. Powerfully important.

Thank you, Mr. Chairman.

Chairman McCain: Senator Rounds?

Senator Rounds: Thank you, Mr. Chairman.

Gentlemen, thank you for your service to our country.

General Mattis, Secretary Mattis, do you see any way that the current budget could be operational with the Budget Control Act still in existence?

Secretary Mattis: I believe Congress is going to have to remove the Budget Control Act in order for that to happen, so for this budget to go through.

Senator Rounds: Would it be fair to say that a continuing resolution has never saved money with regard to any of the defense programs?

Secretary Mattis: Sir, I guarantee you continuing resolutions cost us more money for less capability.

Senator Rounds: Last week, Dr. Wilson and General Goldfein talked about the B-21 program and reiterated the importance that it stay on time and on budget.

The program ramps up next year from $1.3 billion to $2 billion requested for 2018. I also understand that a CR or a return to BCA funding levels could jeopardize funding for this and ultimately affect the timely fielding of this
critical component of our future national security.

General Dunford, you just mentioned the fact that we absolutely have to have the long-range strike bomber with regards to our plans for delivering any type of weapons against the upgraded threats of our peer competitors. Would you care to comment on the need for the continuation on a timely basis of the development of the B-21?

General Dunford: Senator, I cannot comment on the timing. What I can tell you is we have done three Nuclear Posture Reviews since 2010 that I am aware of. All of them have validated the need for triad and emphasized the need for a bomber that had assured access.

So completely supportive of that, and I know that General Goldfein and the Secretary of the Air Force have testified as to the challenges with the timing of the B-21. I think that they have assured the committee that their leadership will be decisive in that program.

Senator Rounds: Thank you.

Secretary Mattis, for more than a year now, we have talked about cyber and about the need to define policy with regards to cyberattacks within the United States. We have put within the NDAA, the 2017 NDAA, a directive that the administration deliver a policy or a proposed policy back to Congress by December of this year. And I believe that since this is coming through the NDAA, it is going to fall under
your purview to see that it gets done. This would not
necessarily identify an act of war, but rather those acts of
aggression which are of sufficient duration, similar to what
a kinetic attack would be, that it would impact our country.

Do you know if that study or that planning is ongoing
at this time or if there is specific direction for
individuals within the administration to comply with that
NDAA directive?

Secretary Mattis: Sir, I want to get back to you with
a detailed answer on that one. I understand the question.
I am not prepared to answer it right now.

I know that we have an awful lot of work going on. We
are engaged in the operations. But the specific answer to
your question I do not have right now. But I will get back
to you.

Senator Rounds: Thank you, sir.

General Dunford, the need for cyber superiority, I
think sometimes when we talk about air, land, and sea, and
space, sometimes we forget to add in the fact that cyber is
connected in all sequences. They are all connected.

Could you just share a little bit with the committee
about the need to upgrade the cyber capabilities and our
ability not only for defense but to be able to attribute the
attacks, to defend against them but then to go back and
respond? And one step farther on that is to be able to
survive the attack in such a fashion that we actually can respond afterwards.

General Dunford: Senator, thanks.

First, I would tell you that as we have analyzed today's conflicts and future conflicts, I would agree with you completely. We used to talk about multidomain. Now we talk about all domain. You refer to all of them: sea, land, air, space, and cyberspace. So we do expect cyberspace to be integral to any campaign that we would conduct in the future.

The requirements start with making sure that our own network is protected. We provide support to the rest of government but our own network is defended, to include our command and control systems. We talked earlier about nuclear, our nuclear command-and-control systems.

But our mission of defense in the department also requires us to be able to take the fight to the enemy, which is an integral part of any campaign that we would wage. That requires us, as you suggested, one, to be able to attribute attacks and then provide the President with viable options in response.

Although I would tell you the one thing that we emphasize is that just because the enemy chooses to fight in cyberspace does not mean our response has to be limited to cyberspace. In other words, we may experience a
cyberattack, but we will take advantage of the full range of capabilities that we have in the department to respond.

Senator Rounds: Thank you.

Thank you, Mr. Chairman.

Chairman McCain: Senator Kaine?

Senator Kaine: Thank you, Mr. Chairman.

And thank you to the witnesses for your testimony and for your service.

In March, you each testified before the Defense Subcommittee of Senate Appropriations on a topic that I care deeply about, which is Authorization for Use of Military Force in the ongoing military effort against ISIS. The record would reflect, Secretary Mattis, you stated, "I would take no issue with the Congress stepping forward with an AUMF. I think it would be a statement of the American people's resolve, if you did so. I thought the same thing for the next several years, I might add, and have not understood why the Congress has not come forward with this, at least to debate, because I believe ISIS is a clear and present danger we face."

The testimony of General Dunford on March 22nd, the same hearing, "I agree with the Secretary. I think not only would it be a sign of the American people's resolve but, truly, I think our men and women would benefit from an Authorization for Use of Military Force that would let them
know that the American people, in the form of their Congress, were fully supportive of what they are doing out there every day as they put their lives in harm's way."

Is that still and accurate reflection of both your views sitting here today in June?

Secretary Mattis: Yes, it is, Senator, for me.

General Dunford: Absolutely, Senator.

Senator Flake and I are members of the Senate Foreign Relations Committee and have introduced an authorization trying to square some difficult circles dealing with these nonstate actors -- ISIS, the Taliban, Al Qaeda -- trying to appropriately exercise congressional oversight without micromanaging functions that are functions for the Commander in Chief and his staff, and I would appreciate very much both of you individually but also the administration generally trying to work with us.

The head of Senate Foreign Relations, Chairman Corker, has indicated a desire to move on this, and we would very much like to work in tandem with you to hopefully get this to a place that will express the congressional resolve that you discussed in this testimony.

Secretary Mattis: Happy to work in concert with you, sir.

Senator Kaine: Great.

General Dunford: Absolutely, Senator. Thank you.
Senator Kaine: Great. Thank you. I do not have any other questions.

Thank you, Mr. Chair.

Chairman McCain: Senator Perdue?

Senator Perdue: Thank you, Chair.

I want to clear one thing up. First of all, I have the utmost respect for you guys, and, God help us, we have to have you be successful. But there is zero chance, zero -- I am on the Budget Committee. There is zero chance that the budget process is going to work. The best this year, the best we can hope for, is that we will -- there are 43 working days left before the end of this fiscal year. We are headed for another CR, unless we have an omnibus. So the best we can hope for today is an omnibus.

The budget process is broken. It is why we are sitting here today. It is why we are at a historic low in terms of spending on our military.

And we will not fix this long term. We can argue about $20 billion, $30 billion, $50 million. I am going to tell you in a second I think the number is much bigger than that. I need help on two things.

One, help us with an audit. You have my full support. We are going to try to get the money for you, but we have to have an audit.

Second, we need a bottom-up analysis of mission-based
need. We are going to hypothesize about how much you need. You have answered questions about it. But I want to give a little history today.

In my lifetime, we have disinvested in the military three times -- this is significant -- once in the 1970s, once in the 1990s, and once just recently in the last 8 years, such that, today, we are spending 3.1 percent of our GDP on our military. The low point was 2.6 percent in 2000. A lot of people refer back to 2000. That was prior to 9/11, prior to ISIS, prior to all the things that have changed our world in the last 15 years.

But we recapped only one time in my lifetime, and that is in the 1980s. We called ourselves recapping in the 2000s, but we chewed that up in 16 years of war, as you just said, Secretary. We have not built new aircraft carriers or submarines or airplanes.

And here we are, where most of our major platforms are maturing at exactly the same time that we have to rebuild and recap. It is estimated that, by 2000, Russia will have - 70 percent of their nuclear triad will be absolutely new technology. It is estimated it will take us 30 years to get to just 70 percent there.

So we have an estimate here that says that, based on the historical average of 4.1 percent, that is the redline there, the difference between where we were last year at 3.1
percent and 4.1 percent, that 100 basis points on our economy is $200 billion.

The other way to triangulate about need is Bob Gates in 2011 put a 5-year mission-based need requirement out. And, in 2016, estimated, his estimate for 2016 is $130 billion more than what we have.

Then the last one I want to give you is this, and that is, General, you said our mission is to make sure our sons and daughters never have to fight in a fair fight. I agree 100 percent with that. Historically, though, the country with the biggest economy is always the 800-pound gorilla. Today, China has reached us in purchasing power parity. Their economy is the same size as ours.

There is every reason to believe that they are going to continue to outpace us with a population that is four times our size. There is no reason to believe that will not continue to happen.

My problem is this, is that China this year will spend $826 billion in equivalent money compared to our $677 billion. That is if we get everything you want. So already, they are spending more in equivalent terms than we are, significantly more.

So when I triangulate this, we are somewhere between -- this is this year -- $130 billion to $200 billion. That does not count the real full recap that we are talking
about. And by the way, Gates did that before ISIS, Crimea, Ukraine, before a lot of the things that we know today.

So what we are really looking at here is a situation where, over the next 30 years, just the Navy alone, just to rebuild -- this is not operations -- CBO estimates it is $26 billion.

So, Secretary, my question to you is, I know you are a historian, how do we, not just this year, how do we develop a long-term plan to make sure, in an environment where every dollar, where every dime we are already spending on the military, the VA, and all domestic programs is borrowed -- that is our discretionary spending. That is 25 percent of what we spend. Every dime of that is borrowed, because in the last 8 years, we borrowed 35 percent of what we spent. In the next 10 years, projected, we will borrow another 30 percent of what we are going to spend.

In that environment, how do we develop a long-term strategic plan that helps us achieve what the general has said that our mission is? And I agree with that mission, by the way.

Secretary Mattis: Sir, we need to have a strategic dialogue with the Congress and determine what you can do. And at that point, we will have to adapt the strategy to whatever level of resources you can give us to avoid a strategic mismatch and protect the country.
Senator Perdue: Sir, with due respect, you mentioned one time before that you are working on a mission-based estimate now. It is going to take some time to come together, for that to come together. Is that correct?

Secretary Mattis: There is a strategy review underway, sir, yes.

Senator Perdue: General Dunford?

General Dunford: Senator, there are really two pieces to this. We have been involved over the last 18 months in doing a comprehensive analysis of what we are using as benchmarks for the joint force. So we have looked carefully at China, Russia, North Korea, Iran, and then violent extremism, as not predictive as that being the only threats we will face but with the key assumption being that, if we benchmark our capabilities and capacities against one or combinations there of those challenges, we will have the right force.

We have carefully gone through and done a functional analysis that we are going to share with the committee at the top secret level that basically takes a look at our relative competitive advantage or disadvantage by functional area against each one of those challenges and the aggregate effect of those competitive areas and our ability to meet our objectives in a conflict.

Regardless of where the Secretary goes with the defense
strategy, what we intend to do is provide the Secretary with very clear -- you asked for a bottoms-up, needs-based prioritization. I believe we are in a position right now to provide the Secretary recommendations for bottom-up, needs-based requirements.

Again, what we have done is we have taken all the analytic work that has been done against each one of those problems sets and dissected it so we can make clear recommendations maintaining our competitive advantage. We have identified where we need to be 5 years from now and what specific programs will help us get there. Obviously, the latter part of that is a work in progress. We will continue to review that constantly.

But I feel like for the first time in many years, as a result of an emphasis on that assessment, so over the last 18 months, we are going to be in a position to have a very good, constructive dialogue with the Secretary, and the Secretary will be better empowered to have a good, constructive dialogue with the Congress and be able to outline our requirements, and, more importantly, the specific impact of either meeting or not meeting those requirements and our ability to achieve our objectives against those states that we are using as a benchmark.

Senator Perdue: When can we expect that?

General Dunford: It is available right now. We have
started to talk to the committee about that, Senator. We are informed now by some detail work that has already been done on a couple of those problems sets. And the work is actually reflected in this year's budget recommendations.

Secretary Mattis: The briefs, Senator, allowed me to come forward with the degree of confidence I have about what it is we are asking for and to support the unfunded priorities lists that were submitted. This is where I got the background, the rigor, to understand the need for it, sir.

Senator Perdue: I thank the chair.

Chairman McCain: Let me point out again, Mr. Secretary, and I am not without sympathy, but unless we have a strategy, it is hard for us to implement a policy. And it is now 6 months. And members of this committee, particularly Senator Reed and I, but everybody, we want a strategy. And I do not think that is a hell of a lot to ask.

I know that there are problems within the administration. But, honestly, what you just said is fine. But what is the strategy? And I do not think that the last 8 years are exactly what we have in mind. So right now, we have a "don't lose" strategy, which is not winning.

And, General Dunford, I appreciate very much what you are doing. I remember 2 years ago going over to the
Pentagon and you telling me about all these studies that are going on. That is fine. Where is it?

And I understand that one of the problems is within the administration itself. But please do not tell us that we have a strategy when we do not.

Secretary Mattis: Chairman, we have entered a strategy-free time, and we are scrambling to put it together. But anyone who thinks a strategy, an integrated, interagency, whole-of-government strategy can be done rapidly is probably someone who has not dealt with it. It is, according to Dr. Kissinger, the most complex series of threats that he has ever seen in his lifetime, and he is a master of dealing with these kinds of issues.

We are working it. As far as the strategy for Afghanistan, it is coming very shortly. We have broader strategies that we are building on, having to do with NATO and allies in the Pacific. You have seen us engage with those people as we make certain that we are drawing strength from allies, too. We are not putting this all on the backs of the American taxpayer, the American military.

But it does take a lot of effort to walk into the level of strategic thinking that we found and try to create something that is sustainable.

Chairman McCain: Senator Shaheen?

Senator Shaheen: Thank you, Mr. Chairman.
Thank you Secretary Mattis, General Dunford, Under Secretary Norquest, for being here this morning.

I would like to continue to pursue the question of strategy. My question is about strategy in Syria. The map that everyone has at their place and that we just put up on the board is a map that was produced by the Washington Institute for Near East Policy. And this weekend, the Russian Ministry of Defense announced that pro-regime forces have reached the Iraqi border.

This comes as Russia-backed forces encircle U.S. troops and their partners in al-Tanf and seemed to raise questions about our strategy to clear ISIS along the Euphrates River Valley.

So my question is, were we expecting the Russians to come down and make the move that they did around al-Tanf and to encircle our troops? And what is our next move because of that?

Secretary Mattis: Senator, as you know, we are in Syria in a defeat-ISIS campaign based on the President's decision of about a month ago now when he met with President Erdogan. We have chosen to arm the Syrian Democratic Forces. We had taken out already the Manbij area, which is where the attacks on Brussels and Istanbul and Paris originated. That was taken down. The next move is against Raqqa.
We have shifted the operational arc to first invest or surround the locations where the enemy is located, so that their foreign fighters cannot escape and get home to Europe, to America, to Southeast Asia. That fight, they crossed the line of departure about a week ago, a little bit less than a week ago, going into Raqqa, and the fighting is now deep inside the city.

As far as the al-Tanf situation, that was another operating area that we had. I did not anticipate that the Russians would move there. We knew it was a possibility. I did not anticipate it at that time, but it was not a surprise to our intelligence people who saw the potential for them to move out in that direction.

The Middle Euphrates River Valley, clearly Assad, thanks to the Russians and Iranian support, is flexing his muscle. He is starting to feel a little more optimistic about his strategic situation. And certainly, they are moving to break through to their garrison that is surrounded at Deir Al-Zour.

Senator Warren: I appreciate that. I guess the second question I had was, does that compromise our strategy for clearing ISIS in the Euphrates River Valley?

Secretary Mattis: It certainly is complicated. Let me have the chairman talk about the military situation on the ground there.
Senator Warren: And can I also ask you, General
Dunford, if you would talk about, deconfliction aside, how
we are or are not working with the Russians in Syria?

General Dunford: I can, Senator.

First, without splitting hairs, the media reports of us
being encircled are not accurate. We still had freedom of
movement outside of al-Tanf area, and we are not limited
from moving up toward the Euphrates River Valley at this
time.

And I talk to, as the Secretary does, our Commander at
the United States Central Command, if not daily, multiple
times each day. So there are not large numbers of forces,
pro-regime forces, out there. They have, in fact, moved to
the border. But they have not restricted our movement.

To that point, our deconfliction mechanism with the
regime via the Russians is still effective in allowing us to
prosecute the campaign.

Senator Warren: I guess I was asking not about the
deconfliction but about the other ways in which we are or
are not working with the Russians. So I understand that
deconfliction efforts are going on.

General Dunford: Sure. The only thing that we are
doing, Senator, with the Russians is communicating with them
to deconflict to ensure the safety of our aircrews and our
personnel on the ground at the military-to-military level.
Meanwhile, Secretary Tillerson is leading an effort dealing with the Foreign Minister of Russia to take a look at what might be done to address Syria as a whole to include the political solution.

But today, on a day-to-day basis, we have three main mechanisms to communicate with the Russians. We have a direct communication between our Air Operations Center and the Russians on the ground in Syria. We have a three-star channel that is on the joint staff. It is my J5 that communicates with his counterpart on the Russian general staff. And then I speak routinely to the chief of defense, General Gerasimov. In fact, I have spoken to him twice in the past week to ensure that we address the safety of our personnel and our ability to continue to prosecute the campaign against ISIS.

So to the extent that we are doing more than deconfliction, that is a political dialogue taking place led by Secretary Tillerson. But right now, we are completely informed by the NDAA language that restricts any kind of mil-to-mil cooperation with the Russians limited to deconfliction in Syria. So we are compliant with the law at this time.

And if there is a need to do something more than that, my understanding is that the Secretary of Defense, for national security interests, purposes, can waive the
requirement and allow us to do more with the Russians, if
that meets our interests inside of Syria.

Senator Warren: Thank you.

Can I ask a follow-up question, Mr. Chairman?

Chairman McCain: Yes.

Senator Shaheen: Thank you.

There have been reports about the political efforts
that Secretary Tillerson is undertaking through Tom Shannon
to go to St. Petersburg, and the news reports have suggested
that that could involve our exchanging sanctions, the
removal of the Russian dachas, the facilities that we seized
back in December, in the U.S.

Secretary Mattis, have you been consulted about what is
being proposed there? Are you troubled by the idea that we
are going to do these exchanges without having any proof
that Russia is changing their behavior?

Secretary Mattis: I have not talked to Secretary
Tillerson about that, ma'am. We have extensive talks every
week, mostly every day. That has not been one of the issues
that I have brought up with him or he has brought up with
me. I stay more on the military factors, like what your map
lays out here, that sort of thing.

Senator Warren: Thank you.

Thank you, Mr. Chairman.

Chairman McCain: Senator Inhofe?
Senator Inhofe: Thank you, Mr. Chairman.

I am sure it did not go unnoticed the people coming and leaving. We have three hearings going on at the same time, so I will be very brief.

I was here for your opening statement, Secretary Mattis. You said that you came back out of retirement and you were shocked at what you saw. And you have been very upfront. You made the statement that, for decades, America has been uncontested, and that is no longer the case now.

So times are different now. I do think it is great, very effective for the uniforms to be talking about this. You know, I cannot do that. Those of us up here do not have the credibility that you have when you are speaking from your vast experience.

We are facing, in my opinion, the greatest threat this country has ever faced. So when we talk about that, and we look at the attention that our military has been getting, I go back to 1965 when 52 percent of the total Federal spending was on defense, and then that slowly degraded down to today when it is 15 percent.

So when it gets right down to it, is a lot of this the fact that we have just not prioritized the military budget? I mean, we are faced with something, the threat is great. When you have people like General Milley coming out and saying, as he did at the Army posture hearing last month, he
said we are outranged and outgunned. We are being very honest with the American people.

But do you think we have just gotten to the point over a period of time where we are not giving the proper priorities to defending America?

Secretary Mattis: Senator, I know there were a lot of contributing factors, but I do not know how we can restore the strength that we all know that we need if we do not start with repeal of the BCA and at least open the door to effective action by the Congress oversight and funding.

Right now, it is like we have tied ourselves up in a knot.

Senator Inhofe: Do you agree with that, General?

General Dunford: Senator, I do. I mean, we have to benchmark our military capabilities against our national interests and the threats that we face. I think what we tried to do is paint a picture where we have a disconnect. We are on a trend where the military capabilities and capacities we have are insufficient to meet our national interests in the context of the threat has that has grown.

As Secretary Mattis said, Secretary Kissinger, and I have used this expression many times, describes this as the most volatile and complex period since World War II.

Certainly, sitting where I sit, I could not agree more with that assessment.

Senator Inhofe: If you just single out end-strength,
and I was looking at a chart that you may have in front of you, I do not know, but you take out the Reserve and the National Guard, just take the Army Active, the Air Force Active, the Navy Active, and the Marine Active, you have made statements, or the administration has made statements, for example, that the Army Active needs to be at about 540,000, and yet this budget is coming up with 476,000, a steady figure from fiscal year 2017. Then the same thing is true with the Air Force. We talked about the necessity for having 361, and at it is at 325, and the same with Navy, and the same with Marines.

So I would just ask, we have talked about how adequate the budget is. Do you really think it is adequate, in terms of end-strength? We are not meeting the goals that -- apparently, you were in on the decisions. Both of you were somewhat in on the decisions as to where we should be in the four services on just end-strength alone.

What am I overlooking here?

Secretary Mattis: Senator, I believe what we face right now is the reality that we are already asking you to bust the BCA cap by $52 billion. We are trying to be informed by the reality of what the law says. But, at the same time, we are not being shy telling you where we are really at, in terms of what we need.

But I think we need to work together and come up with a
solution here, because I do not know how I would bring something to you that laid out a budget for what you pointed out here, when the BCA -- I would have to completely ignore this, and I am ignoring it already to the tune of $52 billion. Well, the President is, with the budget that he submitted.

It just seems to me that we have to have the kind of discussion that Senator Perdue, Chairman McCain, Senator Reed have brought up, and get a grip on reality here, because it is like we are all walking around like we are victims.

Senator Inhofe: Yes, you are right. I appreciate the answer. We have to do all we can. I still think it is back to priorities, and a lot of people out there in the real world agree with me.

Thank you, Mr. Chairman.

Chairman McCain: Let me just point out again, Mr. Secretary, a 3 percent increase over the Obama proposed budget is not enough. So whether we do away with BCA or not, and that is our problem, our problem with you is that it is a 3 percent increase over the Obama administration. Everybody agrees that that is not enough.

So if we are going to bust the BCA, then why don't we bust it to what we really need rather than come forward here and complain all about the BCA when what you are asking for
is not sufficient? At least, that is the view of the
military commanders that I have talked to.

Senator Donnelly?

Senator Donnelly: Thank you, Mr. Chairman.
And I want to thank our witnesses for being here with
us.

As leaders, you both made a strong commitment to
improve the mental health and resiliency of our
servicemembers and their families. I appreciate your
leadership on this issue.

As we discussed before, in Section 701 of the fiscal
year 2015 NDAA, Congress passed what we call the Sexton Act
requirement, which requires every servicemember, active,
guard, or reserve, receive a robust mental health assessment
every year.

The department has said in the past that the Sexton Act
requirement would be fully implemented across all services
by October 2017.

Secretary Mattis, will this be fully implemented by
October 2017?

Secretary Mattis: I do not know right now, Senator. I
will get back to you with the best estimate I can give you.

As you are no doubt aware, that is a significant
requirement. It is a very labor-intensive requirement for
the number of mental health professionals that would be
needed to do that. But let me get back to you and tell you where we are at on meeting that deadline date.

Senator Donnelly: That would be great. It is critically important.

Also, Secretary Mattis, we discussed one time the challenges with a proper transition. General Chiarelli has worked on this extensively, on the handoff from Active Duty to the VA in regard to the formulary and in regard to making sure that it is a smooth transition.

Are the department and the VA working closely on this? And do you think progress is being made at this time? What has happened sometimes, not to get too off-script or whatever, is a lot of Active Duty, when they become vets, medicines that they are dependent on, that are critically important, are not available when it flips over to the VA side, or a different one is handed off, which causes significant problems. And I want to make sure that, in the transition, that the DOD and the VA are working tightly together to get this done properly.

Secretary Mattis: Sir, I believe that both the committees will be briefed very soon, both VA and this one will be briefed very soon. We have made significant progress on electronic health records. That is actually one of the contributing factors to how we will do this right.

And we have, I believe, right now, according to people
who have been involved in this for many years, in one case over 2 decades, we have never had a closer relationship between DOD and VA, targeted right at this transition, the records and the formularies.

Senator Donnelly: And I want to ask a little bit about Afghanistan, to follow up on what the chairman was asking. You both have done extraordinary work there over the years. Some years ago, I was with the Marine MEU out in Helmand Province and tried to figure out the strategy. They were doing an extraordinary job, but it almost seemed like a place put down in the middle of Taliban Highway in every other direction.

And so as we look at this, I know we are waiting for the plan, but what does success look like a year from now, in your view? What, in your mind, makes the situation better?

Secretary Mattis: Sir, I believe that the violence will be reduced significantly, especially in the population centers where most of the people live, that the Afghan Government has a degree of integrity in what it is contributing to its people, the government services, the corruption has been driven down. But most of all, that the Taliban no longer has the freedom of movement that we are seeing right now, that it has been rolled back.

Senator Donnelly: General?
General Dunford: Senator, I probably would add to that
to the mitigation of Afghan casualties. That has been a
great concern in 2015 and 2016, the number of casualties the
Afghan forces have experienced. I think one of the ways
that we get after that is by more effectively assisting them
both in planning operations and delivering combined arms,
more specifically the aviation capability. So continuing to
grow their aviation capability and providing them support
while they grow their aviation capability will be a key
piece of mitigating casualties.

Senator Donnelly: Do you think we are in better shape
now than we were last year at this time? Or do you think it
has gone backwards?

General Dunford: I do not assess that we are in better
shape than we were last year, Senator.

Senator Donnelly: General Mattis?

Secretary Mattis: I think Taliban had a good year last
year, and they are trying to have a good one this year, sir.
I think we may be able to, by a change in some of our
concepts of operations, help them with air support and fire
support. That will put the enemy on their back foot.

Right now, I believe that the enemy is surging right
now.

Senator Donnelly: Well, we look forward to the report,
and I would still love to talk to both of you or one of you
or your team about Raqqa and some of the situations about
some of the Indiana folks there.

Thank you.

Thank you, Mr. Chairman.

Chairman McCain: Senator Ernst?

Senator Ernst: Thank you, Mr. Chair.

Gentlemen, thank you very much for being here today.

We appreciate your advice to this committee and your service
to our great United States.

Secretary Mattis, open invitation to ruck march with
Team Ernst at any time -- any time. The Vice Chief of Army
and I solved most of the world's problems this morning. We
just need you to fill in the gaps. So you are welcome at
any point.

Gentlemen, a counter-ISIS strategy in Southeast Asia is
something that I have continued to push for, which was why I
was excited to hear this weekend U.S. special operation
forces were assisting the Government of the Philippines in
taking back the ISIS-held town of Marawi.

Until 2014, we used to have a sizable counterterrorism
mission in the Philippines, and we have known about this
threat for a very long time. Unfortunately, we have not
returned to that area in order to counter some of ISIS's bad
deeds.

So, General Dunford, as we target a terrorist enemy
that wishes to strike our homeland, how does our
counterterrorism commitment in the region also help ward off
other adversaries like China and Russia?

General Dunford: Senator, do you want me to hit those
two separately?

Senator Ernst: Absolutely.

General Dunford: First of all, with Southeast Asia, in
addition to our presence in the Philippines with
counterterrorism, the Congress funded what is called the
Maritime Domain Awareness Initiative. That helps countries
in the region, specifically Indonesia and Malaysia in the
Philippines, to have a common understanding of the maritime
domain, particularly the flow of foreign fighters,
criminals, and those kinds of things.

The other thing that we have done is we have
incorporated Southeast Asian nations into what we call
Operation Gallant Phoenix. That is our intelligence and
information-sharing architecture, which allows us to take a
transregional approach to violent extremism.

Separately, our forward presence in the Pacific, to
include the fielding of our most modern capabilities, the P-
8, the F-22, F-35, and our routine Pacific presence
operations, are designed to deter conventional conflict and
specifically conventional conflict with China and North
Korea in the region.
Senator Ernst: Do you see that as being affective also in the areas of Malaysia and Indonesia?

General Dunford: In terms of deterring conventional conflict, I do. And I view the most dangerous threats in Malaysia and Indonesia to be the threat of violent extremism.

Senator Ernst: Okay, so ISIS or --

Secretary Mattis: Senator, if I could just add one point here. We have talked about the lack of strategy earlier.

In 2014, we canceled the named operation that we had down there, perhaps of a premature view that we were gaining success. Without that, we lost some of the funding lines that we would have otherwise been able to offer.

So what the chairman has brought up is completely correct, but it again shows the lack of strategy that we inherited there. I just got back from Shangri-La where the chairman and other Members of the Congress were. And this came up, and we are working closely with the Philippines right now, for example, with both manned and unmanned aircraft as they try to retake Marawi there in Mindanao.

So this is an ongoing issue. What you are bringing up I think is going to loom larger, if we were having this hearing a couple months from now. So we have to take steps to get this back under control and support Indonesia,
Malaysia, and Philippines, along the lines that your questioning leads us to.

Senator Ernst: Yes. Thank you for bringing up the Shangri-La Dialogue, Mr. Secretary.

While you were there, the other countries that participate in that dialogue, what type of support are they looking at coming from the United States? What can we offer them?

Secretary Mattis: Yes, ma'am. Much of it is along the lines of what the chairman just mentioned with Operation Gallant Phoenix. It is getting the intelligence and sharing the information, where everything from Interpol to all the secret services of various nations work together, so that transnational threats are tracked when they go over the Nation's borders, when they flee from one to another. Gallant Phoenix is critical. Also, other intelligence helps.

I would add there that is where our strategy of working by, with, and through allies helps take the load off us. For example, Singapore has offered ISR surveillance aircraft to the Philippines. That is the way we need to get everybody working together out there against this threat and not carrying the full load ourselves.

Senator Ernst: Thank you.

Just very briefly, because I am nearly out of time, our
special operators have a dwell time of about a 1:1 ratio. This was mentioned by General Votel in one of our conversations recently.

What can we do?

And I will tell you it is because they want that. I mean, they will not say no when they are given a mission, and I think that is incredibly important, that they stand up to their obligations. But what can we do to increase their dwell time beyond expanding their forces? Is there a way we can push their talents out to the conventional forces?

Secretary Mattis: Some of these missions, due to our conventional forces capability today compared to 2001, we have now Army infantry, Army brigades, Marine battalions that can pick up some of these missions, take the load off, take the work off of the special operators and that sort of thing. Where you want relationships, we still want to use the special operations forces.

Chairman, do you have anything to add?

General Dunford: The only thing I would say, Senator, is the Secretary actually directed me several weeks ago to do an analysis of all of our special operations requirements today and look for opportunities to substitute with conventional forces for exactly the reason you are talking about. We are concerned about the deployment to dwell ratio, which is not only a factor from a human perspective,
and families. It also precludes them from training for the full range of missions that we may require them for. We do not want them, as you know, to be singularly focused on the current fight. We want them to be prepared, just like the rest of the force, to be prepared to support us across the spectrum.

Senator Ernst: Absolutely. Thank you, gentlemen. Thank you, Mr. Chair.

Chairman McCain: Senator Blumenthal?

Senator Blumenthal: Thanks, Mr. Chairman.

Thank you both for your extraordinary service to our Nation, and all the men and women under your command. And thank you for being so forthright and helpful in your answers today to our questions.

I want to ask about the F-35s, which are on the unfunded priorities list. I believe there are 24 of them. Would you support including them, assuming that you receive additional funds from the Congress?

Secretary Mattis: Do you mean the support that goes with the aircraft to make them fully capable?

Senator Blumenthal: Correct, and the additional aircraft as well.

Secretary Mattis: Yes, sir.

Senator Blumenthal: Thank you.

And as to helicopters, I have written a bipartisan
letter along with a number of my colleagues to the
appropriators, asking for an additional $327 million to
fully fund the 60 helicopters that are necessary to reach
the state of readiness for our National Guard that they have
asked to be. Would you support that as well, assuming that
the Congress provides funding?

Secretary Mattis: I would have to look at the
priorities we place more broadly. But I mean, it sounds
reasonable, sir. I would have to look at it, in particular.

Senator Blumenthal: Thank you.

Secretary Mattis: Yes, sir.

Senator Blumenthal: A number of our military leaders,
past and present, have characterized the greatest threat to
this Nation as being cyber warfare. And there was a report
in the Washington Post just yesterday, as a matter of fact,
that hackers allied with the Russian Government, you may
have seen the report, have devised a cyber weapon that
essentially has the potential to disrupt our electronic
grid, completely cause chaos in our electric systems that
are vital to daily life in this country -- an alarming
report.

Have you seen it? Do you agree that it is accurate?

Secretary Mattis: I have seen it. I believe that this
threat is real, and none of us are ignoring this threat at
all. There is a lot more going on in this regard, sir, that
I can discuss in a private setting.

Senator Blumenthal: I would appreciate that opportunity.

Would you agree with me and with others that cyber is one of the greatest threats, perhaps the greatest threat, in terms of warfare today?

Secretary Mattis: It is certainly one of the tops, sir, because it cuts across all domains, air, surface. It impacts our nuclear command-and-control. Certainly, our very institutions, whether it be democratic or banking or whatever, are vulnerable to this sort of attack.

Senator Blumenthal: Would you agree that the Russian hacking and cyberattack on our systems during the last election was an act of war?

Secretary Mattis: I would leave the -- I know it was a hostile act. Whether or not it crosses the threshold for war, sir, I am not a lawyer. But there is no doubt it was a hostile act directed against our country.

Senator Blumenthal: Would you agree with me that we need a better definition and a policy? And it may involve lawyers or others. I am not sure lawyers are the best to define it. But wouldn't you agree that we need a better policy defining what is an act of war in the cyber domain?

Secretary Mattis: I think clarity in this regard would help in terms of deterrence and response. Absolutely.
Senator Blumenthal: I want to, in my remaining time, focus on an area that is extraordinarily important to our Nation, even though it is not the kind of glamorous, shiny toy area that attracts most attention.

President Trump's budget cuts the Department of Labor's worker training budget by 36 percent. At a time when we are working to modernize our military with particular emphasis on the nuclear triad, the Department of Defense will be relying on the defense industrial base to recruit and hire and train thousands of workers across the country: in my own State of Connecticut at Pratt & Whitney, thousands of workers to build the engines that are necessary for the Joint Strike Fighter; at Electric Boat, thousands of workers necessary to build the submarines that are so essential to our national security.

And yet, we are cutting the funding necessary for training those workers, the welders, the pipefitters, the engineers, designers, people with real skills that are essential to our national defense.

Would you agree with me that our national security really requires that funding be restored?

Secretary Mattis: Sir, I believe there is a need for the kind of people you are referring to. There is an apprenticeship program I know the Department of Labor is starting. I do not know the details of it. But it is
directed exactly at the skills that you have just been
citing, but I cannot tell you more about it other than to
say that would probably be the best place to get information
about what is actually in the President's budget to address
this.

Senator Blumenthal: I know the Labor Department budget
is out of your direct jurisdiction, but it affects our
military capability

And my time has expired, but this subject is intensely
important to the future of our Nation, and I hope that you
will support efforts to increase the funding necessary for
apprenticeship and training and other such skill-enhancement
programs.

Thank you, Mr. Chairman.

Chairman McCain: Senator Graham?

Senator Graham: Thank you, Mr. Chairman.

Senator Graham: Secretary Mattis, you famously said,
as a Marine Corps Commander, that if you cut the State
Department's budget, you need to buy me more ammo. Do you
still stand behind that idea?

Secretary Mattis: That was probably a rather
simplistic way to point out that we have to engage with
whole-of-government, and yes, sir, I still stand by the
theory.

Senator Graham: So you believe soft power is an
essential ingredient to winning the war on terror?

Secretary Mattis: I think America has two powers, fundamental power, sir, the power of inspiration, the power of intimidation. You have to work together, and the State Department represents inspiration overseas.

Senator Graham: Do you agree with that General Dunford?

General Dunford: I do, Senator.

Senator Graham: Mr. Norquist, has anybody asked you a question yet?

Mr. Norquist: Senator Perdue made a reference to the audit, but I think the time ran out before --

Senator Graham: I am going to give you a question, but you have to be quick.

Mr. Norquist: Okay.

Senator Graham: Where will TRICARE costs be in terms of DOD spending in the next decade?

Mr. Norquist: Where will which costs be?

Senator Graham: TRICARE costs.

Mr. Norquist: I do not have those numbers at my fingertips, sir, but I know that the overall is $51 billion for all of the defense health costs.

Senator Graham: Well, look at it, because I think you are going to find it to be really encroaching on the defense budget. We need TRICARE reform.
Mr. Norquist: Correct. The health care costs of defense have gone up significantly year after year.

Senator Graham: All right. Thank you.

General Dunford, when we liberate Mosul, and I am sure we will, would you recommend a residual force to stay behind, of Americans?

General Dunford: Senator, I do believe the Iraqis are going to need support after Mosul, but I would also point out that the end of Mosul is not the end of combat operations in Iraq. There is much more work to be done.

Senator Graham: Absolutely right. So the day that we get to the end of combat operations, is it your testimony, as Chairman of the Joint Chiefs, that we would be wise as a Nation to leave a residual force to prevent ISIL and other radical groups from coming back?

General Dunford: My assessment is that that support for the Iraqis would be strategically important.

Senator Graham: To the United States.

General Dunford: To the United States.

Senator Graham: Do you agree with that, Mr. Secretary?

Secretary Mattis: I do, sir.

Senator Graham: Do you agree that, from a homeland security point of view, the outcome in Afghanistan matters, in terms of whether it is a failed state or a stable country?
Secretary Mattis: Yes, Senator, I do.

Senator Graham: Do you believe that every soldier serving in Afghanistan today, American soldier, is an insurance policy against another 9/11?

Secretary Mattis: An insurance policy?

Senator Graham: Against another 9/11 coming from Afghanistan?

Secretary Mattis: Oh, yes, absolutely, sir.

Senator Graham: Do you agree with that, General Dunford?

General Dunford: I do. I do, Senator.

Senator Graham: If anybody falls in the service of the country in Afghanistan, they died to protect the homeland?

General Dunford: I do not think there is any question. And I would also point out that I believe strongly that the pressure that we have put on terrorist groups inside of Afghanistan over the last 15 years is the reason we have not seen another 9/11 from that part of the world.

Senator Graham: As a matter of fact, it is one of the best purchases you could have, in terms of dealing with the international terrorism, is Afghanistan. Do you agree with that, both of you? It is a good place to be, in terms of countering international terrorism.

General Dunford: It is a center of international terrorism, sir, in the number of groups there, and we have
Senator Graham: All right, thank you very, very much.

Saudi Arabia. Do both of you support the arms deal to Saudi Arabia negotiated by President Trump?

Secretary Mattis: I do, sir.

Senator Graham: General Dunford?

General Dunford: Senator, that is really a policy decision. I will defer to the Secretary.

Senator Graham: Okay, militarily, do you think it would be wise for us to help Saudi Arabia?

General Dunford: The only military judgment consideration is, how does that fit into the qualitative military edge for the Israelis, and it has been looked at through that lens. It is not a challenge.

Senator Graham: All right, let's get back to this right quick, General Mattis. If Congress rejects this arms deal, what message are you sending to Iran?

Secretary Mattis: I believe Iran would be appreciative of us not selling those weapons to Saudi Arabia.

Senator Graham: And the type of weapons we are talking about selling would make Saudi Arabia more effective on the battlefield in places like Yemen, not less, because of the precision nature of the weapons.

Secretary Mattis: With proper training, it can have that effect. Yes, sir.
Senator Graham: Okay.

North Korea. Is it the policy of the Trump administration to deny North Korea the capability of building an ICBM that can hit the American homeland with a nuclear weapon on top? Is that the policy?

Secretary Mattis: Yes, it is, Senator Graham.

Senator Graham: And that policy has to have all options on the table to be meaningful, including the military option?

Secretary Mattis: That is correct, sir.

Senator Graham: And the military option would be devastating for the world at large, but the President and you have to balance the interest of homeland security against regional stability.

And do you think China gets it this time, that we are serious about stopping North Korea?

Secretary Mattis: I have no doubt that China thinks we are serious about stopping North Korea, sir. It is principally a diplomatic-led effort right now to try to denuclearize the peninsula.

Senator Graham: Last question. What signal would we be sending to Russia if Congress failed to act for punishing them, if Congress failed to push back against Russia's interference in our election, if we gave Russia a pass? What message would
that send to our allies? And what would you recommend that
the Congress do about Russian aggression? Do you support
more sanctions?

Secretary Mattis: Sir, I believe that we have to make
very clear what behavior we want to see in the international
community and what behavior we will not stand for. And we
need to make that clear in the Congress, in the executive
branch, and in our alliances.

Senator Graham: Do you agree with that, General
Dunford?

Chairman McCain: Senator, I do. Although, having
spoken to Secretary Tillerson, I would hope that anything we
do with regard to Russia would be done in conjunction with
the State Department. Meanwhile, I can assure you we are
preparing for the military dimension of the problem.

Chairman McCain: With a 3 percent increase over the
Obama administration's defense appropriations, we are going
to take care of all those things. Is that right, General?

General Dunford: Chairman, I was responding to the
Russia challenge. I think the fiscal year 2018 budget is
giving us some significant resources to deal with the Russia
challenge.

Chairman McCain: So 3 percent is sufficient, in your
view?

General Dunford: Chairman, all I can tell you is that
the prioritization within the topline that we have been
given is the right prioritization.

And as I indicated earlier, I believe the requirements
that the services have provided over and above the budget
are legitimate requirements.

Chairman McCain: So 3 percent is enough?

General Dunford: Chairman, I also stipulated that I
believe we need a minimum of 3 percent just to maintain the
competitive level we have right now. The Secretary and I
described it, as indicated, we need at least 5 percent for
several more years to come before we can be competitive.

Chairman McCain: Senator Nelson?

Senator Nelson: Mr. Chairman, Senator King has to go
to a funeral, so he asked for 2 minutes of my time, if I may
give that to him?

Chairman McCain: Senator King?

Senator King: Thank you. Just a couple points, Mr.
Chairman. I think it is important, and I hate to be
bringing more bad news, but in thinking about our budget and
the budget future, the looming threat that I see, in
addition to all those we have discussed today, is interest
rates.

An easy way to think about this: 1 point of increase in
the interest rate on our national debt equals the Air Force.
The entire Air Force budget would be encompassed in a 1
percent increase in interest rates. Three percent would encompass the entire defense budget. Five percent would encompass almost the entire discretionary budget.

And I do not think there is any doubt that interest rates are headed up. So that is an additional factor that we have to think about, in terms of our development of the budget.

Secondly, there is what I call the modernization bulge coming, which CBO estimates to be $400 billion over the next 10 years. That is for the B-21; the Columbia submarine, the Ohio replacement; the B-21; and then the whole nuclear. So that is another problem that we have to deal with and still maintain current budget levels.

So I think the situation is even more grim than what we have talked about this morning, because of those additional factors that are not generally discussed in terms of this.

And we have talked a lot about unconventional threats that we are facing. Cyber and the attack on our electrical system are clearly attacks. We have not talked about hybrid war, and I worry that Crimea is a precursor of a way, for example, to attack the Baltic states without tanks rumbling across the border.

And finally, Mr. Norquist, I hope that you will take very seriously the necessity for the audit, which we have been hearing about for years. I think, as I recall, 2017
was supposed to be the year the Department of Defense was ready.

So my folks in Maine say, how can they possibly do this without an audit? And I hope to have a report back from you and perhaps we can have a hearing just on that.

So those are the points that I wanted to make. And I want to thank you, gentlemen, for your testimony today.

Thank you, Mr. Chairman.

Thank you, Senator Nelson.

Senator Nelson: Thank you for your public service.

I want to follow up on the quote that Senator Graham quoted you, with regard to the State Department. Are we giving up options that were previously available to us to exercise before we reach an armed conflict by a budget that is substantially cutting the State Department and other agencies of soft power, such as USAID?

Secretary Mattis: Senator Nelson, I have not looked in detail at the State Department. I cannot tell you what is actually being cut and what is being retained. I would have to direct that to Secretary Tillerson, because I am not competent to answer it.

Senator Nelson: Well, I would suggest that you look at it, because if you are supporting a budget that whacks the State Department and USAID, you well know you are not only a warrior, you are a diplomat as a commander who utilizes all
those other agencies of government in projecting your soft
tower. And this is a budget that substantially decreases
the State Department and USAID.
So I understand the sensitivity. You do not want to
answer that. But that is going to be something you are
going to have to face.
Let me ask you, are you satisfied in your statements
with regard to the U.S. support of Article 5 in the NATO
treaty? Are you satisfied that you have assured our allies
that America supports Article 5?
Secretary Mattis: I have, sir. And I believe the
President has just recently done so right from the White
House.
Senator Nelson: Was it in his speech and he took it
out when he was over there?
Secretary Mattis: I think he believed that, by being
there, that was -- those actions spoke louder than any
words. But he has put it in his speech since then, as you
know, just here in the last couple days.
Senator Nelson: All right, let me ask you, do you
think that the existing sanctions are enough to deter
further Russian aggression in Ukraine and Syria, the
sanctions against Russia?
Secretary Mattis: Sir, it is hard to tell what
influences Putin. I think he is not acting in the best
interests of the Russian people. And as such, I think that
whatever the Congress does, so long as it leaves us some
flexibility to our Secretary of State and our President to
negotiate as we try to get out of this spiral that is going
downhill, make the point about where you stand, sir, but
leave some flexibility in execution to those who have to
diplomatically engage and try to reverse this.

Senator Nelson: Would additional economic sanctions
against Russia help, in your opinion?

Secretary Mattis: I think if they were conditioned on
failure of the diplomats to gain some kind of common
approach to get out of the jam that Russia is putting
everyone in.

Senator Nelson: Thank you, Mr. Chairman.

Senator Reed: [Presiding.] On behalf of Chairman
McCain, Senator Sullivan, please.

Senator Sullivan: Thank you, Mr. Chairman.

Gentlemen, thank you for your service.

There has been a lot of discussion today about the
budget and a continuing resolution. One of the issues that
seems to be forgotten here is, last year, actually, the
Appropriations Committee, Defense Approps, voted out of
committee, almost unanimously, a defense budget.

Unfortunately, it came to the floor last summer right around
this time, and it was filibustered.
So if we did that again, Secretary Mattis, would that be helpful, to have a defense budget that we worked on, voted out of committee, and then be filibustered? Is that helping our troops, if that happens again? I certainly hope it does not happen again, but I am just trying to get your view on it.

Secretary Mattis: I think it would be horrible for our country, as well as our troops, sir.

Senator Sullivan: You know, Secretary Mattis, I really appreciate your focus on the Asia-Pacific. I know it was not lost on our key allies in the region that that was your first trip as the Secretary. And your recent visit to Singapore with the Shangri-La Dialogue I also think was important for a whole host of reasons.

I am sorry I could not have joined you. I had an event that was even more important than the Shangri-La Dialogue, which was a high school graduation of one of my daughters. Otherwise, I would have been with you.

I read your speech and the Q&A afterwards. I thought it was outstanding.

Can you succinctly state U.S. policy as it relates to freedom of navigation operations in the South China Sea and other areas, just so both our allies and adversaries are aware of it?

Secretary Mattis: Yes, sir.
We operate freely in international waters, and we do not accept unilateral inhibitions on the international waterways and their use, or airways.

Senator Sullivan: And are we going to continue to do that on a regular basis, with our allies, if possible?

Secretary Mattis: We will unilaterally or in league with our allies. Yes, sir.

Senator Sullivan: So I read in the press that USS Dewey conducted a FONOPs near Mischief Reef within the 12 nautical miles, and we even conducted military-type training, a man overboard mission, according to the press reports. The Chinese, according to press reports, protested that.

What was our response in response to their protest?

Secretary Mattis: To reiterate that we operate in international waters, sir.

Senator Sullivan: I also very much appreciated your focus, and, General Dunford, your focus on the importance of our allies. You highlighted that quite well in your Shangri-La Dialogue speech.

Can you just touch on that again for the committee's benefit and the benefit of the American people, just how important our allies are not only in the Asian-Pacific but globally in terms of us securing our national security objectives?
Secretary Mattis: Senator Sullivan, there is an awful lot of talk about asymmetric advantages and competitive advantages and disadvantages. I would put our allies and our alliances from NATO to the Pacific, bilateral, multilateral, as our asymmetric advantage, especially if you put a list of our allies alongside a list of China's allies or Russia's alliances. You can see the proof coming through from history that nations with allies thrive and those without them do not thrive.

Senator Sullivan: So we are an ally-rich Nation, and our adversaries and potential adversaries are ally-poor. Is that one way to look at it?

Secretary Mattis: That is a perfect way to look at it.

Senator Sullivan: So we should be working to deepen those alliances and expand them, correct?

Secretary Mattis: Absolutely.

Senator Sullivan: And do you think everybody in the administration gets that and is doing that?

Secretary Mattis: As you know, sir, Secretary Tillerson and I work very closely together exactly along these lines. He leads foreign policy. I provide military factors and buttress his efforts.

I also know that, in terms of Homeland Security, Secretary of Homeland Security Kelly is working with our closer allies around the hemisphere but also further out to
try to protect the country.

So I see it being a theme that is being carried forward. Yes, sir.

Senator Sullivan: Let me just finish up, maybe follow up on a couple questions Senator Graham asked about North Korea. I actually very much appreciated what the President and Vice President did when they invited 100 U.S. Senators over to the White House to get the briefing with the President there, the Vice President, H.R. McMaster, and all of you. I thought that was actually very useful, very important.

One element that I thought was very important was that you were clearly trying to get the Congress, in a bipartisan way, to be supportive of this new strategy. I think, as you know, Mr. Secretary, our country is at its most powerful when the executive branch and the legislative branch are working together on difficult issues, when Democrats and Republicans are working closely together on difficult issues, which is why I thought what the President did that day, bringing everybody over to hear about our strategy firsthand from you and others, and General Dunford, was so important.

Is a nuclear ICBM armed in North Korea the most significant threat we face right now as a Nation?

Secretary Mattis: It is certainly the one that is in
the hands of a potential rogue state that we have to consider.

    Senator Sullivan: And is it increasing? Increasing, that threat is increasing, heightening?

    Secretary Mattis: No doubt, every test, we assume they are learning from it, sir.

    Senator Sullivan: So we need more missile defense capabilities for our Nation?

    Senator Sullivan: Right now, I believe we can protect the Nation. But as we look to the future, absolutely.

    Senator Sullivan: Thank you, Mr. Chairman. I might have a few follow-ups, if there is time.

    Senator Reed: Thank you, Senator Sullivan.

    On behalf of Chairman McCain, Senator Peters, please.

    Senator Peters: Thank you, Senator Reed.

    Thank you to our witnesses today. I appreciate this very interesting and informative testimony.

    Secretary Mattis, in your testimony, you describe rapid technological change as an important force acting on the department. In fact, I believe you highlight it as one of the four major forces that we have to confront.

    And you and I have had the opportunity in my office to talk about how robotics and autonomous systems, artificial intelligence, all these other technologies will fundamentally change warfare in the next 10 years, perhaps
much sooner than that. The private sector is leading on many of these developments.

For example, Ford Motor Company, General Motors, will likely have a production self-driving automobile in the next 4 to 5 years out in the marketplace, which is much sooner than most people, I think, realize.

And, Secretary Mattis, you stated in your testimony, in fact, that the fact that much of this technological change will come from the commercial sector may expose it to state competitors and nonstate actors.

So I am concerned that, in recent years, China has strategically weaponized investment in joint ventures in the United States as a method of improving its capabilities and obtaining advanced U.S. technology. The Committee on Foreign Investment in the United States, or CFIUS, is the U.S. Government entity responsible for vetting foreign investment in the U.S. for national security risk. But I am concerned that CFIUS is both outdated and overburdened, and may not be really up to the challenges that we are facing today.

Admiral Rogers testified last month before this committee that our adversaries understand our CFIUS structure and its limitations, and some nation-states have actually changed their investment methodology to get around the process that we have in place.
So my question is to both of you, Secretary Mattis and General Dunford. Is there a national security benefit to taking a tougher line against certain types of investment from nations that pose a clear threat to our national security, like China?

Secretary Mattis: Absolutely. There is. I completely agree with your view that CFIUS is outdated, sir, and needs to be updated to deal with today's situation.

Senator Peters: General?

General Dunford: I couldn't agree more, Senator. I think, of the many challenges that we look at very carefully, the theft of intellectual property, particularly as it pertains to defense programs, is of great concern.

Senator Peters: If we go through some reforms of CFIUS, which I am in the process of working with Senator Cornyn and others to do that, are there any specific recommendations that you would have for us in changing the CFIUS process?

Secretary Mattis: Senator Peters, let me send you a note that outlines some. I would tell you right up front that there is a lack of restrictions on investment in certain types of technology that we must have put in place. But I can give you a more inclusive list of where our thinking is at on this, if you just give me a couple days, sir.
Senator Peters: I appreciate that. Thank you so much.

That would be very helpful.

In closing, given the fact that this is one of our major threats that we have to face, which is rapid technological change, and the list that you put in your opening testimony, are there any particular technologies that you are most concerned about, and ones that we need to be investing more in our own capabilities? This is to both Secretary Mattis and to General Dunford.

Secretary Mattis: Let me come back to you again in private. I would prefer -- these are areas that are very sensitive, and I do not want to let our adversaries know which ones we are looking at. But we will explain exactly what we are looking at, sir.

Senator Peters: I understand that. I appreciate that. General, I assume that is your same position.

General Dunford: Absolutely, Senator.

Senator Peters: Good. I will look forward to working with both of you. Thank you.

Chairman McCain: [Presiding.] Senator McCaskill?

Senator McCaskill: I know the chairman has mentioned this several times, but I think repetition matters, in terms of getting this message out to the American people.

The President said that he was going to have historic increases in defense spending. At one point, the President
said he was going to expand the Army from 480,000 to 540,000.

It is my understanding, as the chairman has mentioned, that, in fact, the President's request for the military was exactly 3 percent higher than President Obama's. And, furthermore, I assume you all agree that it calls for zero additional soldiers. Correct?

Secretary Mattis: That is correct, right now.

Senator McCaskill: So does he not know that this is not a historic request? Does he not know -- I mean, what I worry about is the American people are being told over and over again, "Well, we are going to have a really big, I mean, we are going to fund our military. Our military, this is a huge increase and request." And the reality is so different than the rhetoric coming out of the White House, Mr. Secretary.

And I worry that the American people will not understand that we have not even begun to do what we need to do, in terms of bringing our combat brigades to where they need to be.

I hate to sound like a "me, too." I think I would have to be a mini-me to you, Mr. Chairman. But I am worried that there is some misrepresentation going on.

Secretary Mattis: Well, Senator, if you look at the $30 billion we asked for as fast as we came in to address
immediate readiness problems, and the -- I would just call it the situation that we have inherited that demands more, we are trying to put together a coherent program on the run while we are engaged overseas, while we have numerous crises unfolding, while we are still getting people approved through the Senate, nominated to the Senate, and get the consent of the Senate to get them in. There is a fair number of things going on at one time.

That is not to say we should not continue to work along the lines that we are together, but I have to come to you with a coherent plan where I can confidently say that the money you throw into this is going to be spent wisely.

Senator McCaskill: I think that is fair.

Secretary Mattis: I did not say that we are asking for enough money in this budget.

Senator McCaskill: Well, he is.

Secretary Mattis: That is why we have a 5-year program coming to you.

Senator McCaskill: And I appreciate and I know you are in a difficult position. I just think it does not help our cause, in terms of adequately funding our military, if the President is giving the country the impression that he is. That is the point I was trying to make.

In addition to the strategy the chairman is asking for Afghanistan, I am awaiting the strategy on ISIS, which was
supposed to be ready 30 days after the President took
office. We still do not have that.

Finally, what I want to turn to is strategy on cyber.
I am really worried. We spend a lot of time worrying about
Russians hacking politicians. I am worried about the
Russians hacking our military and doing the things they are
doing in terms of planting stories and gathering
information.

Fancy Bear, who has been identified by our intelligence
and all of the intelligence experts as one of the premier
agents of Russia in terms of cyber warfare, of the people
that Fancy Bear has targeted outside of the former Soviet
Union, 41 percent of them are either current or former
members of the military, according to a recent analysis.

Russia hacked the Twitter account of Central Command.

We know that Russia has co-opted a very well-known
veterans site that originally began in America. I do not
want to use the name of it, because it will chase people to
the site, and it has totally been co-opted as a Russian
proxy.

In fact, the Americans who began the site, they were
seen in video at a meeting of the folks they are working
with in Damascus, and the big, giant, oversized pictures
behind them were of Assad and Putin. And this is a site
that is asking veterans to -- helping them find jobs,
ostensibly helping them find help for cancer treatment. Veterans are giving personal information to the site. We know that attractive women are going on Facebook. In the old days, you would send a spy into a bar that the military frequented and try to gain relationships one drink at a time, as this recent article pointed out. But now, they can do it through a Facebook page.

So are you all all hands on deck, as it relates to the way military personnel and veterans -- I know General Breedlove, they went after him. Are you all really paying attention to the corrosive ability of Russia to influence our military through direct contact through social media with our veterans through these proxy sites?

Secretary Mattis: I know that training is probably the number one way to armor our people against this sort of thing, and training is perishable. It has to be ongoing. I have no complacency about this. I will see if the Chairman has anything to offer.

But I will just point out that we have funded Cyber Command. We have all sorts of things going on with NSA that keeps us posted, puts protections, firewalls, into place.

We have blocked a number of times, as you have seen, malicious malware being used where we were not affected. That was not because we were lucky. That was because we were throwing obstacles in the path and building firewalls
as fast as we could. All you can do is stay ahead of these. You cannot build one and say, "There. I can go home now."

So training and constant attention to the protective measures, I can guarantee you, is ongoing. I am briefed weekly on this, and the brief itself is pages’ long, as I look at the various blocks and countermeasures we are putting in place and what we are finding out about what various actors are up to.

Anything else, Chairman?

General Dunford: Senator, I would probably say two things.

I do believe, and I have seen it, that the service chiefs, in particular, have really changed the command climate with regard to cyberspace and emphasized that, and treated violations of the protocols associated with our information technology as violations of UCMJ in holding people accountable.

So as the Secretary said, it is about training. It is also about accountability. And I think our culture of accountability with regard to information technology has changed a great deal.

I also think, with the support of the Congress, our cyber capabilities, while we continue to need to grow them, have grown quite a bit. The 133 cyber mission teams that you all approved, 70 percent of them now are fully
operational capable. I think if we had this conversation 24, 36 months ago, we would have been talking about just getting out of the gate. Now 70 percent of them are fully operationally capable.

In the coming months, we will have 133 of those teams that are fully operationally capable and continue to identify requirements to make sure that we can stay out in front of the threat.

But I think the Secretary used the word complacency. And I think your fundamental question is, do we get it? And are we changing the culture? And are we taking effective action to deal with threat? And I do think we have significantly changed the culture. And none of us believe we are where we need to be.

Senator McCaskill: Thank you, Mr. Chairman.

I would say that one of the things that worried me the most in this article I read was that there was a purported story of a Russian soldier in Syria, and how he had been heroic in the way he had died fighting ISIS, and that this spread like wildfire through troops in various places.

And we have seen an uptick in the popularity, the approval rating, of Putin and Russia in this country. And I just worry that they are really insidiously trying to insert combat-related stories that reflect favorably on Russian soldiers, when instances may not even be true. That is
infecting our troops with maybe less than a clear eye about what Russia is and about what Russia is trying to do. I just wanted to put that on the record.

Secretary Mattis: This is also understood throughout NATO, Senator. The German Minister of Defense, she was explaining to me how one of their soldiers deployed to Lithuania, I think it was, was alleged to have raped a Lithuanian girl. "Here come the German bad soldiers," a completely made-up story, trying to undercut the cohesion of NATO.

I am just pointing out that this is a military problem. It is accepted as a military problem. And we are working it.

But I think we have a long way to go up against this rather imaginative enemy that we have.

Senator McCaskill: Thank you, Mr. Chairman.

Chairman McCain: Senator Sullivan has some additional questions.

Senator Sullivan: Thank you, Mr. Chairman.

Gentlemen, I just wanted to follow up on the North Korea discussion briefly.

Mr. Secretary, General Dunford, I know you are Korean War history buffs in many ways. I heard you talk about the Korean War, as a matter of fact, yesterday in your House Armed Services testimony.
General Dunford, you talked about a potential conflict on the Korean Peninsula. Seoul residents would face casualties unlike anything we have seen in 60 or 70 years. General Milley had similar testimony a couple weeks ago before this committee about what a conflict on the Korean Peninsula could be like.

Mr. Secretary, you just mentioned the rapidly developing threat that the North Koreans present in terms of an intercontinental ballistic missile. And to Senator Graham's question, you stated it was the policy of the Trump administration to prevent them from getting that capability. And I think you have strong support from most members of the committee on that.

But it certainly does seem like those two issues are going to start colliding here relatively soon. I know there are a lot of ways to prevent them from getting that kind of capability, left of launch kind of activities.

But if one of those ways was a decision to take some kind of preemptive military action, I believe that that would clearly trigger Congress' Article One authority with regard to declaring war, and you would need this body's authority to take such action. Do you agree with that? Has that been a discussion in the Trump administration? It is a very big issue that I am not sure has gotten enough attention.
Secretary Mattis: I have not brought that issue to the President's attention, sir. Right now, as you know, from Mar-a-Lago, where the President met with his counterpart, to Secretary Tillerson and I, who will be following up with our counterparts in the next week or 2 weeks here in Washington as we have strategic security dialogues, we are doing everything we can to avoid resorting to war, in terms of protecting ourselves and our allies.

Senator Sullivan: I think it is an issue that should be on somebody's radar screen, not that we want that, but part of what the President has been trying to do, and I am fully supportive, is get the Congress to be supportive of his policy, like I mentioned. That is why I thought the briefing at the White House a few months ago was actually very useful.

But to continue to have that support, we need to be involved. And I think that is something that this committee needs to be cognizant of, but also the White House does as well.

Let me ask one final question. In the past 6 weeks, the Russians have sent Bear bomber missions off the coast of Alaska that have been intercepted by our F-22s based there five times in the last 6 weeks.

What do you think the Russians are up to with this kind of very persistent checking of our NORAD systems? That is a
pretty active engagement. Last time, it was not just with
Bear bombers but with fighter escorts. What do you think
they are trying to do in the Arctic? What are they trying
to achieve? Why are they so active up there?

Secretary Mattis: Sir, I am not sure what they are
trying to achieve there. When you look at the combination
of their cyberthreats to democracies, when you look at what
they are doing in Syria, the Bear bombers, as you put this
panoply of activities together, it is very, very concerning,
and we are going to have to turn this around. The cycle has
got to be turned around.

I think it is going in the wrong direction, in terms of
stability and peace. This is where miscalculations can
occur.

Senator Sullivan: Thank you.

Thank you, Mr. Chairman.

Chairman McCain: I thank the witnesses for their
patience. I thank them for their responses.

I want to emphasize again, Mr. Secretary, it is not
your fault, not yours, Secretary Norquist, General Dunford.
But we are not going to sit still while you settle the
internecine strife that is obviously going on, which is
preventing this strategy from coming forward.

We are moving forward with authorization, with
appropriation. And without a strategy, it makes our job 10
times harder.

I think we have been pretty patient with you. We are going to start putting pressure on, because we need a strategy. And to sit here June 13th, 2017, and say, "Well, don't worry. We are going to be coming forward with a strategy," things are happening too rapidly in the world.

So you have my greatest respect and admiration, but we are not doing the job for the American people that they expect us to do. So it is what it is.

I thank the witnesses, and I thank you for being here.

The hearing is adjourned.

[Whereupon, at 12:16 p.m., the hearing was adjourned.]