

Remarks as Prepared by Scott Baum, United States Department of Defense Special Representative for Industrial Policy, People and Defense Annual Security Conference, Sälen, Sweden, January 13, 2019

First, I want to thank everyone for inviting the United States Department of Defense to be a part of this important conference. Specifically, I want to acknowledge Your Highness the Crown Princess, Defense Minister Hultqvist, Secretary of State Söder, your Excellencies, Ministers, distinguished Members of Parliament, and our friends from both industry and the press. It is an honor to be with you here in Sweden.

I want to start by apologizing on behalf of Deputy Assistant Secretary Eric Chewning, who was originally supposed to speak to you today. As I am sure you are aware, there have been some recent transitions at the Department of Defense. As part of that process, Eric was promoted from his role as Deputy Assistant Secretary for Industrial Policy to his new position as Acting Chief of Staff for our Acting Secretary of Defense, Patrick Shanahan. His new responsibilities required him to remain in Washington and he asked that I come in his stead. You should know, though, that when news of his promotion broke on Monday morning, at the top of the list of issues we needed to address was the discussion of who we were going to send to Sweden to be at this gathering. One of our top priorities was to ensure we could be present to deliver our perspective on some critical issues and to have an open conversation with one of our most valued partners. I apologize for this last-minute change, but I very much appreciate the opportunity to address you all on behalf of the United States government.

Sweden and the United States have had a long tradition of collaboration, dating back to our country's founding. In 1783, before the United States was even a year old, we began our official, diplomatic relationship with the signing of the Treaty of Amity and Commerce. Since that time, the United States and Sweden have worked together to promote peace, prosperity, and democracy around the world for governments by the people and of the people. We stand together with our Swedish counterparts today to continue those efforts. That partnership is the foundation of the conversation we are having today.

During the great migration, one third of Sweden moved to the United States. Today, we trade over \$14 billion dollars of goods and we invest a combined \$88 billion in each other's economies, creating thousands of jobs on both sides of the Atlantic. Despite our close commercial relationship, however, nowhere is our collaboration more evident than in our bilateral security relationship. The United States government recognizes that Sweden is a leader both in principle and action. Last night, I was reviewing the Swedish defense strategy and doctrine. I applaud Sweden for reviving the concept of total defense. I understand that the current defense policy is in effect until 2020. I look forward to reading the upcoming Defense Commission report when it is released in May. The bilateral and multilateral agreements we have both signed are meaningful to the United States, and my presence here today is a reflection of just how important they are.

I want to add that we greatly appreciate Sweden's international leadership during its tenure on the UN Security Council. I want to join the Secretary of State in thanking Sweden for its pivotal role in fostering successful peace consultations with Yemen last December. I would also like to echo the Secretary in expressing our gratitude for Sweden's role as our protecting power in North Korea, and for helping broker the release of two U.S. citizens last spring.

Finally, I would like to express our appreciation for our close, bilateral military cooperation. From the 2,000 troops you contributed to Trident Juncture 19; to your 66 trainers in Iraq as part of the defeat-ISIS coalition and 26 trainers in Afghanistan as part of NATO's Resolute Support Mission; to your 261 troops

deployed to the UN Mission in Mali (MINUSMA); to your support of Multinational Joint Commission in Ukraine; to your many other efforts too numerous to mention here, Sweden is a highly-valued security partner to the United States and we appreciate all you do. Your efforts make the world a safer place and we look forward to continuing to work with you to uphold the global security order.

Recently, the United States issued a new National Security Strategy. This Strategy highlights the need for the West to adapt to a new era of renewed great power competition, focusing specifically on threats from places like Russia and China. From the National Security Strategy, we in the Department of Defense developed the National Defense Strategy. The National Defense Strategy, the Defense Department's guiding document, also highlights the challenges of this renewed great power competition, and discusses what it would mean to move to a near-peer competition.

Our strategy focuses on three lines of effort. First, we must increase the lethality of our joint forces. Second, we must strengthen alliances and build new partnerships. Third, we want to reform the way in which the Department of Defense does business. We cannot address global threats alone, and we want to ensure partners like Sweden understand our plan to address these threats, particularly from Russia and China, so we can work together in protecting democratic values throughout the world.

I want to look individually at some of the challenges we face, one of them being Russia and Russian malign influence. The United States is taking proactive steps with our NATO allies to enhance its presence in the Eastern Flank to increase security in the region. We have also conducted many significant exercises in the region with our allies and regional partners like Sweden and Finland. These exercises help ensure that our forces are interoperable so that, if necessary, we can collaborate in a time-relevant, meaningful manner to ensure our collective security. We are also implementing a comprehensive sanctions regime targeting Russian entities that engage in malign military, cyber, economic, or human rights activities. We are grateful to Sweden for its clear voice in the EU and elsewhere calling out Russian aggression in Ukraine and maintaining EU sanctions.

We look forward to increasing defense cooperation with Sweden by continuing to enhance our interoperability; strengthening our capabilities and posture through training and exercises; deepening our armament cooperation; advancing our cooperation in research and development; and meeting common challenges in multinational operations. We must meet these challenges with a common understanding of the security environment in which we operate today.

I think everyone in this room fully understands that Russia's November 25th attack on Ukrainian naval vessels near the Kerch Strait represents a dangerous escalation and is part of a pattern of Russian malign activities intended to destabilize Ukraine. As part of our response to the Kerch attack, the State Department announced in December a \$10 million increase in Foreign Military Financing to further build the capabilities of the Ukrainian Navy. Last September, in a ceremony in Baltimore attended by Ukrainian President Poroshenko, we initiated the process to transfer two retired U.S. Coast Guard cutters to the Ukrainian Navy. The United States will continue to work with Europe to forge an effective Western response that imposes costs on Russia. We are pleased that your Foreign Minister is part of a European delegation visiting the Ukrainian port of Mariupol this week in a show of support for Ukraine's territorial integrity.

Of course, Russia is not the only threat we face. As demonstrated in its civil-military fusion planning, China seeks to assert its power regionally and globally through an all-of-nation, long-term strategy. Chinese military modernization and efforts to build and militarize outposts in the South China Sea

endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability.

China's ability to exploit loopholes in existing trade and investment regulations in order to acquire advanced military technologies has driven the United States to implement trade actions and modernize our investment screening through our Committee on Foreign Investment in the U.S. to ensure we can deal more directly with their economic warfare. We have taken note of Sweden's efforts to modernize its own investment screening, both in the EU and domestically. We encourage those efforts as secure EU and Swedish investment environments benefit the West.

Secure and resilient telecommunications are pillars of a democratic society. Given the global nature of the Internet and our telecommunications supply chains, we encourage all countries and private sector partners to take responsible steps to maintain the security of their communications networks and supply chains to reduce the risks of unauthorized access and malicious cyber activity. We welcome discussion with your government on opportunities for collaboration to share information and discuss policy options to reduce telecommunications supply chain security threats.

Additionally, the United States, Sweden, and Europe cannot allow China to acquire sensitive technologies that threaten national security through investment in American and European companies. These are sensitive technologies on which your military and our military depend.

Finally, we must protect our supply chains and mitigate supply vulnerabilities related to the extraction, processing, and development of critical minerals, over which China has increasing influence worldwide.

I want to say a few words about our defense industrial base. Both the United States and Sweden share a common belief that their industrial base is core to their respective national defense strategies. The defense industrial base plays a critical role in the renewed great power competition and in support of all three of our National Defense Strategy lines of effort. Without a secure, healthy, and robust industrial base, we would be unable to address any of the threats outlined in the Strategy. Of course, we fully recognize the global nature of our industrial base. If our allies and partners are not as concerned about industrial base risks as we are, it presents a significant gap in our secure capability and capacity development.

We value Sweden's partnership with our industrial base – as demonstrated by Sweden's purchase of the Patriot air defense system, with a total value estimated at \$1.1 billion – the largest foreign military sales case ever conducted with Sweden, as well as the recent win by Saab and Boeing on the T-X trainer. This interdependence is another reason I want to ensure you all understand our strategic threats and opportunities so we can work together even more closely.

Our National Defense Strategy also highlights key capabilities for force modernization as we retool the industrial base for great power competition – capabilities like hypersonics, advanced autonomous systems, nuclear forces, and space. Sweden is a leader in many of these fields. In some of these technological areas, the United States will be a small consumer within a large commercial market (e.g. AI, quantum science). In other areas, like advanced propulsion and directed energy, our Department of Defense will play a leading role.

We also need to better leverage the capability development of our partners and allies – through mechanisms such as international armaments cooperation and control – so we can facilitate

government-to-government agreements to ensure access of supply to materiel, cooperate on military capability development, and control technologies with military application. Creating a mutually beneficial ecosystem for industrial base collaboration and technology development enhances our national security cooperation abilities. We look forward to continuing active discussions with Sweden and other partners about critical security of supply agreements.

The United States of America has always relied on our partners and allies to help preserve and secure our democratic way of life. We value our partners and allies – in particular Sweden – and are actively seeking ways to collaborate in the development of capabilities and capacity. That is part of the reason I am here today. I hope I have been able to articulate the way in which we view the current security environment as well as highlight some of the challenges that we collectively face. On behalf of the United States government, thank you again for the invitation to speak today. We recognize the importance of this conversation with our partners and allies. We look forward to continuing this conversation for many years to come. Thank you.