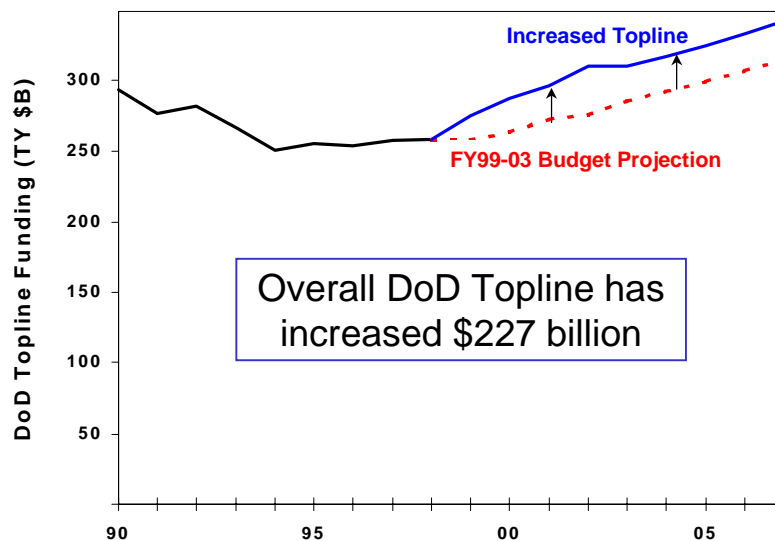


# MESSAGE OF THE SECRETARY OF DEFENSE

In keeping with the three top priorities I set forth upon assuming office in 1997, we have used the past four years to protect American security interests and preserve a strong and ready military by investing in our people, maintaining readiness, and accelerating modernization. To achieve these goals, we proposed \$112 billion in additional resources in President Clinton's FY 2000 budget—the first sustained increase in defense spending in 15 years. Including subsequent presidential and congressional increases, the total of \$227 billion in additional resources is now programmed to support these top priorities:

- First, to continue recruiting and retaining high quality personnel, these added resources fund the largest increase in military pay and benefits in nearly two decades;
- Second, to maintain readiness, additional funding for training and Operation and Maintenance (O&M) is ensuring the continued high readiness of our first-to-fight forces; and,
- Third, to ensure future readiness through a robust modernization program, we reversed a 13-year decline in procurement funding in FY 1998. Through sustained investment, we have also achieved the long sought—yet long elusive—goal of \$60 billion in annual procurement funding, a dramatic increase of some 33 percent in the past three years.

These accomplishments would have been impossible without the willingness of leaders across the Executive Branch, the Defense Department, and the Congress to set aside narrow interests in favor of the national interest. Indeed, the progress of the past four years underscores that we can best defend our national security interests abroad by uniting behind a bipartisan security policy at home.



## **PROTECTING U.S. INTERESTS TODAY, PREPARING FOR TOMORROW**

While fulfilling each of our three top priorities, U.S. forces have pursued our strategy—as defined by our 1997 Quadrennial Defense Review (QDR)—to protect and promote American interests: shaping the international security environment, responding to the full spectrum of crises, and preparing for the challenges of the future.

Over the past four years, we have shaped the international security environment by promoting regional stability, reducing threats, and preventing conflicts before they threaten American interests and lives.

In Europe, we have laid a solid foundation for peace and transatlantic security in the 21st century by working with our allies to enlarge NATO, reorient the alliance to face future threats, and enhance the Partnership for Peace. We have also forged a new relationship with Russia, which includes our Cooperative Threat Reduction Program to reduce potential nuclear threats. We have played an indispensable role in promoting peace in Bosnia and Kosovo.

In the Asia-Pacific region, our forward deployed forces and active engagement have continued to undergird regional peace, stability, and prosperity, and our alliances have been reoriented to meet the challenges of the new era. Specifically, we have revised and are implementing the U.S.-Japan Guidelines for Defense Cooperation; continued to deter North Korean aggression while laying the basis with Seoul for the alliance after the Korea question is resolved; updated our alliance with Australia; deepened ties with regional allies in Thailand, the Philippines, and Singapore; and begun building multilateral security capabilities. At the same time, we have cautiously expanded mutually beneficial military-to-military contacts with China.

In the Near East and Southwest Asia, U.S. forces have continued to ensure the free flow of oil through the vital sea lanes of the Persian Gulf and prevented Saddam Hussein from threatening his people or his neighbors. We have significantly enhanced bilateral security cooperation with partners in the region and have begun building mechanisms for multilateral security cooperation.

In the Western Hemisphere, we have normalized our security relationships and worked with our regional partners to expand military cooperation in a manner that strengthens democracy and civilian control of the military.

In addition to shaping the security environment, U.S. forces have responded to the full spectrum of crises and threats to American interests around the world. Since 1997, these have included:

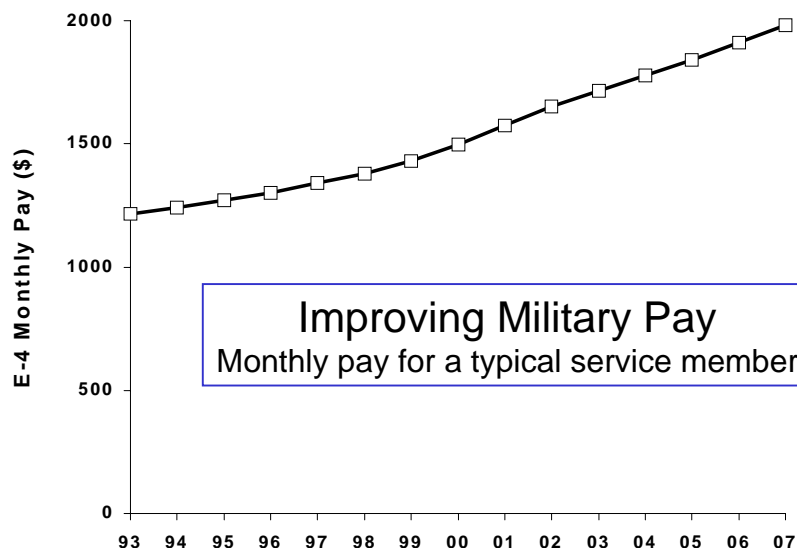
- Conducting a 78-day, 38,000-combat sortie air campaign with our NATO allies that succeeded in reversing Slobodan Milosevic's reign of terror in Kosovo with the loss of only two planes and no U.S. lives;
- Conducting an air campaign in December 1998 with our British allies to degrade Iraq's ability to deliver chemical, nuclear, and biological weapons and its ability to threaten its neighbors;

- Enforcing “no-fly” zones over Iraq to contain Saddam Hussein and prevent Iraq from threatening its neighbors;
- Launching strikes in August 1998 against the terrorist network of Osama bin Laden after it attacked U.S. embassies in East Africa and was planning additional attacks (other terrorist attacks have been disrupted by U.S. forces and civilian agencies);
- Evacuating noncombatants from life-threatening civil unrest in west Africa and Albania;
- Providing massive humanitarian assistance to Central America in the wake of Hurricanes Mitch and Georges; and,
- Fighting fires in the western United States and Indonesia.

## TAKING CARE OF PEOPLE—RECRUITING & RETAINING AMERICA’S BEST

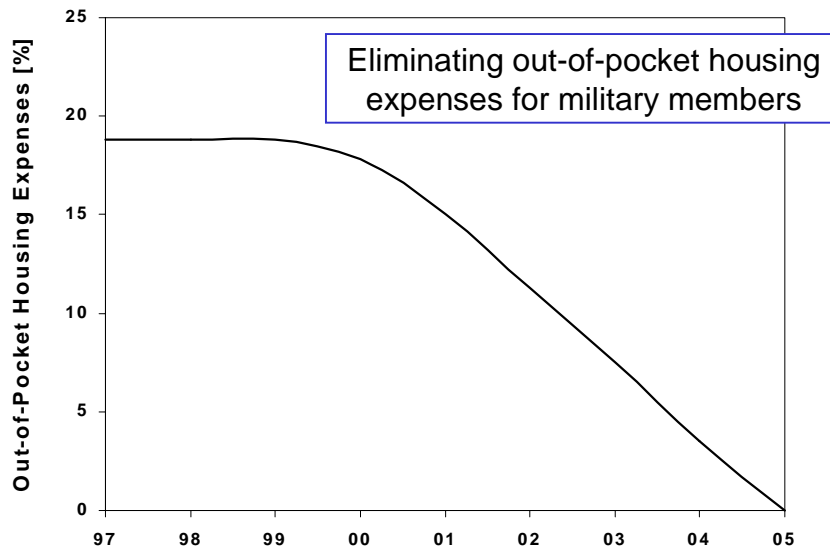
To continue recruiting and retaining high quality personnel in the face of record economic growth and lucrative opportunities in the private sector, we proposed—and are now implementing—a comprehensive package of quality of life improvements for our forces and their families.

*Pay.* We proposed a 4.4 percent pay increase for FY 2000—the largest increase in military compensation since 1982 (subsequently increased by Congress to 4.8 percent). All our military men and women will receive an additional pay raise of 3.7 percent in January 2001. Many personnel with certain critical skills have also received targeted raises that increased their pay by over 5 percent. We have also proposed that Congress reform military pay tables to allow additional increases of up to 5.5 percent for raises associated with promotions, which would help us to retain our most experienced personnel. Taken together, these initiatives translate to sustained increases in pay for the typical service member (in the case of the following chart, an E-4—sergeant or petty officer).



*Benefits.* We proposed and fully funded restoration of retirement benefits that had been reduced in the mid-1980s. As a result, after 20 years of service, military personnel are once again able to retire at 50 percent of their basic pay—a powerful incentive for our most talented personnel to stay in the force.

*Housing.* We proposed and have begun to implement an historic improvement. Last year, we increased the Basic Allowance for Housing (BAH) so that out-of-pocket expenses for personnel living off base have been reduced from 19 to 15 percent. Furthermore, we have pledged \$3 billion to eliminate entirely these out-of-pocket housing expenses by FY 2005—putting still more money into the pockets of our forces and their families. We remain committed to eliminating inadequate family housing units by 2010.

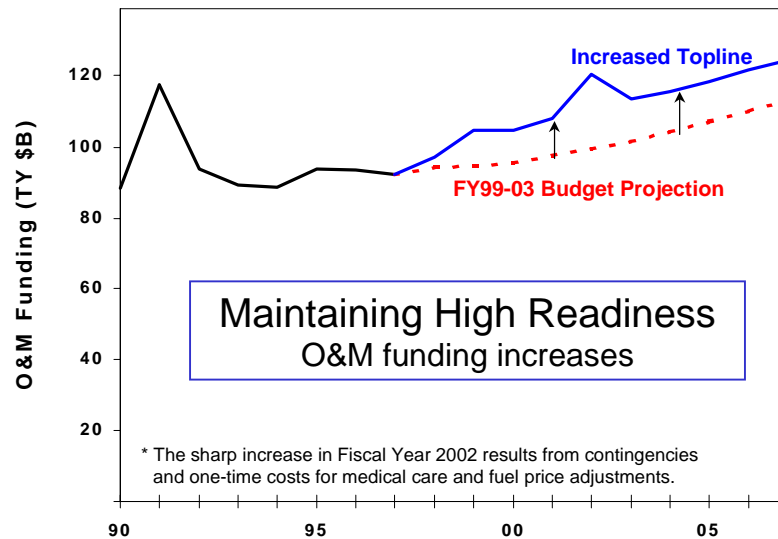


*Health Care.* Working with Congress, we are moving forward with important changes to our TRICARE military health system to improve health care for active duty service members and their families and to provide a new pharmacy benefit for our military retirees.

As a result of these and other quality of life initiatives, the quality of America’s military is higher than ever. Every service met its active duty recruiting goal in FY 2000. With our military men and women also holding more advanced degrees, they are more educated than ever. With more of the force staying in service for longer than 10 years, they are more experienced than ever. Indeed, while challenges always remain, the U.S. armed forces are still recruiting and retaining the best and brightest this nation has to offer.

## PROTECTING READINESS TODAY

To maintain readiness at a time of high operational tempo, we increased funding for training and O&M, which includes spare parts. In fact, when adjusted for current troop levels, today's O&M funding actually exceeds 1980s levels. Moreover, this increased funding makes it less likely that future readiness pressures will draw away resources from critical modernization needs, as has occurred so often in the past.



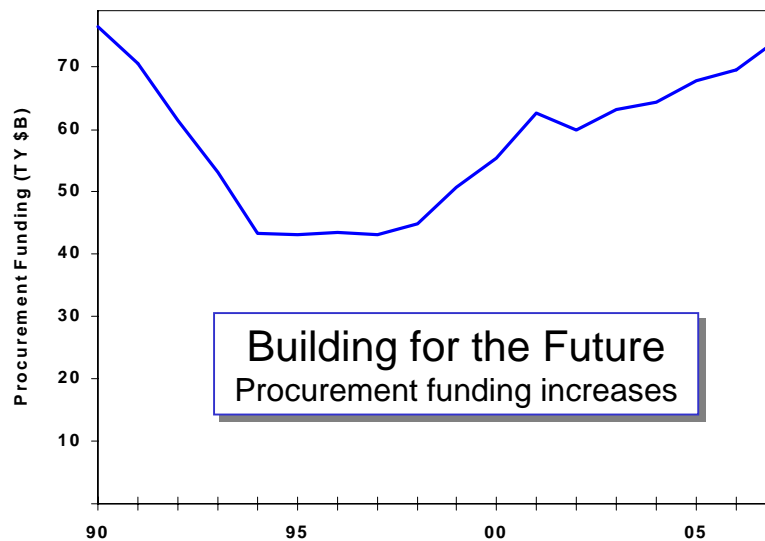
To further enhance the readiness of U.S. forces, we have constantly assessed readiness indicators, operating tempo, and the impact of our commitments on our people. When possible, we also have used reserve forces to ease the burden on our first-to-fight units.

To ensure U.S. forces remain ready in a rapidly changing world, we have ensured that U.S. forces adapt to change just as rapidly. In the wake of Operation Allied Force in 1999, the Chairman of the Joint Chiefs and I insisted that the initial “lessons learned” from that air campaign be identified and integrated quickly into the budget—not in years (as after past conflicts), but in months. As a result, the force in place today reflects many of the advances gleaned from that operation.

In short, the readiness of our first-to-fight forces remains high, and the U.S. military remains capable of executing our strategy of fighting and winning two major theater wars.

## MODERNIZING AND TRANSFORMING THE FORCE

Several major accomplishments will continue to transform U.S. forces for years to come: our reversal in FY 1998 of the 13-year decline in procurement funding; reaching our goal of \$60 billion in annual procurement funding in FY 2001; and continued investments that are programmed to increase procurement spending to \$70 billion by 2005. As noted above, increased O&M funding also reduces the chance that this procurement funding will be siphoned off for more immediate needs. Taken together, these changes will provide the long-term stability and consistency that acquisition and development of defense programs and systems require.



U.S. forces are now engaged in a genuine Revolution in Military Affairs that is fundamentally reorienting operational concepts and doctrines. As outlined in this report, each service is pursuing extensive experiments to develop new approaches to warfare that exploit the most advanced technologies to dramatically increase the speed, precision, and firepower of U.S. forces.

To complement and integrate these service efforts, we redesignated U.S. Atlantic Command as the Joint Forces Command in 1999, thereby institutionalizing joint experimentation. In the coming years, several of these revolutionary concepts will further enhance interoperability, jointness, and readiness. These include:

- Joint Task Force Headquarters and Joint C4ISR Capabilities—ensuring future Joint Task Force headquarters and subordinate units are more effectively linked with real-time operating systems that include intelligence, surveillance, and reconnaissance assets;

- Focused Logistics—providing increasingly streamlined logistics to support U.S. forces over extended distances with the minimal infrastructure possible; and,
- Attack on Critical and Time Sensitive Targets—using streamlined “sensor-to-shooter” communication links to rapidly identify, target, and engage highly mobile assets capable of delivering nuclear, chemical, or biological warheads.

In the past four years, U.S. forces—and the Defense Department that supports them—have also reoriented themselves to confront the new asymmetric threats of the 21st century.

To improve the ability of U.S. forces to fight and survive on battlefields contaminated by chemical or biological weapons, we have added more than \$1 billion to upgrade detection, warning, protection, and treatment of these deadly agents.

To ensure the integrity of the Department’s critical information networks, we have strengthened our cyber defenses and assigned responsibility for protecting our networks to U.S. Space Command, thereby integrating this important mission into our larger warfighting mission.

To defend the United States against a limited strategic ballistic missile attack, we have advanced the National Missile Defense program from the research and development phase to the acquisition phase to give the next President and Congress the option to deploy such a program.

To protect American citizens from the consequences of an incident involving nuclear, chemical, or biological weapons on U.S. soil, we continue to create teams of National Guardsmen to advise and assist cities and communities in the event of a domestic incident involving these weapons of mass destruction. Under a program that has since been transferred to the Justice Department, we trained local first responders in more than 100 U.S. cities, and we created the Joint Task Force-Civil Support to provide assistance to civilian agencies that have federal responsibilities for consequence management.

## **CONTINUED SAVINGS FROM REFORM AND STREAMLINING**

To keep pace with a streamlined and more agile force, we have transformed the Department into a streamlined and more agile support structure. Under the Defense Reform Initiative that we launched in 1997, we have adopted many of the best business practices of the private sector, consolidated and streamlined organizations, transformed our financial management and travel operations, continued reforming our acquisition process, and are instituting paperless contracting. Through competitive sourcing alone, we expect to save \$11.2 billion between FY 1997–2005 and \$3.4 billion each year thereafter. Taken together, our efforts have institutionalized reforms that—if continued by our successors—will continue to streamline support operations, save billions of dollars, and improve the Department’s ability to support our men and women in uniform.

However, as I have indicated every year in this report, our greatest opportunity for savings lies in continued reductions in the excess infrastructure left over from the Cold War. The four rounds of Base Realignment and Closure (BRAC) already undertaken will yield more than \$15 billion in savings through 2001 and \$6 billion each year thereafter. Another two rounds of BRAC could ultimately save over \$20

billion by 2015—\$20 billion that could be directed toward further improvements in the quality of life of our forces and their families and procuring the tools and technologies our forces require. In short, our smaller, reduced force structure continues to demand a smaller, reduced support infrastructure.

## **AMERICA'S MILITARY—A TRANSFORMED FORCE PREPARING FOR THE FUTURE**

This Administration leaves office having fulfilled its commitment to the American people and to those who wear this nation's uniform. We have not merely preserved the best-trained, best-equipped, best-led fighting force the world has ever seen. We have improved and begun reorienting the U.S. military to confront the new threats of this new century.

Indeed, over the past four years we have done more than simply establish a blueprint for the future. We have laid the foundation for an information-age military backed by fundamentally new concepts, tactics, and doctrine. As a result, our successors inherit a military that remains the envy of the world and the most respected institution in America. Today's force is not only qualitatively better than the one that triumphed in the Gulf War a decade ago, it continues to exceed the high standards of the force that prevailed over Kosovo just 19 months ago.

Yet any radical reorientation of the U.S. armed forces cannot be completed by any single administration. Rather, success will require the commitment and cooperation of the Executive Branch, the Defense Department, and the Congress over many years.

Ultimately, the strength, morale, and success of America's armed forces—especially our ability to recruit and retain high quality people and secure the resources they need—rests on the continued support of the American people. That is why my wife Janet and I have engaged in an unprecedented campaign to raise public awareness and appreciation for the unique sacrifices and needs of those who wear this nation's uniform. In an era when a smaller, all-volunteer military will likely be less visible in American society, it will remain incumbent on U.S. leaders to encourage continued public support for a strong, well-trained, and well-equipped military.

This report therefore outlines the Department's plans for preserving our military preeminence, sustaining the momentum of recent years, and protecting American lives and interests for decades to come.