

HEARING TO CONSIDER THE NOMINATION OF HON. LEON E. PANETTA TO BE SECRETARY OF DEFENSE

THURSDAY, JUNE 9, 2011

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 9:31 a.m., in room SD-G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Lieberman, Reed, Akaka, Nelson, Webb, McCaskill, Udall, Hagan, Begich, Manchin, Shaheen, Gillibrand, Blumenthal, McCain, Inhofe, Sessions, Chambliss, Wicker, Brown, Portman, Ayotte, Collins, Graham, and Cornyn.

Other Senators present: Senators Feinstein and Boxer.

Committee staff members present: Richard D. DeBobes, staff director; Leah C. Brewer, nominations and hearings clerk; and Travis E. Smith, special assistant.

Majority staff members present: Jonathan D. Clark, counsel; Jessica L. Kingston, research assistant; Michael J. Kuiken, professional staff member; Peter K. Levine, general counsel; Jason W. Maroney, counsel; Thomas K. McConnell, professional staff member; William G.P. Monahan, counsel; Michael J. Noblet, professional staff member; Russell L. Shaffer, counsel; and William K. Sutey, professional staff member.

Minority staff members present: David M. Morriss, minority staff director; Adam J. Barker, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; Michael J. Sistak, research assistant; and Richard F. Walsh, minority counsel.

Staff assistants present: Kathleen A. Kulenkampff, Brian F. Sebold, Bradley S. Watson, and Breon N. Wells.

Committee members' assistants present: Vance Serchuk, assistant to Senator Lieberman; Carolyn Chuhta, assistant to Senator Reed; Nick Ikeda, assistant to Senator Akaka; Ann Premier, assistant to Senator Nelson; Gordon Peterson, assistant to Senator Webb; Tressa Guenov, assistant to Senator McCaskill; Casey Howard, assistant to Senator Udall; Roger Pena, assistant to Senator Hagan; Lindsay Kavanaugh, assistant to Senator Begich; Joanne McLaughlin, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Elana Broitman, assistant to Senator Gillibrand; Jeremy Bratt and Ethan Saxon, assistants to Senator

Blumenthal; Anthony Lazarski, assistant to Senator Inhofe; Lenwood Landrum, assistant to Senator Sessions; Tyler Stephens, assistant to Senator Chambliss; Joseph Lai, assistant to Senator Wicker; William Wright, assistant to Senator Brown; Brad Bowman, assistant to Senator Ayotte; Ryan Kaldahl, assistant to Senator Collins; Taylor Andreae, assistant to Senator Graham; Dave Hanke, assistant to Senator Cornyn; and Joshua Hodges, assistant to Senator Vitter.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

This morning, the committee meets to consider the nomination of Leon Panetta to be Secretary of Defense. Director Panetta is no stranger to testifying before Congress over the course of his long and distinguished career in public service. We welcome you to the committee today, and we thank you, Mr. Panetta, for your decades of dedicated service to our Nation and your willingness to answer the call once again.

We know your wife, Sylvia, is not able to be here with you today. She has made her own sacrifices over the last 50 years, supporting your efforts in both the public and private sector. And I know that I speak for the committee when I say that we would love to thank her in person for the sacrifices that she has made. Director Panetta, please let your wife know of the committee's gratitude for her support and her sacrifice.

If confirmed, Director Panetta will replace Secretary Robert Gates at the helm of the Department of Defense. When President Obama asked Secretary Gates, then-President Bush's Secretary of Defense, to stay on in that position, it provided welcomed continuity and experience in our defense leadership. Director Panetta's nomination to be Secretary of Defense represents change, but brings an impressive level of continuity as well.

The next Secretary of Defense will face an extraordinarily complex set of demands on our armed forces. Foremost among them are the ongoing wars in Afghanistan and Iraq. Between these two conflicts, we continue to have approximately 150,000 troops deployed.

The U.S. military is also providing support to NATO operations in Libya. In addition, even after the extraordinary raid that killed Osama bin Laden, terrorist threats against our homeland continue to emanate from Pakistan, Yemen, Somalia, and elsewhere.

The risk of a terrorist organization getting their hands on and detonating an improvised nuclear device or other weapon of mass destruction remains one of the gravest possible threats to the United States. To counter this threat, the Defense Department is working with the Departments of State, Energy, Homeland Security, and other U.S. Government agencies to prevent the proliferation of nuclear weapons, fissile materials, and dangerous technologies.

A number of key national security decisions will have to be made in the coming weeks and months. Even as the drawdown of U.S. forces in Iraq is on track, recent signs of instability may lead Iraq's political leadership to ask for some kind of continuing U.S. military presence beyond the December 31st withdrawal deadline agreed to

by President Bush and Prime Minister Maliki in the 2008 security agreement between our countries.

Another key decision point is looming in Afghanistan regarding reductions in U.S. forces starting in July. President Obama said the other day that, "It is now time for us to recognize that we have accomplished a big chunk of our mission and that it is time for Afghans to take more responsibility."

The President has also said that the reductions starting in July will be "significant" and not just "a token gesture." I support that decision. The more that Afghan leaders understand that we mean it when we say our commitment is not open-ended, the more serious they will be in preparing Afghan security forces to assume security responsibility for all of Afghanistan.

I support the so-called "transition strategy," which calls for Afghan security forces to take more and more of the lead in providing for their country's security. The more that Afghan security forces do that, the better are the chances of success because the Taliban's biggest nightmare is a large, effective Afghan Army, an army already respected by the Afghan people, in control of Afghanistan's security.

Having Afghan security forces in the lead would deprive the Taliban of their biggest propaganda target, the claim that foreign troops are occupiers of Afghanistan. And there is nothing inconsistent between transitioning security responsibility to Afghan security forces and a long-term strategic relationship with Afghanistan, which is also important to sustaining a successful outcome.

Another major issue facing the department is the stress on our armed forces after 10 years of nonstop war. The repeated deployments of our military over the last decade has resulted in many of our servicemen and women being away from their families and homes for two, three, four, or more tours. It is not only our force which is stressed. So are military families.

Our incredible men and women in uniform continue to answer the call, but we must act to reduce the number of deployments and to increase the time between deployments.

The next Secretary of Defense will be required to juggle the competing demands on our forces while Washington struggles with an extremely challenging fiscal environment. The defense budget will not, and should not, be exempt from cuts. But this will require Congress, working with the next Secretary of Defense, to scrub every program and expenditure in the defense budget and to make tough choices and tradeoffs between the requirements of our warfighters today and preparations for the threats of tomorrow.

The administration in February submitted a defense budget for fiscal year 2012, which included some efficiency savings. But in April, President Obama announced he wanted to reduce security spending by \$400 billion over 12 years, starting in the next fiscal year, presumably including under the umbrella of security spending the budgets of the Pentagon, Departments of State and Homeland Security.

Now we have asked the administration what part of the \$400 billion reduction do they recommend be Pentagon cuts, and how many of those for fiscal year 2012? So far, we have gotten no answer.

Hopefully, today we will get Mr. Panetta's understanding of that matter and his opinion on the central fiscal issues. His service as President Clinton's Director of the Office of Management and Budget is invaluable because he understands the inner workings of the budget process and because he shaped the decisions that helped achieve the budget surpluses of the late 1990s.

Fortunately for the Nation, Director Panetta brings a compelling record of achievement and experiences well suited to the demands of the position for which he has been nominated.

Leon Panetta has repeatedly demonstrated an ability to work across party lines. Since entering public service in 1966, he worked on the staff of the Republican Whip in the

U.S. Senate, headed the Office of Civil Rights in the Nixon administration. He later won election to the House of Representatives as a Democrat, where he served eight terms and became chairman of the House Budget Committee.

Throughout his time in public service, Leon Panetta has been guided by a clear moral compass. He has said, "In politics, there has to be a line beyond which you don't go—the line that marks the difference between right and wrong, what your conscience tells you is right. Too often," he said, "people don't know where the line is. My family, how I was raised, my education, all reinforced my being able to see that line."

Finally, Leon Panetta has been intimately involved in the most pressing national security issues of our time during his tenure as President Obama's Director of the Central Intelligence Agency. This includes his having personally overseen the manhunt for Osama bin Laden and the impressive operation that brought an end to al Qaeda's murderous leader.

This operation epitomizes the way in which the CIA and the Defense Department are finally working together to support each other in the counterterrorism operations. The assault on bin Laden's hideout is the first significant instance, I believe, of an operation that could have been conducted under Defense Department authorities under U.S. Code Title 10 but that was instead executed under the authorities of Title 50, with the Director of the CIA exercising operational control over our elite military force.

Now let me conclude by expressing, on behalf of this committee, our gratitude and our deep admiration for the man whose shoes Director Panetta has been nominated to fill, Secretary Robert Gates. Secretary Gates's service to the country has been extraordinary, having worked in the administration of eight Presidents.

He left the comfort and rewards of private life, following a long career in Government, to serve his country again in the critical post of President Bush's Secretary of Defense at a difficult time in our history. Throughout his tenure across the Bush and Obama administrations, Secretary Gates's leadership, judgment, and candor have earned him the trust and respect of all who have worked with him.

Secretary Gates has combined vision and thoughtfulness with toughness and clarity and courageous, firm decision-making. And I would add that right from the start, Secretary Gates established a direct and open relationship with Congress, and this committee in particular, for which I am personally most grateful.

I believe history will judge Secretary Gates's time as Secretary of Defense to have been truly exceptional.
 Senator McCain.

STATEMENT OF SENATOR JOHN MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

And let me welcome Director Panetta and congratulate him on his nomination to be the next Secretary of Defense.

I am grateful for his remarkable career of public service and his willingness to serve in this new and very important capacity. I am appreciative of your family and the support they have given to you.

Let me also welcome our colleagues from California today, who will shortly underscore your extraordinary qualifications to assume the position of Secretary of Defense.

Your successes as Director of the CIA over the last 2 years—and there have been many, especially finding and eliminating Osama bin Laden—are a credit to you, and to the men and women of the intelligence community. At the same time, you and I know the director would be the first to admit that he has big shoes to fill, if confirmed, in the person of Robert Gates.

I have seen many Secretaries of Defense in my years, and I believe that history will long remember Secretary Gates as one of America's finest, most effective, and most impactful Secretaries of Defense.

One of the key criteria that we should be looking for in the next Secretary of Defense is continuity—the continuation of the wise judgment, policies, and decision-making that have characterized Secretary Gates's leadership of the Department of Defense. Thanks to the good works of Secretary Gates, his team, and our men and women in uniform, the next Secretary of Defense will take office with a great deal of positive momentum. But many consequential challenges remain.

Indeed, over the next several years, our country faces decisions related to our National security and defense that will echo for decades to come, decisions that will determine whether we remain the world's leading global military power, able to meet our many commitments worldwide, or whether we will begin abandoning that role.

What will have perhaps the most impact on this outcome is the President's stated goal of cutting \$400 billion in defense spending by 2023, on top of the \$178 billion in efficiencies in top line reductions that Secretary Gates already announced.

In recent weeks, Secretary Gates has been sounding the alarm against misguided and excessive reductions in defense spending that cut into the muscle of our military capabilities. I could not agree with him more. Defense spending is not what is sinking this country into fiscal crisis. And if the Congress and the President act on that flawed assumption, they will create a situation that is truly unaffordable—the decline of U.S. military power.

I know there will be cuts to defense spending, and some reductions are no doubt necessary to improve the efficiency of the Department of Defense. But I also remember—and I think you do also, Director Panetta, remember—when General “Shy” Meyer, then Chief of Staff of the Army, who warned in 1980 after draco-

nian cuts were made, testified before this committee that we had a "hollow army."

That is not an experience that we can or should repeat in the years to come. We must learn the lessons of history. So I would welcome the nominee's opinion on this vital matter, including how the President's proposal could be implemented.

Another major decision involves how we achieve our objectives in the three conflicts in which U.S. forces are now engaged—Iraq, Afghanistan, and Libya. In Iraq, the key question now is whether some presence of U.S. forces will remain in Iraq beyond the end of this year, pending Iraqi request and approval, to support Iraq's continuing needs and our enduring national interests. I believe such a presence is necessary, as Secretary Gates has argued.

In Afghanistan, the main question is the size and scope of the drawdown of forces beginning this July. Here, too, I would agree with Secretary Gates that any drawdown should be modest, so as to maximize our ability to lock in the hard-won gains of our troops through the next fighting season.

Finally, in Libya, there are signs that Gaddafi may be starting to crack, but the odds of a stalemate remain far too high. I believe U.S. strategy should be to reduce those odds as much as possible and quickly force Gaddafi to leave power, rather than hoping we achieve that objective with minimal effort.

Another significant challenge facing the Defense Department is acquisition reform for its weapons and services. Secretary Gates has made some courageous decisions in attempting to get major weapons procurement programs on track. A similar focus needs to be brought to how the Defense Department chooses to buy billions of dollars in services to maintain the highest degree of readiness.

In addition, especially in this budget environment, it will be important to continue to eliminate weapons programs that are over cost, behind schedule, and not providing improvements in combat power and capabilities. After 10 years of war, we must continue to eliminate every dollar in wasteful spending that siphons resources away from our most vital need—enabling our troops to succeed in combat.

Director Panetta, you are nominated to lead our armed forces amid their 10th year of sustained overseas combat. Not surprisingly, this has placed a major strain on our forces and their families. And yet, our military is performing better today than at any time in our history.

This is thanks to the thousands of brave young Americans in uniform who are writing a new chapter in the history of our great country. They have shown themselves to be the equals of the greatest generations before them.

And the calling that all of us must answer in our service is to be equal and forever faithful to the sacrifice of these amazing Americans.

Mr. Chairman, Senator Inhofe has to leave, and he would like to make just a very 10-second comment.

Senator INHOFE. Yes, thank you, Senator McCain.

I only want to say that because of an unavoidable conflict, I have to leave. But I was honored to serve for 8 years with then-Con-

gressman Panetta, and I have always considered him to be a very close friend.

I will look forward with supporting his confirmation and with serving with him in his new capacity.

Thank you for the opportunity to say that.

Chairman LEVIN. Thank you very much, Senator McCain.

And we have our two wonderful colleagues from California are here to introduce Director Panetta, and we are delighted to have both of you here and to have you as colleagues. It is a treat for all of us that you are with us.

Senator Feinstein?

Who, by the way, is also chair, may I say, of the Intelligence Committee. So she has a lot of very direct experience then and long before then with Director Panetta.

STATEMENT OF HON. DIANNE FEINSTEIN, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator FEINSTEIN. Thank you very much, Mr. Chairman and members of the committee.

It is really a distinct pleasure for me to introduce the Director of the Central Intelligence Agency and distinguished Californian, Leon Panetta, who was nominated by President Obama on April 28th to be the 23rd Secretary of Defense.

As members of this committee well know, in his 47 years of public service, Director Panetta has held the positions of congressman, chairman of the House Budget Committee, Director of the Office of Management and Budget, Chief of Staff to the White House, Co-Director with his wife of the Leon and Sylvia Panetta Institute for Public Policy—which I have had the pleasure of speaking before—member of the Iraq Study Group, Director of the CIA, and from 1964 to 1966, a second and then a first lieutenant in the United States Army as an intelligence officer.

I would add to that list trusted adviser to the President and respected member of his national security team. In the course of 2 years as director, he has mastered the intelligence field, led the CIA through a very tumultuous time, restored badly damaged relationships with Congress and with the Director of National Intelligence, and carried out President Obama's personal instruction to him to find Osama bin Laden.

I have no doubt that his past experience and his capabilities prepare Leon Panetta to meet the major challenges before the Department of Defense. With knowledge of CIA operations and analysis, he will come to the Pentagon with a thorough understanding of the situation in Afghanistan, as well as the aggravating factors of our relationship with Pakistan. Through CIA analysis and operations, he is also well aware of the other contingencies around the globe where the United States military may be called to deploy.

Director Panetta is also well positioned to guide the department through the constrained budget environment, which the chairman spoke of, along with the rest of Government. He possesses the credentials and experience to make cuts where needed and where prudent. I am confident that he will do so in a way that keeps the military strong and capable and in a way that maintains the cohesion of the department and its services.

Finally, let me recognize that there are many officials in Government with the intellect and management skill to do this job. Leon brings something more. He has an interesting leadership style, with a deft personal touch that really matters to the people in his charge and that greatly benefits the oversight responsibility that we in Congress have.

Let me give you an example. It was early in his tenure at the CIA in 2009 when Director Panetta requested an urgent meeting with the Intelligence Committee to brief us on a program that he had just learned of and that he had learned had never before been briefed to Congress. He found that unacceptable, and we very much appreciated his position.

In the 2 years since, he has never declined to answer a question or provide us with his candid views. And I believe the vice chairman of the committee, who is a member of this committee, Senator Chambliss, can testify to this. Leon has been completely forthright and motivated only by what is best for the CIA and, more importantly, this Nation.

Let me conclude. A National Public Radio interview last week with Secretary Gates noted that the healthcare budget of the Department of Defense was bigger than the entire budget of the CIA and that no other position can fully prepare someone to be Secretary of Defense.

I have great respect for Secretary Gates and praise him for his service to this country. Beyond all reasonable expectations, he has been an outstanding Secretary of Defense. But I would suggest to you that Leon Panetta, who has served honorably and successfully in Congress, at OMB, at the White House, and now the CIA, is prepared and uniquely qualified to be another outstanding Secretary of Defense in this very challenging time.

I thank the committee.

[The prepared statement of Senator Feinstein follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Thank you very much, Senator Feinstein, for a very strong introduction.

And now, Senator Boxer?

**STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM
THE STATE OF CALIFORNIA**

Senator BOXER. Thank you so much.

I clearly appreciate every word that my colleague Senator Feinstein said about my friend Leon Panetta. And what I am going to try to do is add a little bit more of a personal side because I have known this man and worked with him since 1982, when I got elected to the Congress, and he became one of my mentors at that time.

Eventually, I served on the Budget Committee where he was the chairman, and I watched him very carefully reach out across every kind of line that would divide us—Republican, Democratic, liberal, conservative, moderate. We were facing at that time a lot of new, perplexing issues.

One was the AIDS crisis. No one quite knew where this was headed, what it was about. And I remember going to Leon and saying there is this new disease, and nobody quite understands it, and we haven't done anything about it. And he said, "You know, why

don't you hold some hearings on it? It seems to really concern you. And bring in the Republicans." And we did.

And we were able to get the very first funding in that time for AIDS research because Leon was willing to listen. This is someone who is very smart, and he gets it. But he also was willing to listen to all sides, and I think we have seen that in every single job that he has fulfilled. This is a man who has dedicated himself to public service, and we are so grateful to him.

And I won't go through every job he has held. First of all, it would take too much time. And second of all, Senator Feinstein highlighted so many of those. But to be someone who could work as effectively behind the scenes as you can in front of a camera, to be someone who could be such a trusted adviser that two Presidents have chosen him.

I could just go on about Leon. I am sure you don't want me to because you have a lot of work to do. Let me say for the people of California what he has meant to us.

He has recognized the importance of our resources in our State, namely our coast and our ocean. And he stepped out in front in the early years and said this is an economic issue for us, and he preserved that coast. That is forever. That Monterey sanctuary is forever. So he is visionary.

And then when we saw him move into the National security arena, as he did at the CIA, and the work he did in the latest achievement that he can talk about, and doesn't really do that much, in terms of making sure that Osama bin Laden was finally taken out. This was a brave mission by our military, and Leon Pannetta was a part of the decisionmaking.

I think at this time where we are engaged around the world in so many difficult conflicts, so many difficult conflicts, he is bringing now the intelligence perspective to the job.

I would ask unanimous consent that my formal statement be printed in the record.

I just want to turn to Leon at this time, just as a Senator from California and a friend, and say thanks so much for everything you have done throughout your career for this country. And I know your origins. I know how proud your family is, and I think we all share that pride in you.

And good luck, and I hope the committee does this quickly.

Thank you very much.

[The prepared statement of Senator Boxer follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Thank you, Senator Boxer, for a very moving introduction and tribute.

You are both welcome to stay or leave. I know you both have committee chairs that you have got to fulfill responsibilities.

Senator BOXER. I have a bill on the floor. So I will—by the way, we do have a bill on the floor about the EDA, and I want to remind everybody. So I will be going down on the floor.

Thank you.

Chairman LEVIN. You never miss an opportunity to make your point effectively. [Laughter.]

Thank you very much.

Let me now call on Mr. Panetta. And then, after your opening statement, we will ask you the usual questions and then turn to our questions.

Thank you very much again for your service. Director Panetta?

**STATEMENT OF HON. LEON E. PANETTA, DIRECTOR, U.S.
CENTRAL INTELLIGENCE AGENCY**

Mr. PANETTA. Thank you very much, Chairman Levin, Ranking Member McCain, all of the distinguished members of the committee.

I am deeply honored and deeply humbled to be here as the President's nominee to be Secretary of Defense.

I also want to take this moment to thank my fellow Californians, Senators Feinstein and Boxer, who are not only distinguished Senators who have represented their State well, but are dear friends and dear colleagues.

The role of Secretary of Defense, while, without question, it involves a very large responsibility in size alone, still in a very basic way is similar to the role of the CIA Director in that our first and foremost mission is to protect the country. And if confirmed, my number-one job will be to ensure that America continues to have the best-trained, the best-equipped, and the strongest military in the world in order to make sure that we protect our country.

As many of you know, I have devoted my career to public service. But it began a long time ago when I served as an intelligence officer in the United States Army. I was proud to wear the uniform of our country, and my respect and my admiration for our Nation's armed forces has only grown in the decades since.

My youngest son, Jim, served in Afghanistan and received the Bronze Star. So I have personally witnessed the tradition of service and sacrifice that drives each generation to fulfill a fundamental duty to our country.

In addition to respecting that great tradition of duty, I have done a number of things to try and prepare for this very difficult and challenging job. First, in the weeks since my nomination, I spent a number of hours with Bob Gates. Bob is a dear friend, and he and I first got to know each other as we were building our careers in public service.

We also served together, as you know, on the Iraq Study Group, and we continue to serve together as members of the President's national security team. We share a common belief that the National security of this country is the responsibility of all Americans, regardless of party.

I, too, believe that he will be remembered as one of the greatest Secretaries of Defense in our Nation's history for the way he led the department during a time of war and for the crucial reforms that he has tried to put in place in the way the Pentagon does business. Those are reforms that I intend to carry on.

Second, I talked with our service secretaries and the service chiefs. I believe it is important to have a candid, open line of communication between the Secretary and all of the service chiefs. They are the ones that are out there leading each of their services, and I need to know what they are thinking, and I need to know

what is important in terms of serving the interests of the troops that they directly lead.

One of those chiefs told me for our troops, there has been no shortage of war. And indeed, we are a nation at war. Our all-volunteer force has been stretched by combat that has lasted nearly a decade. We owe it to them, we owe it to their families to ensure that they have the best leadership, the best training, the best equipment, the best benefits, the best healthcare that we can give them.

And I pledge to them and I pledge to you that every deployment decision that I make will be mindful of the stresses on our men and women in uniform and on their families.

Third, I have reached out to the former Secretaries of Defense, both Democrat and Republican, and asked for their advice. And to a person, they impressed upon me how important it was to stay focused on the management of the Pentagon. This is the biggest enterprise in our Government, and it requires focused, hands-on management, which is, frankly, the only way I know how to do business.

And fourth, I have sat down with many of you and have known many of you throughout my career. Because I really do believe that Congress has to be a partner in this role in the protection of our country, I am a creature of the Congress and I believe that the Pentagon is made stronger by your oversight and by your guidance.

As a young legislative assistant a long time ago here in the Senate, I had the honor of seeing firsthand the bipartisanship of leaders like Dick Russell and Henry Jackson, John Stennis, and Barry Goldwater. And as a member of the Congress, I saw that tradition carried on by other great leaders.

And I believe deeply in the tradition of strong, bipartisan national security leadership. And you, Mr. Chairman, and you, Senator McCain, have carried on that tradition. And I thank you for that.

This is a time of historic change. Unlike the Cold War, when we had one main adversary, we face a multitude of challenges—al Qaeda and other global terrorist networks, places like Yemen, Somalia, North Africa, not just the FATA in Pakistan. Dangerous enemies spread out across the world.

We face insurgents and militants who cross borders to conduct attacks. We face the proliferation of dangerous weapons in the hands of terrorists, in the hands of rogue nations. We face cyber attackers, a whole new arena of warfare that can take place not only now, but in the future, and something we have to pay attention to.

We face the challenge of rising and changing powers and nations in turmoil, particularly in the Middle East, undergoing enormous political transformation. We are no longer in the Cold War. This is more like the “blizzard war,” a blizzard of challenges that draw speed and intensity from terrorism, from rapidly developing technologies and the rising number of powers on the world stage.

But despite the times we live in, there is reason to be confident. The operation that killed Osama bin Laden, in my view, has not only made clear to the world that we will do what we have to do,

but it has also given us the greatest chance since September 11 to disrupt, dismantle, and to defeat al Qaeda.

But to do that, to be able to finish the job, we have got to keep our pressure up. If confirmed, my first task at DOD will be to ensure that we prevail in the conflicts that we are engaged in. In Afghanistan, we must continue to degrade the Taliban. We have got to train security forces. We have got to help the government take ownership of their country so that they can govern and protect their country.

In Iraq, we must assure that the Iraqi military and security forces are prepared to safeguard their nation so that it can become a stable democracy in a very important region of the world.

And as we do that, I am very aware that we must be highly disciplined in how we spend the taxpayers' precious resources. This committee well knows that the days of large growth and unlimited defense budgets are over. Our challenge will be to design budgets that eliminate wasteful and duplicative spending while protecting those core elements that we absolutely need for our Nation's defense.

I do not believe, based on my long experience in Government and working with budgets, that we have to choose between strong fiscal discipline and strong national defense. I don't deny that there are going to be tough decisions that have to be made and tough choices that have to be made. But we owe it to our citizens to provide both strong fiscal discipline and a strong national defense.

And finally, and most importantly, it is the job of Secretary of Defense to be a tireless advocate for our troops and for their families. It is their sacrifice and their dedication that have earned the respect of a grateful nation and inspired a new generation to volunteer to wear the uniform of our country.

They put their lives on the line to fight for America, and I will just as surely fight for them and for the families who support and sustain them.

As Director of the CIA, I had no more solemn duty than sending young people into harm's way to put their lives on the line. After we lost seven of our colleagues in Afghanistan in December of 2009, I had to do what my colleagues in the military do all too often—visit the wounded at Bethesda, attend the ramp ceremony at Dover, offer a prayer at the side of an Arlington Cemetery gravesite for a patriot who left this world too young.

Not one day will pass when I don't think of the brave souls who have fought and died and those who fight today for our freedom. As Secretary Gates emphasized in his last trip to the troops, they will always be in my thoughts and prayers.

If confirmed, Mr. Chairman, I pledge to you that I will always keep our troops foremost in my mind, that I will be a careful, accountable steward of our Nation's precious resources, that we will have the strongest national defense in the world, and that you will always have my best and most candid advice, and that I will always, always seek yours.

As you know, I am the son of Italian immigrants. My father used to say to me time and time again that to be free, we have to be secure. That is the pledge that I make to you, that I will do every-

thing I can to keep America secure so that it can be free. I will do that if I am confirmed as Secretary of Defense.

Thank you.

[The prepared statement of Mr. Panetta follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Thank you so much, Director Panetta, for a powerful, moving, and a very straightforward statement.

We have standard questions, which we ask of nominees before we take turns at asking our own questions, and I will put those questions to you now.

Have you adhered to applicable laws and regulations governing conflicts of interest?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. Do you agree, when asked, to give your personal views, even if those views differ from the administration in power?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. Have you assumed any duties or undertaken any actions which would appear to presume the outcome of the confirmation progress?

Mr. PANETTA. No, I have not.

Chairman LEVIN. Will you ensure your staff complies with deadlines established for requested communications, including questions for the record in hearings?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. Will you cooperate in providing witnesses and briefers in response to congressional requests?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. Will those witnesses be protected from reprisal for their testimony or briefings?

Mr. PANETTA. Yes, they will.

Chairman LEVIN. Do you agree, if confirmed, to appear and testify upon request before this committee?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. And finally, do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted committee or to consult with the committee regarding the basis for any good-faith delay or denial in providing such documents?

Mr. PANETTA. Yes, I will.

Chairman LEVIN. Thank you.

I think what we will do is we will be here all morning, and then we will have a break for lunch. And then we are going to go into a classified session this afternoon.

And let us start with a 7-minute first round here for questions.

Director Panetta, in answer to prehearing questions, you said that you support the July 2011 date set by President Obama for the beginning of a process of transferring increasing responsibility for Afghanistan's security to the Afghan security forces and of drawing down U.S. forces from Afghanistan. President Obama recently said that the size of U.S. troop reductions from Afghanistan will be "significant."

Director Panetta, do you agree that the U.S. troop reductions from Afghanistan beginning in July should be significant?

Mr. PANETTA. I agree with the President's statement.

Chairman LEVIN. There are approximately 100,000 more Afghan soldiers and police today than there were in December of 2009. The NATO training mission in Afghanistan is ahead of schedule in meeting the target of 305,000 Afghan security forces by this fall.

In addition, a new target of 352,000 Afghan security forces by 2012 has been set to ensure that these forces have the specialized skills needed to sustain these units over the long term, and I very much support that decision. Do you agree, Director Panetta, that training and partnering with the Afghan army and police and getting those forces in the lead on operations is key to the success of our counterinsurgency strategy in Afghanistan?

Mr. PANETTA. Yes, I do.

Chairman LEVIN. Now, Pakistani leaders deny being aware of the presence of Osama bin Laden in Abbottabad. It is counterintuitive to believe that none of their leaders knew of it. But nonetheless, that is not my question.

Pakistan's leaders are well aware and acknowledge their awareness of the sanctuaries in Pakistan by the Haqqani network and the Afghan Taliban down in Quetta. Now those people are attacking our troops, Afghan troops, coalition troops across the border in Afghanistan and then go back to their sanctuary in Pakistan.

A recent Defense Department report called the extremist Haqqani network "the most significant threat in eastern Afghanistan," and yet the Haqqanis continue to enjoy open safe haven across the border in Pakistan. I think this is a totally unacceptable situation. I am wondering if you agree, and if so, what should be done about it?

Mr. PANETTA. Senator, I share your concern with regards to the safe haven in Pakistan, particularly as it relates to groups like the Haqqanis. And I have strongly urged those in Pakistan to take steps to do whatever they can to prevent these kind of cross-border attacks and to prevent the safe havens that do exist on the Pakistani side of the border.

This is a difficult challenge. The relationship with Pakistan is at the same time one of the most critical and yet one of the most complicated and frustrating relationships that we have. It is extremely critical in that we are conducting a war against our primary enemy in the FATA in their country.

It is critical because supply lines, vital supply lines go through their country. It is critical because they are a nuclear power, and there is a danger that those nukes could wind up in the wrong hands.

At the same time, it is very complicated, complicated by the fact that they maintain relationships with certain terrorist groups, that they continue to not take aggressive action with regards to these safe havens, and that their concern about the sovereignty results in criticism of the United States when, in fact, my view is that the terrorists in their country are probably the greatest threat to their sovereignty.

Having said all of that, we have to maintain the relationship. We have got to do everything we can to try to strengthen that relationship so that both of us can work to defend both of our countries.

Chairman LEVIN. Director Panetta, as I mentioned in my opening statement, the President has called for \$400 billion in reductions to national security spending over the next 12 years. Now do you have any understanding of the proposed breakdown of that \$400 billion as to how much he is proposing for reductions in Pentagon spending, how much in intelligence spending, the intelligence organizations, and how much he is proposing to reduce in the Homeland Security Department?

Mr. PANETTA. No, I do not.

Chairman LEVIN. Can you try to find that out for us? Because we need to find that out. And to give us an answer for the record.

Mr. PANETTA. I will certainly ask whether or not that decision has been made.

Chairman LEVIN. And do you know whether we are going to receive a budget amendment for the Fiscal '12 DOD budget?

Mr. PANETTA. I do not know the answer to that.

Chairman LEVIN. All right. On the question of torture, you, in your answers to the committee's prehearing policy questions, said the following. "I will ensure that all interrogations conducted by the Department of Defense personnel are conducted consistent with the Army Field Manual and in accord with the Geneva Conventions."

My question, is waterboarding consistent with the Army Field Manual and the Geneva Conventions?

Mr. PANETTA. I have taken the same position as the President of the United States. I believe that waterboarding across the line with regards to—the use of that tactic with regards to in interrogations. And as you know, the President outlawed the use of that, plus other enhanced interrogation techniques, in an Executive Order that he issued when he first came into the presidency.

Chairman LEVIN. Recently—and I want to switch gears here a lot on you because time requires that we do that. Senator Webb and I recently went to Okinawa, Guam, and Senator Webb was in Korea before. Senator McCain and Senator Webb and I—and Senator McCain obviously has a great personal experience in this area as well. Senator McCain, Senator Webb, and I proposed changes to basing plans on Okinawa and Guam. We urged a review of the plans in Korea because we believe that the current plans are unrealistic, unworkable, unaffordable.

And then, independently, the GAO concluded that the cost of these military realignments are higher than expected and in many cases largely unknown, a highly critical GAO report of this direction that we are currently moving. And I am wondering whether or not you are familiar with this issue. And if confirmed, in any event, whether you are familiar with these issues or not in those three places, whether you will agree to review this matter and work with us to find a solution that helps advance our strategic objectives in the region.

Because we have strategic objectives in the region, but they are currently unaffordable. They are unknown in terms of cost. And whether you would be willing to review this matter and to work with us?

Mr. PANETTA. Yes, I will, Senator. You discussed this with me when I met with you, and also Senator Webb discussed his con-

cerns about that area. I agree with you that it is a very important strategic area for the United States. We do have to maintain a presence there.

But there are a lot of issues to be resolved and worked on, and I look forward to working with you, Senator McCain, Senator Webb, and others to try to determine what the best and most cost-effective approach would be.

Chairman LEVIN. Thank you.

Senator McCain.

Senator MCCAIN. Thank you very much, Mr. Chairman.

Thank you, Director Panetta.

What is your assessment of the battlefield situation in Afghanistan since we inaugurated the surge?

Mr. PANETTA. I think the assessment is that we have made—we have made progress with regards to security in that country. Albeit fragile and reversible, I nevertheless believe that progress has been made to try to advance security.

We also have made good progress in training the forces there in Afghanistan, both their police and military force. I think the area where, frankly, greater progress needs to be made is on the governance side, to try to ensure that they improve their governance so that, ultimately, they can take responsibility for that country.

Senator MCCAIN. And so, would you agree with—when you point out that it is fragile and reversible, I think that is absolutely accurate. So you would agree with Secretary Gates's repeated statements that withdrawals in July should be "modest?"

Mr. PANETTA. I agree that they should be conditions based, and I am going to leave it up to Secretary Gates and General Petraeus and the President to decide what that number should be.

Senator MCCAIN. Well, if you are the Secretary of Defense when that decision is made, obviously, you will have significant influence. You just came from a position where you have a very good assessment of the military situation. I think it is not inappropriate for you to answer when I ask if you agree with Secretary Gates's assessment that the withdrawal should be modest.

Mr. PANETTA. Senator, if I am confirmed, I will have to, obviously, arrive at a decision myself that I will have to ultimately present to the President. But I am not in that position now, and that decision really does rest with General Petraeus and Secretary Gates and the President.

And obviously, I have tremendous admiration for Secretary Gates. He and I pretty much walk hand-in-hand on these issues. But with regards to specific numbers, I just am not going to—

Senator MCCAIN. I wasn't asking for specific numbers. On the subject of Iraq, if the Afghan government and all its elements agree that there should be a residual U.S. military presence in Iraq, particularly in three areas—air defenses, intelligence capability, and security in the areas around Kirkuk and that part of Iraq where there has been significant tensions—would you agree that that would be a wise thing for us to do?

Mr. PANETTA. I believe that if Prime Minister Maliki, the Iraqi government requests that we maintain a presence there, that that ought to be seriously considered by the President.

Senator MCCAIN. Do you think it would be in our interest to do that, given the situation—

Mr. PANETTA. Senator, I have to tell you, there are 1,000 al Qaeda that are still in Iraq. We saw the attack that was made just the other day. It, too, continues to be a fragile situation, and I believe that we should take whatever steps are necessary to make sure that we protect whatever progress we have made there.

Senator MCCAIN. Do you know of anyone of authority either in the Congress or in the administration who believes that we should send ground troops into Libya?

Mr. PANETTA. I haven't met anybody yet who supports that. [Laughter.]

Senator MCCAIN. I haven't either. Nor do I, in fact. I think all of us would be—it would be a great mistake.

Do you believe that it is a proper role of Congress to restrict the powers of the President of the United States to act? In other words, you and I were around when there was a vote for cutoff of funds for Vietnam. Whether that was right or wrong, that was the appropriate role of Congress.

Does it worry you if the Congress begins to tell the Commander-in-Chief as to exactly what he can or cannot do, what the President can or cannot do in any conflict?

Mr. PANETTA. Senator, I believe very strongly that the President has the constitutional power as Commander-in-Chief to take steps that he believes are necessary to protect this country and protect our National interests. And obviously, I think it is important for Presidents to consult, to have the advice of Congress. But in the end, I believe he has the constitutional power to do what he has to do to protect this country.

Senator MCCAIN. I agree. In 2007, the last time we went through a very serious crisis, it was concerning whether we should withdraw from Iraq or not, and I see some parallels as the rising and understandable war-weariness of the American people continues to be manifested.

One of the things that we did at that time was set up some benchmarks that we expected to be met by both the Iraqis and the United States. As I recall, there was 13 or a number of those. And over time, most of those benchmarks were met.

Don't you think it would be appropriate for us to do the same thing as far as Afghanistan is concerned? We can measure progress by certain metrics, and I think it would be important in order to gain or keep the confidence of the American people that we should set up some benchmarks for progress, both in Afghanistan and as far as Pakistan is concerned, since we are sending billions of dollars of taxpayers' money to Pakistan as well.

Mr. PANETTA. Senator, I think we all know what the fundamental goal is here is to try to develop a stable enough Afghanistan that it will never again become a safe haven for al Qaeda or—

Senator MCCAIN. My specific question is—

Mr. PANETTA.—for other terrorists.

Senator McCain:—would you agree—

Mr. PANETTA. But with regards to achieving that goal, I think that working with the administration, working with the President, working with the Secretary of Defense, establishing some of those

areas where we need to make progress and identifying those, I think that is something that would be worth pursuing.

Senator MCCAIN. Thank you. I thank you for your service, and I thank you for your willingness to continue to serve.

And my time has expired. But one of the biggest problems that I see—and I apologize, Mr. Chairman—but is this whole issue of acquisition. We have terrible out-of-control costs for literally every weapon system that we have acquired in the last 10 years that I know of.

And I believe you have a good team there in the Pentagon. I think that Mr. Carter is doing a good job. But we are going to have to get our arms around this. We cannot afford aircraft that double and triple the original estimated costs and don't meet the timelines that are set up. And the F-35 is just the most outstanding example.

So I hope you—I know you will make this as one of your highest priorities. It is simply not affordable for us to continue business as usual the way we acquire weapons today. And it may require some really fundamental changes in addition to the legislation that we have already passed to try to address this issue.

I thank you, Mr. Chairman.

I thank you, sir.

Mr. PANETTA. Thank you, Senator. I agree with you fully on that issue.

Chairman LEVIN. Thank you. And he speaks, I think, for our entire committee in saying that, and I think it is also clear you have got the background to really do something about it and to dig into it.

Thank you very much, Senator McCain.

Senator Lieberman.

Senator LIEBERMAN. Thanks, Mr. Chairman.

Director Panetta, thank you for answering the call to serve your country again. I have the greatest confidence in your ability and your principles.

I love the quote from your father. Our fathers must have come out of the same cloth, which is to value the freedom that America provides is our unique and distinguishing contribution to governance, but to understand that without security, there is no freedom. And I can't think of anything I would rather hear from a nominee for Secretary of Defense than that.

I want to begin with a few quick questions about Iran. Do you agree that the Islamic Republic of Iran is working very hard to develop a nuclear weapons capability?

Mr. PANETTA. Our concern with Iran is that they continue to try to develop some kind of nuclear capability. As to whether or not they have made certain decisions as to how far they should go, those are questions that I would probably have to address in another forum. But there is no question that they continue to work to try to develop some kind of nuclear capability.

Senator LIEBERMAN. Right. And also, to the best of your knowledge, is the Islamic Republic of Iran working to develop increased capacities in intercontinental ballistic missile systems to deliver nuclear or other weapons?

Mr. PANETTA. That is correct.

Senator LIEBERMAN. As I am sure you know, there has been a lot of both diplomatic and economic sanctions work being done to attempt to discourage Iran's nuclear ambitions and really to end them. However, as President Obama has said, all options have to remain on the table.

I wanted to ask you whether, as Secretary of Defense, you will consider it to be one of your responsibilities to have credible military plans to strike and destroy Iran's nuclear facilities if the President, as Commander-in-Chief, decides that it is necessary to use that option?

Mr. PANETTA. I think in line with the President's statement that we should keep all options on the table, and that would obviously require appropriate planning.

Senator LIEBERMAN. Thank you.

Let me go to Afghanistan and see if I can approach it this way. I thought the President made not only a correct, but a courageous decision in 2009 in deciding to raise the number of our forces in Afghanistan by 30,000 plus, a so-called Afghanistan surge. At the time, the statement was made that we would begin to draw those troops down around July of this year, 2011.

There was a lot of anxiety in the region, particularly in Afghanistan and Pakistan and beyond, about whether that was the beginning of a kind of early withdrawal and, again, a retreat from the region. And discussions were had, particularly between us and the Afghans, and President Obama settled with President Karzai, as you well know, on a plan that will begin the transition around July of this year. But the goal is to remove effectively all of our forces, unless there is a mutual agreement to the contrary before then, by the end of 2014.

You have said today and in the answers to the questions we submitted earlier that you thought we were making measurable progress. The American military are making measurable progress in Afghanistan, but that the progress was reversible. So rather than asking you to adopt an adjective that someone else has put on it, is it fair to say that the standard you would apply to the drawdown of American forces that would begin in July of this year, is it that it not be so great as to risk the gains we have made, which, as you have said, are reversible?

Mr. PANETTA. Well, there is no question we ought not to take any steps that risks the gains that have been made as to—and I have great confidence, frankly, that General Petraeus and Secretary Gates and the President will make the right decision in a transition that has to take place going towards 2014.

Senator LIEBERMAN. And is it fair to say that if you are confirmed as Secretary of Defense, that the goal here that you see is to turn responsibility for security of Afghanistan over to the Afghans at the end of 2014 and not to jeopardize our capacity to do that before then?

Mr. PANETTA. No, that is absolutely correct. At the Lisbon conference, 48 nations plus President Karzai made the decision that there would be a transition going towards 2014, and it would be then that, hopefully, we would be able to transfer responsibility. We ought to do nothing that jeopardizes that path.

Senator LIEBERMAN. I appreciate that. Let me just briefly read you what Secretary Gates said this weekend in Afghanistan. "I think that once you have committed, that success of the mission should override everything else because the most costly thing of all would be to fail."

Do you agree with that?

Mr. PANETTA. Absolutely.

Senator LIEBERMAN. I appreciate your answers to those questions.

Let me move to another part of the world. I think at the end of the last century, if you asked most people up here and in the Defense Department, State Department, et cetera, CIA, what would be our focus in this century, they probably would have said that the Asia-Pacific region would be the strategic center of gravity of the 21st century.

We were obviously and necessarily distracted by the attack on us on September 11, and I think we have responded with remarkable courage and effectiveness. But I think that the Asia-Pacific remains the strategic center of gravity for the 21st century.

As I think you know and those of us who have been there recently have found, there is an anxiety among our friends in Asia about, one, China's growing military capabilities and, two, about America's staying power and commitment to the region. And I wanted to give you an opportunity to speak to that anxiety that, if confirmed as Secretary of Defense, notwithstanding the budget pressures on the U.S. Government, would our strategic involvement in the Asia-Pacific region, in your opinion, continue to be a national security priority?

Mr. PANETTA. Absolutely. I think that that region is very important to us from a strategic point of view. We have got to maintain a presence in the Pacific arena. And I think we also, in line with that, have to maintain a relationship with China. Building that kind of relationship for the 21st century, I think, is extremely important.

Obviously, there are concerns, concerns about some of the things they are doing in modernizing their military. At the same time, I think we have to be able to work with them in terms of scale and transparency so that we are working together and not in opposition to one another in order to make sure that we protect the security of that region.

Senator LIEBERMAN. But in your watch as Secretary of Defense, you certainly don't anticipate any essentially withdrawal or retreat—

Mr. PANETTA. Not at all.

Senator LIEBERMAN.—of America's commitment to the Asia-Pacific region and our allies there?

Mr. PANETTA. Not at all. Not at all.

Senator LIEBERMAN. Thank you very much.

Chairman LEVIN. Thank you, Senator Lieberman.

Senator Chambliss.

Senator CHAMBLISS. Thanks, Mr. Chairman.

And Director Panetta, thanks for your willingness to continue to exhibit great public service.

And you and I have had the privilege of working together for many years now since I was a freshman member of the House, and you were a member of the Clinton administration. We don't need to talk about how many years that has been. But I respect your service and value our friendship.

And I would just say that I know you will be the first to credit the many hard-working and very professional men and women in the intelligence and military community that led to the successful takedown of bin Laden, and you would be right to do that. But the fact is without strong leadership at the top, that mission would not have been successful. And I give a lot of the credit for that mission to you, and it is well deserved.

You and I had the opportunity to talk about the issue of rising healthcare costs in the Department of Defense budget when we visited a couple of weeks ago. And I noticed you had several questions on that issue in your advance policy questions, and I appreciate your responses.

I don't have a question on this. But as the chairman said earlier, you are going to have a very difficult job when it comes to trying to find savings and become more efficient at the Department of Defense. And there is no bigger expense, at least from the standpoint of increasing annually, than the healthcare costs.

So I just want to reemphasize the fact that this is an extremely important issue, and we need to get our arms around it. And I look forward to working with you. I encourage you to continue to think creatively about how we can bring these costs down without negatively impacting the quality of service to those who depend on that system.

I want to go back to the line that Senator McCain was addressing on Afghanistan. And regarding the troops withdrawals, I think it is clear from any operational perspective that withdrawal of U.S. troops at this point makes no sense. It may make sense from a domestic political perspective. It may make some level of sense in terms of waking up the Afghans to the fact that we are not going to be there forever, and they need to step up to the plate.

But I am concerned that a significant withdrawal of U.S. forces will reverse the progress that we have made in Afghanistan and that the Afghans have made. I am glad to see you say in your responses to questions that you "support a responsible, conditions-based withdrawal." However, I would prefer there to be no withdrawal until it is clear that the gains that we have made will not be reversed.

My question for you is, as we withdraw troops from Afghanistan, if it becomes clear from an operational perspective that the withdrawal is negatively affecting progress and stability, will you advise the President that the withdrawal should be stopped and that, if necessary, additional U.S. forces be sent back to Afghanistan?

Mr. PANETTA. As I have said and as the President has said, and the Secretary have emphasized, this has to be a conditions-based withdrawal. And that means you look at the conditions on the ground as it proceeds, and I mean, obviously, we need to do everything we can to try to stay, hopefully, on target with regards to the 2014 date.

But again, it is conditions based, and I think based on what changes take place, then obviously the President and the Secretary would have to make adjustments.

Senator CHAMBLISS. Well, I would hope that from a conditions-based standpoint, Leon, that you would give strong consideration to the safety and security of our soldiers. I know they are of number-one importance to you.

And if withdrawal of troops puts our men and women in greater harm's way, I hope that we would make it conditions based and that we would cease the withdrawal. And I hope that would be your recommendation to the President.

Mr. PANETTA. Yes.

Senator CHAMBLISS. Another issue that I want to bring up with you that we have discussed is the issue of tactical aircraft and fifth-generation fighters. Let me just say that several years ago, Secretary Gates made a push to place the future of tactical aviation on basically one weapon system, and that is the F-35.

He argued that it had stealth and other advanced capabilities that made it the airplane of the future. However, at a recent hearing, last month Secretary Carter indicated, in fact, that DOD has taken money out of the F-35 program to buy fourth-generation fighters.

Not only are these fourth-generation fighters costing billions of dollars, but they are going to be in the inventory for probably 20, 30 years, and we are going to be paying to maintain them even at a greater cost. Yet their utility is greatly limited against any kind of modern threat, and in my view, this does not seem to be a very good way to expend taxpayer dollars.

What is your perspective on this issue? And if confirmed, will you absolutely be committed to preserving U.S. supremacy and air dominance and ensuring our resources are spent most wisely towards that end?

Mr. PANETTA. Senator, obviously, I want to make sure that we have the very best in terms of our fighter planes, and I know the F-35 is a plane that is being developed as the next-generation fighter. But I also know that there are extensive costs associated with how that plane is being developed, and I think we have to watch it very carefully.

I want to assure you that one of my responsibilities, in line with what Senator McCain said, is to take a very hard look at all weapon systems to make sure that they are cost effective and that they are, in the end, providing the very best equipment our forces need.

Senator CHAMBLISS. Well, what really concerns me about where we are with that program is exactly what Senator McCain alluded to. And that is that we just seem to be out of control and that we keep moving the goalpost with contractors and then blaming contractors for an increase in cost, when, frankly, part of it is due to our inefficient management of the systems.

And if we are going to spend the kind of money that we are committed to spend on that fifth-generation fighter, because it is—I mean, that is where we are headed, and we all know that. And we have got to have that airplane in the inventory. The decisions that are going to be made by you, as Secretary of Defense, relative to

procurement, to acquisition, as well as to the testing of that airplane, are going to be critical.

And you bring a wealth of knowledge from that perspective from your years at OMB, as well as where you are today. So, again, we look forward to dialoguing with you between you and this committee on that issue as well as our other acquisition issues that are going to be before you.

Let me ask you one other matter relative to Libya. I notice that you agree that the Gaddafi regime must go. How are we going to do it? Based on what we are doing today, from our participation in the NATO operation, how are we going to make that happen?

Mr. PANETTA. Well, that is, as the President has said, the objective. And it has to be done by a number of means.

Number one, we are bringing strong economic sanctions against them. Number two, we are bringing strong diplomatic pressure against them. We have implemented embargoes and, more importantly, the work that NATO is doing, pursuant to the U.N. resolution.

And the NATO forces that are there are bringing tremendous pressure, I believe, on them, not only fighting obviously to protect civilians, but to implement the no-fly zone. But in addition to that, target the command and control elements of the regime. I think all of those factors have to continue in order to put pressure on Gaddafi.

Frankly, I think there are gains that have been made. We have seen the regime weakened significantly. We have seen the opposition make gains both in the east and the west. I think there are some signs that if we continue the pressure, if we stick with it, that ultimately Gaddafi will step down.

Senator CHAMBLISS. Well, again, thanks for your service, and I look forward to continuing to work with you.

Chairman LEVIN. Thank you very much, Senator Chambliss.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

Thank you, Director, for your extraordinary public service, for your particularly in the last few months your decisive and courageous advice to the President, which led to the successful raid against bin Laden. It would not have been as successful or as effective without your participation.

And thank you personally for your friendship over many years.

Let me return to the topic of Afghanistan. We are looking at a decision shortly that will be based on conditions on the ground. But it strikes me, and I think implicit in what you said in your testimony, those conditions on the ground might be more relevant vis-à-vis Pakistan than Afghanistan.

That, in fact, as long as the government of Pakistan at least appears to see some of these groups, these terrorist groups on their soil as strategic assets and not liabilities, that our operations in Afghanistan are going to be very, very difficult.

And so, going to the real conditions on the ground, your comment on whether those conditions are really more about Pakistan than Afghanistan, and our effort, our strategy, our focus has to be there as much as Afghanistan and better focused. And I would also in

this context some type of regional dialogue, including Pakistan, Afghanistan, and India. Your comments, Mr. Director?

Mr. PANETTA. I would agree with that, Senator. I think it is pretty clear we can't succeed in Afghanistan if we are not succeeding in Pakistan in terms of controlling the safe havens and the cross-border operations. And so, we have got to work at both in order to ensure that we are able to stay on path with what we would like to achieve in Afghanistan.

In addition to that, I agree with you this is a regional issue. And to the extent that the countries in that region can work together and relate to each other instead of being suspicious of each other and creating the kind of dynamic that, frankly, has not been very helpful, I think it would be in the interest of peace in that region if we could get all three to continue to work together to advance the same goals.

Senator REED. One of the points that I believe your predecessor—and I, too, will join my colleagues in commending him for exemplary service. Indeed, one of the challenges you have is following an extraordinarily talented, successful, and decent human being. You will do it, I know. But you have got a challenge.

Secretary Gates pointed out how important non-DOD operations were at the Department of State, agricultural operations, Department of Agriculture. Now we are getting also into the specter with these violent climate episodes throughout the globe of scientists in NOAA and others. And yet there is a real danger here that those budgets might suffer.

And in Afghanistan, my colleagues in the Foreign Affairs Committee yesterday released a report criticizing sort of the build stage in the operation. Can you comment upon that partnership and how critical it is?

And again, when we look ahead at the conditions on the ground, we could be successful interdicting terrorist groups, seizing caches of weapons, even interdicting transmission from Pakistan. But if there is no political capacity or governmental capacity, healthcare, education, or anything, we are going to still have a population that is disgruntled and probably destructive towards us.

Mr. PANETTA. Senator, I agree with what you have said. It has to be a whole of government approach as we deal with these issues. Clearly, State Department plays a very important role in providing assistance to individuals to ensure that an area remains secure, AID, the education area. The Justice Department provides assistance. The area of agriculture also provides important assistance.

Look, I know the Department of Defense is our primary military weapon in terms of securing areas. But if we don't follow it up with these other important assets, we will never be able to fully secure these countries.

Senator REED. Let me change topics for a moment. It strikes me that—and this is not particularly a brilliant insight, but I am old enough to remember when there were three dimensions of conflict—air, land, and sea. I did some land stuff and technically air because I jumped out of airplanes.

But there is a whole new dimension, cyber. I don't think we know enough yet to be fully prepared, fully conversant. But can you comment briefly on the strategy that you will try to develop?

I presume that strategy will involve some deterrence, preemption, offensive, defense. And as was just indicated, there is a policy now of just within the context of the rules of war, what would constitute some type of casus belli?

I think you are stepping in at a critical moment where we are just beginning to develop a strategy for a new dimension of warfare that we have never really confronted yet, and your leadership will be critical.

Mr. PANETTA. There is no question that the whole arena of cyber attacks, developing technologies in the information area represent potential battlefronts for the future. I have often said that there is a strong likelihood that the next Pearl Harbor that we confront could very well be a cyber attack that cripples our power systems, our grid, our security systems, our financial systems, our governmental systems.

This is a real possibility in today's world. And as a result, I think we have to aggressively be able to counter that. It is going to take both defensive measures as well as aggressive measures to deal with it. But most importantly, there has to be a comprehensive approach in Government to make sure that those attacks don't take place.

So I will be—obviously, I have a huge responsibility, if confirmed, in this new position in dealing with the cyber area through NSA and others. My goal would be to work very closely with them and with others to develop not only the capability, but also the law that I think we need to have in order to determine how we approach this challenge in the future.

Senator REED. Just a final topic, and really echoing what Senator McCain said, Senator Chambliss, and others, is that there is an acquisition bow wave coming, as you recapitalize and innovate our military forces, and that has been pushed off a bit. It has been deferred a bit, but it is coming.

And one of the aspects, as Senator Chambliss pointed out, was it is not simply the sheer number of systems that we have to buy—land, sea, and air, and others—it is the price tag on each one of these systems. And I know Secretary Carter has been working very hard to make affordability part of the design. But all of those efforts are going to be absolutely necessary because there will be no room within even a generous budget to do everything that has to be done unless we make significant progress in that area. And just your comments again, Mr. Director.

Mr. PANETTA. In the briefings that I have had, it is obvious that this is an area that we have got to pay a lot of attention to because of the efficiencies, because of competition, because of the nature of expanding contracts that have taken place there.

We have seen these weapon systems grow in cost. It takes an extraordinary amount of time to be able—you know, from the beginning of moving that kind of weapon system to the time it is finally developed, finally deployed, it almost becomes outdated. We have got to improve that process.

I know the Congress has taken steps in that arena, but I look forward to working with you and with the members of this committee to take greater steps to make sure we are looking at every possible efficiency in the procurement arena in order not only to

save dollars, but to make sure we are getting better equipment as a result of it.

Senator REED. Thank you, Mr. Director.

Thank you.

Chairman LEVIN. Thank you, Senator Reed.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Good to see you again, sir. I appreciate you taking time with me yesterday. As you know, I look forward to voting to confirm you.

And Mr. Chairman, thank you for, obviously, holding this hearing.

You know, I echo a lot of the same thoughts that my colleagues do regarding the cross-border operations, the tremendous amount of aid we give to Pakistan, \$4 billion, I think, give or take. And I have deep concerns that as we try to move forward with completing our mission and bringing our men and women home in Afghanistan that we are having these areas where you have the safe havens, yet we are giving them billions of dollars in aid.

It is either you are with us or you are not. Either you are helping or you are not. And is there an effort and/or what is your position with regard to carrying that message that people like me and others in Congress are getting a little bit frustrated with that duplicity?

Mr. PANETTA. Senator, I want to assure you that Secretary Clinton; Chairman Mike Mullen, who meets with them regularly; myself; my deputy, who was just there; have all made the same point that we need to have their cooperation, we need to have their partnership in confronting what, frankly, is a common enemy here.

You know, terrorism just isn't our problem. It is their problem. They are the subject of attacks every day from terrorists. It is in their interest to try to take greater action to control terrorism within their borders, and I think they have to recognize that we expect in a relationship and a partnership that it is a two-way street, that it isn't just one way. It has got to be two ways if we are going to protect both of our countries.

Senator BROWN. Right. I mean, the fact that bin Laden was there. And clearly, if they didn't know he was there then—I, quite frankly, don't believe them. But I am hopeful that that message continues very strongly. I know when I went over there, I conveyed that same message as well.

If you are walking down the hallway and a media group grabs you and says, "Sir, what is the mission in Afghanistan?" I mean, what is your response? And when I go back home, what should I convey to the people back in Massachusetts as to now that, obviously, we have made progress there. We have done A, B, C, and D. What should I convey and what do you convey, sir, in your everyday conversations, what is the mission in Afghanistan right now?

Mr. PANETTA. The fundamental mission in Afghanistan is to provide sufficient stability so that that country never again becomes a safe haven for al Qaeda or al Qaeda's militant allies. I think that is the fundamental mission.

Senator BROWN. And is it your plan to achieve that mission by setting benchmarks that will hopefully be attained so we can step

back and bring our men and women home. And I feel that—well, let me ask you that first.

Mr. PANETTA. I think the President has made clear that there are goals that we are continuing to work on. We need to weaken the Taliban. We need to develop the force structure in Afghanistan with the police and the army so they can assume these responsibilities, and we need to develop the governance system there so that it can provide greater security for the future. Each of these areas has to be focused on in order to arrive at our goal.

Senator BROWN. Is it your opinion that there is a will in Afghanistan with the people and the government folks there to do that, to ultimately be self-sufficient?

Mr. PANETTA. I think there is. I think in the discussions I have had there, I think they really do want their country to succeed. It is not always easy. This is a tribal society. It is not a simple thing to be able to work together.

Senator BROWN. There is very little—I mean, you have the tribal society, then you have the central government. There is very little interaction.

Mr. PANETTA. It is not easy. It is difficult. And yet, I think they understand that, ultimately, this is their country, and they are going to have to provide the security in their country.

Senator BROWN. And I am also deeply concerned and I am hopeful that you will look at it regarding we keep hearing reports that monies that we are providing are going ultimately to terrorists and ultimately being used against our men and women that are serving. Is that something you have a comment on?

Mr. PANETTA. I think we have to continually oversee that and make certain that that doesn't happen. I don't deny that there has been corruption in that country, and I think we have to ensure that one of their responsibilities as a government is to make sure that doesn't happen.

Senator BROWN. And just to shift gears a little bit, what is happening in Egypt and that region of the world, obviously, people are hopeful that they are having an opportunity to share in the freedoms and privileges that we and other countries like us have. Yet there is also deep concern about voids that may be left in the event, you know, after these transitional periods.

For example, in Egypt, we have given them billions of dollars, and they have purchased billions of dollars of military equipment and the like. And they have upcoming elections at some point. Depending on who gets in power, we have—they still have the equipment. They still are receiving aid.

And I am concerned about Israel and its safety and security. I am concerned about other parts of that region. What are your thoughts on the relationship with Israel, the transition we are seeing over in the Middle East?

Mr. PANETTA. Well, I mean, obviously, we will and have to continue to maintain a strong relationship with Israel and that part of the world, and we have to reach out to other nations in that part of the world as well if we are going to ultimately preserve peace in that region.

This is an area that is great turmoil now. I think you have just commented on that. A lot of these countries are going through tur-

moil—Tunisia, Egypt, Libya, Bahrain, Yemen. There are a number of countries that are dealing with uncertainty.

I think the United States has to, on a case-by-case basis, work with each of these countries to ensure that they reduce the violence, to ensure that they are recognizing some degree of universal rights, and that they are implementing economic and political reform. That is not going to be easy. There are tremendous changes going on, but we have to play a role in what is developing in so-called “Arab spring.”

I think the President spoke to that. And the fact is that if we don’t, there are other countries in that region like Iran that are going to try to influence what takes place. We can’t afford for that to happen.

Senator BROWN. Thank you, sir. Good luck.

Chairman LEVIN. Thank you, Senator Brown.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

And I want to say aloha and welcome to Director Panetta, who is a dear friend and a former colleague. We have so many things that we can talk about, but I want to tell you, Director Panetta, that I am really impressed in your opening statement. And what else can I say, as we consider a person who was nominated by the President to be Secretary of Defense who will be a tireless advocate of our military and will bring about support and sustain them?

And for me, this is great and that this will be in your thoughts and prayers and supported by your dad’s principles of having a free country and a country that is secure and that you would continue to bring strong discipline and national defense for our country. With all of this, I want to wish you well and tell you that you certainly have my support.

As we discussed, you will face significant challenges, if confirmed. The men and women of the armed forces have served with honor and resolve in two major conflicts that have taken a tremendous toll on our armed forces. We must do all we can to care for them. Fulfilling this sacred obligation is dependent on DOD and VA cooperation.

I am glad that you stated in your response, in your advance policy questions that you would ensure that DOD continues to work closely with VA to support service members and their families, and we talked about working on a seamless transition between DOD and VA. And so, with this, as you carry on into the position of Secretary, you certainly have my support.

Director Panetta, if confirmed, what will be your top priorities as you look to care for men and women in uniform and their families?

Mr. PANETTA. Senator, obviously, my first and foremost priority is to protect this country, but I can’t do it unless we have good fighting men and women who are willing to put their lives on the line in order to defend this country. And I think we owe it to them as a result of that, and we certainly owe it to their families, to make sure that we are doing everything possible to meet their needs.

And I think, obviously, providing the kind of healthcare, providing the benefits, providing the counseling that is necessary, particularly for wounded warriors, making sure that they can transi-

tion to VA in a seamless way, all of these are areas that I have to pay attention to because I have seen it, you know, firsthand that these kids are out there. And they are, indeed, putting their lives on the line, and we have asked them to go there time and time again.

We have got to make sure that they know that they are fully supported in this effort. And it is going to be my job, if confirmed as Secretary of Defense, to ensure that we are providing those benefits. Obviously, I want to work with people like yourselves that have been working at this for a long time to make sure that we are covering all of their needs.

Senator AKAKA. Thank you.

And I am impressed as you did tell us just about five steps of what you are planning to do and have social reforms. And I thought it was unique where you want the chiefs and the Secretaries to work together and share their concerns as well and that you want to work on the Pentagon management, which I think is so important as well. And this is also important, to regard the Congress as a partner and to work with the Congress as well. And then to deal with the challenge of nations that are rising and changing, as you mentioned.

Director Panetta, the Chief Financial Officers Act of 1990 required DOD to prepare financial statements, which were found ultimately unreliable. At 2010, NDEA requires the department to provide auditable financial statements by 2017. I believe in accountability, and I know you do, too. And we owe the American people complete and accurate financial information from the Pentagon.

Additionally, accurate books would allow Pentagon leaders to make better-informed decisions in a resource-limited environment. If confirmed, what will you do to ensure that the department meets these requirements?

Mr. PANETTA. Senator, I was concerned in finding out that the department would not be able to achieve full auditability until something like 2017. And I understand—I mean, I understand how areas of the budget developed, how there is—I mean, the American people should know that, obviously, there is auditing that does go on within each of these areas. But as a department, we should be able to audit that department.

And if I am confirmed, one of the first things I am going to do is to try to see if we can't take steps to try to improve on that timetable so that we can say to the American taxpayer that what we are spending on national defense is being fully audited.

Senator AKAKA. Director Panetta, DOD is one of the few departments that has recognized the importance of developing and maintaining its language and cultural awareness capabilities. A number of steps have been taken to improve these skills within the department and across the country, such as leading the National Language Service Corps and coordinating its activities with other Federal agencies.

What are your thoughts on the importance of cultural and foreign language capabilities within DOD?

Mr. PANETTA. Senator, I am a big believer in language training and getting our people equipped with the ability not only to speak

the language, but to understand the culture of the countries that we are dealing with. And I say that not only because I think it is kind of—it is good for each individual to be able to have that capability, but I have to tell you it is important to our national defense to have that capability.

At the CIA, I have developed a requirement for analysts, for those that are operations officers to have a language capability. It makes them a better—not only a better individual. It makes them a better intelligence officer to have that capability.

I think at the Defense Department, I think we need to also encourage greater language training so that they understand not only the language, but the culture of the countries that they are involved with. Having that capability makes us much better at doing our job.

Senator AKAKA. Thank you very much, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Akaka.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

Thank you so much, Director Panetta, for your leadership and distinguished record of service to our country.

I wanted to ask you, the President's proposal starting in 2013 to cut \$400 billion, do you agree with that proposal, and what do you think—is it a realistic number in terms of our National security, preserving our National security?

Mr. PANETTA. Senator, obviously, I agree with the commitment of the President to try to take action to reduce the deficit and the number that he suggested. I do want to say that there is a comprehensive review that is going on that the President himself stated would take place, the Secretary has stated would take place.

And that comprehensive review is looking at a number of issues related to the Defense Department in order to determine what is the right pace, what are the right areas, what is the right transition in order to achieve that savings. And I look forward, obviously, to the results of that comprehensive review.

Senator AYOTTE. So, as a follow-up, you have certainly expressed your admiration for Secretary Gates, and I share that admiration for his service to our country. So he has made some recent statements expressing concerns over the \$400 billion proposal and I think, in fact, talked about it cutting into the meat, you know, in terms of the muscle of our defense. And do you disagree with him on that front in terms of—

Mr. PANETTA. No, no. I share his concerns. I share his concerns about the possibility of hollowing out our force. I think that would be a terrible mistake. I share his concern about some kind of automatic, across-the-board cuts and just implementing some kind of formulaic approach to cutting defense when we have to look at each area and determine where we are going to achieve savings in order to protect defense.

So, obviously, I share those concerns. But what I want to do is to be able to look at that comprehensive review in order to make sure that none of the concerns that Secretary Gates has raised or that I am concerned about take place in seeking those reductions.

Senator AYOTTE. And in conducting that review, when you get into the position of being the Secretary of Defense, if you disagree

that \$400 billion is a reasonable number and could jeopardize our National security, would you express your opposition to the President on that?

Mr. PANETTA. If the end result of that comprehensive review were to come to that conclusion, then obviously, I would share those concerns. I don't think it will, but I think that, obviously, if there was something that indicated that our National defense would be impacted, obviously, I would share that with the President.

Senator AYOTTE. Director, I wanted to ask you about the CIA and interrogations. Does the CIA currently conduct interrogations of high-value targets or of terrorists or those that are captured?

Mr. PANETTA. Senator, the way it works now is that when a high-value target is captured, there is a high-value interrogation team that comes together. That involves the Army, the FBI, and the CIA working as a team. And they will go and interrogate an individual for intelligence as a team. It works pretty well, but that is the way it works now.

Senator AYOTTE. But just to clarify, does the CIA actually do the interrogations themselves? Meaning I understand what The Hague does, but as I understand it, the CIA has really—while participating in The Hague, has not been doing interrogations. Am I wrong on that?

Mr. PANETTA. Generally, the CIA individual there can ask questions. Generally, what is done is that they will share with each other what questions ought to be asked by the interrogator. That could be the Army individual. It could be the FBI. But every once in a while, the CIA individual asks questions as well.

Senator AYOTTE. Is there anything that prohibits the CIA from taking the lead in conducting interrogations under current policy or—

Mr. PANETTA. The way the team works now is that, obviously, if it is someone where intelligence is the primary objective here, going after and trying to find that out, then the CIA individual becomes pretty central to the questions that are asked. That is the way it works now.

In other words, if there is a real emphasis on that, that is one case. If it is an FBI case and they are looking at trying to prosecute that individual, then obviously FBI takes the lead. If it is a military case or individual that could involve follow-up on the military, then they would take the lead.

So it really works as a team. That is probably the best way to say it. It is a team, and they do it on a case-by-case basis.

Senator AYOTTE. So nothing currently prohibits the CIA from being the lead in conducting interrogations?

Mr. PANETTA. Nothing prohibits that from happening.

Senator AYOTTE. Okay. And to your knowledge, does it happen now? I mean, I understand it is a team. But I am just trying to understand whether the CIA ever takes the lead.

Mr. PANETTA. It is not—it is obviously—it is not the direct interrogation that used to take place early on in this decade, but it is much more of a team approach right now, and that is the way it works.

Senator AYOTTE. I wanted to follow up with respect to the Detainee Treatment Act. Do you agree with all the provisions of the Detainee Treatment Act, including the provisions that provide legal authority regarding interrogations?

Mr. PANETTA. Obviously, I agree with the law, yes.

Senator AYOTTE. Do you think—you talked about your view on waterboarding. Do you think that all of the enhanced interrogation techniques across the line, I think, was what you used when you discussed waterboarding.

Mr. PANETTA. No, I don't have the same view with regards to all of the other enhanced techniques that I do with regards to waterboarding.

Senator AYOTTE. And so, right now under the President's Executive Order, the interrogations are limited to the Army Field Manual. Is that right?

Mr. PANETTA. Correct. Correct.

Senator AYOTTE. And so, you would agree that there some enhanced interrogation techniques that don't necessarily cross the line but wouldn't be contained within the Army Field Manual. Is that right?

Mr. PANETTA. The enhanced techniques that were used early on have now been forbidden by the President's Executive Order. So it is primarily the Army Field—it is the Army Field Manual that is the primary guide with regards to interrogations.

Senator AYOTTE. But to the extent that some of those techniques may be permitted under the Detainee Treatment Act, and would you necessarily disagree with the law contained within the Detainee Treatment Act?

Mr. PANETTA. If it is permitted under the Army Field Manual, then obviously, I would support that.

Senator AYOTTE. My time is up. I appreciate your answering my questions.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

Director Panetta, thank you for your decades of public service and your willingness to step forward and extend this public service in this new position.

You will inherit 10 years of war, budget belt-tightening, and two wars winding down, if confirmed. You will be tasked with reshaping the DOD, including resetting its combat-weary units, drawing down the DOD budget, and taking care of the DOD members and their families. To say that that is a set of tall orders is an understatement of giant proportions.

With respect to Afghanistan, there has been quite a bit of discussion about the need for benchmarks to do authentic assessment of where we are in the transition to the Afghanistan capability of defending itself so that it can govern itself going forward. I have been a prime supporter of benchmarks, first with regard to Iraq and now with respect to Afghanistan as well.

I am introducing legislation today that will require benchmarks to evaluate progress being made toward the transition of security responsibility to the government of Afghanistan. And the bill would call for the benchmarks on transition to be included as a part of

the already- established reporting requirements for Afghanistan known by I think it was 1230 and 1231 reports to make it consistent.

I am encouraged by your discussion and your support of this method of evaluating progress by some form of metrics so that we are not in a gray area always about whether we are winning or we are losing or making progress. It gives us an opportunity to decide what level of progress have we made, what remains to be accomplished for us in that regard. I am encouraged by many of my colleagues on both sides of the aisle talking about the benchmarks as well.

Because if we intend to transfer security responsibility to the Afghan government by 2014, obviously, it is important to mark our progress. Do you have any preliminary thoughts as to the kinds of things you might look at as part of benchmarking that would help you evaluate conditions on the ground as to whether or not we are making satisfactory progress to where you can say we are 25 percent there, 50 percent there, or we have got 50 percent yet to go?

Mr. PANETTA. Obviously, I think that to establish any metrics or guideposts here, it is very important that General Petraeus, that obviously our diplomatic leaders there, the administration participate in trying to identify those areas that are important.

Clearly, levels of violence is an important area to look at. Clearly, a district assessment that looks at each of the districts and tries to determine the stability in each of those areas. Clearly, an evaluation of the development of the Afghan army, police operation, and how they are performing. That is another important element. And obviously, the governance responsibilities within Afghanistan. I mean, those are all key areas that I think need to be evaluated.

Senator NELSON. In your view, and it is obviously a unique view as Director of CIA, can you give us some idea of what you think the impact of the death of Osama bin Laden might have on the campaign going forward in Afghanistan and keeping it from a safe haven for future al- Qaeda operations?

Mr. PANETTA. Senator, with regards to specific intelligence on that, that is probably more appropriate in another forum. But I think it is fair to say that the death of Osama bin Laden, there is no question that it impacted on al Qaeda. He was the spiritual leader of al- Qaeda, and I think it did impact on their capability. In addition to that, obviously, there are a number of operations that I think have impacted on their command and control capabilities as well.

But having said that, having said that, they still remain dangerous, and they are dangerous with regards to the efforts they continue to work at in Pakistan. One of the concerns that I will share with you is that I think we do have to pay attention to these nodes that are developing where al Qaeda has moved some of its operations, places like Yemen, Somalia, North Africa. Those are areas that I think we have to continue to focus on.

So, yes, it has had an impact. Yes, I think it has weakened them. But they still remain dangerous, and we still have to go after them.

Senator NELSON. And I agree with you, and I appreciate that view.

We have had a very touchy situation develop with respect to Pakistan in terms of what level of support Osama bin Laden may have had from anyone involved in the Pakistan government. It is a complicated relationship, we understand. But the American people are really quite concerned about double dealing. You can't have a friend be your friend and your enemy at the same time. Your friend, but working against you.

Do you think that the relationship with Pakistan is transparent enough at the present time? Is there something we can do so that the American public can make a better determination of that relationship that we share with the government of Pakistan?

Mr. PANETTA. Senator, I think we just—we have to continually work at that. We have to work at developing a relationship of trust with the Pakistanis. I don't know that we are totally there. I mean, there are some areas where, frankly, we have good discussions. We have good communications. But there are a number of areas where, frankly, we don't have that level of trust or communication capability.

And I think we have got to work at that. We have got to develop it because, as I have said, it is in the interest of both countries to have a trusting relationship because terrorism is an enemy not just for the United States. It is an enemy for Pakistan.

Senator NELSON. And do you think that an internal investigation with some level of transparency within their government to try to determine responsibility for anyone who may have had involvement in trying to protect the presence of bin Laden in their country, that that will be fruitful? And if it is fruitful, that it will be looked as credible by our Government first, but by the American people?

Mr. PANETTA. Senator, at this point, we don't have any intelligence to indicate that there was any relationship here. But having said that, I do believe that the Pakistanis are conducting several investigations at different levels to try to investigate what took place, and I think probably would be important to see what the results of those investigations are.

Senator NELSON. Thank you. And obviously, good luck in your new position, which you are about to achieve.

Thank you.

Chairman LEVIN. Thank you, Senator Nelson.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Mr. Director, I can't thank you enough for being willing to do this job after being CIA Director. I just think the President has put together an A-plus national security team, and you are one of the linchpins of that. So now, some hard questions. [Laughter.]

You mentioned to Senator Nelson that you think the killing of bin Laden has created some momentum. I couldn't agree with you more. What to do with that momentum?

The statement to me that it makes, there is no place you can go and no passage of time that will protect you from justice being delivered by the American people. I think that is a statement that needs to be made. But we also need to make another statement. You can count on America.

So my general belief is that this war is more complicated than killing terrorists. Do you agree with that?

Mr. PANETTA. Yes.

Senator GRAHAM. And we have got to make an equal investment in helping those who would fight the terrorists in their own backyard and be our partner. Don't you agree that takes more time, that it is more costly and, in many ways, more deadly to build up partnerships than just killing an individual?

Mr. PANETTA. It absolutely does take more time because—

Senator GRAHAM. Do you agree with me that the payoff is much more enormous if we can get it right?

Mr. PANETTA. Correct.

Senator GRAHAM. What happens if we lose in Afghanistan?

Mr. PANETTA. I think if we lose in Afghanistan, we not only create another safe haven for al Qaeda and for their militant allies, but I think the world becomes a much more threatened place because of that loss, particularly in that region.

Senator GRAHAM. I can't agree with you more. I think that is absolutely dead on.

What do I tell a family in South Carolina who has lost a son or daughter in Afghanistan to an IED that we know was made in Pakistan, and we can't do a damned thing about it? What do I tell them?

Mr. PANETTA. You know, I think that that is one of those situations that is frustrating and angering.

Senator GRAHAM. Would you agree with me—

Mr. PANETTA. And one where we have got to say to that family that we are not just walking away from that responsibility, but we are continuing to put pressure on those countries that are involved with that.

Senator GRAHAM. I couldn't agree with you more. And I don't think, quite frankly, we are going to be able to sustain our efforts in Afghanistan until we deal with the safe havens. And I trust you and General Petraeus to deliver that message.

But on behalf of the people of South Carolina and I think most members of this committee, if you are listening in Pakistan, you need to choose. Because it is in your interest to help fight people that would undermine Afghanistan, as well as Pakistan.

So I am all in in winning in Afghanistan and doing what we need to do in Iraq. But Pakistan needs to get with the program one way or the other.

Now, the Pentagon itself. Do you agree that the general system we have today to buy weapons is that the longer it takes to develop a weapon and the more it costs, the more the contractor makes?

Mr. PANETTA. That is right.

Senator GRAHAM. Isn't that kind of stupid? [Laughter.]

Mr. PANETTA. Not for the contractor.

Senator GRAHAM. I mean, it really is. Yes, yes, yes. I don't blame the contractor. I blame us.

So, what if we did this? What if we said to the contractors in the future, you are welcome to bid on major weapon systems, but why don't you share 25 percent of the development cost, and at the end of the day, we are going to have a fixed price, not a cost plus. And if there are any overruns, you share in the overruns. Do you think that is some idea to at least—

Mr. PANETTA. I think that is a suggestion worth looking at.

Senator GRAHAM. Yes, I think it is, too. I think it would save us a lot of money. And one thing I would like you to do is go back in the past, and if you had a cost-sharing arrangement, how much money would we have saved in the last 20 years if we had had that arrangement versus the longer it takes, the more it costs, the more you make? So I think it is a way to save money and actually get weapons done quicker.

When it comes to Iraq, if the Iraqis ask us to provide some troops in 2012, Secretary Gates says he thinks that would be smart. Do you think that would be smart to say yes?

Mr. PANETTA. Yes.

Senator GRAHAM. Okay. Secretary Gates, do you agree that he has got a pretty good view of what is going on in the world?

Mr. PANETTA. Sure does.

Senator GRAHAM. And he has served our country in an extraordinary manner, I think. If he says 3,000 to 5,000 makes sense when it comes to July withdrawal in Afghanistan, would you give great consideration to that number?

Mr. PANETTA. I don't want to speculate on what the number is. But whatever Secretary Gates recommends—

Senator GRAHAM. Well, that is what he said. It is not speculation. He said 3,000 to 5,000 would be a wise move in July. Would you at least consider that request?

Mr. PANETTA. I think Secretary Gates's position, General Petraeus's position, obviously the President's position, all of that ought to be considered.

Senator GRAHAM. Well, would you agree that between all of us, that probably Gates and Petraeus have the best view of anybody that I know of, if I had to pick two people to ask?

Mr. PANETTA. They have got a pretty good view.

Senator GRAHAM. I would put you on that list, too. Okay. Now, when it comes to Libya. If Gaddafi stays, what does that mean for our National security interests after we said he must go?

Mr. PANETTA. I think it impacts on our National security interests in the world if that happens.

Senator GRAHAM. Do you think it kills the Arab spring?

Mr. PANETTA. I think it sends a terrible signal to these other countries.

Senator GRAHAM. Do you think it tells the Iranians that you really don't have to fear America when it comes to developing nuclear weapons?

Mr. PANETTA. I think it tells them that our word isn't worth very much if we are not willing to stick to it.

Senator GRAHAM. I couldn't agree with you more. I can't wait to vote for you. [Laughter.]

Now, when it comes to detainees, if we captured someone tomorrow in, say, Yemen or Somalia, some of these failed states, high-value target, where would we put them as far as a jail? Do we have a jail available to our armed forces?

Mr. PANETTA. Well, as you know, probably better than anyone here, the—

Senator GRAHAM. Can I tell you what Admiral Mullen said when I asked him that question?

Mr. PANETTA. Sure.

Senator GRAHAM. We don't have an answer for that question. Would you help me come up with an answer—

Mr. PANETTA. That is probably not a bad answer.

Senator GRAHAM. Well, I think it is the truth. But do you think that is a smart policy, to be a nation without a jail in the war on terror?

Mr. PANETTA. I think we have to have facilities to be able to provide to detainment of these individuals. That is clear.

Senator GRAHAM. And to the committee, we don't, and we need to find one. And I think Guantanamo Bay is a good candidate because it is the only one left.

Now, in 2014, everybody is focusing on a transition in Iraq—excuse me, Afghanistan. I think, if we do this smartly, we can transition. But I am very interested in making sure, as you said, Afghanistan never becomes a failed state.

Secretary Gates said today, and he said in February when I asked him this question, that he believes that joint basing past 2014, where you would have American air power and counterterrorism units left behind in Afghanistan in a joint environment for training and counterterrorism, if the Afghans request it, would be a very good policy for us. Do you generally agree with that?

Mr. PANETTA. I think the President has made clear that we have to make a long-term commitment to stability in that region not just now, but in the future.

Senator GRAHAM. Can I read you what Secretary Gates said to my question in February about joint basing?

Mr. PANETTA. Sure.

Senator GRAHAM. "A security agreement with Afghanistan that provided for a continuing relationship and some kind of joint facilities and so on for training, for counterterrorism, and so on beyond 2014 I think would be very much in our interests." Do you think that is a reasoned statement.

Mr. PANETTA. I think that is worth looking at.

Senator GRAHAM. I do, too. Now, at the end of the day, you are taking over at a time when the budget for the Nation has never been more out of whack. We're in Afghanistan, Iraq, and Libya. You have got a very big agenda to fulfill.

At the end of the day, we are a war-weary Nation. What would you tell the American people in terms of the attitude we need to take as a country? Address their war weariness and tell them why, in your view, we should consider staying behind in Iraq, why we should consider a long-term relationship with Afghanistan. Why is it so important that we continue to stay in the fight after 10 years?

Mr. PANETTA. Senator, it goes back to my father's statement. If you want to be free, you have to be secure. The only way to ensure that security is to be able to establish some kind of peaceful solution to these challenges abroad.

Chairman LEVIN. Thank you very much, Senator Graham.

Senator McCaskill.

Senator McCaskill. Thank you, Mr. Chairman.

And I welcome you and thank you for your service and look forward to working and supporting you in every way possible.

Obviously, part of our mission in counterinsurgency is to secure and stabilize and enhance the infrastructure, and I want to certainly commend to you and ask you to direct the folks that work with you to pay attention to some of the findings on the Commission on Wartime Contracting. They issued a report last Friday, and I think it is full of very basic common-sense information that seems to be escaping us in the area of contracting and contingency operations.

And that is two important factors. One on the front end is security, whether or not the security is available and appropriate in order to support the building of projects that we put a lot of money in. We saw this in Iraq over and over again, where we would build a power plant, we would work on an oil refinery, and then 2 months later it would be blown up. And so, I think that security piece and, obviously, the cost of the security piece in order to build the projects needs to be taken into account.

But the second one, and this report they came out with Friday is a really important report, Director, and that is sustainability. We have white elephants all over this part of the world, all brought to you courtesy of the American taxpayer. And the sustainability part is—and I will read you just one quote from this report. “A project may be carefully planned, well executed, and economical, but become wasteful if the host nation cannot provide trained staff, afford parts or fuel, perform necessary maintenance, or produce intended outcomes.”

We have got one of these white elephants we spent \$300 million on in Kabul, a power plant that was designed to be dual fuel, and Afghanistan made a commitment to us that they would fuel it. And now they say they can’t afford the fuel. And the fact that it is a dual fuel makes it complicated in terms of the technology. So, basically, it is now only being used as a backup, and Afghanistan is buying electricity from another country.

This is a great example, but it can be replicated over and over again. And I really think it is time—and I understand the mentality. And I respect greatly General Petraeus and his strategies in terms of counterinsurgency, but what happens is there is this almost myopic focus. Well, if we can build this project, we will put people to work. This is good. This is what counterinsurgency is all about.

And they don’t think about what is it going to look like in 3 or 4 years. And especially in Afghanistan, I mean, you and I discussed the sustainability questions in Afghanistan are particularly acute. This is not a nation that is ready to take over many things, including some of these projects that we are building.

So I really think that if we don’t begin analyzing sustainability at the front end—and I am going to make a formal request to you that every project that is being built right now—whether it is a road, whether it is a healthcare center, whether it is a school—every project be analyzed right now for sustainability.

And if it is obvious it is not going to be sustained, I really believe you have got to pull the plug. I mean, this is hundreds and tens upon billions of dollars have just gone down a rat hole because we didn’t think about what happens when we are finished building it. And I think it is really important.

And this is the hardest question, and you and I talked about this. What are the conversations that are ongoing and what is the planning that is ongoing about how Afghanistan, with their very meager GNP, very meager GNP, how in the world do they afford what we are building them, both in the projects and, more importantly, this army that we are building for them?

I mean, it is very difficult for me to figure out what happens to this army when we leave because they can't afford it.

Mr. PANETTA. Senator, first of all, on your first point, I want you to know that if I am confirmed, I really do want to work with you closely with regards to the contracting issue in order to ensure sustainability. I share all of your concerns. I know why it has happened. I know how that has developed. But at the same time, I don't think we have paid enough attention to that issue, and I would like to work with you in trying to improve that whole aspect.

With regards to the issue of Afghanistan, again, I share your concern about where are they going to draw the resources they need not only to sustain the army and the police force, but to be a country, to be able to carry on their responsibilities. I think that is going to be part of the governance challenge that we are going to face there is to ensure that, as a nation, they begin to develop the resources, develop the revenues that they need in order to be able to govern that country. That is going to be part of it. Otherwise, it is not going to work.

Senator MCCASKILL. And is there a plan in place for short term and long term? I mean, is there some kind of plan that is in the works that we will be putting I think it is \$13 billion this year? What is the plan for 4, 5 years from now? Is there a plan that we will continue to spend upwards of \$5 billion or \$6 billion a year just keeping this army?

I mean, we are building them an army with a size and scope that is beyond—I mean they have never had an army, a national army in Afghanistan. So this is new, and is there planning going on, a joint planning or anything else that would indicate how this is going to look 2, 3, 4 years down the line in terms of what we have built?

Mr. PANETTA. Senator, I have not been fully briefed on what directly is being looking at in terms of that longer term. But let me get into that. If I am confirmed, I would like to look at that and then be able to give you a better answer.

Senator MCCASKILL. That is great. And the only other topic besides warning you that I will subject you to pop quizzes on the Wartime Contracting Commission's work. They have done some really good work. My colleague Senator Webb and I have worked very hard getting it established, and I think it is like many other commissions. Unfortunately, it is not getting enough attention, and really, where it needs to be front and center is going to be under your purview.

And I am hoping that you will make sure that your immediate staff is aware of its work and takes it to heart. Because we have got an awful lot of lessons learned that we have never learned. And I think it is really important, as we try to do things with less money.

The only other issue I want to bring up with you today that I don't think has been discussed yet is just getting your commitment and your comments about what needs to be done and should be done as it relates to the problem of sexual assault within the military, women in the military that have had a great deal of difficulty accessing some sense of justice.

Mr. PANETTA. Senator, we talked about that together in your office, and I totally share your concerns. We have to have zero tolerance for any kind of sexual assaults in the military, and we have to allow the victims of those sexual assaults the ability to be able to complain, to have those complaints listened to, to have the evidence that is necessary to be able to establish those cases.

There are a lot of steps that need to be taken, and I look forward to working with you and with others in the department to make sure that we protect women, who have served so well in the military these days.

Senator MCCASKILL. Thank you so much for your time here today. And most of all, thank you for loving your country so much that you are willing to take on this incredibly big, huge, and important responsibility.

Mr. PANETTA. Thank you.

Senator MCCASKILL. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCaskill.

Senator Cornyn.

Senator CORNYN. Thank you, Mr. Chairman.

Director Panetta, good to see you.

Mr. PANETTA. Nice to see you.

Senator CORNYN. As you and I discussed in my office, and thank you for coming by recently to talk about some of my concerns with financial management problems at the Department of Defense, I think most Americans would find it shocking that the Department of Defense is unable to produce timely, accurate, and complete information to support management decisions.

And as we also discussed, the law of the land requires the Department of Defense to be able to complete a clean audit by 2017. Again, I think that would be shocking to most people.

But I appreciate your response on page 74 of the questions, the answers you submitted to our questions that you said achieving clean audit opinions would be one of your top management improvement priorities. And certainly, you have the background and experience to move the department in that direction and to complete that requirement of the law.

I am advised that the Marine Corps actually is doing a relatively good, compared to the other services, job in this area, and they are experiencing a 3-to-1 return, on for every dollar they spend on improving financial management, actually getting a good return on that investment. And I know that it may be the attitude, there may be strong institutional resistance at the Department of Defense—believe me, as many do and as I do—that their main job is to fight and win the Nation's wars, but that this is not a priority.

But you know and I know, we all know, the budgetary pressures the department and others are going to be under as we deal with this unsustainable debt and these huge deficits important. So I think this is going to be—it is important to me and I know impor-

tant to you to make financial management reform one of your important priorities.

Having said that, I would just ask you the straight-up question, do you agree with Secretary Gates when he said that the defense budget, however large it may be, is not the cause of the country's fiscal woes?

Mr. PANETTA. I agree with that. I think it isn't. It is by no means the cause of the deficits, the huge deficits that we are incurring today.

Senator CORNYN. And the President has requested \$671 billion for fiscal year 2012. That is a lot of money, \$671 billion. And I know that there is going to be room for the department to share in some of the budget cuts that are going to be on the table.

But of course, as you and I have discussed, I hope that this is not seen as an opportunity for those who want to whack the Pentagon budget to do so in a way that will impair our ability to defend ourselves or protect our National security interests. I am sure you share that view as well, don't you?

Mr. PANETTA. Yes, I do.

Senator CORNYN. Let me just ask a question about you have the benefit of great experience and long experience with Government. But you also, that means you have a record that I want to ask you about. And of course, you were President Clinton's Chief of Staff and Director of the OMB before that. And you played a big role in the budget decision-making during the presidency of President Clinton, overseeing a major reduction in DOD procurement spending, including a 13.4 percent decline in fiscal year 1994.

Some have called that a procurement holiday. Others have said we were cashing the peace dividend, even though we still had many threats to our country. So I just want to give you an opportunity, if you would, to explain your role in those cuts and whether you think they were deeper than they should have been or just please give us your perspective. Because, frankly, I hope we don't try to cash a peace dividend in 2012 while we are engaged in two and a half wars.

Mr. PANETTA. As Director of OMB, obviously, I was given the responsibility by the President to try to achieve significant savings as part of the economic plan that was adopted by the Congress that, by the way, reduced the deficit by almost \$500 billion. And I think that, plus other agreements that were made in the Bush administration and, ultimately, with the Republican Congress all contributed to our ability to achieve a balanced budget.

Specifically, with regards to the defense area, my responsibility as OMB Director was to provide a number to the Defense Secretary and allow the Defense Secretary and those at the Defense Department to determine how best to try to achieve those savings. And I do understand that that was part of what they proposed.

But looking at it in hindsight, it might not have been the best way to achieve those savings, but it was a decision that was made at the Defense Department.

Senator CORNYN. Turning to Afghanistan, I know there is a lot of comment and favorable comment about your involvement, and I think you deserve credit for your part played in taking down

Osama bin Laden. Congratulations to you and the President's national security team for that accomplishment.

But I get the sense that people are sort of prematurely declaring that the fight is over because we have degraded al Qaeda in Afghanistan. I am glad to hear you point out that they have metastasized to other parts of North Africa and the region.

But I just want to ask you in particular, I know there are other groups that may not be as familiar to Americans as al Qaeda, like Lashkar-e-Taiba and other groups. Could you just talk a little bit about the Islamic jihadist groups that are out there that could easily morph into a threat as dangerous as al Qaeda?

Mr. PANETTA. There are a number of terrorist groups that are out there, Senator, as you know. Obviously, al-Qaeda is the one that we are principally concerned about because they attack this country, and they continue to plan to attack this country.

But there are interrelationships that they have with other terrorist groups. The Haqqanis, for example, are a group that has relations with al Qaeda. And they, in turn, obviously are conducting attacks in Afghanistan. There is a group called TTP, which is another group in the FATA that has relationships with al Qaeda that conduct attacks, not only plan attacks against us, but also have conducted attacks within Pakistan as well.

There is LeT, Lashkar-e-Taiba, which is a terrorist group that focuses on attacks largely in India but have been known to discuss attacks elsewhere as well.

If you move to the area of Yemen, there, al-Awlaki who is associated with al Qaeda, but nevertheless I think represents a real threat on his own because he is very computer oriented and, as a result of that, really does represent the potential to try to urge others, particularly in this country, to conduct attacks here. So that is a concern.

We have Somalia, where al-Shabaab operates in Somalia. And although it is primarily located in Somalia, we do have intelligence that indicates that they, too, are looking at targets beyond Somalia. And then if you add to that Hezbollah and Hamas, you can see that you have got a pretty good array of terrorist groups to confront.

Senator CORNYN. Thank you very much. My time is up. But I think it is important that the American people understand the threat to our country, our National interests, our interests of our allies and American citizens extends beyond solely al Qaeda. So I appreciate your answer.

Thank you. I look forward to working with you.

Chairman LEVIN. Thank you, Senator Cornyn.

Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman, for this hearing.

Thank you so much, Mr. Panetta, for your extraordinary public service to our country. I am extremely grateful.

I want to touch upon three issues, if we have time. I want to explore a little more on Pakistan, AQAP, and then go to a little bit of cyber warfare.

Chairman Mullen stated a few months ago that it is fairly well known that elements of the Inter-Services Intelligence had a long-standing relationship with the Haqqani network. And obviously,

addressing the Haqqani network is really important to reaching our goals in Afghanistan.

Yet a week ago, he reported that Pakistan has agreed to go after the terrorist group. How will you judge the seriousness of Pakistan's commitment to that effort?

Mr. PANETTA. I think there is probably simple test, which is whether or not the Haqqanis are continuing to go into Afghanistan and attacking our forces. It seems to me that if they have an influence over the Haqqanis, that they could urge them to cease fire and to stop those kinds of attacks.

Senator GILLIBRAND. I appreciated your testimony earlier about the nature of al Qaeda, that it has fundamentally metastasized, and in fact, many believe that al Qaeda in the Arabian Peninsula is perhaps far more dangerous than any other aspect of al Qaeda today.

You also mentioned that al Qaeda works in a very diffuse way, that oftentimes, it is inspiring groups like al-Shabaab in Africa and AQAP in Yemen. And of the three terrorist attempts on our homeland since September 11, one on New York came out of Pakistan, the Christmas Day attempt on Chicago from Yemen, and the Fort Hood massacre motivated out of Yemen. Al-Awlaki recruits online, including from Europe and the United States, and we need to focus on a smart strategy to address these threats.

So I support your view that we have to take these threats head-on and we have to make them very much part of our mission. I want to understand why in Yemen our approach is so different than that of Afghanistan. And perhaps not in this setting, but to talk a little bit about what some of your long-term strategies are to deal with the fact that al Qaeda has changed so much.

Mr. PANETTA. With regard to specific operations, I would have to do that in another forum. But just generally, I think our approach has been that because of these nodes that have developed, our approach has been to develop operations in each of these areas that will contain al Qaeda and go after them so that they have no place to escape.

So that we are doing that in Yemen. It is obviously a dangerous and uncertain situation, but we continue to work with elements there to try to develop counterterrorism. We are working with JSOC as well in their operations. Same thing is true for Somalia and with regards to AQIM in North Africa, we are working with both the Spanish and the French to develop approaches there that will contain them as well.

So I think we have at the CIA tried to develop a more comprehensive strategy to kind of look at all of those nodes, look at all of those threats, and not just focus on the FATA or Pakistan, but focus on all of those threats in order to try to deal with it.

Senator GILLIBRAND. Right. Now, obviously, Yemen is under substantial turmoil, and we don't know whether the government survives or not. Do we have strategies in place to make sure that if there is a transition that we are very knowledgeable about what military assets are there, what will happen to them? And do you have—have you engaged the Saudis or any other potential allies in what we can do there to protect against future growth of terrorism?

Mr. PANETTA. Again, with regards to specific operations, I really have to discuss that in another forum. But we are—it is, as you know, a very uncertain situation. It has been destabilized. And yet we are continuing to work with those individuals in their government to try to go after AQAP, and we are continuing to receive cooperation from them.

So, at this point in time, I would have to say that while, obviously, it is a scary and an uncertain situation, with regards to counterterrorism, we are still very much continuing our operations.

Senator GILLIBRAND. And then, last, if I still have time, Mr. Chairman, I appreciated the testimony you gave earlier, Senator Reed asked about it and others, about cyber terrorism, cyber crime, cyber attack, cyber warfare. I appreciated the fact that the statement was made that a cyber attack could well be a declaration of war, and you and I had a chance to talk about this in some respects.

Can you share with us any of your vision, design, goals with regard to how we create a greater platform for cybersecurity and cyber defense? And in particular, I have worked with Senator Hatch on creating some international protocols to create alliances and working relationships with both allies and nonallies on how to begin to have an ability to enforce laws against cyber attacks, cyber criminals, cyber terrorists, and any other form of cyber mischief. I would love your thoughts on what you can share with us.

Mr. PANETTA. Senator, as we discussed in your office, this is an area of great concern for me because I think what I have witnessed at the CIA and elsewhere is that we are now the target of increasing attacks that go after our systems, and it is extremely important for us to do everything we can to confront that threat.

Obviously, I have a great resource with the NSA that has tremendous expertise and tremendous knowledge in this area. What I would like to do is to develop an even more effective force to be able to confront cyber terrorism, and I would like to work with you on the effort to try to develop those kinds of relationship not only here, but abroad, so that other countries can work with us in this effort.

We talk about nuclear. We talk about conventional warfare. We don't spend enough time talking about the threat of cyber war.

Senator GILLIBRAND. Thank you.

And then, last, I just want to thank you for your testimony today about your priority to look out for the men and women serving in our armed services and their families. I think not only must that be one of your primary responsibilities, but I appreciate that it is in the forefront of your mind.

My time has expired. So I will just leave you with I hope you continue that focus and particularly focus on the issue of housing. Because a lot of troops are coming back from various missions, and Fort Drum and other places around the United States really have inadequate housing supply. And so, I hope that you can address that in a perhaps more aggressive and more nuanced way.

Thank you so much, very much for your testimony.

Chairman LEVIN. Thank you, Senator Gillibrand.

Senator Collins.

Senator COLLINS. Thank you. Thank you, Mr. Chairman.

Director, you certainly deserve the widespread accolades and expressions of gratitude that you are receiving from virtually every member of this committee today, and I want to add my own thanks for your willingness to continue to serve our country during such a difficult time.

But like my colleagues Senator Graham and Senator Brown, now the hard questions start. And I want to start with Libya.

You have repeated today the administration's goal that Colonel Gaddafi must go. But what then? If there is any painful lesson that we have learned from our experience in Iraq, it is that if we do not have a plan in place after we have deposed a tyrant, that chaos and violence ensues.

Do you have confidence that we have a plan for dealing with Libya post Gaddafi, and do we even really know who we are dealing with in the opposition?

Mr. PANETTA. I know that Secretary Clinton is spending a great deal of her time working with our allies to respond to that concern, to try to work with those in the opposition who have come together in the consuls that they have developed there, to try to work with them in terms of greater support so that if they do, in fact, have to take control of the country, that they will have that capability.

But it is—what you have raised is a legitimate concern, and it is an area that we have a lot more work to do in order to ensure that if Gaddafi does step down that we can ensure that Libya will be a stable country.

Senator COLLINS. It really concerns me, particularly when you look at the leadership of al Qaeda and the Libyan presence there, if you look at the number of foreign fighters in Iraq that have come from Libya. I just don't feel any confidence that we know what comes next.

Mr. PANETTA. The opposition, obviously, has been made up of various tribal groups that have come together, and there are concerns about some of the other influences that are now trying to impact on the opposition. It is something that we are watching very closely, but I do think that if we can get Gaddafi to step down that I am confident that there are enough leaders in the opposition who can provide, hopefully, that continuity.

Senator COLLINS. Let me next turn to Afghanistan. No one wants to lose Afghanistan, and all of us are so mindful of the enormous sacrifices that our military men and women have made in Afghanistan and the enormous amount of taxpayer dollars that have been spent.

Senator Brown asked you a key question today about what is our mission? And you talked about the goal of having Afghanistan be a stable state, and that certainly is something that I want also. But to me, that seems to be a never-ending mission. I don't see how we get to a stable state in Afghanistan.

And let me give you an example. A key to our transition in Afghanistan, the key to our troops being able to come home is the development of a competent, aggressive Afghan security force, and we have made a lot of progress in that area.

But I look at the cost of maintaining the Afghan security force. In this year's presidential budget request, it is \$12.8 billion. The total Afghanistan gross domestic product is about \$30 billion, and

97 percent of Afghanistan's GDP is derived from spending related to international military and donor community presence.

So when I look at that imbalance, I don't see how Afghanistan is ever going to be able to even afford its own security forces. And that says to me that we are going to have to continue to be a major contributor to paying for those security forces forever, virtually. So tell me how this ends. I just don't see how it ends.

Mr. PANETTA. Well, I understand the concerns that you have raised, Senator, and I think we all share those concerns. I guess I can only say, having served on the Iraq Study Group, there was a moment in time when I had a lot of the same concerns about Iraq and whether or not Iraq would ever be stable enough to be able to draw down our forces there.

And while Afghanistan is a very different country and has a very different history, the fact is that over the last few years, I have seen progress made with regards to governance in some of the key areas, with regards to security, with regards to the role of the Afghans in participating with our forces to try to secure area. So they have gotten better.

Whether or not, whether or not in the end they are going to be able to develop the resources, develop the revenues, develop the governance that needs to be done, those are major questions. But I think if we stick with it, if we continue to provide help and assistance to them, that I think there is going to be a point where Afghanistan can control its own future. We have to operate on that hope.

Senator COLLINS. Finally, let me echo the concerns that my colleagues have raised about whether the budget constraints, which are very real, are going to drive our military requirements rather than vice versa. This is an issue we discussed in my office.

This year, when the independent panel looked at the QDR, it concluded that the QDR had been molded by the budget rather than being what it is supposed to be, which is an unvarnished assessment of what our military requirements are. I am particularly concerned about the gap when I look at the Navy's shipbuilding budget. The CNO has testified before our committee that we need, at a minimum, a 313-ship Navy, and we know the 313-ship goal is much smaller than the actual requirement that our combatant commanders have for ships.

And indeed, there was a recent report just 2 months ago from the Navy on the ballistic missile defense force structure requirements that states that the Navy currently does not have the capacity to meet the demands of our combatant commanders for BMD capable ships. I am very worried about that gap in this time of budget constraints. I am worried that the Navy has yet to complete the contracts on the DDG-1000, the second and third ships.

What actions do you think need to be taken to help close the gap between the 285-ship Navy today and the, at a minimum 313-ship requirement?

Mr. PANETTA. I strongly believe that the Navy has to project our force throughout the world and that the Navy is obviously crucial to that mission. And I agree with the ship numbers that have to be developed for the Navy in order to be able to do that.

I think the key here is going to be something that has happened in your own State, which is that shipbuilding operations have to develop greater efficiencies. Yours is a great example of having developed those kinds of efficiencies that helps us on the cost control side and at the same time allows us to continue our shipbuilding capability.

I do think that greater competition, greater presence of an industrial base here that deals with these issues will provide the kind of cost savings that we will need in order to fulfill that mission.

Senator COLLINS. Thank you, and I look forward to working with you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Collins.

Mr. PANETTA. Senator, I don't know if you are going to take a break. But I just—

Chairman LEVIN. Yes. I think it sounds to me like we are going to take a break. [Laughter.]

But this will not be a lunch break. This will just be a very brief 5-minute break, I gather, and Senator Blumenthal will be next. Just take a very quick break. Back here. We will finish the questions. Then we will have a lunch break.

Mr. PANETTA. Thank you.

[Recess.]

Chairman LEVIN. Senator Blumenthal?

Senator BLUMENTHAL. Thank you, Mr. Chairman.

And thank you for answering all our questions, for your extraordinary service, and for your very powerful and eloquent testimony today and your very responsive answers to all of the issues that have been raised.

I want to second the sentiment that has been expressed by Senator Graham, which is I can't wait to vote for your confirmation, and I appreciate your willingness and patriotism to take on this very tough assignment. And also second Senator Graham's views, and I think they are widely shared, that we need fundamental and far-reaching reform in our methods of acquiring and terminating weapons programs.

Would you agree with that?

Mr. PANETTA. Yes, I do.

Chairman LEVIN. I think, Senator Blumenthal, that probably Director Panetta would also agree that Secretary Gates can't wait for us to vote for Director Panetta's confirmation. [Laughter.]

Mr. PANETTA. I think that is fair to say.

Chairman LEVIN. And that will not be taken out of your time, by the way.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

And speaking of Secretary Gates, I hope and assume you would agree with him that the second engine for the F-35 is unnecessary and should be terminated?

Mr. PANETTA. I support that position.

Senator BLUMENTHAL. And also that we need to continue the sub building program at the rate of two per year, which I think is fairly noncontroversial?

Mr. PANETTA. That is correct.

Senator BLUMENTHAL. Would you also agree with Admiral Mullen that talking about a secure and thereby free America, that the greatest threat to our security today is the National deficit?

Mr. PANETTA. There is no question in my mind that the size of the deficit we are confronting represents a threat to our security.

Senator BLUMENTHAL. And that we need to address that problem without excessive cost cutting in the defense budget?

Mr. PANETTA. Obviously, defense needs to play a role. But when you are facing that size deficit, everything has got to play a role.

Senator BLUMENTHAL. I want to talk for a moment about one of the causes of those costs in both our defense budget and our veterans programs, and they are a cause of cost that is not necessarily in the headlines or even reported, and those costs have to do with tobacco use and tobacco addiction and the costs of tobacco-related diseases.

And I know that the Defense Department is very much aware of these costs because, as a matter of fact, it asked all military personnel last year to make their 2011 New Year's resolution to quit smoking. In fact, about \$1.6 billion a year in Department of Defense costs are related to medical care that is provided for tobacco-related diseases. And among the retirees from our military for veterans, about 80 percent of the \$5 billion in annual costs of treating pulmonary disease are directly attributable to smoking.

So the costs of smoking simply in dollar terms, medical treatment, are about at least \$5 billion a year, not to mention the impacts on readiness, which are, in effect, less fit, less physically able military personnel, more likely to sustain injuries, more likely to be stressed out, more likely to be dependent and addicted to nicotine. And the stark fact is that military personnel are 50 percent more likely to smoke and more likely to use tobacco products than their civilian peers.

So my question to you is both an immediate and a longer-range one. First, whether you have any suggestions as to what can be done immediately? And second, would you be willing to commit the resources and interests of the Department of Defense to addressing the problems of nicotine addiction and tobacco use and the related medical impacts?

Mr. PANETTA. Senator, if I am confirmed, obviously, one of the areas I have to focus on is the health costs that are impacting here. And I think the area that you have just defined is one area that we do have to pay attention to in terms of its implications on health and its implications on cost. So I would look forward to working with you to try to develop an approach that would allow us to, again, deal not only with smoking, but deal with other threats to healthcare that impact on not only our soldiers but, frankly, that impact on Americans.

Senator BLUMENTHAL. And on the families of our soldiers and our veterans.

Mr. PANETTA. That is right.

Senator BLUMENTHAL. Because of not only the immediate effects of smoking or other kinds of health problems, but also the related impacts on families.

Mr. PANETTA. No, that is right. I think smoking, good nutrition, good exercise. I mean, there are a number of areas that I think

need to be focused on as part of the solution to dealing with healthcare costs.

Senator BLUMENTHAL. And I would welcome the opportunity to work with you on those issues.

Mr. PANETTA. Thank you.

Senator BLUMENTHAL. And let me say while we are talking about veterans, I have offered a measure, a number of other Senators have, to broaden and deepen the commitment of our country to caring for issues relating to employment, homelessness, healthcare of our veterans and would hope that the Department of Defense would also increase its commitment in that area and hope under your leadership, it would, given your very, very moving and powerful remarks about the need to take better care of our military personnel.

Mr. PANETTA. Senator, I really do feel an obligation to those that served, and I don't think—I don't treat this like a situation where once you have completed your service and you become a veteran that somehow you are somebody else's responsibility. I think we have an obligation to make sure that people are treated right once they have served this country not only now, but in the future.

Senator BLUMENTHAL. And finally, because my time is close to expiring, let me ask you one last question. The ammonium nitrate fertilizers that are the cause of probably the vast majority of the IED very tragic and unfortunate injuries to our troops are transported from Pakistan, and I wonder what can be done to stop that flow of fertilizer, the ammonium nitrate substances that are the basis for those explosive devices?

Mr. PANETTA. Senator, that is a continuing concern for us, and it is not so much the transfer of the material, but it is actually the development of IEDs, the explosives themselves, that we see taking place in Pakistan that make their way into Afghanistan. And we have to take a number of steps not only with the Pakistanis, but also trying to check at the border to make sure that we do everything possible to stop that flow of IEDs. It is a very real threat, and a lot of that is coming across the border.

Senator BLUMENTHAL. Thank you very much, and I look forward to working with you. And thank you once again for your service to our Nation.

Mr. PANETTA. Thank you.

Chairman LEVIN. Thank you, Senator Blumenthal.

Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman.

And it is a pleasure to have you before the committee. As I told you, Mr. Panetta, when we had the opportunity to speak, I am delighted to see that a former OMB Director could actually make something of himself. And you have done a great job as director, and I know that you have had the opportunity today to answer some tough questions, but also I am sure that the tone has been appreciative and respectful.

I am most concerned, as you know, on the budget front and particularly with regard to our major acquisitions programs. And the cost growth, the time delays have been particularly troubling to me. On this committee over the 4 or 5 months, we have heard lots of testimony, and this is at the same time, of course, that we are

talking about not just restraining spending but actually putting everything on the table to deal with our historic deficits and the debt overhang that is affecting our economy so directly and affecting our future.

So this concerns me greatly. It also, I think, impacts our National security because our men and women in uniform need the best equipment and they need it in a timely manner, and they are not getting it.

A couple of data points, and you know them well. Cost overruns annually now are, in some years, over \$300 billion a year. This is, as compared to just a decade ago, when annual overruns were on average about \$40 billion year. The average delays almost 2 years in delivering initial capabilities for these programs.

The reasons are varied. Sometimes it is internal Department of Defense processes, I think. Sometimes it is these contracting processes that still aren't working, and these practices have been subject to a lot of GAO reports and directives and public and private studies. And there has been some good work done on it, and the chairman has done some good work on it, but we still have a long way to go.

So this would be one of my major concerns. And given your background and experience, I think you are well qualified to address it. So I would like to hear a little about that.

Senator Graham apparently talked earlier today about cost-sharing arrangements and the potential for that. I think that is an interesting idea. On the Joint Strike Fighter program alone, we heard testimony before the committee that we are 80 percent over cost from the original estimates. That is over \$150 billion and 30 percent more than the current baseline that was just set in 2007.

So after 15 years of development and 2 years into operational production, we still don't have a stable design. And again, I think that impacts our warfighters as well. So, again, I realize your department—the Defense Department is working on implementing the Systems Acquisition Reform Act, and the better buying power initiative is ongoing. But, frankly, there is a lot more that needs to be done.

Could you talk a little about this and particularly the benefits of competition, as we talked about privately, and finding efficiencies?

Mr. PANETTA. Senator, because we share a common background, I think we understand the costs that are involved in this area. I think, you know, we are dealing with a culture that has developed that somehow we have got to change. And I know during period from September 11 there has been an awful lot of money that has been put into the defense budget, a lot of equipment that has been developed during that period. And I think at the same time, a lot of it has certainly been worthwhile, been important to our National defense. But a lot of bad habits have developed during that period.

And I think there is an assumption that somehow this thing can play out and that the cost can increase as dramatically as you have pointed out in some of these areas and that somehow somebody is still going to pay the bill. I think what we have to do is to make clear that those who are involved—and they are great companies. They are good people. A lot of them do a great job—that they have got a responsibility here to be able to work with us to develop bet-

ter competition, to do some of the things that Senator Graham mentioned in terms of absorbing some of the costs of development.

The work that they are doing is not just money in their pocket. What they are working on is important to the national security of this country, and I think what we have to do is work with them, work with contractors, work with others to try to develop approaches that can try to shape the costs that are involved and the delays that are involved here.

I know this is tough. I know that some of this military technology is extremely intricate. It involves a lot of complicated work. But I am absolutely convinced that there has got to be a way to achieve greater cost savings, and I hope to work with you and others to try to see what we can do to do that.

Senator PORTMAN. Well, I am encouraged from our conversations and this testimony today that you are prioritizing that. And ultimately, if we don't fix it, we will be robbing from some of the fundamental responsibilities you would have as Secretary of Defense to protect our country. Because looking at some of these projections over the next decade or two decades, if we don't begin to figure out how to deal with these overruns on the acquisition programs, they will quickly take the entire current defense budget.

So we need to be sure that our men and women in uniform are getting what they need and be sure that this and the healthcare issue, which I know you have also addressed here today, is the other one where I think you look at the huge cost increases there, has to be handled in a way that, again, ensures that the focus is on our National security concerns.

Quickly, on trade agreements, as you are aware, we are hoping soon to be reviewing proposed export opening agreements with the Republic of Korea, with Panama, and with Colombia. And this has been increasingly clear in the post Cold War environment, all elements of our National power must be used to provide for our security and build effective allies, and these three countries are great allies, as you know.

In response to prepared questions, you noted that the U.S.-Republic of Korea alliance remains one of the cornerstones of U.S. strategy in the Asia-Pacific. I found that interesting, and you have pledged to stay in close contact with your counterparts there and build on the relationships laid by Secretary Gates.

You also noted the importance of the Government efforts to support DOD activities providing training, equipment, and so on to our Central American partners, including Panama, given the importance of the canal particularly and the Southern Command's work there.

And also with regard to Colombia, in testimony earlier this year, the commander of SOUTHCOM described our trade agreement with Colombia as "a very positive, beneficial aspect for our cooperation because of a growing capacity to support the capabilities of armed forces and law enforcement."

So my question would be to you, how do you assess the value from a security standpoint of building upon these commercial ties through these trade opening agreements with these allies, and do you agree that these enhanced trade and investment agreements is

one way to combat the threats that these states face to their security and to the broader region?

Mr. PANETTA. Senator, I think that when it comes to protecting our security, there are a number of areas that have to be addressed, and one of those, obviously, it is not just the military responsibility, but there is an economic side of this that plays a very important role in terms of promoting better security.

The ability of these other countries to develop trade with us, to develop their economies creates greater stability within those countries. I think that is a fact. And to the extent that we can help promote that kind of trade, that we can promote that kind of economic development, I think it assists these nations in their ability to achieve stability.

Colombia is a good example. They have done a great job going after narco-trafficking. If we can help, be able to help them develop their economy, that could become another added factor in providing greater security in that region. And the same thing is obviously true for Korea.

Senator PORTMAN. So do you think ratification of these three agreements would be positive for our National security interests?

Mr. PANETTA. Yes, I would.

Senator PORTMAN. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Portman.

Senator Webb.

Senator WEBB. Thank you, Mr. Chairman.

And Director Panetta, again, I appreciate your having come by my office to have detailed conversations on a number of areas. And having had the honor and the privilege of meeting with Caspar Weinberger, when he was Secretary of Defense, on a daily basis for 4 years, I am well aware of the challenge of your job. And I honestly believe that, other than the presidency itself, this is probably the most difficult and complicated job in our Federal Government, and I wish you the best.

I also appreciate or was gratified to hear your response to Senator Collins with respect to the need to rebuild our Navy, to get the Navy's numbers up. I think as the situation in Afghanistan and Iraq allows us more leeway in terms of how we shape the DOD budget, we really do need to do that.

If you are looking at the size of the Navy right now, I think it is about 282 ships, and the ground floor goal of 313 and all of the interests, the vital national interests that we have with respect to the stability of East and Southeast Asia, it is going to be a very important thing for us to look at. And in that regard, I would like to raise two points with respect to the situation in East Asia, and then I also would like to ask you a question about Libya.

First, when we are looking at the tempo in East Asia, we see clearly that Chinese military activities have dramatically increased over the past 15 or 16 months. The two most glaring examples of that were the set-to with Japan in the Senkaku Islands about a year ago, and then most recently, the Chinese naval vessels actually cutting the cable of a Vietnamese ship that was exploring oil, the possibility of oil in the South China Sea.

These incidents are basically related to sovereignty issues, and they are not only national security issues, they obviously have downstream economic consequences. But to me, they clearly talk to the commitments that we have for stability in this region.

We have made these commitments. We are the key, I think, to the strategic balance in that region. And I am wondering if you are of the same mind as Secretary Clinton was, Secretary Gates were last year, a year ago, when they pretty strongly stated that we are not going to be deterred from protecting the interests of countries in international waters in that part of the world?

Mr. PANETTA. Very much. That is an extremely important region. We have to have a presence there in order to protect our own interests and to work with other countries in that area. In order to do that, there has to be respect for international law, and there has to be freedom of the seas so that we can do our job.

And I think it is important to have a relationship with China, but they also need to understand that by trying to advance in the China Sea, they can't interfere with our ability to navigate in that part of the world.

Senator WEBB. Or to unilaterally address sovereignty issues with respect to other countries?

Mr. PANETTA. That is correct.

Senator WEBB. Thank you.

That also gets to the very important question of our basing system in this part of the world. I know Chairman Levin addressed this, and I heard your response to that. I think the timing of addressing these basing issues, particularly with respect to the Japanese, is vital. This has been going on for 15 years, and we keep kicking the can down the road on it.

But we are not going to have stability in Asia if we don't have it in Northeast Asia. It is the only place in the world, as you well know, where the direct interests of Russia, China, Japan, the United States intersect, and the Korean Peninsula is right in the middle of all of that. So I hope that we can work with you on the suggestions that Chairman Levin, Senator McCain, and I brought forward in order to have a timely solution of that basing issue.

Mr. PANETTA. No, I really appreciated the conversation we had in your office. And I know this isn't—it is not an easy issue. That is why the can has been kicked down the road, I guess, all of these years because of the cost and the politics and the diplomatic problems involved with each of these decisions.

But I think it absolutely has to be addressed. We have got to establish a stable situation there. We can't have a situation in which we are just playing this year to year. I think we need a long-term solution, and I really want to work with you and the chairman and others to try to find a solution.

Senator WEBB. I thank you for saying that. Because I do believe this is fixable and have spent many years thinking about this. And I believe what we were able to come up with is at least the right approach, and it could be done in a timely way if we could get people to work with us on doing that.

With respect to the situation in Libya, I take your point during your exchange with Senator McCain that it is the President's responsibility to ensure national security. At the same time, we have

a situation where when the President unilaterally decides to begin a military operation and then continues it, where, clearly, I think as a former member of Congress, you would agree that the Congress needs to be involved in shaping downstream when something like that occurs?

Let me say it another way. No one would disagree that with the President's authority to unilaterally order military force if the country was under attack, under imminent threat of attack, invoking the inherent right of self-defense, which is actually I think what we are doing in a lot of these strikes, even places like Yemen. Or if we are coming to the aid of an ally based on a treaty commitment, or we are defending Americans, protecting Americans who are in distress.

But when you have a situation like in this case where the justification is humanitarian, you can see the potential for a very broad definition of what a humanitarian crisis is. And once that decision is made unilaterally by the President, it needs to be subject to the review and the direction of the Congress, in my view.

Mr. PANETTA. Senator, it has been my experience, both as a member of Congress and member of administrations, while obviously that constitutional power does rest with the President, that once those decisions are made, in order for those decisions to be sustained, that it is very important to work with the Congress, seek the best advice and counsel of the Congress, and hopefully to get the Congress's support for those actions.

Senator WEBB. And I did hear you agree with Senator McCain or to his comment that nobody is thinking about putting American ground forces in Libya?

Mr. PANETTA. That is correct.

Senator WEBB. And I assume that also means after the fall of the Gaddafi regime?

Mr. PANETTA. As far as I know, no one is discussing any boots on the ground there—at any time.

Senator WEBB. Perhaps, as you know, the House passed a provision to that effect with 416 votes, and I have introduced a provision here. I just think we have got our hands full, and it is not something we should be doing in the future in that part of the world.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Webb.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

We are almost done, Director Panetta. I was listening to Senator Nelson's litany of the challenges ahead of you once you get confirmed, and I certainly intend to vote for that. And I think you will get confirmed. And I wondered, "Hmm, why does he want to do that?" But like everyone on this committee, I am very grateful that you are willing to do that and appreciate your patriotism and commitment to the country. So, thank you very much for that.

Mr. PANETTA. Thank you, Senator.

Senator SHAHEEN. I also very much appreciated the opportunity to sit down with you and your willingness to listen to some of our particular concerns in New Hampshire and was very pleased to hear that you are familiar with the work of the men and women at the Portsmouth naval shipyard and was pleased to hear your

comments to Senator Collins about your commitment to address the backlog that both the shipyard and other shipyards around the country are facing.

And was also very pleased that you were willing to listen to the good work that has been done by New Hampshire's National Guard deployment support program. And listening to your commitment today to better serve men and women after they get out of the military, I hope you will look at programs like New Hampshire's and some of the other States that have been so successful. Because not only are our National Guard and Reserves going to continue to play a greater role in our defense, but there are some very good data that shows how successful these programs have been.

And so, I think they serve as a good model for the rest of the military services to look at. So I hope you will do that.

Mr. PANETTA. Thank you, Senator.

Senator SHAHEEN. One of the reasons that we have been so successful in developing the technology for our National security and have given us really our superiority in terms of our military might around the world is because of our National defense technology sector. New England and New Hampshire have been a knowledge center for that defense technology sector, and I wonder if you could speak to how DOD or what DOD is currently doing to ensure that there is a sustained commitment to that defense technology sector so they will continue to be there as we need them in the future?

Mr. PANETTA. Senator, I haven't been fully briefed on all of the efforts to try to deal with preserving that kind of technology. But if I am confirmed, I just want you to know that I am a very strong believer that if we are going to have a strong defense in this country that we have to have industries here that are American. We have got to have technology capabilities that are American. We have got to be able to have a base of support in this country in order to maintain our defense systems.

It doesn't mean that we don't deal with our allies. It doesn't mean that we try to negotiate agreements with them in certain areas. But if we are going to protect our National defense, we have got to protect our industrial base. We have got to protect our technological base. We have got to be able to protect the capabilities that we need here in order to make that happen.

Senator SHAHEEN. Well, thank you very much for that commitment. As you know, a piece of that is the research and development needs, and obviously, the DOD has been a very important part of ensuring that that R&D gets done. And given the budget constraints that we are facing, how do you see that affecting our ability to continue to ensure that the R&D that we need is done?

Mr. PANETTA. Again, I don't think we can do this job without investing in research and development as part of the process of making sure we are at the cutting edge for the future.

And I recognize that, obviously, as part of the effort to look at the entire budget in order to achieve savings that all of those areas will be looked at. But my view is that if we want to protect the weapons systems, if we want to protect our capabilities for the future, we have got to be able to have good R&D at the same time.

Senator SHAHEEN. Thank you.

In talking to some of those New Hampshire and England companies that are part of our National defense manufacturing base, one of the concerns that I often hear from them, because they are often doing commercial work as well as work for the military, is their frustration with our export control system. And as I know you know, ITAR restrictions are onerous. In many cases, they are out of date. They were really designed for a Cold War system that no longer exists, and I know that Secretary Gates has been a real proponent of addressing that system.

I hope that you will be as committed, and I would ask if you—how you see moving forward an agenda that updates our export control system in a way that both protects our National security, but also recognizes that we need to be competitive globally?

Mr. PANETTA. I want you to know, Senator, that I share Secretary Gates's attitude here. I think we have got to be able to develop 21st century approaches to this kind of exchange in order for us to be able to make sure that the technologies we have are, in fact, technologies that we are working with others to assure and to have.

Senator SHAHEEN. Thank you.

I know earlier you were asked about Iraq and whether we would continue to stay in Iraq if we are asked. And like others, I have been concerned about increasing violence in Iraq, about the recent casualties. We just lost someone from New Hampshire in the attack over the weekend. And so, I wonder if you could talk to what we need to do to keep our focus on the efforts in Iraq, and assuming that we are not asked to stay, how we will deal with drawing down the remaining troops that are there?

Mr. PANETTA. Well, we are, at the present time, on track to withdrawing our forces by the end of 2011. But I think that it is clear to me that Iraq is considering the possibility of making a request for some kind of presence to remain there. And it really is dependent on the prime minister and on the government of Iraq to present to us what is it that they need and over what period of time in order to make sure that the gains that we have made in Iraq are sustained.

I have every confidence that a request like that is something that I think will be forthcoming at some point.

Senator SHAHEEN. My time has expired. I would like to explore that more later.

Mr. PANETTA. Okay.

Chairman LEVIN. Thank you, Senator Shaheen.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

Welcome, Mr. Director. I was going to say "good morning," but I realize it is the afternoon. Thank you for your patience.

I want to also, with everybody else on the committee, acknowledge your tremendous leadership, your personal friendship, and your willingness to take on yet another assignment, perhaps one of the biggest and most important in the Federal Government.

I think you and I share a concern about the country's fiscal trajectory. Of course, the Secretary of Defense Gates has pointed out that this is a key threat to our National security, as had the Chairman of the Joint Chiefs, Admiral Mullen.

I know we are going to not support any cuts that will harm our capacity to secure our Nation or the well-being of our troops. But we are going to have to make some tough decisions. A broke country is a weak country. Conversely, a solvent country can be a strong country.

You have had to deal with this at the agency. That is, how do you balance the needs and the resources? And I think we have all said, hey, everything has to be on the table. But I am curious what your thoughts are about what the right size is of our military and how do we determine what our mission ought to be?

So I have got two easy questions for you. What role do you believe that the American military should play in the world? And as the senior military adviser-to-be to the President, when you are confirmed—I am going to be that optimistic—what would be a set of guidelines that you would use to recommend to the President whether military action is justified?

Mr. PANETTA. Obviously, I think that the United States exercises a unique role in the world by virtue of our leadership in the diplomatic arena, but also because of our military power, we are able to back that up. And I think it is extremely important in today's world, where there are so many challenges and so many threats that we are confronting, that we maintain a strong military in order to deal with those kinds of threats.

It is not only the fact that we are involved in wars, but clearly, we are facing increasing turmoil. We are facing terrorism. We are facing other challenges. The only—in my view, the United States plays a very unique role in the world as far as providing the kind of leadership that tries to advance universal rights, a peaceful approach to dealing with the world that tries to advance good economic and political reform.

That is a unique role for the United States, and I think we need to continue to send that message and to continue to exert that leadership. So, for that reason, I think having a strong military is essential to that larger role that the United States plays in today's world.

We hope that others would work with us. We do, obviously, work with our allies. We work with NATO. We work with other nations. But there is no question in my mind that the United States is the fundamental leader right now in the world in a number of ways, and having the military strength to back up that kind of leadership is very important.

With regards to how we approach the use of force, I think there are several important guidelines. Number one, what is the threat to our National interests? What is our capability to be able to respond, our military capability to respond to that kind of a threat? Have we exhausted all other remedies and options to the use of force? And then, lastly, what are the prospects to get the support of not only the Congress, but the American people in that effort? I think all of those things are important considerations.

Senator UDALL. Thank you for those thoughts, Director Panetta. And I think this will be a topic of going conversations, obviously, as we work to consider how, if we need to reconfigure the Department of Defense and how we are prepared in a world of insurgencies and cybersecurity needs, satellite systems that are

very, very important to all of us. And there is a real change underway.

I also hope that we will continue to do what we can strengthen our relationship with China as it becomes more of an economic powerhouse. Hopefully, it will shoulder some of the responsibility on a worldwide basis because of its own self-interest, frankly.

Let me turn to energy. I think this has been an area of your interest as well. It is one of a deep concern, but I also think great opportunity for us. Admiral Mullen has said saving energy saves lives. He recently pointed out that before we buy another airplane or a ship, we ought to look at what we can do to save the lives of our soldiers and Marines and airmen and sailors through our dependence on oil and other energy technologies.

What are your thoughts on what the DOD can do to continue to push alternative technologies and reducing our dependence on foreign oil?

Mr. PANETTA. Senator, this is an area that I want to learn a lot more about in terms of how the Defense Department is approaching this. At least from some of the briefings I have gotten, I think the Defense Department really is a leader in terms of trying to develop better energy efficiency, and we need to be because we use an awful lot of fuel.

So my hope is to continue those efforts and to work with you and others to try to determine what additional steps can we take, both in the development of weapons, the development of technologies, how we can better use clean energy, how we can better use some of the new forms of energy in order to reduce fuel costs at the Pentagon. But more importantly, in order to contribute to, hopefully, a cleaner environment.

Senator UDALL. I have just introduced a bill along with Congressman Giffords. I should say reintroduced a bill that we had put in the hopper in the last Congress, that would provide more direction to the Department of Defense. It has widespread support from particularly retired general offices and others, and I look forward to working with you and the chairman as we move to authorize the Defense Department's activities for 2012.

And you are right. DOD's energy bill is about \$13 billion a year, and the DOD uses more energy than most countries use, which stands out. But it is an opportunity. I don't see it as a burden. I see it as a real opportunity. I think you do, too.

Mr. PANETTA. I think it is.

Senator UDALL. I see my time has expired. But maybe for the record, I could ask one question and you could maybe give a brief response. And then if you want to expound on it for the record, that would be great.

I know 2014 is our date for Afghanistan, the full handoff. I do worry about and you know all too well about the safe havens and the sanctuary they provide for the Taliban. If we can't reduce those safe havens or, at best, eliminate them, what are your thoughts on what that means for the hopes of a resolution of the situation in Afghanistan?

Mr. PANETTA. I think we can only win in Afghanistan if we can win in Pakistan by reducing those safe havens. I think the two go hand-in-hand. The ability to achieve stability in Afghanistan is de-

pendent on whether or not we can limit and, hopefully, stop the transfer of terrorism across that border.

Senator UDALL. Thank you, Mr. Director. You and both the chairman are my heroes because you have both been sitting here for some 4 hours and with great patience and articulate answers.

Thanks you. Look forward to serving with you. Thank you.

Mr. PANETTA. Thank you. Thank you.

Chairman LEVIN. Thank you very much, Senator Udall.

Let me just, before we break for lunch, try to clarify two parts of your testimony regarding the transition of security responsibility to the Afghan security forces.

First, would you agree that security transition to Afghan security forces is to be completed by 2014, but that the process of transferring provinces and districts to an Afghan security force lead begins in July?

Mr. PANETTA. That is correct.

Chairman LEVIN. And that President Karzai in March identified the first group of areas to begin transition this year, including a number of identified provinces, and that that has already been presented and approved by NATO?

Mr. PANETTA. That is correct.

Chairman LEVIN. Next, my staff tells me that they have not been able to find any statement of Secretary Gates in which he specifies a number of U.S. troops that he believes should be withdrawn from Afghanistan starting in July. Are you aware of any statement by Secretary Gates identifying such a number, whether it is 3,000 to 5,000 or any other number?

Mr. PANETTA. I have discussed this with the staff at DOD, and they are not aware of any statement that he has made that has indicated a number that would be involved.

Chairman LEVIN. At this point?

Mr. PANETTA. At this point.

Chairman LEVIN. Thank you.

We will take it looks like it is about 5 after 1:00 p.m. Is that right? We will meet at 2:15 p.m. in a classified session.

Thank you all. Thank you again for your testimony and for your service.

[Pause.]

Chairman LEVIN. I am sorry. The time, I misspoke, is 2:30 p.m., not 2:15 p.m.—2:30 p.m.

[Whereupon, at 1:05 p.m., the committee adjourned.]