

**DEPARTMENT OF DEFENSE APPROPRIATIONS
FOR FISCAL YEAR 2012**

WEDNESDAY, JUNE 15, 2011

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 11 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Leahy, Feinstein, Mikulski, Kohl, Murray, Cochran, Shelby, Hutchison, Alexander, Collins, Murkowski, and Coats.

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY OF DEFENSE

STATEMENT OF HON. ROBERT M. GATES, SECRETARY OF DEFENSE

OPENING STATEMENT OF CHAIRMAN DANIEL K. INOUYE

Chairman INOUYE. This morning I'd like to welcome Dr. Robert Gates, Secretary of Defense, and Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, to testify on the administration's budget request for fiscal year 2012.

Gentlemen, it's my pleasure and privilege to welcome you back to your last testimony before this subcommittee, and to thank you for your many years of admirable and dedicated service to our Nation.

You entered your current positions during a tumultuous period for this country, when we were losing ground in both Iraq and Afghanistan, and you agreed to take on what was arguably two of the most difficult jobs in the country. And your leadership not only turned the tide on the ongoing wars, but also maintained the capacity, capability and public appreciation for the United States military. You have served tirelessly, and you have served honorably. This subcommittee and this country are truly thankful to both of you.

I understand that Secretary Gates has to leave by 2:30 today, so, in order to have time for testimony and questions, I will submit my full statement for the record.

And I will now turn to the Vice Chairman, Senator Cochran, for his opening remarks.

[The statement follows:]

PREPARED STATEMENT OF CHAIRMAN DANIEL K. INOUE

Today, I would like to welcome Dr. Robert Gates, the Secretary of Defense and Admiral Mike Mullen, the Chairman of the Joint Chiefs of Staff, to testify on the administration's budget request for fiscal year 2012. Gentlemen, it is my privilege to welcome you back to your last testimony before this subcommittee and to thank you for your many years of admirable and dedicated service to our country.

You both entered your current positions during a tumultuous period for this country when we were losing ground in both Iraq and Afghanistan. You agreed to take on what are arguably two of the most difficult jobs in the country, and your leadership not only turned the tide of the ongoing wars, but also maintained the capacity, capability, and public appreciation for the United States military. You have served tirelessly, and you have served honorably; this subcommittee and this country are truly thankful to both of you.

But, as you know, there is no rest for the weary. Before we say farewell, the subcommittee has more business for you both and many issues to discuss regarding the budget.

The Department's fiscal year 2012 base budget request is \$553 billion, an increase of \$40 billion over last year's enacted base budget. The Department is also requesting \$118 billion for overseas contingency operations for fiscal year 2012.

Secretary Gates, as a part of the fiscal year 2012 budget, you insightfully set a goal for the Department to achieve efficiency savings of \$178 billion over the next 5 years. Since that time, President Obama has challenged the Department to cut an additional \$400 billion over the next 12 years. I'd like to get your perspective of this reduction and your assessment of the impact this reduction will have on military personnel and warfighting capability.

Since submitting the President's budget, many events around the globe have changed. The U.S. military is now engaged in operations over Libya, Osama bin Laden is dead, and longstanding dictatorships namely in the Middle East and Africa are being challenged or have been overthrown in favor of democratic governments. Yet our traditional threats remain and continue to grow while our attention has been focused elsewhere. I'd like to hear your thoughts on future force size, structure, and capability that will be necessary to combat future threats.

Your leadership brought about a significant change in the way the Department buys weapons. You boldly came into the office and challenged the military services, the defense industry, and the Congress to cancel programs you deemed to be exquisite technologies built for a different war than the ones we were fighting.

Although the enemy's tactics and tools constantly changed, you forced the traditionally slow-moving Pentagon bureaucracy to respond swiftly with better capabilities, such as systems to defeat improvised explosive devices and increasing much needed intelligence, surveillance, and reconnaissance assets. I look forward to hearing from you both on other lessons that you have learned from the last 10 years of war on how to improve the Department's acquisition programs.

Gentlemen, we sincerely appreciate your service to our Nation, and the dedication and sacrifices made daily by the men and women of our armed services. We could not be more grateful for what those who wear our Nation's uniform do for our country each and every day.

Your full statements will be included in the record. I now turn to the Vice Chairman, Senator Cochran, for his opening statement.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, it's a pleasure to join you in welcoming these distinguished witnesses to our subcommittee. They have demonstrated through their service—the Secretary of Defense, the Chairman of the Joint Chiefs—a skill, knowledge and dedication they have to keeping our country safe, and to helping protect the security interests of our Nation around the world. That's a big job. That is a huge challenge. And, in my view, they have provided distinguished leadership, for which our Nation is very grateful.

Chairman INOUE. Mr. Secretary.

Secretary GATES. Thank you, Mr. Chairman. And thanks for the kind words.

One correction is—12:30.

And it's in a good cause. I'm meeting with the Director of the Office of Management and Budget (OMB) on the Fiscal year 2012 budget. So, wish me luck.

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to discuss the President's budget request for fiscal year 2012—as noted, my last budget testimony before this, or any other congressional committee ever. And, this time I mean it.

The budget request for the Department of Defense being presented today includes a base budget request of \$553 billion, and an overseas contingency operations request of \$117.8 billion.

My submitted statement includes many more details of this request, but I would like to take this opportunity to address several issues that I know have been a subject of debate and concern in recent weeks and months: First, the planned future reductions in the size of the ground forces; second, the proposed reforms and savings to the TRICARE program for working-age retirees; and, third, the budget and the strategy choices required to meet the savings targets recently laid out by President Obama.

Nearly 4½ years ago, one of my first acts as Defense Secretary was to increase the permanent end strength of our ground forces—the Army by 65,000, for a total of 547,000, and the Marine Corps by 27,000, to 202,000.

At the time, the increase was needed to relieve the severe stress on the force from the Iraq war as the surge was getting underway. To support the later plus-up of troops in Afghanistan, I subsequently authorized a temporary further increase in the Army of some 22,000—an increase always planned to end in 2000—fiscal year 2013. The objective was to reduce stress on the force; limit, and eventually end, the practice of stop-loss; and to increase troops' home station dwell time. This has worked, and I can tell you that those stop-lossed in the Army is now over. There are no Army soldiers stop-lossed.

As we end the U.S. troop presence in Iraq this year according to our agreement with the Iraqi Government, the overall deployment demands on our force are decreasing significantly. That is why we believe that, beginning in 2015, the United States can, with minimal risk, begin reducing Army active duty end strength by 27,000, and in the Marine Corps by somewhere between 15,000 and 20,000.

These projections assume that the number of troops in Afghanistan will be significantly reduced by the end of 2014, in accordance with the President's and NATO's strategy. If our assumptions prove incorrect, there's plenty of time to adjust the size and schedule of this change.

These reductions are supported by both the Army and Marine Corps leadership. However, I believe no further reductions should be considered without an honest and thorough assessment of the risks involved, to include the missions we may need to shed in the future.

Let me turn to another issue relating to the Department's personnel costs—the proposed reforms to the TRICARE program. As you know, sharply rising healthcare costs are consuming an ever-larger share of this Department's budget, growing from \$19 billion in 2001 to \$52.5 billion in this request. Among other reforms, this fiscal year 2012 budget includes modest increases to TRICARE en-

rollment fees, later indexed to the national health expenditures, for working-age retirees, most of whom are employed while receiving pensions. All six members of the Joint Chiefs of Staff have strongly endorsed these and other cost-saving TRICARE reforms in a letter to the Congress.

Let me be clear. The current TRICARE arrangement—one in which fees have not increased for 15 years—is simply unsustainable, and if allowed to continue, the Department of Defense risks the fate of other corporate and government bureaucracies that were ultimately crippled by personnel costs and, in particular, their retiree benefit packages.

The House approved most of our proposed changes in its version of the fiscal year 2012 authorization bill, and I strongly urge the Senate to endorse all of our proposals.

Which brings me to the third and last point—the difficult budget choices ahead for the Department. Last spring we launched a comprehensive effort to reduce the Department's overhead expenditures. The goal was, and is, to sustain the U.S. military's size and strength over the long term by reinvesting efficiency savings in force structure and other key combat capabilities.

The results of these efforts, frankly, were mixed. While the services leaned forward and found nearly \$100 billion in efficiency savings, efforts to trim overhead costs of DOD components outside the military services were not as successful. I believe there are more savings to be found by culling more overhead, and better accounting for—and, thus, better managing—the funds and people we have.

But one thing is quite clear. The efficiencies efforts the Department has undertaken will not come close to meeting the \$400 billion in savings layed out by the President. To realize the projected savings target will require real cuts, given the escalating costs of so many parts of the defense budget, and, as a result, real choices.

Here I would leave you with a word of caution: We must not repeat the mistakes of the past, where budget targets were met mostly by taking a percentage off the top of everything—the simplest and most politically expedient approach, both inside the Pentagon and outside of it. That kind of salami-slicing approach preserves overhead and maintains force structure on paper, but results in a hollowing out of the force from a lack of proper training, maintenance and equipment, and manpower. And that's what happened in the 1970s—a disastrous period for our military—and, to a lesser extent, during the late 1990s.

That is why I launched the, a comprehensive review to be completed by the end of this summer to ensure that future spending decisions are focused on priorities, strategy and risks, and are not simply a math and accounting exercise. In the end, this process must be about identifying options for the President and for you, the Congress, to ensure that the nation consciously acknowledges and accepts additional risk in exchange for reduced investment in the military.

Above all, if we are to avoid a hollowing effect, this process must address force structure, with the overarching goal to preserve a U.S. military capable of meeting crucial national security priorities—even if fiscal pressure requires reductions in that force's size.

I've said repeatedly I'd rather have a smaller, superbly capable military than a larger, hollow, less capable one. However, we need to be honest with the President, with you, with the American people, and, indeed, with ourselves about what the consequences are. A smaller military, no matter how superb, will be able to go fewer places and be able to do fewer things.

As we embark on this debate about the future size and composition of the American military, it would be well to remember that we still live in a very dangerous and often unstable world. Our military must remain strong and agile enough to face a diverse range of threats—from non-state actors attempting to acquire and use weapons of mass destruction and sophisticated missiles, to the more traditional threats of other states, both building up their conventional forces, and developing new capabilities that target our traditional strategies.

Today, I ask your support for a leaner, more efficient Pentagon and continued sustainable, robust investments in our troops and future capabilities. Our troops have done more than their part. Now it's time for us in Washington to do ours.

In conclusion, I want to thank this subcommittee for all you have done to support our troops as well as their families. From my earliest days as Secretary of Defense, I have made a point of reminding officers—from midshipmen and cadets to admirals and generals—that Congress is a co-equal branch of government that, under the Constitution, raises armies and provides for navies, and now air forces. Members of both parties serving in Congress have long been strong supporters of our military, and are owed candid—honesty and candor from the military, and from the Department.

I've just returned from my 12th, and last, visit to Afghanistan as Secretary of Defense. The progress we have made there since President Obama announced his new strategy has been impressive. The sacrifices our troops are willing to endure to protect this country is nothing short of amazing. And all they ask in return is that the country support them in their efforts through to success.

It has been the greatest privilege of my life to lead this great military for the past 4½ years. Every day, I've considered it my responsibility to get our troops everything they need to be successful in their mission and to come home safely. In my visits to the combat theaters, military hospitals, and in bases and posts at home and around the world, I continue to be amazed by their decency, their resilience, and their courage. Through the support of the Congress and our nation, these young men and women will prevail in the current conflicts, and be prepared to confront the threats that they, their children, and our Nation may face in the future.

PREPARED STATEMENT

Thank you, Mr. Chairman.

Chairman INOUE. Mr. Secretary, I thank you very much.

[The statement follows:]

PREPARED STATEMENT OF ROBERT M. GATES

Mr. Chairman, members of the committee: I appreciate the opportunity to discuss the President's budget request for fiscal year 2012—my last budget testimony before this, or any other, congressional committee.

The budget request for the Department of Defense being presented today includes a base budget request of \$553 billion and an Overseas Contingency Operations request for \$117.8 billion. These budget decisions took place in the context of a nearly 2 year effort by this Department to reduce overhead, cull troubled and excess programs, and rein in personnel and contractor costs—all for the purpose of preserving the fighting strength of America’s military at a time of fiscal stress for our country. The goal was not only to generate savings that could be applied to new capabilities and programs, but for our defense institutions to become more agile and effective organizations as a result.

In all, these budget requests, if enacted by the Congress, will: Continue our efforts to reform the way the department does business; fund modernization programs needed to prepare for future conflicts; reaffirm and strengthen the Nation’s commitment to care for the all-volunteer force; and ensure that our troops and commanders on the front lines have the resources and support they need to accomplish their mission.

REFORM—EFFICIENCIES

The fiscal year 2012 budget decisions took place in the context of a nearly 2 year effort by the Department of Defense to reform the way the Pentagon does business—to change how and what we buy, to replace a culture of endless money with one of savings and restraint. To not only make every defense dollar count, but also become a more agile and effective organization in the process. This process culminated in my announcement in January that summarized the impact of these reforms on the fiscal year 2012 budget.

The military services conducted a thorough scrub of their bureaucratic structures, business practices, modernization programs, civilian and military personnel levels, and associated overhead costs. They identified potential savings that totaled approximately \$100 billion over 5 years. More than \$70 billion is being reinvested in high priority needs and capabilities, while about \$28 billion is going to higher than expected operating costs—“must pay” bills that would otherwise be paid from investment accounts.

We then looked at reducing costs and deriving savings across the department as a whole—with special attention to the substantial headquarters and support bureaucracies outside the four military services—savings that added up to \$78 billion over 5 years.

Ten billion dollars of that total came from restructuring the Joint Strike Fighter program and reducing Army and Marine Corps end strength starting in fiscal year 2015.

The rest of the DOD-wide savings came primarily from shedding excess overhead, improving business practices, and reducing personnel costs. Key examples include:

- \$13 billion from holding the civilian workforce at fiscal year 2010 levels for 3 years, with limited exceptions such as growth in the acquisition workforce;
- \$12 billion through the governmentwide freeze on civilian salaries;
- \$8 billion by reforming military health programs to maintain high quality care while slowing cost growth;
- \$11 billion from resetting missions, priorities, functions for the defense agencies and the Office of the Secretary of Defense;
- \$6 billion by reducing staff augmentation and service support contracts by 10 percent annually for 3 years;
- \$2.3 billion by disestablishing Joint Forces Command and the Business Transformation Agency;
- \$1 billion by eliminating unnecessary studies and internal reports;
- \$4 billion in changed economic assumptions, such as a lower than expected inflation rate;
- \$100 million by reducing more than 100 flag officer and about 200 civilian senior executive positions; and
- \$11 billion in a variety of smaller initiatives across the department.

To better track how and where taxpayer dollars are spent, the department is also reforming its financial management systems and practices—with the goal of having auditable financial statements by the congressionally mandated date of 2017. We are pursuing a streamlined approach that focuses first on the information we most use to manage the department.

CHOICES AHEAD

I believe there are more savings possible by culling more overhead and better accounting for, and thus better managing, the funds and people we have. But one thing is quite clear. These efficiencies efforts will not come close to meeting the

budget targets laid out by the President, much less other, higher targets being bandied about.

Nonetheless, meeting this savings target will require real cuts—given the escalating costs of so many parts of the defense budget—and, as a result, real choices. That is why I launched a comprehensive review last month to ensure that future spending decisions are focused on priorities, strategy and risks, and are not simply a math and accounting exercise. In the end, this process must be about identifying options for the President and the Congress, to ensure that the Nation consciously acknowledges and accepts additional risk in exchange for reduced investment in its military.

As we embark on this debate about the future size and composition of the American military, it would be well to remember that we still live in a very dangerous and often unstable world. Our military must remain strong and agile enough to face a diverse range of threats—from non-state actors attempting to acquire and use weapons of mass destruction and sophisticated missiles, to the more traditional threats of other states both building up their conventional forces and developing new capabilities that target our traditional strengths.

FISCAL YEAR 2012 BASE BUDGET REQUEST

The President's request for the base defense budget is for \$553 billion, which represents about 3.5 percent real growth over the fiscal year 2011 defense bill enacted by Congress this year. The four major components are: \$207.1 billion for operations, maintenance, logistics, and training; \$142.8 billion for military pay and benefits; \$188.3 billion for modernization; and \$14.8 billion for military construction and family housing.

MODERNIZATION

In all, the fiscal year 2012 budget request includes \$188.3 billion for modernization in the form of Procurement, Research, Development, Testing and Evaluation. Key modernization initiatives include:

- \$4.8 billion to enhance ISR capabilities and buy more high demand assets, including the MC-12 surveillance aircraft, Predator, Reaper, and Global Hawk UAVs—with the aim of achieving 65 *Predator*-class Combat Air Patrols by the end of fiscal year 2013;
- More than \$10 billion to modernize our heavily used rotary wing fleet;
- \$3.9 billion to upgrade the Army's combat vehicles and communications systems;
- \$4.8 billion to buy new equipment for the reserves;
- \$14.9 billion to buy new fighters and ground attack aircraft;
- \$24.6 billion to support a realistic, executable shipbuilding and investment portfolio that buys 11 ships in fiscal year 2012 and modernizes existing fleet assets;
- \$10.5 billion to advance the modernization portion of the administration's approach to ballistic missile defense—including \$8.4 billion for the Missile Defense Agency; and
- \$2.3 billion to improve the military's cyber capabilities.

Questions have been raised about whether we are too focused on current conflicts and are devoting too few resources to future possible high-end conflicts. This budget should put those questions to rest. The fiscal year 2012 base request provides for significant investments at the high end of the conflict spectrum, including:

- \$1 billion (\$4.5 billion over the Future Years Defense Program (FYDP)) for a tactical air modernization program that would ensure that the F-22 will continue to be the world's preeminent air-to-air fighter. This effort will leverage radar and electronic protection technologies from the JSF program;
- \$204 million (\$1.6 billion over the FYDP) to modernize the radars of F-15s to keep this key fighter viable well into the future;
- \$30 million (\$491 million over the FYDP) for a follow-on to the AMRAAM, the medium range air-to-air weapon, that would provide greater range, lethality, and protection against electronic jamming;
- \$200 million (\$800 million over the FYDP) to invest in technologies to disrupt an opponent's ability to attack our surface ships;
- \$1.1 billion (\$2.2 billion over the FYDP) to buy more EA-18 Growlers than originally planned, plus \$1.6 billion over the FYDP to develop a new jamming system, expanding our electronic warfare capabilities;
- \$2.1 billion (\$14 billion over the FYDP) to fund Aegis-equipped ships to further defend the fleet from aircraft and missile attack and provide theater-wide tactical ballistic missile defense; and

—To improve anti-submarine capabilities, \$2.4 billion for P-8 Poseidon aircraft (\$19.6 billion over the FYDP) and \$4.8 billion for procurement of *Virginia*-class attack submarines (\$27.6 billion over the FYDP).

The fiscal year 2012 budget also supports a long-range strike family of systems, which must be a high priority for future defense investment given the anti-access challenges our military faces. A key component of this joint portfolio will be a new long-range, nuclear-capable, penetrating Air Force bomber, designed and developed using proven technologies and with an option for remote piloting. It is important that we begin this project now to ensure that a new bomber can be ready before the current aging fleet goes out of service.

The budget request includes \$10.6 billion to maintain U.S. supremacy in space, in keeping with the recently released National Security Space Strategy. This new strategy will help bring order to the congested space domain, strengthen international partnerships, increase resiliency so our troops can fight in a degraded space environment, and improve our acquisition processes and reform export controls to energize the space industrial base.

As the military services were digging deep for excess overhead, they were also taking a hard look at their modernization portfolio for weapons that were having major development problems, unsustainable cost growth, or had grown less relevant to real world needs.

The Joint Strike Fighter program received special scrutiny given its substantial cost and its central place in ensuring that we have a large inventory of the most advanced fifth generation stealth fighters to sustain U.S. air superiority well into the future. The fiscal year 2012 budget reflects the proposed restructuring of the F-35 Joint Strike Fighter program to stabilize its schedule and cost. The department has adjusted F-35 procurement quantities based on new data on costs, on likely orders from our foreign nation partners, and on realigned development and test schedules.

The proposed restructuring adds over \$4 billion for additional testing through 2016. It holds F-35 procurement in fiscal year 2012 at 32 aircraft and reduces buys by 124 aircraft compared with last year's plans. Even after these changes, procurement ramps up sharply to 108 aircraft by fiscal year 2016. This is the fastest that future procurement can prudently be increased.

The F-35 restructuring places the Marine's STOVL variant on the equivalent of a 2 year probation. If we cannot fix this variant during this timeframe and get it back on track in terms of performance, cost and schedule, then I believe it should be canceled. To compensate for any delays in F-35 deliveries, we propose buying 41 more F/A-18s between fiscal year 2012 to 2014.

I also want to reiterate the President's and my firm opposition to buying an extra engine for the F-35—a position echoed by the Air Force, Navy and Marine Corps leadership. We consider it an unnecessary and extravagant expense, particularly during this period of fiscal contraction.

This budget proposes cancelling the Expeditionary Fighting Vehicle and reallocating funds to existing Marine ground combat requirements, a decision based on the recommendation of the Secretary of the Navy and the Commandant of the Marine Corps.

Ultimately, the Navy and Marine Corps leadership based their recommendations on two main principles: affordability and balance. The EFV, a program originally conceived in the 1980s, has already consumed more than \$3 billion to develop and will cost another \$12 billion to build. The EFV as designed would have cost many times more than the system it would replace, with much higher maintenance and service costs. If continued over the next two decades, the EFV program would consume fully half of all Marine Corps procurement dollars while swallowing virtually the Corps' entire ground vehicle budget—procurement, operations, and maintenance—with all the risk to readiness that entails.

To be sure, the EFV would, if pursued to completion without regard to time or cost, be an enormously capable vehicle. But as with several other high end programs completed or cancelled in recent years—the F-22, the Army Future Combat Systems, or the Navy's DDG-1000 destroyer—the mounting cost of acquiring this specialized capability must be judged against other priorities and needs.

Let there be no doubt—we are committed to sustaining the Marine Corps amphibious mission. This fiscal year 2012 request proposes that the \$2.8 billion previously budgeted to the EFV for the next 5 years instead be reinvested towards an integrated new vehicle program for the Marine Corps, including:

- New armor, weaponry and engines, plus a life-extension program for the existing amphibious assault vehicles;
- The development of a new, more affordable, sustainable and survivable amphibious vehicle;

- Accelerated procurement of new personnel carriers; and
- Enhancement of existing Marine vehicles such as the Abrams tank and Light Armored Vehicle.

Throughout this process, we will harness the lessons learned—in terms of engineering, design, and testing—from the development of the EFV.

PERSONNEL

The fiscal year 2012 budget request includes \$142.8 billion for military pay and benefits and continues our strong support for troops and their families. This includes funding for wounded, ill and injured care, enhancing the military healthcare system and supporting military families under stress. Examples in this request include: \$2.3 billion to provide care for our Wounded Warriors and their families; and \$8.3 billion for supporting families, including child care and school programs.

While the department continues to insist on and pay for the highest quality healthcare, we are also mindful of sharply rising health costs—which have risen over the last decade from \$19 billion in 2001 to \$52.5 billion in this budget request. The department has taken a comprehensive look at all facets of the military healthcare model—emphasizing the need to balance the number one priority of continuing to provide the highest care and service, while ensuring fiscally responsible management.

One area we have identified are benefits provided to working-age retirees under the TRICARE program. Many of these beneficiaries are employed full time while receiving full pensions, often forgoing their employer's health plan to remain with TRICARE. This should come as no surprise, given that the current TRICARE enrollment fee was set in 1995 at \$460 a year for the basic family plan and has not been raised since. By comparison, the fees for a comparable health insurance program for Federal workers total roughly \$5,000 per year.

Accordingly, we propose a modest increase to TRICARE Prime enrollment fees for working age retirees: \$2.50 per month for individuals and \$5 per month for families in fiscal year 2012, and then indexed to increases in national health expenditures in future years.

We are proposing other healthcare initiatives such as efficiencies in pharmacy copays designed to provide incentives to make greater use of generic prescriptions and those ordered by mail. We also seek to phase out, over several years, special subsidies offered to a small group of hospitals that treat military families and retirees. Additionally, we are proposing providing TRICARE-for-Life to all Medicare-eligible retirees aged 65 and over, including future enrollees in the Uniformed Services Family Health Plan. It is important to note that none of these changes would affect healthcare benefits for active-duty personnel.

SECURITY ASSISTANCE REFORM

The fiscal year 2012 request includes funding and authorization for a key step forward in a critical policy area: helping other countries to protect and defend themselves. The Pentagon and the State Department have agreed to a 3-year pilot pooled fund—called the Global Security Contingency Fund—that will be used to build partner capacity, prevent conflicts, and prepare for emerging threats. The proposed fund would incentivize interagency collaboration through a new business model. It would provide a more agile and cost effective way to reduce the risk of future conflicts by allowing our Government to respond to unforeseen needs and take advantage of emerging opportunities to help partners secure their own territories and regions.

The request is modest, an initial \$50 million State Department appropriation, along with a request for authority to transfer an additional \$450 million into the fund from either department if needed. The Department of Defense intends to make significant contributions from its own resources into this pooled fund. We will be requesting in parallel an authorization for this initiative in the fiscal year 2012 NDAA.

OVERSEAS CONTINGENCY OPERATIONS

Finally, this budget request includes \$117.8 billion in fiscal year 2012 to support Overseas Contingency Operations, primarily in Afghanistan, and to wind down our operations in Iraq—this is a significant reduction from the \$159 billion enacted for OCO in fiscal year 2011. The request, which fully funds our wartime requirements, includes:

- \$86.4 billion for wartime operations and related costs;
- \$425 million for the Commander's Emergency Response Fund;
- \$475 million for the Afghan Infrastructure Fund;
- \$2.6 billion to support counter-IED efforts;

- \$3.2 billion for MRAP vehicles, including the MRAP All Terrain Vehicles developed for Afghanistan;
- \$11.9 billion to replace and restore worn, damaged or destroyed equipment; and
- \$12.8 billion for training and equipping of the Afghan security forces.

OFFICE OF SECURITY COOPERATION—IRAQ

I also want to mention a request in fiscal year 2012 for \$524 million for the Office of Security Cooperation—Iraq (OSC-I). The OSC-I, which will be jointly funded with the State Department, will execute our Foreign Military Sales program in Iraq. OSC-I will help ensure the continuation of military-to-military relationships that advise, train, and assist Iraq's security forces.

CONCLUSION

In conclusion, I want to thank this committee for all you have done to support our troops as well as their families. From my earliest days as Secretary of Defense, I have made a point of reminding officers—from cadets to admirals and generals—that Congress is a co-equal branch of government that under the Constitution raises armies and provides for navies and air forces. Members of both parties serving in Congress have long been strong supporters of our military and are owed honesty and candor from the military and from the Department.

It has been the greatest privilege of my life to lead this great military for the past 4½ years. Every day, I've considered it my responsibility to get our troops everything they need to be successful in their mission and to come home safely. In my visits to the combat theaters, in military hospitals, and in bases and posts at home and around the world, I continue to be amazed by their decency, resilience, and courage.

Finally, I want to thank this committee once again for all you have done to support our troops as well as their families. In visits to the combat theaters, in military hospitals, and in bases and posts at home and around the world, I continue to be amazed by their decency, resilience, and courage. Through the support of the Congress and our Nation, these young men and women will prevail in the current conflicts and be prepared to confront the threats that they, their children, and our nation may face in the future.

Thank you Mr. Chairman.

**STATEMENT OF ADMIRAL MIKE MULLEN, U.S. NAVY, CHAIRMAN,
JOINT CHIEFS OF STAFF**

Chairman INOUE. And may I now call upon the Chairman of the Joint Chiefs of Staff, Admiral Mullen.

DEFENSE BUDGET

Admiral MULLEN. Mr. Chairman, Senator Cochran, and distinguished members of this subcommittee, I'm honored to appear before you today to discuss the President's fiscal year 2012 Defense budget.

As the Secretary laid out, this budget, combined with the efficiencies effort that he led, provides for the well-being of our troops and families; fully funds current operations in Afghanistan and Iraq; and helps balance the global risk, through streamlined organizations, smarter acquisitions, and prudent modernization.

The Army, for instance, will cancel procurement of the surface-to-air missile and the non-line-of-sight launch system; but it will continue production of the joint light tactical vehicle, and spearhead the development of a whole new family of armored vehicles.

The Navy will give up its 2d Fleet headquarters, reduce its manpower ashore, and increase its use of multi-year procurement for ships and aircraft, allowing it to continue development of the next generation ballistic missile submarine, purchase 40 new F/A-18s, four littoral combat ships, and another LPD-17.

The marines will cancel the expeditionary fighting vehicle, and, like the Army, reduce their end strength starting in 2015. But they will reinvest these savings to sustain and modernize the amphibious assault vehicle and the light armored vehicle, even as they advance a new concept of operations and restore much of their naval expeditionary skills.

And the Air Force will be able to continue development of the next-generation tanker, a new bomber, and modernize its aging fleet of F-15 fighters, all the while finding savings of more than \$33 billion through reorganization, consolidation and reduced facilities requirements.

None of this balancing will come on the backs of our deployed troops.

We are asking for more than \$84 billion for readiness and training, nearly \$5 billion for increased Israel capabilities, and more than \$10 billion to recapitalize our rotary aircraft fleet.

These funds, plus those we are requesting to help build our partnership capacity in places like Afghanistan and Pakistan, Iraq and Yemen, all speak to the emphasis we are placing on giving our troops and their partners in the field everything they need to do the difficult jobs we've asked of them.

MILITARY HEALTHCARE PROGRAM

We must also give them and their families everything they need to cope with the stress and the strain of almost 10 years at war. That's why I'm so pleased with the funds devoted in this proposal—almost three-quarters as much as the \$200 billion budgeted for operations and maintenance—to personnel, housing and healthcare issues.

As you may know, the chiefs and I penned a rare 24-star letter to Congress expressing our unqualified support for the military healthcare program changes included in this budget. We sought equity across all healthcare programs, with beneficiaries and healthcare delivery providers having the same benefits and equivalent payment systems regardless of where they live or work. That in turn led us to propose increases in TRICARE enrollment fees for working-age retirees. These increases are modest and manageable, and leave fees well below the inflation-adjusted out-of-pocket costs set in 1995, when the current fees were established. We sincerely hope you will see fit to pass it. It is clearly eating us alive.

Please know that we will continue to invest in critical care areas, to include research, diagnosis, and treatment of mental health issues and traumatic brain injury; enhanced access to health services; and new battlefield technologies. We understand that changes to healthcare benefits will cause concern among people we serve, and the communities from which we receive care. But we also understand and hold sacred our obligation to care completely for those who have borne the brunt of these wars, as well as those for whom the war never ends.

I remain convinced that we haven't begun to understand completely the toll that war extracts from our people. Just as the grandchildren of World War II vets still struggle to comprehend the full scope of the horror those men conceal, so, too, will our grandchildren have to come to grips with the wounds unseen from these

wars, unless we get it right. I believe the investments we are making in wounded care and family readiness will pay off in that regard. But it will take time and patience and money—three things we rarely seem to possess.

That brings me back to this particular budget request. With limited resources and two wars in progress—three, if you count our support to NATO operations in Libya—we should be prudent in defining our priorities, in controlling our costs, and in slaking our thirst for more and better systems. We should also be clear about what the Joint Force can and cannot do, just as we should be clear about what we expect from our interagency and international partners.

Our global commitments have not shrunk. If anything, they continue to grow. And the world is a lot less predictable now than we could have ever imagined. You need look no further than the events across the Middle East and North Africa to see the truth in that. In fact, I just returned from a trip to Egypt, and 1 week before that I was in Pakistan with Secretary Clinton as we tried to find ways to move forward our relationship with that nation in the wake of Osama bin Laden's killing.

The challenges in both Egypt and Pakistan are distinct, to be sure, but at each stop—and, in fact, in just about every country I visit—I've been struck by the degree to which civilian and military leaders alike desire to keep our military partnerships strong. This desire isn't rooted in the fear of revolt or recrimination, but rather, a shared understanding of the external threats to their security and ours, which still plague the region. Therefore, changes to these relationships in either aid or assistance ought to be considered only with an abundance of caution and a thorough appreciation for the long view, rather than the flush of public passion and the urgency to save a dollar. The support we provide many of these militaries has helped them become the capable professional forces they are and, in that regard, has been of inestimable value.

Of equal or greater value is increased appropriations for the State Department, and our request in this budget for something called the Global Security Contingency Fund—a 3-year pooled fund between the Pentagon and the State Department that will be used to build partnership capacity, prevent conflicts, and prepare for emerging threats. The request is modest—an initial \$50 million appropriation—along with a request for authority to reprogram an additional \$450 million if needed. But, what it will buy us is an agile and cost-effective way to better respond to unforeseen needs and take advantage of emerging opportunities for partners to secure their own territories and regions.

We must get more efficient—absolutely. But, we must get more pragmatic about the world we live in. We can no longer afford bloated programs or unnecessary organizations without sacrificing fighting power. And we can no longer afford to put off investments in future capabilities or relationships that preserve that power across the spectrum of conflict.

As you know, the President announced his framework for addressing our Nation's long-term fiscal challenges, setting a goal of reducing Defense spending by \$400 billion. This will be hard work and will require difficult choices about matching strategy to re-

sources. Those choices will be painful, even unnatural for the Services, for the Department, and for the Congress. But they are absolutely necessary.

The President also directed that, before making specific budget decisions, the Department of Defense will assess their impact by conducting a fundamental review of America's military missions, capabilities, and roles in a changing world. Secretary Gates and I have begun this review, and will work with the service chiefs to ensure we can meet our national security priorities, even in the face of fiscal pressure. Our review will be based on strategy and risks, not simply budgetary math. And our goal will be to ensure that we do not repeat the mistakes of the past, nor, at the end of this endeavor, find ourselves with a hollow force—a force that retains an organizational structure, but lacks the people, the training, and equipment necessary to perform the tasks we expect from it.

In my view, then, this proposed budget gives us a good start. It builds on the balance we started to achieve last year, and represents the best of both fiscal responsibility and sound national security.

I would be remiss, indeed, if I did not close by praising the incredible efforts of our troops overseas and their families as they finish one war in Iraq, begin to turn corners in Afghanistan, and help save innocent lives in Libya. I know you share my pride in them and that you will keep them foremost in mind as you consider the elements of this proposal.

PREPARED STATEMENT

I, too, would like to thank you for your longstanding support of our military, of our families. You have set a standard in many ways that those of us who are fortunate enough to interact with you appreciate, and I know our troops and our families appreciate it, as well.

Thank you, Mr. Chairman.

Chairman INOUE. Admiral Mullen, thank you very much.

[The statement follows:]

PREPARED STATEMENT OF ADMIRAL MICHAEL G. MULLEN

Chairman Inouye, Senator Cochran, and distinguished members of the Committee, it is my privilege to report on the posture of the United States Armed Forces.

We remain a Nation at war on multiple fronts. In the face of daunting challenges, our Armed Forces have successfully carried out their far-ranging missions over the past year. They have improved security in Afghanistan, continued on a path to soon end the war in Iraq, and promoted stability in the Pacific Rim. They have supported NATO in its U.N. mission to protect civilians in Libya and have provided humanitarian assistance, such as in Japan in the aftermath of the recent devastating earthquakes and tsunami. And they displayed their characteristic bravery and precision in the May 2 operation targeted against al-Qaeda leader Osama Bin Laden, the leader of al-Qaeda. You can be very proud of your military. However, the cumulative stress of 9 years of war is substantial and growing. We will need your sustained support, even in the midst of fiscal difficulties, to reset the Joint Force so it can continue to protect the American people.

Our country is fortunate to be served by the best Armed Forces I have seen in over 43 years of wearing the uniform. Despite continuous deployments and combat operations, our men and women in uniform and their families have been resilient beyond all expectations. They are patriots who care deeply for this country and serve under very trying conditions. They are the most combat experienced and capable force we have ever had, and they continue to learn and adapt in ways that are

truly remarkable. I am continuously humbled as I visit them around the country and the world. Time and again, these men and women and their families have proven that our All Volunteer Force is the Nation's greatest strategic asset.

This Force cannot thrive without the support of the American people. Everything we are and everything we do comes from them. I am grateful for the Congress' and the American people's constant reminders that the service, heroism, and sacrifices of our service members and their families are valued. However, I am concerned that because our military hails from a shrinking percentage of the population, some day the American people may no longer know us. We cannot allow this to happen. With your help, we will endeavor to stay connected and to maintain a strong and open relationship.

As we look to our military's posture and budget, we recognize that our country is still reeling from a grave and global economic downturn and is maintaining nearly historic fiscal deficits and national debt. Indeed, I believe that our debt is the greatest threat to our national security. If we as a country do not address our fiscal imbalances in the near-term, our national power will erode. Our ability to respond to crises and to maintain and sustain our influence around the world will diminish.

Our national economic health is creating real budgetary pressures. For too much of the past decade we have not been forced to be fully disciplined with our choices. But for the foreseeable future, cost will be a critical element of nearly every decision we face. We must now carefully and deliberately balance the imperatives of a constrained budget environment with the requirements we place on our military in sustaining and enhancing our security. We must identify areas where we can reduce spending while minimizing risk. This will affect our posture, force structure, modernization efforts, and compensation and benefits. The Defense Department must and will become more efficient and disciplined, while simultaneously improving our effectiveness.

In April, the President announced his framework for addressing our Nation's long-term fiscal challenges, setting a goal of reducing defense spending by \$400 billion. This will be hard work and will require choices that will be painful to many, but it is necessary. The President also directed that before making specific budget decisions, the Department of Defense assess their impact by conducting a fundamental review of America's military missions, capabilities, and role in a changing world. Secretary Gates and I have launched this review and will work with Service Chiefs to ensure our ability to meet our crucial national security priorities even in the face of fiscal pressures. Our review will be based on strategy and risks, not simply budgetary math, and our goal will be to ensure that we do not repeat the mistakes of the past nor at the end of this endeavor find ourselves with a hollow force—a force that retains an organizational structure but lacks the people, training, and equipment necessary to perform the tasks we expect from it.

In the near-term, the President's fiscal year 2012 Department of Defense budget of \$553 billion represents a balance of military risks and fiscal realities we face today. The return on U.S. defense spending over the past two decades has been immense and historic: preventing world war between great powers, securing the global commons and the free flow of international trade and natural resources, combating terrorism across the globe, and protecting the American people and our allies. But our operations have come with stresses and strains as well as costs to our readiness. If we are to continue to execute the missions set out by our strategy, we must recognize that recovering from war and resetting the force is costly and will require several years of continued investment. Congressional support is required for our forces, their families, their equipment and training, and our military infrastructure to ensure the success of our ongoing efforts and for us to be ready to respond to new and emerging security challenges.

The President's National Security Strategy, the National Military Strategy, and the President's Strategy for Afghanistan and Pakistan describe our military approaches and ongoing operations in great detail. This posture statement will focus on the strategic priorities for the military and the Congressional support we need. My priorities remain defending our vital interests in the broader Middle East and South Central Asia, improving the Health-of-the-Force, and balancing global strategic risk.

DEFENDING OUR VITAL NATIONAL INTERESTS IN THE BROADER MIDDLE EAST AND SOUTH CENTRAL ASIA

Over the past year, our Armed Forces have continued to shoulder a heavy burden, particularly in the Middle East and South Central Asia. The balance of this burden and our wartime focus has shifted, however, from Iraq to Afghanistan. This was made possible by drawing down military forces in Iraq and transitioning security

responsibilities to the Iraqis. Meanwhile, we committed additional forces and resources to Afghanistan and Pakistan as well as participated in NATO operations in Libya.

Removing Osama Bin Laden from al-Qaeda's leadership is a signature achievement, and it came only after years and years of painstaking and difficult work by intelligence and military professionals. Although the full import will not be known for some time, his death contributes to the larger struggle and steady progress we must make toward disrupting, dismantling, and ultimately defeating al-Qaeda. As a result of our operations with our Coalition, Afghan, and Pakistani partners, and extensive cooperation with other partners, al-Qaeda's senior leadership in Pakistan is weaker and under greater pressure than at any other time since being forced out of Afghanistan in late 2001. They have suffered the losses of numerous senior leaders and face significant challenges to coordinating operations, maintaining safe havens, and acquiring funding. Despite this operational progress, al-Qaeda retains the intent and capability to attack the United States and other Western countries. The movement's leaders continue to operate in the Afghanistan-Pakistan border region, planning operations and guiding the efforts of al-Qaeda networks operating out of the Arabian Peninsula, Africa, and even Europe. We, in turn, remain committed to our deepening and broadening partnerships in the region and to our goal of ultimately defeating al-Qaeda and creating the conditions to prevent their return to Afghanistan and Pakistan.

We continue to implement our national strategy for Afghanistan and Pakistan with great urgency. This past November, we completed the deployment of the 30,000 additional U.S. forces, and we are seeing signs of improving security on the ground. These forces have allowed us to go on the offensive with our Afghan and ISAF partners, force the Taliban out of safe havens in its heartland of Kandahar and Helmand, better protect the Afghan population, and reduce civilian casualties. Our counterinsurgency operations, conducted in close partnership with Afghan forces, have reduced the Taliban's influence, reversed the insurgency's momentum in key areas of the country, and forced many Taliban leaders to flee. Our forces will consolidate recent gains in Helmand and Kandahar Provinces and further expand security in other critical parts of the country.

This success against the Taliban and other insurgent groups is essential to prevent the return of al-Qaeda, gain time to build the Afghan National Security Forces (ANSF), and force insurgents to reconcile with the Afghan government on acceptable terms. We expect the violence in 2011 to be greater than last year. The fighting this summer will be tough and often costly, but it is necessary to sustain and even increase the pressure we have been placing on the insurgent groups. We cannot allow the Taliban to reorganize and reconstitute as they did in 2004 and 2005, regain their oppressive influence over the Afghan people, and once again provide safe haven to al-Qaeda or its affiliates.

For the success of our military operations to be enduring, it is critical that the ANSF be able to provide adequate security for the Afghan people. Our greatest success story this past year has been the growth and development of the ANSF. With the help of additional ISAF trainers, the ANSF added 49,000 soldiers and 21,000 policemen to their ranks—an astonishing growth of 36 percent. The ANSF also continue to improve on the battlefield and increasingly contribute to the war effort. They are fighting beside us and have grown in their ability to plan and conduct complex operations. In fact, their expanding capabilities and presence have already allowed International Security Assistance Forces (ISAF) units to "thin out" in some parts of central Helmand and Kabul Province. We are on track to begin the transition of security responsibilities and drawdown of our forces in July 2011. In the coming year, while continuing to grow the ANSF in size, we will place greater emphasis on improving its quality, professionalism, and self-sufficiency, to ensure that they remain on track to assume the overall lead for security in 2014. To this end, the Afghan Security Forces Fund remains critical to the building of the ANSF's capabilities and to the ANSF's eventual assumption of security responsibilities.

Despite our successes, numerous other challenges remain. Achieving sustainable security requires developing Afghan governing capacity, countering corruption, cultivating the conditions needed for conflict resolution, and neutralizing insurgent sanctuaries in Pakistan. Absent these conditions, we will not succeed. Despite a dramatic increase in our civilian presence in Afghanistan this past year, improvements in sub-national governance and reconstruction have not kept pace with progress in improving security. This has impeded our ability to "hold," "build," and "transfer." For this reason, the Commander's Emergency Response Program remains the most responsive means for addressing a local community's needs and is often the only tool our commanders have to address pressing requirements in areas where security is challenged. Along with development projects, we believe that new transparency and

anti-corruption efforts may counter the deleterious effects of Afghanistan's criminal patronage networks, mitigate the distortive effects of international aid and development programs, and ultimately improve the confidence the Afghan people have in their government and their governing officials.

To complement this "bottom-up" development, we will support the Afghan government's reconciliation and reintegration efforts in order to achieve the political solution that is an imperative to sustainable peace. Their efforts will only succeed if the Taliban and other insurgents believe they have more to gain by negotiating an end to the conflict than by continuing to fight. Achieving reconciliation and reintegration will take time, skillful diplomacy, and sustained military pressure, but we will not achieve a favorable and durable outcome unless we meet this challenge.

Though our operational efforts are focused on Afghanistan, our diplomatic efforts have increasingly focused on Pakistan, a country critical to our strategy in the region. We must continue to pursue a partnership with Pakistan even as we are realistic about the difficulty in overcoming years of mistrust. The alternative—drifting toward a more contentious or fractured relationship—is far more detrimental to U.S. interests in strategically defeating al-Qaeda and ensuring nuclear weapons do not fall into terrorists' possession. We therefore should remain committed to close coordination, cooperation, and friendship with Pakistan.

It is manifestly in our interest to enable the Pakistani military's counterterrorism and counterinsurgency operations. The series of offensive operations undertaken by the Pakistani military in the tribal areas expanded dramatically in 2009. There, the Pakistanis have fought bravely and sacrificed much—losing thousands of soldiers in the process. We have steadfastly supported them in a variety of ways, primarily in the development of the counterinsurgency capabilities of Pakistan's security forces. This development and the military's operations have kept pressure on al-Qaeda's senior leadership and the militant groups threatening Pakistan and Afghanistan.

However, insurgent groups such as the Quetta Shura and the Haqqani network continue to operate unhindered from sanctuaries in Pakistan, posing a significant threat to NATO and Afghan forces. Our efforts to enable the Pakistani Military depend on several critical programs, such as the Pakistan Counterinsurgency Fund and Pakistan Counterinsurgency Capability Fund and the Multi-Year Security Assistance Commitment announced by Secretary Clinton last fall. It is also important that through exchange programs, such as the International Military Education and Training (IMET) program, we establish relationships with the generation of Pakistani officers with whom we had cut ties. In addition, because we so heavily depend on Pakistan as a supply route supporting our efforts in Afghanistan, Coalition Support Funds remain critical to reimbursing the Pakistanis for their assistance in securing those supply routes.

In terms of our broader engagement with Pakistan and the region, reducing some of the long-standing enmity and mistrust between India and Pakistan would greatly contribute to our efforts. As neighbors, it is in both India and Pakistan's interests to reduce the tension between them and strengthen their political, security, and economic ties. While we acknowledge the sovereign right of India and Pakistan to pursue their own foreign policies, we must demonstrate our desire for continued and long-term partnership with each, and offer our help to improve confidence and understanding between them in a manner that builds long-term stability across the wider region of South Asia.

Another increasingly important aspect of our engagement in South Central Asia is the development of the Northern Distribution Network. This line of communication has proven critical to maintaining flexibility in our logistical support to our efforts in Afghanistan. We will continue to work with our partners to ensure access, expand throughput, and sustain the viability of redundant supply routes for our forces.

We have ended our combat mission in Iraq, Operation Iraqi Freedom, and started a new chapter in our partnership, Operation New Dawn. We successfully transferred lead for security responsibilities to the Iraqi Security Forces on August 31, 2010. Iraq's military and political leaders are responding to the residual, but still lethal, threat from al-Qaeda. As a result, and despite a drawn-out government formation process, the security situation there remains stable, and the Iraqi people are increasingly able to focus on jobs and development. Beyond this security transition, the State Department has taken the lead for U.S. efforts in Iraq, and our diplomats and other civilians are increasingly the face of our partnership with the Iraqi people and their government. Sustained funding for our civilian efforts, commensurate with the State Department's growing responsibilities—particularly our development assistance and police training programs—is needed to ensure we are able to successfully turn our military accomplishments into lasting political ones.

However, the end of the war in Iraq will not mean the end of our commitment to the Iraqi people or to our strategic partnership. We must focus on the future to help Iraq defend itself against external threats and consolidate a successful, inclusive democracy in the heart of the Middle East. As we continue to draw down forces through December 31, 2011, in accordance with the United States-Iraqi Security Agreement, we will transition to a more typical military-to-military relationship. We will shift the focus of our assistance from Iraq's internal domestic security to its external national defense, keeping in consideration the interests and sensitivities of all Iraqis as well as Iraq's neighbors. While Iraqi security forces have made great improvements, they will require external assistance for years to come. The cornerstone of our future security partnership with the Iraqis will be a robust Office of Security Cooperation, performing both security assistance and security cooperation functions, as part of the U.S. Embassy in Iraq. Key to our assistance and not squandering our hard won gains will be continued support to the Iraqi Security Forces fund through fiscal year 2011, IMET and other traditional security assistance programs, as well as an extension of Section 1234 authority to transfer equipment from Department of Defense stocks.

Despite the energy we commit to defeating al-Qaeda and to stabilizing the situations in Afghanistan, Pakistan, and Iraq, we remain vigilant against other security challenges and sources of aggression and proliferation throughout this critical region. The Iranian regime continues to threaten regional stability. Despite growing isolation from the international community and a fourth round of increasingly costly U.N. sanctions, the regime has neither ceased providing arms and other support to Hezbollah, HAMAS, and other terrorist groups nor accepted a verifiable end to its pursuit of nuclear weapons. Many of the long-standing potential flashpoints in the Levant and the gulf region bear Iran's signature, and the Iranian regime is also attempting to seize on opportunities presented by the recent unrest in the region.

That said, strong social, economic, and political tensions pull on the region and its people—as evidenced by the turmoil we have recently witnessed in Tunisia, Egypt, Libya, Yemen, Syria, and Bahrain. Volatility in regional affairs can often follow volatility in domestic affairs. Strong military-to-military relationships can help reduce and mitigate the risks of instability, but sometimes use of force is necessary. The most recent example of this is our rapid response to the crisis in Libya. Since mid-March, after Muammar Gaddafi turned his armed forces against his own, U.S. forces have participated in the NATO-led effort to implement and enforce U.N. Security Council Resolution 1973. We provided rapid planning, command and control, and electronic attack capabilities for the coalition force that has halted the regime's assault on the city and people of Benghazi, and subsequently transitioned the leadership responsibility of the effort over to NATO.

We will continue to help counter terrorist threats, deter Iranian aggression, and protect our partners from coercive influence. To do this we will continue to build the capabilities of our partners. More important, we will nurture the development of a regional security architecture based on multi-lateral partnerships that address a wide range of security issues including counterproliferation, maritime security, counterterrorism, air and missile defense, and emergency response. As with our other partnerships across the globe, our security assistance programs are the cornerstone of our relationships. In particular, our Section 1206 and 1208 programs provide a unique and necessary flexibility and responsiveness to Combatant Commander requirements that we cannot currently get with our Foreign Military Financing (FMF) programs.

IMPROVING THE HEALTH-OF-THE-FORCE

The “back end” of war—the continued care of our veterans and their families and the resetting of our force—cannot be an afterthought, and getting it right will be expensive. Moreover, because of the duration of these conflicts, we have begun to reset our units even in the midst of conflict. The stress of over 9 years of constant warfare has come at a great cost to the Force and its ability to continue to conduct operations and respond to other emergent crises. We must care for our people and their families and reset and reconstitute our weapon systems to restore our readiness, capabilities, and wartime effectiveness. This will require a sustained commitment of at least 3 to 5 years, and could continue well beyond the end of our involvement in Iraq and Afghanistan.

Care for our People

Our foremost focus is on our servicemen and women, their families, and their supporting communities—the bedrock of our Armed Forces. They each play unique and growing roles in our national security fabric, but they have been under great, often unrecognized, stress for the past 9 years. Over 2 million of our service members

have deployed to fight overseas. Some have served multiple grueling tours, a great number have suffered significant injuries, and thousands have sacrificed their lives. Even those serving stateside enjoy only short respites between deployments. We have asked a great deal from our people, and we must invest in them and their families—through appropriate pay, healthcare, family care, education, and employment opportunities—as they are the single greatest guarantee of a strong military. And they become our best recruiters.

The many accomplishments of our All Volunteer Force over the past 9 years of continuous combat operations have been unprecedented. That we remain competitive in attracting the country's best talent during this period is simply extraordinary. All of our Services in the Active Duty, Reserve, and National Guard components continue to have exceptional recruiting and retention rates. Ninety-six percent of our accessions have earned at least a high school diploma, which helps explain why this is one of the finest forces we have ever fielded. Competitive compensation and selective bonuses are critical to our ability to recruit and retain talent, as are other "people programs," such as the new GI Bill, improvements in housing, access to quality schooling for military children, mental health counseling, adequate child care, and attractive family support centers. All of these programs make the harsh burdens of military life easier to bear. I ask for Congress' continued support for them in order to sustain the Force while our overseas operations continue.

I also urge Congress to continue funding the programs that will create a continuum of healthcare for our veterans and their families that seamlessly spans active duty and veteran status. With a focus on our enduring commitment, we must continue to improve our active and veteran care services, with special emphasis on Wounded Warrior Support. We will expand our public and private partnerships and tap into the "sea of goodwill" toward our veterans found in our Nation's communities and civic organizations. That will be important, but it is not sufficient. Long-term fiscal support for the Department of Veterans Affairs will serve the growing number of veterans requiring care.

One issue that demands acute national attention is the challenge of Traumatic Brain Injury (TBI). The Improvised Explosive Device (IED) is the signature weapon of the conflicts in Iraq and Afghanistan and is directly responsible for many of these injuries. Many of our heroes suffer from severe TBI and have had their lives dramatically changed in ways we do not yet fully understand, and over 150,000 others have been exposed to events that may have caused moderate TBI. As such, we need to aggressively identify the victims of TBI, both within the serving force and among our veterans, and the treatment and rehabilitation they need and deserve. The effects of these efforts will pay dividends for some time, because we can expect to face IEDs in future conflicts as well.

In addition, suicides and the many other stresses and social health costs that lag behind war—divorce, domestic violence, post-traumatic stress, depression, and even homelessness—are becoming alarmingly evident. Suicide rates remain unacceptably high, although programs such as the Department's Suicide Prevention Task Force and our improved leadership efforts have helped to lower the rates in 2010 in three of our four Services. Leaders must remain focused on this issue, as we work to improve our systematic understanding of the problem's scope, warning signs, and at-risk populations. As a society we must work to end the stigma that prevents our service members, veterans, and families from seeking early help.

By more effectively leveraging public-private partnerships, we can pursue solutions and treatment for all of these health issues afflicting the Force with great urgency and compassion and honor the sacred trust our Nation has with all of our combat veterans.

Reset and Reconstitute

The grueling pace of deployments has not allowed for the training needed to keep our forces ready along the entire spectrum of military operations and, as a result, our readiness in some mission areas has atrophied over the past decade. There are some modest reasons for hope, though. The Army now has fewer soldiers deployed than it has had at any time since the invasion of Iraq. In addition, this past year we completed the increases in the Army and Marine Corps end strengths authorized in 2007. As a result, we are beginning to see some stabilizing deployment rates and modestly improving dwell times. We appreciate the Congressional support to our wartime manning needs that has enabled this. However, our overseas contingency operations do continue to demand significant numbers of ground and special operations forces and low-density, high-demand specialties. For our Army combat units, we do not expect to begin to reach our interim goal of 1:2 deploy-to-dwell ratios until the end of 2012. After reset and reconstitution activities and as demand decreases, we expect to begin off-ramping some of our recent temporary force level increases.

However, my concerns about the health of our force go beyond our people and training—we must also restore the readiness of our combat systems and capabilities, which have similarly been under extraordinary stress. In the “back end” of previous conflicts, we were able to contract our equipment inventory by shedding our oldest capital assets, thereby reducing the average age of our systems. We cannot do this today, because the high pace and durations of combat operations have consumed the equipment of all our Services much faster than our peacetime programs can recapitalize them. We must actually recapitalize our systems to restore our readiness and avoid becoming a hollow force. All of this will force us to be more efficient and disciplined in our choices.

We must focus resources where they matter most, and we will reset and reconstitute by prioritizing people, readiness, capabilities, and essential modernization to maintain a technological edge. In the short-term, we will continue previous efforts to reconstitute and expand our rotary wing and tilt-rotor capacity in our Combat Aviation units and to convert one heavy Brigade Combat Team to a Stryker Brigade. However, over a period of years, we will modernize our battle fleet of ground combat vehicles, including replacing the Bradley Fighting Vehicle. We require enhancements to our manned and unmanned Intelligence, Surveillance, and Reconnaissance (ISR) assets, a new bomber program, extending the service life of a portion of our F-16 fleet, and continuing improvements in our missile defense and electronic warfare systems. We hope to modernize and extend the service life of our F/A-18 fleet and invest in additional P-8A aircraft and tankers. Last, we ask for full resourcing of the Air and Missile Defense Radar, the Next-Generation Jammer, and communications and integrated fire control systems designed for operating in contested environments. These investments are, without question, costly, but they are critically demanded by our current and likely future challenges.

Just as important as the reconstitution of these combat systems are the acquisition processes and production capacities underlying them. Our procurement systems remain complex and in need of streamlining to help us acquire needed capabilities faster and more affordably. Last year we committed to adding 20,000 experts to our acquisition corps by 2015. In doing so we seek to improve stability in our programs, conduct more comprehensive design reviews, improve cost estimates, utilize more mature technology, and increase competition in order to make the entire process more responsive and effective.

In addition, as I stated last year, I am concerned about the capabilities of our defense industrial base, particularly in ship building and space. Our ability to produce and support advanced technology systems for future weapon systems may be degraded by decreasing modernization budgets as well as mergers and acquisitions. Left unchecked, this trend will impact our future warfighting readiness. Although we are properly focusing on near-term reset requirements, the Department, our industry leaders, and the Congress need to begin considering how to equip and sustain the military we require after our contemporary wars come to an end.

BALANCING GLOBAL STRATEGIC RISK

Balancing global risk requires maintaining a ready, forward presence with available forces that, overall, can meet the full scope of our security commitments. To meet these requirements, we must reset, sustain, and properly posture a force that includes both our active force and our National Guard and Reserve Components. But we must also make prudent investments and continuously evolve the force so as a whole it can meet the challenges of an increasingly complex global security environment.

For many decades, our overmatch in our general purpose forces has underwritten our national security and our prosperity, as well as that of our many allies and partners. This credible strength has deterred aggression and reduced the likelihood of inter-state conflict like those of the 19th and early 20th centuries. With these capabilities, we have stood side by side with our allies in the face of belligerent aggression, helped secure access and responsible use of increasingly contested domains, and provided timely humanitarian assistance in response to natural disasters across the globe. However, our recent experience reminds us that we must continue to adapt some of our systems and tactics to counter anti-access and area-denial strategies, which may involve both the most advanced and simplest technologies.

We already know some of the contours of what our future force will need to do. We know that, in addition to the current array of aggressive states and transnational terrorists we face, we must adjust to a changing global environment impacted by the rise of China and other emerging powers as well as the growing worldwide use and capabilities of cyber space. Such a world requires an agile, adaptive, and expeditionary force. It must ensure access, protect freedom of maneuver,

and project power globally. It should retain decisive overmatch with air, land, sea, and special operations forces and be able to operate in degraded space and cyber environments. As such, transitioning to this future force will likely involve a greater emphasis on ISR, command and control, long range strike, area denial, undersea warfare, missile defense, and cyber capabilities. This transition will also involve further developing flexible leaders, operators, and technicians who are highly proficient and able to fully integrate our efforts with our partners from other agencies and other countries.

In addition to maintaining our regular and irregular warfare capabilities, we will also continue to rely on secure and stable nuclear deterrence. It is also important that we maintain the safety and surety of our nuclear forces, even as we seek to reduce them in accordance with the Nuclear Posture Review and implement the recently ratified New Strategic Arms Reduction Treaty. We need to modernize our nuclear force and its supporting infrastructure to ensure that a smaller force is nonetheless safe, secure, and effective. Last, our missile defense systems should support the stability of our deterrence architectures.

And while we work to reduce, safeguard, and provide confidence in our nuclear force and those of treaty signatories, we acknowledge that the proliferation of nuclear technology and other weapons of mass destruction by state and non-state actors remains one of the most significant and urgent worldwide threats. Effectively countering proliferation requires strong international partnerships, new surveillance technologies, and layered defenses. These are supported by ongoing expansion of the Cooperative Threat Reduction Program, establishment of a standing joint headquarters for weapons of mass destruction elimination, and investments in nuclear forensics technology and programs. These relatively small programs can have a disproportionately large positive impact on our security.

Balancing global strategic risk also requires improving our capabilities in cyberspace. Today we face a range of threats to our computer systems from other states, mercenaries, and even civilian hackers, and their ability to wreak havoc cannot be overstated. Lower grade cyber threats conducted by organized criminals and talented individuals do not necessarily put the Nation at serious risk. But the effects of a well coordinated, state-sponsored cyber attack against our financial, transportation, communications, and energy systems would be catastrophic.

Though there has been important progress across the government, such as the recent release of the International Strategy for Cyberspace and the standing up U.S. Cyber Command, more work is needed. Critical to Cyber Command's future success will be our ability to recruit, train, and most importantly, retain the right people. We must devote the same time and attention to cultivating this Nation's future cyber workforce as we do to our combat specialists. We must also empower Cyber Command and the combatant commands by working with the Executive Office of the President and other agencies to develop appropriate cyber authorities and by refining our cyber doctrine, tactics, and procedures. We will need to engage with NATO allies in the area of cyberdefense, as a contributing partner at the NATO Cooperative Cyberdefense Center of Excellence in Estonia. Last, we need to actively foster public discussion about international observance of cyber space norms.

Balancing global strategic risk requires strong military-to-military engagement programs. These collaborative efforts engender mutual responsibility and include ongoing combined operations, multi-lateral training exercises, individual exchanges, and security assistance. They help demonstrate the United States' responsible military leadership in critical regions, reassure our allies, and strengthen the international norms that serve the interests of all nations. They also foster connections with other governments that reinforce our diplomatic channels and have proven critical during times of crisis.

We currently benefit from numerous strong and well appreciated military partnerships, such as our North American and NATO relationships. For example, at the November NATO Summit in Lisbon, we and our allies recommitted to our alliance, ongoing operations, and a new Strategic Concept for the next decade. This spring, NATO released its Alliance Maritime Strategy and agreed to streamline its Command Structure, based in part on lessons learned from ongoing operations related to Libya. In Asia, though still underpinned by U.S. bilateral alliances, the region's security architecture is becoming a more complex mixture of multi-level multilateralism and expanded bilateral security ties among states. As the region's military capability and capacity increases, we seek new ways to catalyze greater regional security cooperation.

Unfortunately, the global economic downturn is placing pressure on the resources of partner nations' security forces. We foresee no decrease in the commitment of our partners to us or to any of our mutual security efforts, but we must face the reality of less spending by our partners on our combined security and stability efforts. Any

measures we take to strengthen our partnerships, such as the Administration's Export Control Reform effort, can only improve our collective security.

We should not engage only with like-minded allies. Military-to-military engagement, in coordination with other diplomatic efforts, can help foster cooperation in areas of mutual interest between nations with varying levels of amity. We have seen the fruits of our engagement programs in strengthening cooperation in the Middle East, countering piracy in the Red Sea and the Straits of Malacca, and countering proliferation across the globe. We will seek out military-to-military relations even where they have not existed before because sound relations can prevent miscommunication and miscalculation that could lead to crisis or conflict. In particular, we are nurturing increased engagement with China—recently hosting the Chief of the Chinese General Staff for the first U.S. visit in 7 years. I intend to reciprocate and will visit China in July. China's peaceful, constructive rise would have a positive economic and security impact on the world, and we encourage continued improvements in transparency to ensure that this rise is properly understood. In addition, by increasing our military-to-military engagement with China we hope to increase understanding and cooperation on a multitude of issues, including encouraging North Korea to refrain from further provocation and ensuring access to and equitable use of the global commons.

A significant component of our engagement program is the security sector assistance we provide to build the capabilities of our partner nations' security forces. These cost-effective programs properly place security responsibilities in the hands of other sovereign governments and reduce the tactical strain on our own forces by helping to prevent conflicts and instability. In many places, across the range of U.S. interests, investments in capacity building result in strong foundations for the future. These investments are often small but, if persistent, can yield a high return. I urge your continued support for Theater Security Cooperation programs, Acquisition and Cross-Servicing Agreements to lend military equipment for personnel protection and survivability (under 1202 authorities), Global Train and Equip initiatives (under 1206 authorities), funding for special operations to combat terrorism (under 1208 authorities), as well as the many security assistance programs managed by the Department of State, including FMF and IMET programs.

However, just as these programs require full funding, they also need wholesale reform. Our security assistance structures are designed for another era—our authorities are inflexible, and our processes are too cumbersome to effectively address today's security challenges in a timely manner. I urge your assistance in modifying the laws and regulations surrounding security cooperation and assistance to create a better coordinated, pooled-resource approach—the Global Security Contingency Fund. This approach would create a new business model we believe will lead to collaborative programs to respond to emergent challenges and opportunities. We should not allow bureaucratic resistance to trump operational effectiveness when security sector assistance is essential to our national strategy of helping others secure and defend themselves.

On this last point of interagency cooperation, I want to reiterate our commitment to comprehensive approaches to our security challenges that employ all elements of national and international power in coordination. Our future security concerns require a whole of government effort, not just a military one, and we serve best when we serve hand-in-hand with all of our partners and support, rather than lead, foreign policy. As such, we will work closely with the State Department and the U.S. Agency for International Development (USAID) to support their implementation of the Quadrennial Diplomacy and Development Review, particularly in the areas of conflict prevention and response. The capabilities and success of our interagency partners are inextricably linked to our own. As such, I reiterate my unequivocal support to Secretary Clinton and her efforts to fully resource the State Department's and USAID's activities and an expansion of its diplomacy and development capabilities, particularly in Iraq to support the transition from a military to a civilian-led mission. In addition, I support interagency cooperation programs and work to expand the number of exchanges between the Department of Defense and other Executive Agencies to institutionalize an enduring capacity to solve global problems using whole-of-government approaches.

CONCLUSION

In the upcoming year, our Armed Forces will build on the past year's achievements and continue to provide the common defense our Constitution directs with distinct honor and effectiveness. We will advance our ongoing efforts and maintain the credibility of our forces while learning, adapting, and preparing for new security challenges. We know that the military's role in national security will remain sub-

stantial, and the demands on our servicemen and women will be high. However, we also know that we can never let our actions move us away from the American people, and that the quality of our work and our personal conduct will say far more about who we are and what we stand for than anything else we do. In all of our efforts, we will maintain a strength of character and professionalism, at the individual and institutional levels, that is beyond reproach and continues to be a source of pride for our Nation.

Again, on behalf of all our men and women under arms, I thank this Committee, and the entire Congress, for your unwavering support for our troops in the field and their families at home during this time of war and for our efforts to maintain a strong, agile, well-trained, and well-equipped military that can prevail in our current conflicts and remain poised to deter or respond to new challenges.

Chairman INOUE. I'm pleased to note the extraordinary attendance of members of the subcommittee. However, as a result, I will have to limit the questions and answers to 4 minutes.

Secretary Gates, you have made a couple of public statements on how to achieve our President's \$400 billion reduction over the next 12 years. Instead of gutting the modernization programs, I know that you would prefer to see additional organizational reductions, in addition to changes in military pay, retirement, and the healthcare systems.

Do you wish to elaborate more on these ideas, and any other areas that might be reduced?

Secretary GATES. Mr. Chairman, the four areas that we're looking at in terms of how we would come up with \$400 billion in reductions are, first, as I indicated in my remarks, looking for additional efficiencies and changes in bureaucratic expenditures, and the way we go about our business, and the way we do business on a day-to-day basis. We think there is still more money to be extracted out of overhead, but also in negotiating contracts on acquisitions, and so on. So, the first category is—more cuts in overhead.

The second category is looking for marginal missions and marginal capabilities that can be eliminated. This would be in situations where, perhaps, two services have comparable capabilities, and we can get by having that capability in just one service. Or, there may be missions that we can set aside.

The third category is the hardest, and it's the one that Admiral Mullen and I both talked about in our remarks, and that is the comprehensive review to look at what are the options that are available in terms of making reductions in force structure, and what is the impact of that on the capabilities of our forces and our ability to carry out our strategies? And how do we adjust our strategies, and how do we evaluate added risk by reduced investment in defense?

One example of this, just to give you the flavor of what we're talking about—for many years we have had a strategy of being able to wage two fairly major regional conflicts simultaneously. If you tell yourself you're willing to accept the risk that won't happen, that two conflicts of that magnitude would not take place at the same time, but might be sequential, if you had to take on two others—then that has real impact for force structure.

I would just note that in terms of assessing risk, between 2007 and 2009 we, in fact, had two major regional conflicts going on simultaneously. So, this is not far-fetched in terms of risk.

The fourth category, then, is, are the issues that, frankly, are politically challenging, and that have been very difficult for us and

for the Congress to take on—working age retiree healthcare—and I want to make clear—none of us are talking about any impact on healthcare for the active force. This is about working-age retirees. Compensation—and particularly I would say in that respect, retirement, and whether the time has come to look at retirement.

I think we have two challenges on the retirement side. One is about 70 to 80 percent of our force does not stay in the service long enough to retire, but they leave with nothing. So, if you've served 5 years, or 10 years, or a dozen years, you walk out the door with nothing. That doesn't make any sense. The private sector is well ahead of us in that respect.

The second problem is, we get a lieutenant colonel or a sergeant first class with 20 years of service—they are at their peak, we are at their, they are at their prime—and we make it financially silly for them not to retire at 20 years. How do you incentivize them to give us another 5 years of service? I don't pretend to have the answers to these questions, but they are issues that I think we need to address both in terms of what's good for the force, but also in areas where we could save some money.

So, those four areas, Mr. Chairman, are the areas that we are looking at in terms of how we can find this \$400 billion.

Chairman INOUE. I thank you very much.

Senator Cochran.

Admiral MULLEN. Mr. Chairman, could I just make two brief comments?

Chairman INOUE. Please.

Admiral MULLEN. First of all, not unlike the Government itself, where the Defense Department has roughly one-half of the discretionary spending, inside our budget, a little more than one-half is discretionary. And so, while we look at reductions in the future in where we would take the funds, there are obligations that we have that we just fundamentally have to fund as we transition to whatever this new budget environment is going to be for us.

And then, second, if we don't come to grips with some of the most difficult issues, it is as clear as anything to me that the only answer is—we're going to get a lot smaller with a chance we could go hollow. We will give us force structure to sustain these benefits, to do all those things. And that, I think, is very dangerous in the world that we're living in, to meet the national, the growing national security requirements that I see.

Chairman INOUE. Thank you very much.

Senator Cochran.

Senator COCHRAN. Mr. Chairman.

Mr. Secretary, let me ask, in view of the situation in Libya, are we learning something about the ability of our allies, who volunteer to try to take up the slack in situations where we're not moving forward and trying to run a military operation? What are we learning from their capabilities or inadequacies that give you the most concern?

DEFENSE BUDGET CUTS AND NATO

Secretary GATES. Well, I addressed this last week in Brussels in my usual subtle form.

The reality is that, as they cut their defense budgets, and have been—have not been investing in their defense capabilities for a number of years, by default, the additional burden falls on the United States. So, I think that there is a genuine worry that our allies have looked to us to pick up the slack, as they cut their defense budgets. And the message that I had for them in Europe last week was that a, because of our financial problems—and, frankly, a growing number of Members of Congress who, for whom the cold war and our connection to Europe and to NATO are not in their genes, as they are for me, are going to be unwilling to pick up 75 percent of the defense burden of the NATO alliance.

So I think this is a serious problem. It's been a problem for some years. But, I think our own financial difficulties, and what we're now going to face in looking at the American defense budget, brings this issue to center stage in a way that it really has not been in the past.

Senator COCHRAN. Admiral Mullen, on the same subject, what affect does that specifically have on our ability to project power to other regions of the world—the Far East, for example, areas where we have been involved in actual combat operations, the Vietnam era, and what that brings in terms of expense of operations and training of our forces? Can you give us an assessment of the direct impact on the U.S. Navy?

Admiral MULLEN. Well, I share the Secretary's concerns and views with respect to the investment, or, the dramatically decreased investment in our NATO partners, or, by our NATO partners.

The affect, or, one of the affects that it's had is, it's certainly, they don't have the depth, the resources in some cases, to do what their political leadership has directed them to do. Although, I also would say that, both in Afghanistan and in Libya, NATO is more together than I've seen, in terms of commitment, over the course of the last 10 to 15 years. And, while they do get criticized, they also stood this operation up in incredibly quick fashion. We hadn't operated an air, had an air operation like this in a long time. And from my perspective, they have executed that well. The resources to do it is something we're watching very carefully. And they are, in some ways, dependent on us.

The other thing is, for countries who recently did their own strategic review, they found themselves getting rid of capabilities that, now that they're in a combat environment, they're giving second thought to that. Combat has a way of bringing that kind of reality to them—which just argues, for me, that we and others have to be very careful in our review, given the world that we're living in, about what capabilities we decide to either get rid of or trim back.

Longstanding—where we are right now—and in particular, I mean, as you talk about the Western Pacific, Senator Cochran—we're, we've got tremendous relationships with the Japanese, with the Republic of Korean military, we have had with our Australian friends, as well as growing relationships with the Association of Southeast Asian Nations (ASEAN) countries. And so, I'm actually pretty comfortable with where we are right now. We've got overseas home-ported forces—as you know, both marines and Navy—

in fairly significant numbers in that part of the world. And that makes a long, a lot of difference in terms of stability.

The pressure over time, though—it gets back to what I said—is, if we get into this force structure—part of us, in terms of the defense review—and have to reduce our force structure, there will be pressure there, which in the long run, I think, will start to undermine stability in a place like that.

Chairman INOUE. Thank you.

Senator Shelby.

Senator COCHRAN. Thank you, Mr. Chairman.

Senator SHELBY. Thank you, Mr. Chairman.

Mr. Secretary and Admiral Mullen, thank you for your service.

Mr. Chairman, I'd like for my opening statement to be made part of the record.

Chairman INOUE. Without objection.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD C. SHELBY

I want to join the Chairmen in thanking both of you for your years of dedicated public service. Mr. Secretary, the title of a recent book describes the job you will soon be vacating as “nearly impossible.” Yet, you managed to take the helm of the Pentagon at one of the most difficult times in our Nation’s history and succeed beyond all expectation. You successfully prosecuted a war in Iraq that many had assumed was lost. You have helped to oversee a surge in Afghanistan that, we hope, is turning the tide there, as well. Perhaps even more importantly, you have launched a much-needed battle to control defense spending in a responsible way that will help reduce our national debt while preserving our national security. All of these things you have accomplished while retaining the full confidence of two very different Presidents and the United States Congress. We all are duly impressed by your accomplishments, and owe you a sincere debt of gratitude for your service.

Admiral Mullen, you assumed the Chairmanship in 2007, also under very difficult circumstances, and have acquitted yourself admirably in the post. I have been most impressed by your powerful advocacy on behalf of those who wear the uniform. You have spoken repeatedly about the strains on the force from a decade of persistent conflict, and about the need to care for those who have been wounded, physically or psychologically, defending our Nation. You have also, properly, placed our financial stability on the table as a fundamental issue of national security. All would do well to remember your words as we try to get our debt under control. Many thanks to you for everything you have done for this country.

NUCLEAR WEAPONS MODERNIZATION PROGRAMS

Senator SHELBY. Mr. Secretary, last year you transferred about \$6 billion of your budget authority to the Department of Energy to pay for nuclear weapons modernization programs because, as I understood it, you’re concerned about the neglect that had befallen the U.S. nuclear deterrent.

How concerned are you, now that the House is considering appropriations legislation that we would cut the program by almost 10 percent from what the President requested and what you’ve already paid for out of your own very tight budget? And, what are the implications of failing to fund the modernization program here?

Secretary GATES. Well, I’m very concerned. And, as I recall, the actions taken by the House cut about \$1 billion from this modernization program.

This modernization program was very carefully worked out between ourselves and the Department of Energy. And frankly, where we came out on that, also, I think, played a fairly significant

role in the willingness of the Senate to ratify the new START agreement.

So, the risks are to our own program, in terms of being able to extend the life our weapons systems; to modernize them—not in the sense of capability, but in terms of security and reliability. And this requires new construction. We have a lot of buildings at Los Alamos that date from the Manhattan Project. And so, this modernization project is, in my view, both from a security and a political standpoint, really important.

Senator SHELBY. Mr. Secretary, in my short time—missile defense. I understand that the Defense Science Board has compiled a report on the concept of what we call Early Intercept for Missile Defense, and the report's unclassified conclusion is that the Missile Defense Agency (MDA) plans to achieve an early intercept capability as part of the phase-adaptive approach are simply not credible. This is disturbing to some of us, since MDA's promise to develop by 2020 an early intercept capability for the SOME-3 Block IIB was the central justification, as I understood it, of, to cancel the third site in Europe and to kill the KEI boost-phase defense program.

Now it looks like the Nation may be left without an inadequate—with an inadequate defense in Europe, and no boost-phase intercept capability.

Is the Department re-examining the phase-adaptive approach in light of the Defense Science Board? And should the Department be looking at ways to use funding currently programmed for this SOME-3 Block IIB, to improve the GMD system, or, to evolve more rapidly?

What's your thoughts on that?

Secretary GATES. We have resources in the 2012 budget to do both. To fund—

Senator SHELBY. That's good.

Secretary GATES [continuing]. The phased-adaptive approach, and to strengthen the ground-based interceptor (GBI) program. The 2012 budget buys 52 GBIs, both for deployment and for test purposes; it makes investments in upgrades to long-range radars in Greenland and the United States and Canada.

We also have money for developmental work in terms of other kinds of interception of ballistic missiles. But, I believe that the balance between the ground-based interceptor system and the money we are investing in that, plus the money that we are investing in the phased-adaptive approach—first of all, the latter will give us a missile defense capability several years earlier than would have been the case with the third site in Europe. And, let's be blunt. The third site in Europe was not going to happen, because the Czech Government wouldn't approve the radar.

Senator SHELBY. Sure.

Secretary GATES. And so, if it was going to happen at all, it would have taken years longer. And we still hadn't negotiated the required agreements with the Poles in terms of the interceptors. So, I think that the balanced approach between the GBIs, the phased-adaptive approach, and the developmental work we have underway, plus the additional half billion dollars we've added to

the budget for fiscal year 2012, puts us in a pretty good place on missile defense.

Senator SHELBY. Admiral Mullen.

MISSILE DEFENSE

Admiral MULLEN. Just very quickly—and while I am not exceptionally close to it in this job, I've been around missile defense for the last 15 years—and, the whole issue of boost-phase intercept is an extraordinarily difficult technical challenge. And, at least, if someone's broken through on that, I haven't seen that. It doesn't mean we shouldn't seek it, but I've seen an awful lot of efforts go after that. And I was very supportive of the program adjustments that we made—particularly with respect to that, because I thought, my view was, I thought we were throwing good money after bad.

Second—and I haven't seen this report, I'll take a look at it. And I certainly, I would not, without, push back on it. The only thing I can say is, the path through the standard missile is the most well-developed, robust, reliable path over time, with respect to developing missile defense. And it's, we're still almost a decade away. And I have confidence that we can continue to pursue that path. It's an incredibly well-tested system. The missile you're talking about, I know, doesn't exist yet. But, it's a path that—

Senator SHELBY. But it could exist, couldn't it?

Admiral MULLEN. Huh?

Senator SHELBY. It could exist.

Admiral MULLEN. No, I think—yes, sir. I think we can get there in that timeframe, based on my understanding.

Senator SHELBY. Thank you, Mr. Chairman.

Chairman INOUE. Thank you.

Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman.

I want to join the others who have thanked you for the extraordinary service you've both shown to this country. You came to your roles at very challenging time.

Admiral Mullen, I appreciate our friendship, and your trip to Vermont, you and Mrs. Mullen, when you joined Marcelle and me up there to meet with our troops when they were deploying.

Secretary Gates, I've told you before, but I'll say it here publicly. I've enjoyed our friendship of, it must be about 30 years now.

With that said, unfortunately there's one issue we don't all agree on, and that's the war in Afghanistan. I think like most Americans—certainly most Vermonters I talk with, and an increasing number of Members of Congress—I think we have to dramatically accelerate our withdrawal of troops from that country.

I supported going into Afghanistan for the purpose of getting Osama bin Laden after 9/11. And the subcommittee and all of us here on the Appropriations Committee have been strongly supportive of that.

I did not support the invasion of Iraq, which distracted us from that goal. Iraq had nothing to do with 9/11, and we'll be paying for this cost for years to come. We borrowed the money to go into that war. It's an extraordinary thing in a war—to borrow the money. We're still borrowing the money. At the same time, we gave a tax cut for anybody who makes as much as a Member of Congress. So,

what we said was, we'll let our children and our grandchildren pay for these two wars.

I don't think we can continue to sacrifice so many lives and spend billions of dollars a week in a war with no end. I think we have to identify achievable goals in Afghanistan. I think we have to reduce our military footprint there.

And then we look at Pakistan. Well, just this morning we see word that our putative ally arrested five people on the suspicion that they helped the United States to get Osama bin Laden. After publicly saying, of course, they wanted us to get Osama bin Laden, they arrested people who helped us get him.

AFGHAN GOVERNMENT

Now, we could overlook the problems probably in Pakistan if the Afghan Government was any better, but we have President Karzai, who can't seem to make up his mind if he's on our side or the Taliban. We support them with our tax dollars when at the same time we say we've got to privatize Medicare, eviscerate education funding, shred social safety net here in this country, and stop all the investments that might make our industries more competitive.

It's not a criticism of our military—I've visited them there. They are performing extraordinarily well, under very difficult circumstances. But, how long do we support governments that lie to us? When do we say enough is enough?

Secretary GATES, I'll start with you.

Secretary GATES. Well, first of all, I would say, based on 27 years in the CIA and 4½ years in this job, most governments lie to each other. That's the way business gets done.

Senator LEAHY. Do they arrest—

Secretary GATES. And we ought to—

Senator LEAHY. Do they also arrest the people that help us—

Secretary GATES. Sometimes.

Senator LEAHY [continuing]. When they say they're our allies?

Secretary GATES. Sometimes.

Senator LEAHY. Not often.

Secretary GATES. And sometimes they send people to spy on us. And they're our close allies. So—

Senator LEAHY. And we give aid to them.

Secretary GATES [continuing]. I mean, that's the real world that we deal with. But I would tell you this. First of all, this is not a war without end. The Lisbon Summit has made clear that the transfer to Afghan security responsibility and leadership will be complete not later than the end of 2014. Troops will be coming down during that period. The costs of these wars is coming down dramatically. The costs of these wars will drop between 2011—fiscal year 2011 and 2012 by \$40 billion, and between 2012 and 2013 probably by several tens of billions of dollars more.

And I asked the question—first of all, I think the prospects of having a more stable Afghanistan, in terms of a country that can defend itself—I'm not talking about a Vermont democracy here, but a country that can defend itself—

Senator LEAHY. Neither am I, Mr. Secretary, and you know that.

Secretary GATES. I know. But what I'm talking about is, we are not in the business of nation building. What we are trying to do

is build the Afghan National Security Forces to the point where they have the ability to defend that country, and so that the Taliban and Al Qaeda cannot reconstitute themselves in that country. And I think we are making considerable headway in that respect.

So I think that—I know people are frustrated. The country's been at war for 10 years. I know people are tired. But people also have to think in terms of stability and in terms of the potential for reconstitution. What's the cost of failure?

PAKISTAN

Senator LEAHY. Do you want to add to that, Admiral Mullen?

Admiral MULLEN. What I would talk about, I think, in this, Senator Leahy, and you know I've talked about this many times, is Pakistan. And we are in the midst, and have been, of trying to, in the middle of this war, with threats that they have in their territory, trying to build a relationship that was badly broken when we left the last time, when we terminated our relationship with them in the late 1980s and early 1990s. And we are back. And it's actually my belief that if we—if we were to do that again, it may not be 5 years or 10 years, but we'll be back in a much more difficult situation. And so seeking to support stability in that part of the world to the degree that these two countries can evolve is, I think, a goal that we must continue to pursue—or the danger associated with a country that's got a nuclear arsenal, that is an—that lives next to a country that they view as an existential threat, it's just a matter of time before we're back.

So I don't—I don't push back on the challenge associated with it. Some of the criticism is more than warranted. Nobody's worked that harder than me, very frankly, with the leadership. And it's a—it's a conscious decision I think that we have to make. And if we walk away from it, it's my view it'll be a much more dangerous place a decade from now, and we'll be back.

Chairman INOUE. Thank you very much, Senator.

Senator Coats.

Senator COATS. Thank you, Mr. Chairman.

RUNAWAY DEBT AND DEFICIT

I can't speak for other States, but I can speak for the people of Indiana, who are grateful for your lifetime of service—not only commitment to public service, but execution, brilliantly, in your jobs. You've been a model for us. And I thank you, and I know the people of Indiana thank you.

Second, I would like to, I guess, just reaffirm that, Secretary Gates, your statements about one of the greatest, if not the greatest, threat to our future security is a runaway debt and a trillion dollars deficit on an annual basis, and that, if that is not addressed, even the difficulties and scale back of, ability to respond to challenges around the world that won't go away, are potentially reduced—that's nothing in comparison to the strains and stresses that will be placed on our ability to do that in the future if we can't get ahold of this runaway debt and deficit. So, that ever shrinking part of the pie that goes to discretionary and defense spending is

going to keep shrinking if we don't deal with mandatory spending. And I appreciate you speaking out on that basis.

HEALTH RESEARCH

A question that I have goes to where possibly we can get some savings. I note that the House Appropriations Defense Subcommittee passed out a bill which includes research on a number of health issues: \$223 million cancer research, \$125 million for traumatic brain injury, \$30 million for orthopedic research, \$15 million for restoration of health research.

I'm just wondering, are there savings that—that's \$393 million. That's a long way from \$400 billion, but it's a fairly good chunk of money. Are there savings possible in that category where there is duplicative research, paid for by Government or conducted by the private industry, which addresses the very same issues?

In the past, Defense has kind of been a go-to place for health research that, in many cases, is duplicated elsewhere. For instance, orthopedic research. I mean, our State is the leader of the world in orthopedic research. Some of the, all the leading technology and so forth comes out of the private sector for that. I don't know exactly what the military does in addition to that, but, I guess the question is, are there places like that we can get some—you know, I know it's the holy grail not to touch anything having to do with health of service members. I'm not suggesting that. I'm simply saying there may be some duplications there that we ought to be looking at.

Secretary GATES. I think, you know, any of these things are worth looking into in detail. But, and I can't speak to the cancer piece of it, but I will say this—I think that we have funded some of the leading research being done in the country on traumatic brain injury, and probably also on prosthetics, and almost certainly on post-traumatic stress. The Congress has given us quite a bit of money in those areas in particular. And I would argue that, in terms of the practical applications of those things, as opposed to pure research, that those funds, I think there would be a strong bias to keeping those in the Defense budget, because we have a very direct interest in making sure that there is progress in, particularly, those three areas, because those are the areas in which our service members are suffering the most in these wars.

NATO

Senator COATS. I'll accept that.

I've got 4 seconds left, so a quick yes or no. Is a hollowed-out NATO worse than no NATO? The reality that NATO just is not stepping up to its responsibilities—we're going to have to do it all anyway?

Secretary GATES. Well, I would say that a NATO that has reduced capabilities is still better than no NATO at all. And, I'd just add one point to the chairman's comment—to Admiral Mullen's comment earlier. One of the things that has happened to our allies is that they really have stepped up in Afghanistan. But, the result of that has been that the costs of their participation in Afghanistan has brought further pressure on the modernization budgets of those European countries. And so, it's contributed to their overall nar-

rowing of military capability, but partly it's because of the contribution that they've made in Afghanistan.

Senator COATS. Thank you.

Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much.

Senator Mikulski.

Senator MIKULSKI. Mr. Chairman.

Secretary Gates, Admiral Mullen, again, like all of my colleagues, thank you for your service. I think the enormous turnout of members, and also the fact that we're actually staying—staying longer than you—is a tribute, really, to the high regard that we regard your service, and your service, Admiral Mullen. So, we want to thank you for it from the incredible job that you've done keeping America safe, your strong support for the military, your many trips to actually get out of Washington and listen to the troops and talk to our allies.

And for me, one of the special things was the way—always, always, will be the way you responded unflinchingly with the Walter Reed scandal, in the way you took ownership, the way you ensured accountability and responsibility and corrective action. And I want to just thank you for that.

And I've just watched you with the troops, not only in uniform and so on, but in things like the Army-Navy game, where you mingled with them. And the wounded warriors had such access to you, and the way that they felt that they could approach you and talk to you, and the warmth and regard you have. So, I think that's what a real inspirational leader is, which is the difference in management.

But let me tell you, your trips, your farewell trips and speeches you've given, have been eyebrow-raising, jaw-dropping, and for me, a must-do list, from the Eisenhower Library speech in which you called for major fiscal reform, to the most recent one at NATO. You've dropped more bombs in some of these than the Air Force.

But, let me get to my questions. I'd like to, really, follow up on, really, the questions raised about NATO. And many of this will have to be done with your successor. What is NATO? What are we going to require of NATO members? What actions should NATO undertake? When we ask for a coalition of the willing, we're going to need a coalition of the capable. Or, are we ever going to ask that again?

But, let me go to something very specific, because those are big policy questions to be sorted out. I wonder what your thoughts are on an overseas base closing. And, is this the time where we look at the major policy and make sure we don't have a hollowed-out NATO? Is it time to have an overseas base closing, where we bring a lot of assets home, close assets, and so on? What would be your thought on that? Because, I think we spend about, the President's Commission on Deficit Reduction said we could save about \$9 billion in that area.

Secretary GATES. Well, first of all, any overseas base reductions will necessarily—first of all, just the practical thing—overseas base reductions would require Milcon here in the United States, so there would be—at least in the beginning it would be more expensive to bring them home than to leave them where they are, because they

have facilities already built. And we do get support from the Germans, the Japanese and the South Koreans in supporting those facilities.

Senator MIKULSKI. I'm not advocating closing all bases—

Secretary GATES. I understand.

Senator MIKULSKI [continuing]. But that kind of scrub we do here.

Secretary GATES. Well, we've just been through that in the Department of Defense, and it's now working its way through the interagency in terms of an assessment of our global posture and our presence in a lot of these different places. Secretary Clinton and I will meet with the Japanese the first of next week in our periodic two-plus-two meetings to talk about Okinawa and Guam, and Japan, and the force presence there.

I think that the biggest policy question that I think has to be asked is—what kind of a signal do you want to send the rest of the world, in terms of America's role in the world? And, if we, at the same time, we're cutting our Defense budget, and we cut our State Department budget, and State has fewer assets to deploy abroad, we have fewer assets to deploy abroad, and then we begin to close one or another foreign base, are we basically sending the message to the rest of the world—and, I would say, to China, to Iran, to North Korea, to a variety of other places—the United States is closing up shop and going home, and we're headed toward Fortress America again?

So I think this, as I leave, I think this is a huge question for the country to consider, and for you to consider, is, what kind of a role do you want for the United States in the world? And frankly, I believe, for example, our presence in Europe, if—one of the benefits it has brought, in addition to the financial benefit of having troops be able to rotate from Germany into Iraq and Afghanistan at, actually, less cost than from here—but, one of the things it has brought is, if anything, it has slowed, I think, this deterioration of the NATO military capabilities.

Senator MIKULSKI. Because we're there—

Secretary GATES. Because we're there and we train—

Senator MIKULSKI [continuing]. They feel we're glued together?

Secretary GATES. We train with them and we work with them. And they have to have capabilities that match us when we're doing that.

Senator MIKULSKI. Mr. Chairman, may Admiral Mullen respond?

Admiral MULLEN. Just very briefly—and maybe it's just because of my roots, and I'm a Navy guy—there's just nothing like being there. And you can be there a couple of ways. You can live there, or you can rotate there. And what I have found in our relationships—I just came back from Egypt, and we've had a long relationship with Egypt—but, the mil-to-mil relationship we have with Egypt is different than the one we have with Japan, because we live with Japan. We interact with their families. We know the Japanese people in ways that we just don't know other countries. The same is true in Germany. The same is true in the Republic of Korea. Extraordinarily strong relationships. When we are in a crisis, we can use those relationships, I think, to prevent a crisis, or prevent escalation.

So, I don't know if—I certainly wouldn't say that it isn't worth a scrub. I just think the presence piece of this is so powerful in so many ways, and it's enduring, and it prevents conflicts in ways that sometimes we don't think about in the short term, when we're looking for savings in moves. It's not—our investment is significant. I understand that. And, worth a scrub. I just think we really need to be careful.

Senator MIKULSKI. Thank you.

Chairman INOUE. Thank you.

Mr. Kohl.

Senator MIKULSKI. Mr. Chairman, I just want to, if I could. If I could submit questions for the record, both in terms of military health care and, quite frankly, in the follow-up, in the undersecretary of acquisition, technology and logistics. That's \$400 billion. The House is dragging its feet. They've reinvented earmarks. And I'd like to have, maybe, three to five items out of that area, where you think we should definitely stay the course in reducing our expenditures.

And, I hope somewhere we can get a chance to ask his opinion on the House and earmarks.

Chairman INOUE. We will discuss that.

Senator Kohl.

Senator KOHL. Thank you, Mr. Chairman.

AFGHANISTAN

Secretary Gates and Secretary Mullen, we thank you for being here today, and we congratulate both of you on a job well done. Your leadership has been critical to the progress that we've made in Afghanistan, Iraq, and in the global war on terror, most recently the death of Osama bin Laden.

In light of this progress, many Americans are hoping that our forces can soon come home from Afghanistan after a decade of war. I share this desire to begin withdrawing our forces from Afghanistan, beginning with a sizable and sustained reduction in forces this summer.

I'd like to ask both of you about the government of Afghanistan and President Karzai. President Karzai seems increasingly hostile to the American presence in Afghanistan, and his government, as we know, is plagued by corruption.

My first question is whether you see President Karzai playing a positive or a negative role in Afghanistan.

But I'd also like to hear from both of you about what comes after Karzai. Presumably he'll not be President forever. What kind of relationships are we building with Afghan leaders from other political parties and ethnic groups, both in power, as well as in the opposition?

Mr. Secretary.

Secretary GATES. Well, first of all, I have spent a lot of time with President Karzai over the last 4½ years. Frankly, I think that we have often not done a very good job of listening to President Karzai. The problems that he often raises in public are problems that he has often raised with us 1 year or 2 years before in private. And, I'll give a perfect example—and that's private security companies. This became a crisis in our relationship late last year. We've

worked our way through it, and he has participated in working his way through, in our working our way through this.

But we knew from Iraq that private security companies are a problem in these countries, and we should have begun this transition to Afghan oversight of these companies a long time ago. So, my point is—yes, he reacts publicly to things that are done and said. He's very sensitive to civilian casualties. This has been a continuing theme. It's not a surprising theme. But, I think you would find, if you talked to our commanders, if you talked to the people that I talk to, he is somebody who understands the campaign plan, who understands the importance of our role, who wants a long-term U.S. relationship with Afghanistan after he's President. He told me he plans to step down in 2014.

I will tell you, both our military people and our diplomats are in touch with a very broad range of Afghan leaders—and not just in Kabul, but all around the country.

And finally, on the governance side, I would just say, at the NATO Defense Ministers meeting late last week, the NATO senior civilian representative, Ambassador Gass, reported that—he had just gotten back from Afghanistan—75 percent of deputy district governors now in Afghanistan are chosen on the basis of merit. And he told the defense ministers further that, as the provincial governors change, the quality is steadily improving.

So, I think you have the Kabul environment, and you have the outside of Kabul environment. And, frankly, it's a lot better outside Kabul, in terms of what's going on around the country and in terms of governance, than is often reported.

But it's a relationship from, where we're dealing with a President whose country has been at war, like us, for 10 years. And, he is very sensitive to the fact the Afghans are exhausted with war, too. And so, I find that, when I sit down with President Karzai, we have a very productive conversation. And it's clear that he buys into what we are trying to do, and that we are allies, not occupiers. And he also does see a post-2014 relationship with the United States going forward.

Senator KOHL. Admiral Mullen, any comments?

SECURITY ENVIRONMENT

Admiral MULLEN. The only thing I'd add is, as the security environment continues to improve—and I'd reemphasize what Secretary Gates said in terms of what we're seeing on the ground—in subdistricts and districts and provinces, it's getting better from a governance standpoint which, between security and governance, gets you to a point where you can start to develop the areas, which is really what the Afghan people care about. They're tired of war.

There is this disparity between Kabul and what we see locally throughout the country. And we have to continue to engage. This is the elected leader of a country we're heavily engaged in, or, with. And, we can't do it without decent governance. We can get the security pieces necessary, but it's not sufficient, and we have to continue to push on better governance, the reduction of corruption, and the development piece of this. We're just getting to point, from my perspective, in the south, where security has gotten to a point where those other pieces can really start to kick in. We're not there

throughout the country. But, from an overall proof of concept, if you will, that this approach is having the impact we thought it would, we're there.

Secretary GATES. The other, one other point I would make is, having talked about the rest of the country being better in some respects than Kabul, in another respect, Kabul is a model, because the Afghans have had the security lead in Kabul for over a year now. And that's the transition we're trying to make throughout the rest of the country on a district-by-district, province-by-province basis. And at this point, about 25 percent of the Afghan population live in areas that are now under Afghan security lead.

Senator KOHL. Thank you.

Chairman INOUE. Thank you.

Senator Alexander.

Senator ALEXANDER. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, Admiral Mullen, for extraordinary public service.

Mr. Secretary, for the historical record, for young people who may be planning a career in public service, what's better preparation for Secretary of Defense—president of a big university, or director of the CIA?

Secretary GATES. President of a big university.

As you well know.

Senator ALEXANDER. Yeah.

Mr. Secretary, how many, about how many military men and women do our European allies have?

Secretary GATES. About 2 million in uniform.

Senator ALEXANDER. About how many are available to be deployed in an exercise like Libya or Afghanistan?

Admiral MULLEN. I would guess, Senator Alexander, it would be in the 10 to 15 to 20 percent in terms of—

Senator ALEXANDER. Twenty percent?

Admiral MULLEN [continuing]. Any single time. But that number can be very deceptive because, for all of us, we find out—we have 2.2 million men and women Active and Reserve, and we have about 250,000, almost 300,000 people deployed around the world right now. And we're going at a pretty good clip.

Senator ALEXANDER. I thought I'd had heard somewhere that they might only have 25,000 or 40,000 troops available for—

Secretary GATES. What you heard was in my speech last week, where I said they'd struggled to maintain 25,000 to 40,000 troops in Afghanistan.

Senator ALEXANDER. Mr. Secretary, in the gulf war, the first Iraq war, if I remember correctly, other countries paid for a large part of that. How much of that did they pay for?

Secretary GATES. Virtually all.

Senator ALEXANDER. Yeah. In the Iraq, Afghanistan, and Libya war, how much have other countries paid for?

Secretary GATES. Well, the other countries are essentially paying their own way, in the sense of they're paying for their own airplanes, and they're paying for their own munitions, and things like that.

Senator ALEXANDER. But, the United States is paying for virtually all of Iraq, Afghanistan and Libya. Is that right?

Secretary GATES. Well, not Libya. But, we certainly have paid the bulk of the money in Iraq and Afghanistan.

Senator ALEXANDER. And was your testimony that, in NATO, the United States is supposed to pay what percent of the costs? And what percent do we actually pay?

Secretary GATES. Well, the line that I had was that, up until about, well, until the end of the cold war, we paid about 50 percent of the military costs of the alliance. Since the cold war, that has—since 1991, that has risen to about 75 percent of the total military expenditures in NATO.

Senator ALEXANDER. Is there a lesson for this President and future Presidents, this Congress, as we look back at the gulf war and as we prepare for any future military action, that we might keep in mind not just getting approval of other countries for the, agreeing that we ought to take the action, or to join with us and take the action, but to do as was done in 1991 and 1992, to actually get their commitment to help pay for it?

Secretary GATES. Well, I think you, we can look at that two ways. One is, the answer is absolutely yes. One of the things that I pointed out last week at the NATO Defense Ministers meeting is that the trust fund to support the Afghan national security forces going forward is, in terms of the dollars or Euros that have been contributed, is a joke, because it's about 350 million Euros at a time when the United States is spending billions of dollars to support the development of those military forces. So, one of the things that I have talked to all of our allies about is the fact that it's imperative for them to contribute to that trust fund.

On the other hand, the circumstances of the gulf war were, I think, unique, in the sense that the countries we were dealing with that felt the most threatened were Kuwait, Saudi Arabia, the gulf states and so on. I will tell you that, sort of looking back, the two people who led the groups, the teams going around to talk to our allies about their contributions were led by Secretary of State Baker and Secretary of Treasury Nick Brady. And, somehow through the luck of the draw, Baker ended up with Saudi Arabia, Kuwait, the gulf states, and so on, and Nick Brady had to go talk to the Japanese, the Germans, and others. And, let's just say, Nick wasn't nearly as successful as Jim was.

Senator ALEXANDER. Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much.

Senator COLLINS.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Secretary, since this is your last hearing, it seems ungracious to do anything except thank you and heap praise upon you for your service. But since you're before a group of senators, of course, while we'll do that, we'll also ask some questions. But, I do sincerely thank you for a lifetime of public service that has made an extraordinary difference to our country, and to our troops, in particular.

I'm very concerned about the \$400 billion that the President has assigned the Department of Defense for additional cuts. You have already made a tremendous effort to squeeze out waste and inefficiency, and to reduce unnecessary spending. I'm concerned that we could end up with the kind of hollow force that you've warned us

against, and that was so devastating to our troops, and our security, potentially, in the 1970s, and to a lesser extent, two decades later.

Were you consulted by the President or OMB on the size of the target—that \$400 billion that has been assigned to the Department of Defense?

Secretary GATES. I was informed about it the day before it was announced.

Senator COLLINS. My concern, Mr. Chairman, is, I believe that military requirements have to drive the budget, and not the other way around. And—

Secretary GATES. I will say this, though, Senator. When I was informed, I did get immediate agreement that this—before any specific budget decisions were made—this comprehensive review that the chairman and I have been talking about, would be carried out, that we would present options to the President and to the Congress that shows relative levels of risk of different kinds of cuts and changes in the force structure. So, there was agreement immediately to that review before specific decisions were made.

Senator COLLINS. Thank you. It still seems backwards to me, as far as the targets given. You're going to assess the risk of various scenarios to meet the target, but that, to me, is the opposite of the way we should be proceeding.

Admiral Mullen, let me switch just quickly to Libya, and ask you a question. I personally have a lot of concerns about our involvement in Libya and the transition from it being a humanitarian exercise, to the goal of having Colonel Gaddafi leave and relinquish power.

Let's assume that that does happen, that Colonel Gaddafi does give up power. The Transitional National Council is made up almost exclusively of the eastern Libyans, I'm told. And I believe it's a real question, whether or not that council could effectively govern the country, given the intense regional rivalries and tribal nature of Libyan society. But also, I'm concerned that we're not really certain who we're dealing with.

Do you feel confident that we have a plan for what we would do post-Gaddafi?

Admiral MULLEN. Just having come out of both Egypt and also Europe last week, I'm actually encouraged that there are countries and organizations, NATO being one, that are very specifically looking at—What after Gaddafi? Because I think we need to do that.

I'm more encouraged, more confident that the more we learn about the TNC—and in fact, I also see them now linking to the West more than they had in the past—that there are, you know, civilian leaders and military leaders who recognize the challenge that you just described.

What I don't, or, I just haven't seen yet, is the kind of comprehensive collective view of how they would run the country. I think they recognize that internally. Their focus on this is improving, but I think we're sort of at the beginning of that, and that there is an awful long way to go. So, I'm more positive than I was a few weeks ago. There's an awful lot that's being brought to the table in terms of international focus on this from our government,

as well as many governments. But I still think we've got a long way to go.

Secretary GATES. One of the actions taken by the NATO defense ministers last week was to resolve that NATO would not be in the lead in any kind of a transition, but also that the Secretary General would be in communication with the contact group and the United Nations, and tell them that it's our view, as NATO Defense Ministers, that the planning for this transition should get underway now—not wait until Gaddafi falls.

Senator COLLINS. Thank you.

And thank you both for your service.

Chairman INOUE. Thank you very much.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Gentleman, thank you both for your service.

Secretary Gates, I, too, echo the high praise that we all have for you and for your efforts.

Speaking about Afghanistan now, going back from Libya here—as we deal with the reality of a drawdown coming ahead, and the numbers, and all the discussion that goes on there, I'm going to make it a little more parochial. We had several thousand troops with the 1st Stryker Brigade Combat Team of the 25th Infantry up in Fort Wainwright just deploy. They moved out just this past month. And the concern that I'm hearing from some of the folks up North is, well, okay, we want to be in that phase where we are withdrawing and coming out of Afghanistan. But we're concerned that our loved ones, who have just now gone in, are going to be on the back end of that withdrawal, so you will have these forces moving out.

You've mentioned that between now and 2014, the amount of money that we will see going into Afghanistan will be, sounded pretty dramatically reduced. What assurances can you give to those who are just now going into Afghanistan, and who will be there through the end of this next year, that their situation is not increasingly riskier?

Secretary GATES. I would make two points. First of all, the reduction in cost in Afghanistan, beginning in fiscal year 2013 and beyond—so fall, let's say, of 2012—is, really correlates to the level of troop drawdowns. And so, the amount of money that is saved is associated with the number of troops that we have in country, not by any skimping on the support—

Senator MURKOWSKI. Okay.

Secretary GATES [continuing]. Or the enablers that we have there to support the troops we have.

Second, I have had conversations with the President about this, and I will tell you that he and I are both committed that, whatever decisions are made, the foremost consideration will be to ensure that whatever steps are taken do not put the troops that are leaving at greater risk, or the troops that are remaining at greater risk.

Senator MURKOWSKI. Okay. I appreciate that.

Let me ask you a question about Guam. In light of where we are with the budget issues, you responded to a question about, to Senator Mikulski, about the overseas bases in Europe. But, in light of what we're seeing with the tightening budgets, can we expect any

significant changes, perhaps in the current direction, with regards to the buildup in Guam? Are we going to meet that 2014 completion date, that target that has been set, given what the cost estimates are at this point in time?

Secretary GATES. Senator, in all honesty, as I mentioned earlier, Secretary Clinton and I will be meeting with the Japanese on Monday and Tuesday, and quite honestly, I'll have a better answer to your question after we have that meeting.

Senator MURKOWSKI. Okay. We look forward to that.

Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much.

Senator Murray.

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

Secretary Gates, Admiral Mullen, it's been a great pleasure to work with both of you, and I want to thank both of you for your tremendous service to this country. It is very much appreciated at a very challenging time.

And Secretary Gates, I look forward to you coming home to our home State at some point, and continuing that relationship. But, I know you must be looking forward to that.

Secretary GATES. Fifteen days.

Senator MURRAY. Hopefully, the weather's better when you get there than it has been.

Secretary Gates, last Friday, I visited the National Naval Medical Center up in Bethesda and had an opportunity to talk with a number of our wounded warriors, and their providers and caregivers. And as you well know, many of these service members have sacrificed life and limb in Afghanistan, and we, as a country, are going to be taking care of them, and their families, not just today, not just when they return home, for but a lifetime.

As chairman of the Senate Veterans Affairs Committee, I take this issue very seriously, and I've been trying to draw attention to some of the all too often unseen costs of war, and thinking about how we should consider that as part of our decision in any long-term conflict.

I think you know the major components of this long-term war have had real and significant impacts. Death from suicides among veterans and service members from the war are now on par with combat deaths; many of our warriors are facing difficult challenges with mental healthcare, as you well know, when they return home; and a lot of our service members have served now not just two, three or four, but sometimes even five times, and the costs of these are real.

So, while we all talk a lot on this subcommittee about rebuilding projects, and Afghan aid, and military resources, and all the costs and components of a defense system, I wanted to ask you today what you and the Pentagon consider to be the biggest costs of this war to our wounded warriors and their families—particularly, those costs that we'll be paying for for a very long term; and whether that is ever considered in, those costs are factored in, when we are making decisions about drawing down in Afghanistan.

Secretary GATES. I would, I mean, I think it is self-evident that the costs are exactly as you've described them, in lives that are

shattered, in bodies that are shattered, in minds that are shattered.

I would tell you that one of the things that we've done over the last 2 to 3 years is to ensure that all of the funding that we have gotten in the past in supplementals and overseas contingency operations, dealing with family programs, and with some of the medical research we were talking about, and care for our wounded warriors—that all of that money has been shifted into the base budget, knowing that we will deal with this problem for many, many years to come. So, from our part—in addition to Virginia—we have tried to make sure that these, the funds for these programs have been protected, and will be protected in the future.

But it, I cannot say that decisions in terms of drawdowns or military strategy are made bearing in mind the cost of the soldiers and sailors, airmen and marines, who suffer. It is on the minds of everybody who makes those decisions. But, by the same token, it is the nature of war, and it is, frankly, one of the reasons why, as I told an interviewer a couple of weeks ago, I feel like I've become more conservative, more cautious about when we use force, because I've seen the consequences up front.

But Admiral Mullen has devoted a huge amount of effort to this. He probably ought to say something.

Senator MURRAY. Admiral Mullen.

Admiral MULLEN. Senator, first of all, I just appreciate your leadership on this because it has to, it has to have a voice. And, I actually believe we're just beginning to understand the costs.

Your units—very specifically, I'll use Fort Lewis. I mean, we're now, we have more soldiers and airmen at Joint Base Lewis-McChord than we've ever had, and they're going to be home for a couple of years. Many of those units have had only 1 year between deployments up to now. Now, they're going to have two. And, I think they've been compartmentalizing challenges, and they're going to start unpacking that. And it's going to be pretty tough now, that we're back home, and addressing, the leadership focusing on addressing the challenges that will come with that.

Medically, in the PTS-TBI world in particular, the more quickly we get at the problem, the less likely the damage, or, the damage is reduced significantly. And yet, there's still a great deal on the TBI side that we don't understand.

Senator MURRAY. And it's changing, by the way.

Admiral MULLEN. Right.

Senator MURRAY. When soldiers are home after 3 years, and we're finding the impacts are different 3 years later—

Admiral MULLEN. Right.

Senator MURRAY [continuing]. And they're coming back into the system.

MILITARY FAMILIES

Admiral MULLEN. Right. There are time bombs set up that we know are out there. We just don't know when they're going to go off.

The relationship that the Pentagon has with the Veterans Administration (VA) and with communities throughout the country has got to get stronger. And we've worked that in ways to try to

focus on that. And where you and Chairman Inouye and others can help is, when we get into budget crunches like this, this incredible amount of money that we put into family programs, into medical research—it's some of the first money that budget types like to take out, historically. We like airplanes before we would keep our family programs intact. That's something the Secretary of Defense and I have talked about. And, unless we watch that very carefully, it will not be there when we need it. And so, we have to have it in a way that it is sustained over time. Because I think these costs are longstanding. We don't understand them as well as we should—not just for our members, but also, for our families. We see that time and time again.

Our families have become as much, almost as much as part of our readiness, as anything else. And it wasn't that way 10 or 15 years ago. Always critical. But, without them we would be nowhere in these wars.

And so, leaders have to continue to focus on—what are these costs? And, I thought you said it very well—It is to repay this debt for the rest of their lives. And we need to stay with them, so that we understand what that means.

Secretary GATES. I would just say that I've told the service secretaries and the chiefs to fence two areas in all of these budget exercises that we're going through. One is training, and the other is all of our family programs, that I don't want any money taken out of those.

Senator MURRAY. Well, I appreciate that very much. And I do think we have to really seriously be considering this, because it does impact our troops today. But, it also impacts our ability in the future for the next big one, if we've depleted all of our resources, and we are not taking care of our folks.

Admiral MULLEN. The other thing—and I know that you know, Senator Murray—is, we are, we did it in Vietnam, and we are doing it again. We're generating a homeless generation; many more homeless female vets, because they're now, I think a quarter of a million have served in Iraq and Afghanistan incredibly well. And if we're not careful, we'll do the same thing we did last time—and we'll pay for them long-term, when an up-front investment would really make a difference right now. Everybody's got to be—

Senator MURRAY. Because we're about to make some of the same mistakes we made after the Vietnam war.

Admiral MULLEN. We are.

Senator MURRAY. And this country will be paying for it 20 years from now.

Thank you, Mr. Chairman.

Chairman INOUE. Thank you.

Senator HUTCHISON.

Senator HUTCHISON. Well, thank you, Mr. Chairman.

And I will add to what has been said already. Washington State's gain is Texas' loss. We would take you back in a heartbeat if you would come, because you did a great job at Texas A&M, and the Bush Library and School.

MILCON BUDGET CUTS

I want to go back to Senator Mikulski's line of questioning. We have had an overseas base closing commission. And after the last American BRAC, we had the overseas BRAC that was going in the same track, and it was decided to bring 70,000 troops back from certain foreign locations—Germany and Korea especially, and then Guam, of course, in question. And now we are looking, Mr. Secretary, at a Fort Bliss military construction project that has just been completed this year, that would take one of the BCTs that was designated to come back from Germany—it is prepared and ready for taking that BCT from Germany. But, the Department changed the previous decision that was going to bring back two BCTs from Germany, to just basically say, we're not sure yet. So, you've got the Milcon that has been done in America—about \$450 million worth—to take one BCT back, and on the five-year plan for military construction, there is \$1 billion to be done in Germany. Germany contributes 7 percent of the cost of our Milcon, as compared with Japan, that contributes 40 percent.

So, I would just ask you, as you are leaving in your last 2 weeks, if you can give serious consideration to the fact that we don't get an effort from Germany—\$1 billion of military construction for changing Army headquarters and bases—couldn't that money be saved, rather than saving it out of either personnel, or healthcare, or weapons systems that would modernize for our troops in America? Can't we take \$1 billion out of Milcon that was supposed to be taken care of in a previous administration? It just seems like there's a disconnect from what Senator Mikulski was suggesting, and what seems to be an opportunity here.

Secretary GATES. The President's decision on the posture in Germany was that we would come down from four brigade combat teams to three. Where the uncertainty is, is in the Army, in terms of whether that fourth BCT in 2015–2016 is simply disbanded, or whether, in fact, it comes back to the United States. The only Milcon that I'm aware of in Germany is the consolidation of command, control, communications, computers, and intelligence at Weisbaden. The original budget for that was \$482 million. One-half of that has already been spent. There is no money for it, as I understand, in the fiscal year 2012 budget, but then, there is about another \$150 million between 2013 and 2016.

So, we'll go back and take another look at that piece of it. But, the decision was not made just by the Department of Defense, but by the President—that we would, in fact, come down by one BCT in Germany.

Senator HUTCHISON. The original proposal was two.

Secretary GATES. Right.

Senator HUTCHISON. And in the interim time, I think we all believe, or, I'll speak for myself, and, along the lines of what you talked about in Europe last week—the Germans have fewer than 5,000 troops in Afghanistan. They have rules of engagement that are very restrictive. And I would just ask you to look at, and perhaps work with the incoming secretary, to determine if it is in our best interest to have the places ready at Fort Bliss for a BCT? And with the lack of German effort, is it in our best interest to keep

three BCTs there, rather than two, which had been the previous decision?

And, I certainly support having joint efforts, and working with our partners. But, you yourself have said our partners are not stepping up to the plate as they should. And I agree with you. So, I would just ask if, in your last 2 weeks, you could look at this, and could work with Secretary Panetta, to determine if it is in our best interests, with the lack of effort that the Germans make in Milcon, and the lack of effort, frankly, in our NATO alliance, and with the preparation that's already been made—\$450 million in Milcon here to take the new troops back—I'd just ask if you would look at it one more time.

Mr. Secretary, I still have time, if I could just, if you're not going to answer that question, then I would just ask if we could, if you could elaborate on your view of NATO. And, you said that some NATO is better than no NATO. Is there something that we could do proactively, besides encouraging our allies to be more of a player, an equal player, that would make the NATO alliance more effective?

Secretary GATES. Well, I think one thing where the Congress could make a contribution is that, I know that the Congress has a variety of parliamentary exchanges with European legislatures. And, I think just voicing, both in those exchanges, but also, publicly, essentially the message that I delivered last week—that the American people are going to become increasingly skeptical about this alliance if the United States has to bear three quarters of the burden.

Chairman INOUE. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Mr. Secretary and Admiral Mullen, thank you very much for your candid testimony, but more importantly, for your service to our Nation. Your astute vision, and ability to quickly implement your vision through others, is a testament to your leadership ability, and this Nation is truly in your debt for turning the tide in Iraq and Afghanistan, and setting the stage for a withdrawal. So, on behalf of the subcommittee, we wish you the very best as you transition to the next phase.

And we will have written questions submitted, if we may.

Because of the time limitation, we're not able to go through the questions and answers.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

PAKISTAN

Question. In the wake of the death of Osama bin Laden and Pakistan's claims that they had no knowledge of his whereabouts, and the ousting of United States military trainers from Pakistan, I question our financial relationship with Pakistan and their commitment to our partnership.

Secretary Gates, this week you sat down with an interview with the Associated Press and urged patience with Pakistan. You have seen Pakistan's actions over the past few months. When should our patience with Pakistan run out?

Answer. The United States relationship with Pakistan is far from ideal, but we should be working to improve the relationship. Although our respective views on how best to counter regional security challenges are not always congruent, we do have shared interests in a stable South Asia. A comprehensive long-term partnership with Pakistan, however, is not just in the interest of regional security, but in the United States national security interest as well. Therefore, the United States needs to work with Pakistan to overcome the tensions currently straining the relationship.

First, let me be clear that we have seen no evidence that senior Pakistani leaders were aware of Osama Bin Laden's whereabouts or involved in harboring him. Nevertheless, the raid in Abbottabad has created an opportunity for Pakistan's leadership to make choices that advance United States and Pakistani shared interests in eradicating terrorist networks threatening both countries' interests.

Since the raid on May 2, senior members of this administration, including Secretary Clinton and Admiral Mullen, have had very frank discussions with Pakistani civilian and military leadership to make clear that the United States will not tolerate safe-havens for terrorists, and to urge decisive steps to expand existing United States-Pakistani counterterrorism cooperation. In conversations with Pakistan's leaders, the administration has been unambiguous regarding its expectations for clear, verifiable, and sustained action against terrorists operating in Pakistan. Progress on this front will be beneficial for Pakistan's security, and will also demonstrate Pakistan's commitment to a positive and enduring relationship with the United States.

The fact remains that Pakistan's cooperation is central to United States and coalition efforts to defeat al Qaeda and prevent its return to the region. Pakistan's participation will also be integral to achieving a durable political solution in Afghanistan. More broadly, Pakistan is the sixth most populous country in the world, with a majority of its population under the age of 30. It possesses nuclear weapons, has unresolved border issues with its neighbors, and a weak economy. These are just some of the factors that make continued United States engagement with Pakistan so important. So even when the United States relationship with Pakistan is strained, I believe we should continue to communicate clearly our commitment to a long-term relationship that is supportive of both countries' interests, and that the United States will not "abandon" Pakistan or disengage from the region.

Question. What more can we do to improve our relationship with Pakistan?

Answer. Our relationship with Pakistan is currently being tested. In Islamabad, and here in Washington, people are asking if both sides can maintain an effective partnership. I believe we can. The recent turbulence in the United States relationship with Pakistan, although troubling, is not insurmountable.

Pakistan's Government and people harbor concerns that our engagement in the region will not extend beyond what is required for the success of the United States mission in Afghanistan. Pakistan's strategic importance, however, goes beyond United States objectives in neighboring Afghanistan. A stable, prosperous, and democratic Pakistan is critical to long-term regional prosperity and security. Therefore the United States must demonstrate its commitment to a sustained partnership with Pakistan that both addresses and extends beyond immediate security threats to both countries. Such a commitment does not mean we are locked into a specific menu or level of assistance funding, but does require that effective and needed assistance be available when the two countries' interests intersect.

Question. Last week General Ashfaq Kayani said in a statement that U.S. assistance now being spent to support the military is more urgently needed for "reducing the burden on the common man." Why should we continue to fund military operations in Pakistan?

Answer. Pakistan's strategic importance is related to both the United States mission in Afghanistan and broader regional and international security interests. And although the United States-Pakistan relationship is not perfect, I do believe it is vital that the United States continues to advance a lasting partnership with Pakistan in order for it to increase its stability and prosperity over the long term. Cooperation—including civilian, law enforcement, and military—on shared security interests is a necessary component of this partnership.

Since September 11, 2001, Pakistan has been a key partner in the fight against terrorism that threatens both countries. In partnership with the Government of Pakistan, we have made significant progress toward disrupting, dismantling, and ultimately defeating al Qaeda. U.S. security assistance has directly enabled Pakistan to conduct its counterinsurgency campaign against violent extremists in Pakistan more effectively. Our assistance has also allowed for greater Pakistani cross-border coordination with International Security Assistance Force (ISAF) and Afghan Forces, which has reduced the space in which al Qaeda and other militants intent

on attacking United States, Pakistani, and Afghan interests can operate. Specifically, the Department of Defense (DOD) “train-and-equip” efforts, supported by the Pakistan Counterinsurgency Fund/Pakistan Counterinsurgency Capability Fund, are central to United States efforts to build the capacity of the Pakistan military and paramilitary forces to enable Pakistan to defeat the insurgents within its borders. Coalition Support Fund reimbursements also remain a critical enabler in combating terrorism and helping Pakistan to sustain its forces in their operations to reduce safe havens.

In short, continued United States support to Pakistan’s military operations against violent extremists is a clear national security interest. Pakistan has made progress against militants operating in its territory, though the gains remain tenuous, and the Pakistan military has struggled to “hold” and “build” in the areas it has cleared. In all, Pakistan has sacrificed more than 11,000 military personnel in this fight, and has also lost upwards of 30,000 civilian lives to continued insecurity. So long as Pakistan continues to advance shared security objectives, we should continue our support.

DETAINEES

Question. The DOD currently has hundreds of individuals detained in Afghanistan that will, at some point, need to be transferred to Afghan control, released, charged, or held by the United States in a different kind of detention regime than they are at Bagram (now called Parwan).

What is the Department’s plan for handling these detainees in the long run?

Answer. Drawing on our experiences in Iraq will help to ensure that the transition in Afghanistan is accomplished responsibly. United States forces will remain involved until the Government of Afghanistan has the trained personnel and infrastructure to be able to assume detention operations. Further, as necessitated by the presence of United States and coalition forces who are conducting operations in concert with Afghan forces to defeat the Taliban, al Qaeda, and associated forces, United States forces may need to maintain some detention capacity in Afghanistan, pursuant to the law of war, as long as military operations continue.

Question. What is your assessment of the Afghan justice system and its ability to adjudicate these cases?

Answer. The formal Afghan justice system is still developing. Primary issues include a shortage of adequately trained, educated, and compensated judges and attorneys, limitations and gaps in the Afghan legal code, and in some cases a lack of political will to try, prosecute, and incarcerate national security threats in a transparent and influence-free manner.

In support of its goals, the United States—under the leadership of the Department of State—conducts a broad range of programs that aim to increase the capacity of the Afghan justice system. DOD provides support to these efforts through the Combined Joint Interagency Task Force 435 (CJIATF-435) and its subordinate command, the Rule of Law Field Force—Afghanistan (ROLFF-A).

Although CJIATF-435 is primarily responsible for United States Government detention operations in Afghanistan, CJIATF-435 also trains Afghan military police detention guards, and mentors Afghan national security prosecutors in preparation for the conditions-based transition of detention operations in Afghanistan. CJIATF-435 also has made progress in discussions with Afghan officials about a national security legal framework that will be necessary for a complete transition to Afghan authority.

Question. How do you compare the status of the Afghan justice system to the Iraqi justice system that the United States has helped build up?

Answer. The Iraqi judicial system has historically been more advanced than the formal Afghan judicial system, reflecting a more centralized and urbanized state and higher literacy and education levels in Iraq. In contrast, rural Afghans, who comprise a significant majority of the population, often make use of their own community justice systems that are outside the purview of the Afghan Government.

United States forces, in concert with civilian partners, have provided support to both the Iraqi and Afghan justice systems, including building physical capacity and training correctional officials. The United States also has provided training to Iraqi and Afghan investigative judges regarding the use of evidentiary files prepared to support criminal charges brought against detainees held by United States forces. In both countries, we have endeavored to develop rule of law systems that are adapted to, and sustainable within, the distinct cultural contexts of Afghanistan and Iraq.

AFGHANISTAN

Question. There has been a lot of discussion lately about the United States presence in Afghanistan and what the drawdown of forces there should look like. I am a supporter of a conditions based drawdown and do not want to see a hasty withdrawal jeopardize the gains that we have made. That being said, I think that because we are 10 years after 9/11 we need to emphasize that this is not going to be an open-ended operation.

What progress has been made in determining the specific plan for withdrawal and how involved has the Afghan Government been in determining the metrics to evaluate the withdrawal plans?

Answer. As you know, during his December 2009 speech at West Point, President Obama specified that the surge would not be open-ended, and that he would reduce U.S. surge forces beginning in July 2011 based on conditions on the ground. The United States strategy in Afghanistan is working as designed, and the beginning of a drawdown of the surge forces this July is part of that strategy. The momentum has shifted to coalition and Afghan forces, and together these forces have degraded the Taliban's capability, achieved significant security gains, especially in the Taliban's heartland in the south, and set the conditions for beginning the transition of security for provinces and districts to Afghan lead.

The United States is working very closely with the Government of Afghanistan on the transition process, which will ultimately put the Afghan National Security Forces in the lead of security nationwide by the end of 2014. The growth of the Afghan National Security Forces (ANSF) in quality and quantity over the past 18 months, including the additional 100,000 new personnel, is a key part of the progress to date that enables the initiation of the transition and the drawdown of U.S. forces. The President will take these factors into consideration when making his decision about the size and pace of the drawdown.

Question. Are the Afghans in agreement on the metrics that should be used?

Answer. The Afghans understand that President Obama will decide on the size and pace of the drawdown of our surge forces, and that it will be based on conditions on the ground. They recognize the substantial progress achieved over the past 18 months, including the progress in the growth and quality of their own forces and the reversal of the Taliban momentum that makes the initiation of the drawdown and the transition of several provinces and districts to Afghan security lead possible.

The United States, with our allies, is in the process of building a 350,000-man ANSF. There has been some conflicting reporting on the quality of that force, specifically the Afghan National Police. There are increasing reports of infiltrators and Afghan servicemembers turning their weapons on coalition forces. I am concerned that we are focusing on quantity and not quality.

Question. How is Afghanistan going to build the security force it needs, and will they have the resources to maintain a National Army?

Answer. The NATO Training Mission—Afghanistan, working closely with the Afghan Ministry of Defense and Afghan Ministry of the Interior, has made substantial progress over the past 18 months in growing the Afghan National Army (ANA) and Afghan National Police (ANP) while also improving their quality. U.S. forces and the Afghan Government have also helped establish the Afghan local police, which are increasingly denying the insurgents' access to rural populations. Although there have been instances of infiltration and Afghan servicemembers turning their weapons on coalition forces, as well as cases of insurgents mimicking the ANA or ANP, overall reporting from the coalition units who partner with the ANSF reflects continued improvement in the capability and performance of the fielded ANSF.

Efforts are underway to ensure the long-term sustainability of the ANSF. The sustainment effort is in two areas, fiscal and human capital. NTM-A and ISAF are scrutinizing all aspects of contracting, infrastructure development, equipping, and sustainment to find cost savings. Examples include an "Afghan First" contracting policy that employs Afghan construction standards, ensuring designs meet cultural and socio-economic norms, and are sustainable by Afghan maintenance capabilities. In order to set Afghans on the track to self-sustainment, DOD and its United States Government partners are working with the Afghans to increase revenue generation through activities such as collecting taxes from border stations. We project that by 2017 the Afghans will be spending \$1.25 billion of their own funds on operations and maintenance, up from a projected \$690 million in 2013. Regarding human capital we have been working to develop institutional professionalism and individual Afghan capacity across a broad range of functions within the force, including operations, leadership development and accountability, literacy, gender integration programs, transparency and development of an Afghan instructor corps. Our literacy

training program has just reached a milestone in that the 100,000th ANSF trooper has successfully completed a literacy course.

Developing the ANSF remains a central element of our strategy in Afghanistan, and sustaining the ANSF will be an essential means of securing the results that so many have sacrificed to achieve. While Afghanistan's own resources will grow over time, it is also true that the international community will need to help sustain the ANSF for some time to come. To that end, I recently renewed my challenge to other ISAF members that they contribute 1 billion Euros annually to the NATO Afghan Nation.

Question. What is the coalition doing to ensure we are building a quality security force that will serve the Afghan people?

Answer. Coalition forces are heavily focused on improving the quality of the ANSF—not just its size—so that the ANSF can operate more independently and the Coalition can successfully transition security lead to the Afghans. Up until June, the primary focus was on building a force to provide immediate security. In June 2011, the last of the 97 Infantry Kandaks were fielded. This has allowed ISAF to shift its focus to professionalizing the force and building sustainment capability. Coalition initiatives to improve quality include partnering with ANSF units in the field, programs geared toward increasing literacy rates, and addressing leadership shortfalls.

As of May 31, advisors partner with or mentor 148 of 156 Afghan National Army units and 223 of 239 Afghan National Police units. Embedded coalition military personnel live and fight with their ANSF partners, which enables coalition forces to provide additional on-the-job training, prevent and address corruption, and demonstrate how a professional military conducts its operations.

Literacy training has also improved ANSF performance and morale and the NATO Training Mission—Afghanistan projects more than 50 percent of the ANSF will achieve third-grade literacy by 2012. A more literate force will increasingly allow the Afghans to develop the necessary enablers and combat support systems to develop self-sufficiency.

Officer and noncommissioned officer (NCO) leader shortfalls have been a key impediment in the quality development of the ANSF, but leader gaps are also closing. Officer Candidate School, the National Military Academy, and strengthened NCO training programs, combined with improved Afghan Ministry of Interior and Defense personnel policies that are addressing problems of attrition and retention, are enabling a new generation of better trained and qualified ANSF officers to ascend in the leadership ranks.

IRAQ

Question. The U.S.-Iraqi Security Agreement will result in the departure of United States military forces from Iraq by the end of 2011. Both of you have testified that, if asked by the Government of Iraq to do so, the United States should keep United States armed forces personnel in Iraq. In the absence of that, the Department of State will be assuming several of the missions now being conducted by the United States military.

What is your assessment of the likelihood that the Government of Iraq will ask United States military forces to stay? By what date would that request need to be made?

Answer. We intend to abide by our commitments in the 2008 U.S.-Iraq Security Agreement. The United States would be willing to consider a limited United States military presence should the Iraqi Government so request; however, to date, no such request has been made. For planning purposes, we would like to receive any such request from Iraq as soon as possible.

It remains unclear whether the Iraqi Government will request a post-2011 U.S. military presence beyond the Office of Security Cooperation—Iraq (OSC-I). The OSC-I will operate under Chief of Mission authority and facilitate the transition from a military-led to a civilian-led mission by continuing to support development and modernization of the Iraqi Security Forces (ISF).

Question. Do you both still agree that United States forces should stay in Iraq if asked?

Answer. I believe it is in our mutual interest to have a limited U.S. military presence to help address ISFs' needs and gaps, if requested by the Iraqi Government.

Question. What types of forces and what mission should they have if they do stay?

Answer. We intend to abide by our commitments in the 2008 U.S.-Iraq Security Agreement. There are a number of areas where the ISF could benefit from additional assistance, such as intelligence fusion, air sovereignty, combined arms training, and sustainment and logistics. However, any post-2011 U.S. military presence

would require a formal request from the Iraqi Government, which we would be willing to consider. To date, no such request has been made.

Question. How limited can our presence be and remain effective?

Answer. Any discussion of specific military personnel numbers and footprint at this point would be premature, as any post-2011 U.S. military mission would require a formal request from the Iraqi Government. To date, no such request has been made.

Question. In your assessment, what effect will the departure of United States military forces have on the stability of Iraq?

Answer. The ISF are currently functioning well as a counter-insurgency force and demonstrating the capability to maintain internal security and stability in Iraq. We believe an increase in security incidents is possible, but within the capacity of the ISF to handle.

Question. Will a complete withdrawal jeopardize the progress we have made in the region?

Answer. We believe an increase in security incidents is possible. However, ISF have the capacity to counter potential increases in security incidents.

In a recent hearing by the Commission on Wartime Contracting, the State Department indicated that it will spend close to \$3 billion on security forces in Iraq if the U.S.-Iraqi Security Agreement is enforced.

Question. Would keeping United States military forces in Iraq be more cost effective than having the Department of State contract out to accomplish their expanded missions and their security?

Answer. It is premature to speculate on any potential cost savings for the Department of State from a potential post-2011 United States military presence in Iraq. Any post-2011 U.S. military mission would require a formal request from the Iraqi Government, which we would be willing to consider. To date, no such request has been made.

LIBYA

Question. This month, NATO agreed to extend the mission in Libya for 90 days until the end of September. Press reporting indicates that Gaddafi has no intention of peacefully stepping down from power and the United Kingdom's most senior naval officer, Admiral Stanhope, said this week that the campaign has been a strain on UK forces and big compromises will have to be made if the operations are extended any longer than 6 months.

How much money are we spending every day on this campaign?

Answer. If the current tempo of support operations continues through September 30, 2011, the DOD estimates it will spend \$1.1 billion in fiscal year 2011, or approximately \$3 million a day from now to the end of the fiscal year. The amount pays to fund military personnel pay costs, travel and sustainment of personnel, operations (e.g., flying hours), expended munitions, supplies, airlift, drawdown of DOD supplies (up to \$25 million), and a small amount for lift and sustainment costs for coalition partners supporting operations in Libya. The DOD spent more per day at the beginning of the campaign due to a higher level of kinetic operations.

Question. If NATO terminates the campaign in September and Gaddafi is still in power, is there a plan?

Answer. It is unlikely that NATO will terminate Operation UNIFIED PROTECTOR (OUP) until the Gaddafi regime complies with the criteria adopted at the April 14 NATO Foreign Ministers' Meeting:

- All attacks and threats of attack against civilians and civilian-populated areas have ended;
- The regime has verifiably withdrawn to bases all military forces, including snipers, mercenaries and other paramilitary forces, including from all populated areas they have forcibly entered, occupied or besieged throughout all of Libya; and
- The regime must permit immediate, full, safe, and unhindered humanitarian access to all the people in Libya in need of assistance.

This resolve was reiterated on June 8, when NATO and Partner Defense Ministers issued a statement extending operations for a further 90 days from June 27, 2011. If, for some reason, NATO does not continue OUP into the fall, it is highly likely that a small coalition of capable allied and partner nations would continue the mission in Libya. Again, we find the scenario of NATO terminating operations to enforce U.N. Security Council Resolutions 1970 and 1973 highly unlikely.

Question. We have all been watching as the Chinese military continues to expand and modernize their military. We have seen concerning developments with the “carrier killer” missile and the J-20 stealth fighter. There are numerous open-source reports of the Chinese Army conducting cyber attacks on U.S. entities. Additionally, the Chinese continue to flaunt international norms with respect to their assertive attempts to expand their maritime territorial claims in the East and South China Sea.

Can you please give us your assessment on the capabilities and intentions of the Chinese military?

Answer. China appears to be building the capability to fight and win short-duration, high-intensity conflicts along its periphery. The country’s near-term focus appears to be on preparing for potential contingencies involving Taiwan, including possible U.S. military intervention. Its modernization efforts emphasize anti-access and area denial capabilities. China is also devoting increased attention and resources to prepare to conduct operations beyond Taiwan and China’s immediate periphery. Beijing’s growing focus on military missions other than war includes humanitarian assistance, noncombat evacuation operations, and counter-piracy support. Lastly, China is strengthening its nuclear deterrent and enhancing its strategic strike capabilities through modernization of its nuclear forces and improving other strategic capabilities such as space and counter-space operations and computer network operations. Recent public revelations about its advanced fighter program and aircraft carrier underscore the progress it is making.

Question. Can you expand on how the Chinese military expansion has affected regional stability?

Answer. China’s economic growth has increased the country’s international profile and influence, and enabled its leaders to embark upon and sustain a comprehensive transformation of the country’s military forces. China’s continued investment in programs designed to improve extended-range power projection has the potential to make positive contributions in the delivery of international public goods—such as peacekeeping, disaster relief, and counter-terrorism operations—but also increases Beijing’s options for military coercion to gain diplomatic advantage, advance its interests, or resolve disputes in its favor. The pace and scale of China’s military modernization, coupled with the lack of transparency, raise many questions, both within the United States and the Asia-Pacific region as a whole, about China’s future intentions.

In addition, China’s recent assertive behavior in the South China Sea has raised concerns in the region, reinforcing littoral states’ appreciation for a robust and sustained United States presence. Multiple competing territorial claims have existed for decades, but China is increasingly confident in asserting its claims in the resource-rich region. Although not a claimant to any territory in the region, the United States has interests in the South China Sea, and we remain committed to the stability and prosperity of Southeast Asia as reflected in our extensive bilateral and multilateral engagements and defense activities with regional allies and partners.

Question. Are our forces, particularly those forward based in the Pacific Command area of responsibility prepared to counter these threats?

Answer. The U.S. forward presence in the region has played a key role in ensuring decades of stability in Asia. The United States will continue to be globally postured to secure our homeland and citizens from direct attack and to advance our interests around the world. Although there are many demands on our forces in the Asia-Pacific, the fiscal year 2012 defense budget ensures that we will remain prepared to meet challenges and fulfill our security commitments in the region.

The fiscal year 2012 budget proposal would make a number of investments that would enhance the ability of U.S. forces to project power into the Asia-Pacific region and elsewhere. Chief among these is the commencement of a new long-range bomber program.

We have worked with—and will continue to work with—our regional allies and partners to maintain peace and ensure stability throughout Asia. With the fiscal year 2012 budget, we intend to enhance our forward presence in the Pacific as the most critical region for long-term U.S. security. We will make a number of investments to ensure the DOD has the necessary capabilities to project power into the Asia-Pacific region and elsewhere if necessary. Examples include:

- expanding future long-range strike capabilities;
- exploiting advantages in subsurface operations;
- increasing the resiliency of U.S. forward posture and base infrastructure;
- ensuring access to space and the use of space assets;

- enhancing the robustness of key Command, Control, Communications, and Computers, Intelligence, Surveillance, and Reconnaissance (C⁴ISR) C⁴ISR capabilities; and
- enhancing the presence and responsiveness of U.S. forces abroad.

TAIWAN ARMS SALES

Question. I have expressed concerns in the past about additional United States arms sales to Taiwan. Admiral Willard testified at the PACOM hearing before this Committee that the military balance in the Straits of Taiwan has shifted to the mainland. In my view, we would best advance our national interest of peace in Asia by pursuing a goal to reduce military posture across the Taiwan Strait.

What significant action could China take to ease its military posture in the strait in a manner that was substantive enough for the Pentagon to consider or reconsider the future arms sales to Taiwan?

Answer. We welcome steps taken by both sides of the Taiwan Strait to improve relations. We remain committed to our one China policy based on the Three Joint U.S.-PRC Communiqués and the Taiwan Relations Act. Our one China policy has been consistent for the past eight United States administrations. In accordance with the Taiwan Relations Act, we do not support independence for Taiwan, but at the same time, the United States makes available to Taiwan defense articles and services necessary to enable Taiwan to maintain a sufficient self-defense capability. If the environment changed, the relationship between China and Taiwan continues to improve, and over time, the security environment for Taiwan changed, then this would potentially create the conditions for reexamining this issue. Of course, this would be an evolutionary and a long-term process.

It is difficult to identify specific steps or actions that could change our assessment of Taiwan's defense needs. Actions such as removing forces, halting the missile buildup, reducing missile stockpiles, or establishing a policy rejecting the reunification of China by force would be welcomed steps that could be taken by the People's Republic of China (PRC) to improve the security environment. However, the Department's assessment of Taiwan's defense needs is not predicated on a single Chinese action or even the combination of several actions. Our calculus is based on our understanding of the totality of the security environment, which not only includes actions taken by the PRC, but also those taken by Taiwan.

In the interim, the DOD will continue to monitor military trends in the Taiwan Strait and work with the authorities on Taiwan as they pursue defense reform and modernization to improve the Taiwan's ability to defend against an attack from the mainland. Organizational reforms, improvement in joint operations, the hardening of infrastructure and weapons systems, and long-term acquisition management are all significant steps that will enhance Taiwan's security.

Question. Can you identify major steps that the PRC could take, such as removing forces, halting the missile build up, reducing the missile stock, or establishing a policy rejecting reunification of China by force, which could change our assessment of Taiwan's defense needs?

Answer. It is difficult to identify specific steps or actions that could change our assessment of Taiwan's defense needs. Actions such as removing forces, halting the missile buildup, reducing missile stockpiles, or establishing a policy rejecting the reunification of China by force would be welcomed steps that could be taken by the PRC to improve the security environment. However, the Department's assessment of Taiwan's defense needs is not predicated on a single Chinese action or even the combination of several actions. Our calculus is based on our understanding of the totality of the security environment, which not only includes actions taken by the PRC, but those taken by Taiwan.

As documented in the Department's "Military and Security Developments Involving the People's Republic of China" annual reports to Congress, we remain concerned about the pace and scope of China's military buildup including its short- and medium-range ballistic missiles, cruise missiles, submarines, surface combatants, advanced fighter aircraft, integrated air defense systems, and space and cyber capabilities. We also remain concerned about the lack of transparency surrounding the development of these capabilities.

In the interim, the DOD will continue to monitor military trends in the Taiwan Strait and work with the authorities on Taiwan as they pursue defense reform and modernization to improve the Taiwan's ability to defend against an attack from the mainland. Organizational reforms, improvement in joint operations, the hardening of infrastructure and weapons systems, and long-term acquisition management are all significant steps that will enhance Taiwan's security.

ACQUISITIONS

Question. Cost over-runs and delays seem to plague the Defense acquisitions program. The Joint Strike Fighter alone is projected to cost 80 percent more than the initial estimates and 30 percent more than when the baseline cost was redefined 4 years ago, and I am sure it is not the only program in this situation. In the current fiscal environment, it is becoming increasingly difficult to justify these extreme costs.

What concrete steps are being taken to reform the acquisitions program and when can we expect to see results?

Answer. On September 14, 2010, with my input and support, Dr. Carter, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)), launched an initiative called "Better Buying Power" (BBP). In it, we issued a set of 23 points that indicated how we were going to "get more without more." We are implementing BBP aggressively and are already experiencing savings on current programs.

On November 3, 2010, Dr. Carter issued BBP guidance for the Service Secretaries and Directors of the Defense Agencies indicating that affordability will be treated as a requirement at all Milestones and Decision Points for our programs, and program managers will be required to demonstrate affordability before being granted Milestone Authority to proceed with a program. Independent cost estimates will be used to evaluate what a program will cost based on historical data, but program managers have been instructed to manage based on what a program should cost. The "should cost" method is already being used to drive down future costs in all acquisition programs.

Another facet of the BBP initiative is incentivizing productivity and innovation in industry partly through use of fixed-price incentive (firm target) contracts, where appropriate, where the reward for saving as well as the burden of risk is appropriately shared with the contractor. The Department is also renewing its commitment to small business by increasing its goals and investments and placing greater emphasis on new technology.

In line with President Obama's March 2009 memorandum on Government contracting, the BBP initiative promotes real competition as the most powerful tool the Department has to drive productivity. The USD(AT&L) requires program managers to present competitive strategies to him, even when there is not a traditional head-to-head competition. In those cases, we will harness competitive energy at the sub-contract level where contractors can approach program managers with value engineering change proposals to achieve program goals in the most cost-effective manner.

COUNTERNARCOTICS SPENDING IN MEXICO AND CENTRAL AMERICA

Question. While the State Department is the primary U.S. agency providing security assistance to the Mexican and Central American Governments, according to a July 2010 report from the Government Accountability Office (GAO), "In Mexico and Central America, the Department of Defense provides support to U.S. and foreign agencies with counternarcotics responsibilities which has increased in recent years and is separate from that provided under [the] Mérida [Initiative]."

How much Defense Department funding will support the Mexican and Central American Governments in their counternarcotics efforts in fiscal year 2012?

Answer. The President's budget request for fiscal year 2012 includes approximately \$75.5 million in DOD counternarcotics support to Mexico; \$4 million for Belize; \$9 million for Guatemala; \$2.7 million for Honduras; \$2.1 million for El Salvador (excluding funds to operate and maintain the U.S. Navy's Counternarcotics Forward Operating Location in Comalapa, El Salvador); \$2.7 million for Nicaragua; \$2.6 million for Costa Rica; and \$8.2 million for Panama.

Question. What will that funding be used for?

Answer. U.S. Department of Defense counternarcotics (DOD CN) support includes training, equipment, infrastructure, and information sharing. DOD CN programs complement State Department-led security cooperation programs, principally the Mérida Initiative with Mexico and the Central America Regional Security Initiative.

Cooperation with Mexico concentrates on helping Mexican forces improve their tactical and operational proficiency, as well as air mobility, maritime law enforcement, communications, and reconnaissance capacities. Training includes air operations and maintenance, helicopter pilot training, rule of law, tactics for urban and night operations, logistics/resources management, maritime operations, ship maintenance and repair, search-and-rescue and lifesaving, and operational planning. Training includes an emphasis on intelligence-driven and interagency operations as well as incorporating principles of respect for human rights. Equipment includes

rigid hull inflatable boats, communications equipment, nonintrusive inspection scanners, aircraft avionics and sensors, and navigation equipment.

Cooperation with Central America includes building and equipping maritime forward operating sites, maintenance facilities, land border crossing control posts and related facilities; providing intercept boats, night vision equipment, radar equipment, ground vehicles, ballistic flotation vests and other equipment; providing operational support for partner country maritime interdiction; and training, which incorporates an emphasis on respect for human rights.

In addition to providing direct support to foreign security forces, DOD CN operates, supports, or employs U.S. intelligence, radar, communications, computer, air and sea lift, counterdrug detection and monitoring, technology development, and related activities. Since these DOD activities help reduce drug trafficking and related threats to partner countries as well as the United States, they may in part be considered indirect support to those countries. This includes the work of Joint Task Force—North (JTF—N), which supports drug law enforcement agencies in the United States with an emphasis on the United States-Mexico border region, and Joint Interagency Task Force—South (JIATF—S), which conducts interagency and international counterdrug detection and monitoring operations. El Salvador also hosts a critical DOD CN Forward Operating Location to detect and monitor suspected drug trafficking.

Question. How do you coordinate security funding for these countries with other U.S. agencies?

Answer. Policy and strategic coordination are conducted by the DOD primarily through Interagency Policy Coordination (IPC) committees and related processes chaired by the national security staff which include the Office of National Drug Control Policy and the Office of Management and Budget (OMB). A variety of working groups support the IPC process. DOD requests for Drug Interdiction and Counterdrug Activities appropriations are coordinated with other agencies through OMB. DOD does not request specific levels of appropriation for CN cooperation with foreign countries, but allocates funding from the total appropriation provided.

DOD CN support to foreign countries is requested by U.S. Military Groups (or equivalents) after coordination with the U.S. Embassy country team. DOD CN support may only be considered if requested by an appropriate official of a department or agency that has counter-drug responsibilities, as well as by an official of the recipient country. Proposals are forwarded to the geographic combatant command (GCC) for validation and prioritization and then to the Joint Staff and the Office of the Secretary of Defense for consideration. U.S. Northern Command and U.S. Southern Command are also responsible for JTF—N and JIATF—S respectively, while the U.S. Navy is responsible for the CN Forward Operating Location (FOL) in Comalapa, El Salvador. While JTF—N, JIATF—S, and FOL Comalapa do not provide capacity-building support to foreign countries, they conduct CN detection and monitoring, information-sharing, and related international cooperation.

The Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats (DASD CN>) conducts consultations with military commands, the Armed Services, Defense agencies, and other U.S. Government agencies to ensure that activities are prioritized and funded in line with policy and to make budgetary adjustments. Those processes are supplemented by a variety of working groups, program reviews, and similar mechanisms. The DASD CN> coordinates CN policy within DOD and other agencies, and provides policy, program, and budgetary guidance and oversight to the military commands, Armed Services, and Defense agencies which execute DOD CN activities.

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI

Question. Since 1997, there have been 74 Nunn-McCurdy breaches involving 47 major defense acquisition programs. The Government Accountability Office has identified proven management practices—many of which have been incorporated into Department of Defense (DOD) policy, but have yet to be fully implemented in practice—that can serve as tools to prevent DOD cost overruns. Greater adherence to practices at key phases of the acquisition process can help reduce weapon system costs, contain pressures for increased funding, and better address critical warfighter needs.

What is being done within the DOD to incorporate better acquisition practices?

Answer. With my support and input the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) launched the Better Buying Power (BBP) initiative to reform the way we do business, affecting all of our acquisition programs. Treating affordability as a requirement and applying this standard at

every milestone decision will have huge impacts to the Department's overall savings and will prevent cost overruns. Similarly, the Department's mandatory use of competition—even when there is not a traditional head-to-head situation—and requiring program managers to present a competitive strategy will have profound effects on the cost of weapon systems. The Department has set the goal of increasing the amount of contract obligations competitively awarded every year.

The BBP initiative includes various other significant strategies to reduce non-productive processes and bureaucracy, to incentivize productivity and innovation in industry, and to improve tradecraft in services acquisition, each with detailed focus areas and goals.

Question. How does the DOD plan to incentivize acquisition program managers and contractors to drive down acquisition costs?

Answer. Since early last year, Dr. Carter, USD(AT&L), has been working with the Component Acquisition Executives (CAEs) to craft and implement a series of initiatives geared toward gaining greater efficiencies and productivity. On September 14, 2010, he issued a memorandum for acquisition professionals, "Better Buying Power (BBP): Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending." He provided additional guidance with an implementation memorandum for the CAEs on November 3, 2010. These memoranda establish a framework for the enterprise to institutionalize the BBP reforms.

To incentivize contractors, we are increasing our use of fixed-price-type contracts with incentives structured to reward performance and share risks more equitably between Government and industry. Dr. Carter and Mr. Hale, the Under Secretary of Defense (Comptroller), have jointly issued guidance addressing conditions when savings are realized. The intent is to seek and eliminate low-value-added ingredients of program cost and to reward those doing so. Program managers' and Program Executive Officers' performance will, in part, be evaluated on this basis. Realized savings may mean additional resources to enhance their programs, for example, by freeing up funds to buy more warfighting capability or quantities. For industry, it means sharing in savings realized in the form of increased profit and enhanced corporate recognition for delivering value.

Question. How will the Department measure success in achieving reform of its acquisition process?

Answer. The Department is measuring success by implementation of the BBP initiative across the Department's acquisition programs. This implementation will result in quantifiable savings for the Department.

The BBP initiative mandates treating affordability as a requirement. Program managers must establish an affordability target as a Key Performance Parameter equivalent for all ACAT I Milestone programs. The 100 percent application of this standard at all Milestone decisions will result in savings. For example, by conducting engineering tradeoff analysis with the commencement of the Ohio-class replacement—for example, examining the submarine design and evaluating what could be changed in the interests of lowering costs—the Navy has already reduced the estimated average procurement cost by 16 percent, with a goal of reaching a 27 percent reduction. This savings would not have been achieved without making affordability a requirement.

As a part of the BBP initiative, the Department is increasing the use of competition to control costs of goods and services. Again, success in this initiative will be measured by implementation; for instance, every ACAT program milestone acquisition strategy must contain a competitive strategy for evaluation at each milestone review. Another measurable competition goal of the Department is to increase the amount of contract obligations competitively awarded by 1 percent every year.

We expect each program to have aggressive goals. These goals will be tracked and monitored to ensure implementation and to harvest and share good ideas with broader applicability.

Continued aggressive application of the BBP initiative will continue to bring measurable success in terms of real cost savings to the Department.

Many aspects of wounded warrior care in the military healthcare system is in need of reform. The Dole-Shalala Report on military healthcare reform has still not been fully implemented. Many wounded warriors still find that the Medical and Physical Evaluation Board process takes too long, is too adversarial, and is duplicative with the VA process. Less than 40 percent of active, reserve, or guard members were even "somewhat" satisfied with the disability evaluation system and less than 50 percent said they "completely" or "mostly" understood the system.

Question. What is the status of implementing the Dole-Shalala Report recommendations pertinent to the reform of the military health system?

Answer. The Dole-Shalala recommendation to reform the disability evaluation system requires considerable legislative action to fully implement. In the meantime,

the DOD and VA have implemented new processes to improve and coordinate what was previously two separate disability evaluation systems, while preserving DOD's requirement for determining fitness for military duty and the VA's requirement to compensate for disabling conditions as a result of military service. Both Departments are committed to use existing authorities to reform and continuously improve existing processes.

Question. What is DOD's goal for implementing a single disability evaluation system with the VA that will ensure when wounded warriors are discharged, they do not have to wait months with no income or support to access the VA medical system?

Answer. In order to address the challenges in the prior systems created to address disability evaluation for our wounded warriors, the Integrated Disability Evaluation System (IDES) (a joint DOD/VA program) was created beginning in November 2007. The DOD goal is that IDES will be available at all Military Treatment Facilities (MTFs) by September 2011. The IDES combines two previously separate and sequential systems (the military Disability Evaluation System and the VA Compensation & Benefit process) into one concurrent process. This simplifies Disability evaluation processes, eliminates duplicate disability examinations and ratings and places VA counselors (Military Service Coordinators (MSCs)) in MTFs to ensure a smooth transition to Veteran status. This eliminates the benefits gap, provides a VA disability rating, (amount of benefits they will receive from VA) before leaving the service and provides a more simple, seamless, fast and fair Disability Evaluation System for servicemembers.

The US Family Health Plan (USFHP) designed by the Congress in 1996 provides the full TRICARE Prime benefit for military beneficiaries in 16 States and the District of Columbia for more than 115,000 beneficiaries. Beneficiaries are highly satisfied with this healthcare option. In 2010, more than 91 percent of USFHP beneficiaries were highly satisfied with the care they received, making it the highest-rated healthcare plan in the military health system. The fiscal year 2012 President's budget request includes a proposed legislative provision that future enrollees in US Family Health Plan would not remain in the plan upon reaching age 65.

Question. Shouldn't DOD be using USFHP as a model to improve access to care and achieve better health outcomes? How are you planning to utilize the experience of USFHP in expanding these principles across the military health system for all beneficiaries?

Answer. Yes, DOD is currently using USFHP as a model. US Family Health Plans, like all TRICARE contractors, have embraced the following goals: improved health, a positive patient experience, and responsible management of the costs; all in support of the central aim of assured military readiness. Their emphasis on preventive care, disease management, and enrollment of 30,000 of their 115,000 TRICARE beneficiaries in Patient Centered Medical Homes is significant. All TRICARE programs now offer preventive care with no copays; disease management programs are widely available for those diagnosed with chronic illness; and hundreds of thousands of TRICARE patients across the Nation are enrolled in Medical Home practices.

The President's budget initiative would limit enrollment of any new patients older than age 65 under the current financial structure. In planning to utilize the experience of USFHP in expanding these principles across the military health system for all beneficiaries, we have encouraged USFHP leaders to continue to care for these patients under Medicare and TRICARE for Life. We expect the early investment in prevention will result in greater wellness later in life, independent of the payment model; that loyal patients will choose to remain with their doctors; and the Federal Government will still accrue important savings.

The most recent data for those older than age 65, our dual-eligible DOD/Medicare population, shows that satisfaction with the TRICARE For Life benefit is equal to the satisfaction of USFHP enrollees. We anticipate that this satisfaction will remain equivalent for the long term.

Question. DOD has proposed that, after a certain date, Medicare eligible beneficiaries will no longer be able to enroll in USFHP. What is DOD's plan to reach out to, and work with CMS and the USFHPs to explore options that ensure continuity of care for those beneficiaries?

Answer. The Department's primary concern is the effect of this proposal on the beneficiaries, and we believe that there will be no impact on continuity of care. The following plan details how DOD will work with CMS and the USFHP's to explore options to ensure continuity of care.

Current enrollees will be grandfathered into the program and will see no change in their coverage. For those who enroll in the USFHP in the future, they would be transitioned to TRICARE For Life (TFL) upon reaching age 65, consistent with

other TRICARE Prime enrollees. Under TFL, beneficiaries will receive comprehensive healthcare coverage with minimal out-of-pocket expenses.

Although Medicare becomes the primary payer when beneficiaries age out of Prime, with TFL paying the difference, USFHP providers accepting Medicare can continue to see and treat TFL beneficiaries.

Providers can also continue to manage care and referrals for their primary care patients as well as offer disease management and prevention program which are hallmarks of quality patient care.

The Department remains deeply committed to the continued success of the USFHPs. These six plans, covering approximately 115,000 of our 9.6 million beneficiaries, are a valued part of our military healthcare system. We will continue to work with the USFHPs on behalf of all of our patients to meet the goals of improved health, a positive patient experience, and responsible management of the costs.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

MINIMUM ESSENTIAL SECURITY CONDITIONS

Question. The President has made it clear that he intends to withdraw troops from Afghanistan in the coming months, and while I am a supporter of this draw-down, I am concerned with the security situation on the ground for our remaining forces.

What are the minimum essential conditions in Afghanistan that can sustain stability with a minimum level of support from the United States and other countries?

Answer. The ability to transition provinces and districts to Afghan security lead while reducing the support required of the United States will depend first and foremost on the readiness and capability of Afghan forces to provide security to the population relative to the threat in each area. Governance and development are also crucial as they are ultimately the keys to providing secure communities the basic levels of services and economic opportunity that will keep them resistant to insurgency. Continuing progress and efforts to dismantle and defeat al Qaeda and to degrade the insurgency are also essential to achieving these conditions. Finally, we are negotiating a strategic partnership with Afghanistan that will help ease uncertainty in the region by underscoring the continued United States interest in and commitment to Afghanistan's stability and security.

JOINT ELECTRONIC HEALTH RECORD

Question. However, the agreement to develop a joint electronic health record is only one step in a very difficult multi-step process.

What steps have you taken to ensure that the progress you have made on the joint electronic health record continues, and is ultimately successful, once you leave the Department?

Answer. I have taken critical steps with Secretary Shinseki to ensure forward progress on the integrated electronic health record (iEHR).

—At the highest departmental levels, we have reaffirmed our commitment, to jointly chair recurring oversight meetings and are establishing a robust governance structure which is essential to the continued success of the iEHR.

—A critical component of this governance structure is the iEHR Advisory Board, which will include clinical proponents appointed by the Assistant Secretary of Defense Health Affairs, Service Surgeons General, and their clinical counterparts from the VA.

—Additionally, a Program Executive and the Deputy Director will be selected jointly by the SECDEF and the Secretary of Veterans Affairs (VA). The Program Executive will make decisions related to requirements, design methodologies, application priorities, implementation schedule, and deployment sequence.

INTEGRATED DISABILITY EVALUATION SYSTEM

Question. Just last week, I met with an amputee at Bethesda who has been in the process of getting his Medical Evaluation Board (MEB) completed since January. This is a young man who was severely injured several years ago and is ready to leave the service and begin the next phase of his life. Six months is much too long for a servicemember to languish in this process.

Will the Department of Defense commit to looking at the overall issue of MEB timeliness and come back with a plan to improve the process?

Answer. Yes, DOD agrees that such delays for our transitioning servicemembers are unacceptable. The Department is committed to not only looking at the MEB timeliness but to improving it.

WOUNDED WARRIORS

Question. I am concerned about the human cost of this war. We have invested more than \$421 billion in combat operations, but this war is fought by people. Last Friday I met with Corporal Todd Nicely, 1 of 3 quadruple amputees from the wars in Iraq and Afghanistan.

What efforts are underway to better address the injuries faced by dismantled troops?

Answer. The Department's efforts are underway to continuously study the injuries from the current conflict and more effective ways to treat them. For example:

- The Armed Forces Medical Examiner reviews all fatalities to document cause of death and assesses the performance of personal protective equipment (PPE) to document its effectiveness and opportunities for improvement. The Services are continually looking for ways to improve PPE to prevent injury.
- Combat trauma surgical teams are continually improving their techniques for care. Stateside surgical teams are enhancing limb salvage techniques and improving amputation care.
- The U.S. Army Surgeon General (SG) recently appointed the "Dismounted Complex Blast Injury Task Force" which has studied the causation, prevention, protection, treatment, and long-term care options of these more serious and complex battle injury patterns. The Task Force was comprised of clinical and operational medical experts from the Departments of Defense (DOD) and Veterans Affairs (VA) and solicited input from subject matter experts in both Federal and civilian sectors. Efforts to act upon these recommendations of the Task Force are ongoing.

Question. Will the DOD commit to working with Secretary Shinseki to collaboratively improve the ability of the VA to address some of the new prosthetics provided to servicemembers? I am concerned the VA is receiving these amputees into their system and they do not have the capacity to properly service their new limbs.

Answer. Yes, the DOD is committed to working with Secretary Shinseki. There is already close coordination between the two agencies to ensure we meet the needs of our wounded warriors. Our Center of Excellence for Extremity Injuries and Amputations will offer opportunities to share best practices and technical innovation in rehabilitation. Two of the current activities between VA and DOD to improve prosthetic care are:

- evaluation of the new highly technical prostheses and the "legacy" less complicated devices; and
- creating a joint network of prosthetic care to improve service delivery for servicemembers and veterans.

Oversight of this collaborative work is conducted by the VA/DOD Joint Executive Council, composed of leaders from both agencies and the Services.

In addition to our collaborative work on prosthetics, VA and DOD participate in many additional joint activities, including processes to share healthcare resources, development of clinical practice guidelines, joint facility planning, information sharing and electronic health record development, integrating the disability evaluation systems, improving transitions and coordination of care, and suicide prevention efforts. Both agencies are committed to ongoing and developing collaborative strategies and coordinated efforts to assist servicemembers and veterans.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

Question. What is the Department of Defense doing to recover missing U.S. military personnel in the Global War on Terror?

Answer. Searching for and rescuing captured servicemembers in the Global War on Terror are top priorities for the U.S. military. U.S. and coalition forces, along with the Intelligence Community and other agencies, continue to make every effort to facilitate this recovery. Upon their return, these servicemembers will undergo a methodical process designed to assist those who have experienced the ordeals of capture and captivity. In addition, we continue to assist family members during this difficult period.

Question. Please explain the purpose behind the recently directed project #1892/AT&L 10-402 Rand Study entitled "A review of the Department of Defense's Plans to Disposal of its Existing Stockpile of Chemical Weapons." It was reported that \$500,000 was spent on this project. Please provide the project's justification and cost.

Answer. The purpose of the RAND Study was to conduct an independent review of DOD plans for completing destruction of the remaining stockpiles of chemical weapons. Specific areas of review included identifying potential schedule and cost

efficiencies, determining whether the planned acquisition strategy is most advantageous for meeting the Government's treaty obligations and other national priorities, and examining the current organizational construct of the chemical demilitarization program. The study was a key element in identifying performance and schedule risks leading to congressional notification of a Nunn-McCurdy breach.

Increased program cost projections justified the review, which will ensure appropriate steps are taken to maximize efficiencies in completing destruction of the remaining U.S. chemical weapons stockpile.

The RAND Study cost \$502,000.

Question. Please explain why the study "A review of the Department of Defense's Plans to Disposal of its Existing Stockpile of Chemical Weapons" does not mention communication with the Citizens Advisory Commissions at either ACWA site when these Commissions were specifically established under Public Law 102-484, subtitle G, section 172 to receive citizen concerns regarding the chemical weapons disposal program.

Answer. The RAND National Defense Research Institute, a federally funded research and development center, was commissioned to conduct an objective independent review of DOD plans for completing destruction of the remaining stockpiles of chemical weapons. The specific tasks originally assigned to RAND were:

- Task 1: Review the pending (January 2010) contract between the Government and the Bechtel-Parsons contractor team for the next construction phase of the Blue Grass Army Depot;
- Task 2: Conduct a detailed examination of the acquisition strategy/business plan for the ACWA program and provide recommendations for improvement;
- Task 3: Analyze the Government's management structure for running the ACWA and U.S. Army Chemical Materials Agency (CMA) programs; and
- Task 4: Describe an appropriate close-out plan for CMA sites.

During the study effort, Task 4, which would have more directly involved the Citizens Advisory Commissions, was de-scoped to allow RAND to allocate more resources to Task 2.

SUBCOMMITTEE RECESS

Chairman INOUE. So, the subcommittee will reconvene on Wednesday, June 22, at 10:30 a.m. for our last hearing, and we'll close our books then.

The subcommittee stands in recess.

[Whereupon, at 12:35 p.m., Wednesday, June 15, the subcommittee was recessed, to reconvene at 10:30 a.m., Wednesday, June 22.]