

EXHIBIT A

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SENATOR CARL LEVIN (D-MI): Good morning, everybody.

The committee receives testimony this morning on the U.S. strategy in Afghanistan and in Iraq. This morning's hearing is Secretary Panetta's first appearance before this committee as secretary of defense, and we welcome you, Mr. Secretary.

It's also likely to be Admiral Mullen's last appearance before he retires at the end of this month. Since the admiral's appointment by President Bush as the 17th chairman of the Joint Chiefs of Staff in 2007 and his reappointment by President Obama in 2009, Admiral Mullen has led our armed forces through one of the most complex four-year periods of security challenges in recent history.

Among the challenges occurring on Admiral Mullen's watch have been the following: a drawdown of forces in Iraq; a shift to a counterinsurgency strategy and a surge of U.S. troops in Afghanistan; a reduction of U.S. troops in Afghanistan; support of NATO operations in Libya; management of a volatile relationship with Pakistan's military; and counterterrorism operations against al-Qaida and other transnational terrorist groups, including the extraordinary raid by our Special Operations Forces this past May that killed bin Laden in Pakistan.

Throughout his chairmanship and more than 40 years of extraordinary service to this nation, Admiral Mullen has provided steady, dedicated leadership and thoughtful, principled and courageous military judgment. Admiral Mullen has been joined throughout this time by his wife Deborah, who has been equally tireless in promoting initiatives on behalf of our military families and wounded warriors. On behalf of everyone on this committee, Admiral, thank you.

The strategy the president charted in December 2009 in his West Point speech is on track to achieving its objectives. These include disrupting, dismantling and degrading al-Qaida, and training the

Afghan security forces to provide security for their country so that Afghanistan will not again serve as a safe haven for extremists plotting attacks against us.

As outlined in the West Point speech, the president's strategy called for a surge of an additional 33,000 U.S. troops to Afghanistan to break the insurgency's momentum and to help build the capacity of the Afghan security forces. And he stated at that time that 18 months later, these U.S. surge troops would begin to come home. Our military men and women have performed magnificently in Afghanistan. Coalition and Afghan forces have reversed the insurgency's momentum in much of Afghanistan, and seized the initiative in key areas, including Taliban strongholds in the south.

At the same time, the NATO Training Mission has added 100,000 soldiers and police to the ranks of the Afghan security forces, which are partnered with coalition forces in the field and are increasingly in the lead in operations. The Taliban has been reduced to suicide attacks and roadside bombings. In this regard, the assassination of Mr. Rabbani, the leader of Afghanistan's High Peace Council tasked with pursuing reconciliation talks with the Taliban, was tragic. However, that despicable act only highlights that the Taliban can no longer hold territory and are detested more than ever by the Afghan people because of their attacks on civilians.

The president's decision to bring home the U.S. surge forces by 2012 maintains the sense of urgency at the highest levels of the Afghan government. Further, as 33,000 U.S. troops draw down by next summer, the Afghan army and police at the same time will grow by another 70,000, to a total of over 350,000, and these forces will increasingly be in the lead, be more capable and equipped, and more than willing to take on the Taliban.

The growing capabilities of the Afghan security forces represent the best chance for success of the mission, creating a secure Afghanistan which can no longer be the staging ground for an attack against us. And this committee has heard directly the military commanders charged with implementing the president's decision say that they support it, and this includes Admiral Mullen and General Martin Dempsey, who will succeed Admiral Mullen as chairman of the Joint Chiefs, and General John Allen, commander of the NATO International Security Assistance Force in Afghanistan.

Afghan security forces have now assumed the lead in seven areas throughout Afghanistan. NATO- and ISAF-participating countries have agreed with President Obama and President Karzai that Afghanistan's security forces should assume responsibility for protecting the Afghan people throughout the country by 2014.

This transition to Afghan control does not mean that the United States will abandon Afghanistan. The strategic partnership agreement currently being negotiated between the United States and Afghanistan will help define the long-term relationship between the two countries and play an important role in demonstrating to Afghanistan and its neighbors that the United States intends to remain engaged in this region and that we're not about to repeat the mistakes of 1989, when the United States turned its attention elsewhere following the Soviet withdrawal from Afghanistan.

Clearly, great challenges remain. Foremost is the threat posed by the militant extremists launching attacks against Afghan and coalition forces from sanctuaries in Pakistan, particularly the Haqqani group in North Waziristan and the Afghan Taliban shura in Quetta. The U.S. ambassador to Afghanistan, Ryan Crocker, has said that a series of recent attacks, including the deadly attack on the U.S. embassy compound in Kabul, were the work of the Haqqanis operating out of Pakistan.

Our ambassador to Pakistan, Cameron Munter, said that there is evidence linking the Haqqani Network to the -- to the Pakistan government. The ambassador added that, quote, "This is something that must stop." Secretary Panetta recently said, quote, "The message they need to know is we're going to do everything we can to defend our forces." And I was glad to read a few days ago that Pakistan's leaders have been personally informed that we are, in fact, going to do just that and act more directly.

Now, I've repeatedly written to Secretary Clinton to press to have the Haqqani group added to the State Department's list of foreign terrorist organizations to make more tools available to our government agencies to sanction that organization. This step is long overdue. I hope the State Department will move quickly to designate the Haqqanis as a foreign terrorist organization.

When Senators Shaheen, Merkley and I visited Afghanistan in August, we heard repeatedly how the insurgents' safe havens in Pakistan pose the main threat to our troops and Afghan troops and coalition troops in Afghanistan. In our discussions with Pakistani officials, we heard the same excuses that we've heard before about why Pakistan forces are unable, for whatever reason, to go after the Haqqanis in northern Waziristan in Pakistan. When I pressed Pakistan Prime Minister Gilani on why Pakistan has not publicly condemned the deadly cross-border attacks on our troops by the Haqqanis and by the Afghan Taliban, he was unable to provide an answer as to why there has been at least no public condemnation by Pakistan's leaders of those terrorists who are using their soil to cross the border into Afghanistan.

And it is simply unacceptable that these deadly attacks on our forces continue while Pakistan's leaders decline to go after the Haqqanis and even fail to publicly condemn their violent cross-border attacks. Because of providing that safe haven and because of connections between Pakistan intelligence and the Haqqanis, Pakistan bears some responsibility for the attacks on us. A positive relationship with Pakistan remains an important objective. But in order for there to be a normal relationship between our two countries, it is imperative that Pakistan actively break its ties with the militant extremists using their soil against us.

The balance of my statement relative to both Afghanistan and Iraq will be put in the record at this point, and I call upon Senator McCain.

SENATOR JOHN MCCAIN (R-AZ): Thank you, Mr. Chairman.

And let me thank our distinguished witnesses for joining us this morning and for their continued service to our country.

I also want to echo the chairman in recognizing Admiral Mullen in his final appearance before our committee as chairman of the Joint Chiefs and thanking him for a lifetime of devoted service to our nation and to his fellow men and women in uniform who do everything we ask of them and more to keep us safe.

This is an important time for this committee to consider the wars in Iraq and Afghanistan.

If we continue on our current trajectory, all U.S. troops will be out of Iraq in just over three months. In that same time, 10,000 U.S. forces will depart from Afghanistan to comply with the president's aggressive drawdown schedule.

I have deep reservations about both of these looming deadlines. In Iraq during my repeated visits to that country, every military commander I've spoken with and every knowledgeable civilian expert I have consulted with has told me that the United States must leave at least 10,000 troops in Iraq beyond this year to support the Iraqis in safeguarding their country's stability, which both of our nations have paid a huge price in blood and treasure to achieve thus far. For this reason, many of us were very concerned to see recent media reports suggesting that the administration had dramatically reduced the number of troops that it was considering for a post-2011 force in Iraq perhaps as low as 3,000 troops.

Administration officials have since insisted that such a number is not final and that no ultimate decision has been made. I hope this is true, because everything I have heard from our military commanders on

the ground leads me to believe that such a minimal force -- force presence in Iraq after this year would significantly jeopardize the real but tenuous gains we have made in that strategically important country.

As Ambassador Jeffrey and General Austin testified to this committee in February, the Iraqi security forces still have major gaps in their capabilities that will persist beyond 2011. This leads to a set of missions in which Iraqi forces will require sustained U.S. military support, from intelligence collection and fusion, training and maintenance, counterterrorism cooperation, air sovereignty and, perhaps most importantly, a continued need for U.S. forces in the disputed territories of northern Iraq. If U.S. military support is not forthcoming in helping Iraqi forces to fill these gaps in their capabilities, the country's stability will be put at grave risk.

I understand that Americans are war-weary. But I would urge the president to listen to the advice of our military commanders and to maintain the necessary presence of U.S. forces in Iraq that all of the major political leaders in Iraq have told many of us they need and want. In short, the administration must ensure that it does not withdraw from Iraq as irresponsibly as they often claim that the Bush administration invaded Iraq.

I would also urge the administration to listen to our military commanders in Afghanistan and to consider slowing the pace of the president's announced drawdown. The fact is, as General Petraeus recently testified before the Senate Select Committee on Intelligence, no military commander recommended the plan that the president adopted -- to draw down 10,000 troops this year and the remaining 23,000 surge troops by next summer. Admiral Mullen, you yourself have stated that the president's plan would incur more risk than you had been prepared to accept.

The reason none of our commanders recommended this drawdown plan is because it would take vital combat power out of the hands of our commanders on the ground just when they need it most, during next year's fighting season, which will continue through the summer. After achieving so much after 10 hard years of fighting, and with the prospects of success finally being within reach, at exactly the moment when we should be limiting the risk to our mission, the president's plan would do the opposite; it would increase the difficulties and risks to our mission.

I visited Afghanistan in July again, and it was clear that our counterinsurgency strategy is working at a tactical military level, in all of the ways that Admiral Mullen outlines in his prepared testimony. Our counterterrorism operations are inflicting enormous

damage on al-Qaida and their Taliban allies. We and our Afghan partners have taken critical terrain away from the insurgency. Afghan security forces are growing bigger, better and more professional. The Taliban can still launch spectacular attacks, like the one that tragically killed former President Rabbani on Tuesday, and these send a damaging signal to our Afghan friends, who fear that our security gains are fleeting and that the Taliban will return to power. But such attacks are occurring from a position of growing weakness, not mounting strength. And now is not the time to put our security gains at unnecessary risk.

This is especially true in light of the ongoing strategic challenges we face in this campaign, challenges that, if not seriously addressed, could limit and even jeopardize the tactical gains that our troops are making at such great cost. One such challenge is the persistence of weak, corrupt and predatory Afghan governance. The other, far larger challenge is the problem of Pakistan, in particular the fact that insurgent groups like the Haqqani Network continue to enjoy sanctuary in the country, as well as active support from Pakistan's intelligence service, which they continue to use to attack and kill Afghans, Pakistanis, Indians and Americans.

This is the fundamental reality from which we must proceed in reevaluating our policy towards Pakistan. But we must also recognize that abandoning Pakistan is not the answer. We tried that once. We cut off U.S. assistance to Pakistan in the past, and the problem got worse, not better. I say this with all humility, not recognizing just yet what a better alternative approach would be. I hope this hearing will provide some clarity on how to proceed in this critical matter, which likely will have the largest bearing of all on our national security and interests.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator McCain.

Secretary Panetta.

SECRETARY LEON PANETTA: Thank you, Mr. Chairman.

I would ask that my full statement be made part of the record.

SEN. LEVIN: It will be.

SEC. PANETTA: Chairman Levin, Senator McCain, members of this committee, it is an honor to for me to appear you for the first time as secretary of defense and to represent the men and women of the department of our armed forces.

I want to thank you on their behalf for your dedication and for your support, particularly in a time of war, and for your determination to join me in doing everything possible to ensure that they succeed in their mission of protecting America and keeping us safe.

When I testified before this committee as the nominee for the secretary of defense, I pledged that I would treat Congress as a full partner. And in the months since, I've had the opportunity to consult with you, many of you, on all of the challenges that the department faces, and I will continue to do so. It's important to have your guidance and your consult as we deal with the challenges facing our department.

Before turning to the pressing issues of the challenges of the wars in Iraq and Afghanistan, I would like to briefly address the challenge of the defense budget, which relates to, obviously, everything we do.

As you know, the department has been undergoing a strategy-driven process to prepare to implement the more than \$450 billion in savings that will be required over the next -- (audio break) -- as a result of the debt ceiling agreement. While this review is ongoing and no specific decisions have been made at this point, I'm determined to make these decisions strategically, looking at the needs that our Defense Department has to face not just now, but in the future, so that we can maintain the most dominant military in the world, a force that is agile, ready, capable and adaptable.

These reductions will require hard decisions, and those decisions will force us to take on greater risk in our mission of protecting this country. My goal is to try to make those risks acceptable, but that is a reality. The guidelines that I will be putting in place as we move forward on these decisions are the following:

First of all, I want to maintain the best military in the world. Secondly, I do not want to hollow out the force. Every time we have gone through these reductions in the past, danger has always been that we've hollowed out the force. I am not going to do that.

Thirdly, it requires a balanced approach in order to achieve the significant reductions that I'm required to do. So I am going to look at all areas. I'm going to look at efficiencies, reducing overhead, duplication -- there are opportunities -- try to achieve savings -- additional savings in those areas. Procurement, looking at the whole process of tightening up on our contracting, creating greater competition with regards to our procurement area.

I'm also going to look at the compensation area. The fact is that

in some of those areas, the costs have increased by 80 percent. Health care alone in the military costs some \$52 (billion), \$53 billion.

But I have to do it in a way that does not jeopardize the volunteer force, and to that extent, I've got to maintain faith with those that have gone deployment after deployment, put their lives on the line. We cannot undermine the commitments we have made to them. Nevertheless, we do have to look at reforms in these areas.

And lastly, as I said, we do have to maintain faith with those that are out there fighting every day.

We are -- we are going to have to look at how we turn a corner. We have -- we have gone through a decade of war in which the defense budget has more than doubled, and now we have to look at a decade where we have to prevent war but be able to fight wars and win wars, if we have to, recognizing we have less resources. That's the challenge that we face as we confront this budget issue.

The department is taking on its share of our country's efforts to achieve fiscal discipline, and we will. And I want to caution strongly against further cuts to defense as we go through that, particularly with the mechanism that's been built into the agreement called sequester. This mechanism would force defense cuts that in my view would do catastrophic damage to our military and its ability to protect the country.

I know you share my concern about the process of sequester. It is kind of a blind formula that makes cuts all across the board and guarantees that we will hollow out the force. Working with this committee and others in Congress, I'm confident that we can meet our national security responsibilities and do our part to help this country get its fiscal house in order but at the same time maintain a strong national defense. We do not have to make a choice between fiscal security and national security.

Even as the department grapples with the budget, our most immediate challenges are the wars in Iraq and Afghanistan. My submitted statement goes into more details on the progress we are making and the challenges that remain to achieving our strategic objectives, but let me just briefly address both of these efforts.

I'll begin with Iraq, where our focus has been on ending the war in a responsible way that allows Iraq to become a secure, sovereign, stable, self-reliant nation and a positive force for stability in that region. Today fewer than 50,000 U.S. forces remain in Iraq, and based on the November 2008 security agreement reached with the Iraqi government under the last administration, we are planning to draw

down our combat troops in Iraq by the end of the year.

Still, as you know, last month the Iraqi political leadership indicated publicly that they are interested in an ongoing training relationship with the United States in a post-2011 period. As a result, General Austin and Ambassador Jeffrey (sic; Jeffrey) have been in the process of negotiating with Iraqi leaders as to what their needs are and how we can address that.

We are seriously considering this request, and I want to make clear that no final decisions have been made. We'll continue to consult extensively with the Iraqis but we will also consult with the Congress before such decisions are made as to what a post-2011 training presence will look like.

I want to be clear that obviously any future security relationship in Iraq will be different from the one that we've had since 2003. The United States wants a normal, productive relationship and a close strategic partnership with a sovereign Iraq and with other countries -- similar, frankly, to the partnerships we have with other countries in the region and around the world. This kind of security assistance would be a means of furthering our strategic partnership with Iraq that looks to the kind of future role that can best address their security needs.

But there's no question that challenges remain there. They have to stand up a consul for higher policies. They have to develop a resolution to the Kirkuk situation and dispute.

They have to pass a hydrocarbons law. They have to promote security efforts to deal with Iranian-supported Shia extremist groups that have been attacking their forces as well as ours. They have to have security efforts to go after the remnants of al-Qaida which still remain in Iraq. And they have to work at a political process that builds a safer and stronger Iraq for the future.

As we've moved decisively since 2009 to end the war in Iraq, we have also turned our attention, our focus and our resources to Afghanistan and the effort to build a stable and secure country there that does not provide a safe haven to al-Qaida or to its extremist affiliates. Because of the hard work and the sacrifices of Afghan and coalition forces, we've established conditions that are putting Afghans on the path to assume lead responsibility for security nationwide by the end of 2014.

The insurgency has been turned back in much of the country, including its heartland in the south. And Afghan national security forces are increasingly strong and capable. And as the chairman pointed out, we have made significant progress with regards to our

primary mission of disrupting, dismantling and ultimately defeating al-Qaida, particularly with the operations that took down bin Laden and that continue to take down key leadership of al-Qaida and their affiliates.

This undeniable progress has allowed us to begin transitioning to Afghan security control. We've done that in seven areas of the country since July. As this transition commenced, we began implementing a gradual and responsible drawdown that is essential to the success of that transition process and lasting security and stability in Afghanistan. And General Allen, who has briefed me just this week again, is in the process of laying out those plans that will provide a responsible transition that will not undermine the security of Afghanistan.

While my overall assessment is that our effort in Afghanistan is headed in the right direction, I think we also have to be clear-eyed about the challenges that remain. First, as the Taliban lost control of territory last year, they shifted away from large attacks on our forces to greater reliance on headline-grabbing attacks. In recent weeks, we've seen a spate of such high-profile attacks, including the attempt to attack the United States embassy and NATO headquarters in Kabul last week and the assassination of former President Rabbani, the chairman of the High Peace Council, this -- just this last Tuesday.

At this time of loss, we have conveyed our condolences to the family of Professor Rabbani and the Afghan people. But we are concerned that these attacks, because of the loss of life and because they represent an effort to disrupt the process we have made, must be confronted and cannot be allowed to continue.

Overall, we judge this change in tactics to be a result in a shift in momentum in our favor, and a sign of weakness of the insurgency. While overall violence in Afghanistan is trending down, and down substantially in areas where we concentrated the surge, we must be more effective in stopping these attacks and limiting the ability of insurgents to create perceptions of decreasing security. We are working with our Afghan counterparts to discuss with them how we can provide better protection against these attacks, but the bottom line is that we can't let these sporadic attacks deter us from the progress that we've made.

The second challenge is the difficult campaign we have ahead of us in the east, where the topography, the cultural geography and the continuing presence of safe havens in Pakistan give the insurgents advantages they have lost elsewhere in the country. We cannot allow terrorists to have safe havens from which they launch attacks and kill our forces. We cannot allow that to happen. And we have to bring

pressure on the Pakistanis to do their part to confront that issue.

The third key challenge is that we must not underestimate the difficult tasks the Afghans still face in developing governance that can meet the minimum needs of the Afghan people and help them take and sustain control of their country.

I believe we're capable of meeting these challenges if we keep our efforts focused and maintain our dedication to the fight. We have some tough -- we've had some tough days in this campaign, and undoubtedly there are more tough days that lie ahead.

This is a heavy burden that I feel personally now as secretary of defense every time I write a condolence letter. Since taking this office, I've been to Dover to receive the remains of those who were killed in the Chinook helicopter crash last month. I've been to Arlington, and I've been to Bethesda. And in spending time with the families of those who've died or have been seriously wounded in the service of this country, there isn't a family member who hasn't come up to me and said if you really care about what happened to my loved one, you will carry on the mission that they gave their life for or were seriously wounded for. We owe it to those who've paid this price to continue the hard work of doing this right and protecting our country.

I'd also like to close by recognizing the man sitting next to me, Mike Mullen. He has worked tirelessly and successfully to advocate effective operations -- for effective operations in Afghanistan and Iraq. And the strategy that is now bearing fruit owes much of its success to his vision and his determination. I know that all of you and that all of America join me in thanking him for his decades of dedicated service and his extraordinary work on behalf of our country and our men and women in uniform. Mike has set a standard for responsibilities and performance of chairman that will forever be his legacy, and I am deeply grateful for his service and for his friendship.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Secretary Panetta.

Admiral Mullen.

ADMIRAL MICHAEL MULLEN: Thank you, Mr. Chairman, Senator McCain, members of the committee.

Thank you for the opportunity to appear before you today to discuss the situations in Afghanistan and Iraq. As this will -- and

Chairman, you said "most likely." I actually liked Senator McCain's characterization of it definitely will be my last hearing. (Laughter.) This will be the last time I appear before you in uniform, I hope.

Let me begin by expressing my deep gratitude for the exceptional support you provide our men and women and our families. You and I may not always agree on every issue, and I think it's fair to say that you don't always agree amongst yourselves, but none of you ever has failed to put foremost in your minds the best interests of our troops and their families. The issues you debate here, the votes you take hold in the balance the very lives of America's sons and daughters. Where they fight, whom they fight, how they fight and, just as critically, what care and support they need when they come home from the fight dominate your discussions. It is easy to lose perspective in this town, to forget what really matters. You haven't, and for that Deborah and I are eternally grateful.

Now let me turn to some of those fights I talked about. In Afghanistan, I believe the security situation is steadily improving. The military component of our strategy, to the extent it can be separated from the strategy as a whole, is meeting our objectives. Afghan and ISAF forces have wrested the initiative and the momentum from the Taliban in several key areas. The number of insurgent-initiated attacks has for several months been the same or lower than it was at the same time last year. And we are on a pace and even slightly ahead of our end-strength goals for the Afghan national security forces.

The process for transition to Afghan lead of certain districts and provinces has already begun, with seven localities now in Afghan hands. And we are well-postured to begin the withdrawal of 10,000 American troops by the end of this year.

As we have advanced, the Taliban have adapted. More than ever before they are concentrating their efforts on attacks that will produce a maximal psychological impact for a minimal investment in manpower or military capability. The recent truck bomb in Wardak falls into this category, as do the attacks against Kabul -- the attacks last week in Kabul, including the one on our embassy, and the assassination Tuesday of former Afghan President Rabanni.

These acts of violence are as much about headlines and playing on the fears of a traumatized people as they are about inflicting casualties -- maybe even more so. We must not misconstrue them. They are serious and significant in shaping perceptions, but they do not represent a sea change in the odds of military success. We will continue to work with the Afghan government to improve the protection of key leaders. We will continue to put pressure on the enemy and

expand the ANSF, their capability and the territory they hold.

But as I have said many times, Mr. Chairman, no amount of military success alone in counterinsurgency is ever enough. Other critical challenges plague us -- challenges that undermine our efforts and place at risk our ultimate success in the region. First among them, in my view, is the pernicious effort and effect of poor governance and corruption. Corruption makes a mockery of the rule of law. It delegitimizes the very governing institutions to which we will be transitioning authority, and it sends an aggrieved populace further into the waiting arms of the Taliban. If we continue to draw down forces at pace while such public and systemic corruption is left unchecked, I believe we risk leaving behind a government in which we cannot reasonably expect Afghans to have faith. At best this would lead to localized conflicts inside the country; at worst it could lead to government collapse and civil war.

A second but no less worrisome challenge we face is the impunity with which certain extremist groups are allowed to operate from Pakistani soil. The Haqqani Network, for one, acts as a veritable arm of Pakistan's Internal Services Intelligence agency?????. With ISI support, Haqqani operatives plan and conducted that truck bomb attack, as well as the assault on our embassy. We also have credible intelligence that they were behind the June 28th attack on the Inter-Continental Hotel in Kabul and a host of other smaller but effective operations.

In choosing to use violent extremism as an instrument of policy, the government of Pakistan, and most especially the Pakistani army and ISI, jeopardizes not only the prospect of our strategic partnership but Pakistan's opportunity to be a respected nation with legitimate regional influence. They may believe that by using these proxies, they are hedging their bets or redressing what they feel is an imbalance in regional power. But in reality, they have already lost that bet. By exporting violence, they've eroded their internal security and their position in the region. They have undermined their international credibility and threatened their economic well-being. Only a decision to break with this policy can pave the road to a positive future for Pakistan.

As you know, I've expended enormous energy on this relationship. I've met with General Kayani more than two dozen times, including a two and a half hour meeting last weekend in Spain. I've done this because I believe in the importance of Pakistan to the region, because I believe that we share a common interest against terrorism and because I recognize the great political and economic difficulties Pakistan faces. I've done this because I believe that a flawed and difficult relationship is better than no relationship at all. Some may argue I've wasted my time, that Pakistan is no closer to us than

before, and may now have drifted even further away. I disagree. Military cooperation again is warming. Information flow between us and across the border is quickening. Transparent -- transparency is returning slowly.

With Pakistan's help, we have disrupted al-Qaida and its senior leadership in the border regions and degraded its ability to plan and conduct terror attacks. Indeed, I think it would be in -- we would be in a far tougher situation in the wake of the frostiness which fell over us after the bin Laden raid were it not for the groundwork General Kayani and I had laid, were it not for the fact that we could at least have a conversation about the way ahead, however difficult that conversation might be.

What matters most right now is moving forward. While the relationship must be guided by clear principles to which both sides adhere, we can no longer focus solely on the most obvious issues. We should help create more stakeholders in Pakistan's prosperity, help the Pakistani people address their economic, political and internal security challenges, and promote Indian-Pakistani cooperation on the basis of true sovereign equality.

It can't just always be about counterterrorism, not in the long run. Success in the region will require effort outside the realm of security. We must agree upon a strategic partnership declaration with Afghanistan that will clarify and codify our long-term relationship.

We must work toward a reconciliation process internal to Afghanistan that provides for redress of grievances and a state-to-state interaction between Afghanistan and Pakistan to resolve matters of mutual concern. And we must make clear to friends and enemies alike that American presence and interest and commitment are not defined by boots on the ground, but rather by persistent, open and mutually beneficial engagement.

That leads me briefly to Iraq, where we are now ending our military mission and setting the stage for just such a long-term strategic partnership. We are on pace to remove all American troops from Iraq by the end of the year, per the Strategic Framework Agreement and the orders of the commander in chief. As you know, we are also in discussions with the Iraqi government about the possibility of leaving behind a residual training force. No final decisions have been made by either our government or theirs, but I can tell you the focus of those discussions remains centered on capability -- the sorts of capabilities for which the Iraqis believe they need help, and the sorts of capabilities we believe we can offer them.

I know you share my conviction that having shed the blood we shed

in places like Mosul, Fallujah, Tikrit and Basra, we owe it not just to the Iraqi people but to the memory of those who never made it home to get this partnership right for the future.

Mr. Chairman, I came into this job humbled by the scope of these efforts and the sorts of challenges that exist, by wars in Iraq and Afghanistan that weren't heading in the right direction. I leave satisfied in the knowledge that one of those wars is ending well, while the other one certainly could if larger and more local issues are addressed.

I leave humbled now by the performance and the resilience of men and women in uniform and their families, who did not shrink from duty when duty sent them in harm's way.

Again, thank you for all you have done to make possible what they have done.

SEN. LEVIN: Admiral, again, on behalf of every member of this committee, and I know every member of this Senate and all the people who we represent, we thank you for that extraordinary service and your statement as well about our troops.

Let's try a seven-minute first round. Hopefully, there'll be time for a second round, but we don't -- we never know that in advance.

Let me -- let me go back to Pakistan. Admiral, you made a very, very strong statement about the Pakistanis giving safe haven to the Haqqani Network, to the al-Qaida group, that are attacking and killing our people, the Afghan troops, the coalition troops. And I totally share it.

And I just want to ask the secretary the first question. I assume from your statement that you basically share what Admiral Mullen has said in perhaps more detail than you did, but that you basically share his thoughts about the need for Pakistan to end that safe haven situation.

SEC. PANETTA: Absolutely.

SEN. LEVIN: Can you -- and you said the other day that we're not going to allow these types of attacks to go on. And I'm wondering, can you make it clear what kind of options are available to us to stop those attacks if the Pakistanis will not prevent them from happening?

SEC. PANETTA: Mr. Chairman, I've made clear that we are going to do everything we have to do to defend our forces. I don't think it would be helpful to describe what those options would look like and

talk about what operational steps we might -- may or may not take.

I think the first order of business right now is to, frankly, put as much pressure on Pakistan as we can to deal with this issue from their side. Admiral Mullen has met with General Kayani. I know that Director Petraeus met with General Pasha. There's been a very clear message to them and to others that they must take steps to prevent the safe haven that the Haqqanis are using. We simply cannot allow these kinds of terrorists to be able to go into Afghanistan, attack our forces, and then return to Pakistan for safe haven and not face any kind of pressure from the Pakistanis for that to stop.

SEN. LEVIN: Now, that's been our position for some time. And we've heard their excuses for some time as well. When I pressed Gilani about not even publicly condemning those attacks, his first reaction was that he has. And I said: Well, send me the clippings if you have. He backed off immediately and said: Well, maybe I didn't, but at a lower level we've made statements publicly.

Mr. Secretary, a number of us -- our leaders -- have told the Pakistanis, apparently fairly directly, that we are going to have to take steps to end these attacks. And even though you're not able to outline those kind of possibilities here publicly, would you say that the Pakistan leaders are aware of what options are open to us so that they're not caught by any surprise if, in fact, we take steps against that network?

SEC. PANETTA: I don't -- I don't think they would be surprised by the actions that we might or might not take.

SEN. LEVIN: Admiral, on the troop reductions in Pakistan (sic), the president has announced that after the surge forces are -- return home, the 33,000 by next summer, in his words, that he -- that our troops are going to continue to come home at a steady pace as Afghan security forces move into the lead. Is that a position or policy that you support?

ADM. MULLEN: I do.

SEN. LEVIN: Admiral, is it your assessment that the NATO training mission is on track to build an Afghan army capable of assuming security responsibility in Afghanistan in accord with the timetable that's been set?

ADM. MULLEN: Actually, from the -- my own perspective on the training mission is one, if we go back a couple of years -- and I think sometimes we understate the significant improvements. We had no structure -- meaning schools, classrooms, curriculums, et cetera -- a couple of years ago. And I think General Bill Caldwell and a lot of

other people have focused on this in a way that has provided a dramatic both breakthrough and ramp-up of Afghan security force capability.

And many of us a couple of years ago -- yourself included, Mr. Chairman, and this committee -- increasingly concerned about the police in particular. Not unlike Iraq, the police training and getting them on the street lags the military, but that gap has been significantly closed.

The issue of illiteracy, which was a huge issue -- and it still remains a challenge -- but we have put in place a literacy training, which has been very effective. So we see them out now, trained -- typically, during a week we've got somewhere between 25,000 and 35,000 Afghan military and police in training. We are putting in place branch schools for their -- for their army. We've improved the training capacity and capability for their -- on their air force -- for their air force.

So we've really made great strides there. And they are more and more taking the lead in the field. And I am encouraged by the advancements -- it's -- there's a lot of tough issues left with respect to them, but the way it's being integrated is a great, great improvement. And I think so far, it's been very, very successful. We are by no means where we need to be as of this moment, though; there's a lot of hard work left.

SEN. LEVIN: The course that we're on, you believe, will allow us to meet the calendar which has been --

ADM. MULLEN: As far as I can see, yes, sir.

SEN. LEVIN: Thank you. Now, relative to Iraq, Admiral, let me ask you this question. There is a security agreement, which was entered into by President Bush and Prime Minister Maliki in 2008, which set a deadline of December 31st of this year for the withdrawal of the remaining U.S. troops in Iraq. After eight-and-a-half years of conflict in Iraq, the end of this year is going to mark the completion of the transition of responsibility for Iraq's security to the government of Iraq.

What you've testified to here today, I think, is that what we are considering is a training mission, at the request of the Iraqis, so that that particular part of our presence could remain if it is negotiated and agreed to.

The chief of staff of the Army, General Odierno, has cautioned publicly that we should avoid creating the impression of a large American presence in Iraq by agreeing to have too many soldiers --

U.S. soldiers in that country after the deadline to withdraw this December. Do you -- first of all, have you read those comments of General Odierno or have you talked to him about this? And do you basically agree that that appearance needs to be avoided?

ADM. MULLEN: I actually did talk to General Odierno about his comments, and we had a very good discussion about that. And --

SEN. LEVIN: I assume you urged him to keep part of the comments private while the president is considering this decision.

ADM. MULLEN: We talked about -- there was no one more sensitive when he was a commander on the ground over there than -- comments from some of us in Washington. And so I think we just all have to be very careful and --

SEN. LEVIN: But putting that aside for a moment -- I agree with that, but putting that aside, in terms of a mission in Iraq, would you agree that we must be careful to avoid keeping a large number of troops in Iraq as being, number one, inconsistent with the agreement that President Bush has entered into; number two, that it could unleash a -- some street demonstrations, which possibly could result in instability, but that whatever we are negotiating should be at the request of the Iraqis and should -- we should be very careful in terms of the numbers that we might negotiate?

ADM. MULLEN: I think -- I think we have to be very careful about the numbers. For me, at a very high level, the most critical part of this is to get the strategic partnership right, as the secretary testified, and that we really are in the middle of negotiations right now with respect to what do the Iraqis want and what -- quite frankly, what can the Iraqi political leadership deliver. And as the secretary said, there has been no determination and no decision at this point.

SEN. LEVIN: And the issue is not what the Iraqis want. The issue is what we believe is going to be appropriate, if any, after they make a request.

ADM. MULLEN: Well, actually, I --

SEN. LEVIN: It's our decision. Is that correct?

ADM. MULLEN: I think it will be, certainly, but that's part of the negotiation.

SEN. LEVIN: Of course.

Secretary Panetta, do you want to add anything to that in terms of

continuing training mission in Iraq?

SEC. PANETTA: No, I think it's important that the whole purpose of these negotiations is to -- is to listen to what is it that they need in order to ensure that they can provide security, in order to ensure that they can deal with the threat of terrorism, in order to ensure that they can take the steps necessary to be able to deal with security threats within their country. We've got to -- we've got to take the -- listen to their needs, take them into consideration, indicate what -- you know, what can be provided in order to meet those concerns, and then obviously, through a process of negotiation, arrive at, you know, what it -- what is that going to look like. And that's the process that's going on now. And clearly it's going to be limited. Clearly it's not going to reflect the numbers that we've had there in the past. But it does have to meet their needs, and that's what's being negotiated by General Austin as we speak.

SEN. LEVIN: Thank you.

Senator McCain.

SEN. MCCAIN: Well, Secretary Panetta, I don't want to waste the time of the committee in my questioning, but the fact is that one of the reasons why this has been delayed as much as it has is because of the Iraqis wanting to know what our assessment was as to how many troops should be there, and that has not been forthcoming. And it's very difficult for the Iraqis to make a decision without us making our input into what those needs are. And if we are basing it all on Iraqis' needs, that to me is an incomplete picture, because we need to know what America's national security needs are as paramount reason for leaving American troops in harm's way.

Admiral Mullen, do you believe that U.S. forces should remain in the disputed territories of northern Iraq as part of a post-2011 mission?

ADM. MULLEN: Again, Senator, I think certainly that is a very, very contentious area and it's something --

SEN. MCCAIN: Do you believe or not believe that they -- we should have --

ADM. MULLEN: I think -- I think the security posture in that area has to be such that that doesn't in any way, shape or form blow up.

It's a very tough area. And the exact composition of how that should happen is a product of these negotiations. And quite frankly, I've gotten feedback --

SEN. MCCAIN: So you will not -- so you will not give your opinion as to whether we need to have a residual peacekeeping force in northern Iraq as post-2011?

ADM. MULLEN: No -- sir -- there have -- there -- quite frankly, and very recently, there is still a very contentious debate about that issue.

SEN. MCCAIN: I understand there's a debate. I was asking for your opinion.

ADM. MULLEN: That that's an issue that a security force is going to have to be there to resolve, yeah. Its composition is, I think, to be determined.

SEN. MCCAIN: Well, every number that I've heard and been briefed on is at least 5,000 troops would be needed in that area, U.S. troops, to prevent what has already been a very volatile area. And if we weren't there, there probably would have been conflict.

From a -- from a -- Admiral Mullen, from a military and strategic standpoint, how beneficial would it be if the president decided to delay the departure of the remaining surge forces from the summer of next year to the end of next year?

ADM. MULLEN: The -- I think from the standpoint -- now I'm now into Afghanistan, sir?

SEN. MCCAIN: Mm-hmm. (Affirmative.)

ADM. MULLEN: The -- from the standpoint, as I testified to before, in terms of risk, the commanders -- every commander -- and this is not just General Allen or General Petraeus before him -- would like as much combat power for as long as possible.

So I think there is increased risk. Although to get it done by the end of summer -- and while I said to the chairman a little while ago, do I support the president's policy -- and absolutely I do -- General Allen is just working his way through really what it's going to be at the end of this year. He hasn't worked it through -- worked through what it means for next year. That's based on the -- that will be based on conditions on the ground. So generally speaking, a commander's going to want combat power for as long as possible. That said, the decision has been made to bring them out by the end of summer. And I think the risk -- while the risk is up, I think it's manageable in that there's no question that we can get there and sustain the military's success and the military component of the campaign.

SEN. MCCAIN: But there is no doubt that every military leader, including General Allen, has testified openly that by accelerating the withdrawal, it does increase the military risk.

ADM. MULLEN: It does increase the risk.

SEN. MCCAIN: Thank you.

ADM. MULLEN: The military risks.

SEN. MCCAIN: Yeah, the military risk.

ADM. MULLEN: Yes, sir.

Senator McCain, if I could just say one other thing just quickly. I mean, one of the things that we've learned -- and you -- you know, all of you have been going to Iraq and Afghanistan certainly as long if not longer than I; I started in 2004. And we've learned a lot about the importance of composition of forces in addition to just sheer numbers. And so there's been pressure on both sides of this issue in two countries. And that is something that I take away at the end of my tour, that it isn't just simply always about numbers. And it's -- and in Afghanistan in particular, it's the combined security forces, because the Afghan security forces are going to be in a lot better shape a year from now.

SEN. MCCAIN: Thank you.

ADM. MULLEN: So that's just part of the lesson that I've learned.

SEN. MCCAIN: Thank you.

Finally, again, back to Iraq. Mr. Secretary, it's not a training mission in the disputed areas. It's a peacekeeping mission. So if you're confining it all to only training mission, then you haven't got the complete picture of the security risks in Iraq that I have.

Mr. Secretary, obviously you have stated publicly about -- and I appreciate it very much -- the degree of cooperation between the Haqqani Network and the ISI, the trucks, the IED factories, the ammonium nitrate factories, the attack on the -- on the -- it was based at the hotel. And you understandably said that you couldn't share with us the operational options you have. And I understand that.

But we better understand what the options are to bring about a change in the present status quo which is not acceptable, which is the Haqqani Network killing Americans and that being supported by Pakistanis. So the Congress does have a role to play, especially not

on just policy but also on funding. And I think you're going to have a real uphill battle here in convincing the Congress to maintain a level of funding and assistance to Pakistan unless there is some change.

And as I said, I don't know exactly what the way through this is. As I've mentioned earlier, we all know that we tried cutting off all relations with them once and that didn't turn out well. But I strongly recommend that you start discussing with members of Congress what our options are to try to bring about a change in the status quo.

Finally, could I -- mentioned -- hasn't Tuesday's killing of the former president, Rabbani -- show that the Taliban doesn't want to reconcile, it wants to murder and maim its way to victory?

SEC. PANETTA: There's no question that when that happens, and it's done by the Taliban, that it certainly is an indication that at least that particular faction that that individual was from is not interested in pursuing reconciliation, if they're blowing up a peacemaker in that process.

I think, you know, it does raise concerns. It raises suspicions. Nevertheless, I think obviously we have to continue to try to pursue the opportunities that are out there, but we ought to do it with our eyes open. We ought to do it understanding who we're dealing with and where they're coming from, and not expect that -- you know, that this is by any means going to be easy in dealing with them.

SEN. MCCAIN: My time has expired, but General Allen said that it's pretty clear that the Taliban are still -- has their highest priority winning on the battlefield. Would you agree with that?

SEC. PANETTA: I think from everything I've seen, they continue to pursue their goals. And I don't think we can, as I said, underestimate where they're coming from. The best signal we can send to the Taliban is that we're going to continue to fight them and that we're going to continue to be there and that we're not going anywhere. And if we can send them that clear signal, I think that more than anything would influence their willingness to develop reconciliation.

ADM. MULLEN: Senator McCain, to some degree that's becoming more and more aspirational. I mean, a discussion I had with General Allen earlier this week, and with Senator Panetta, he sees their leadership parked in Pakistan, the fighters on the field in Afghanistan are more and more disgruntled, their morale's down, it's harder to resource them. So I would agree that that is what they would like to accomplish; they're just moving further and further away from

accomplishing that part of their mission.

SEN. MCCAIN: I wish we were sending as clear a signal as you just described, Mr. Secretary.

And again I want to thank Admiral Mullen for his outstanding and dedicated service to the nation. And I thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator McCain.

Senator Reed.

SENATOR JACK REED (D-RI): Well, thank you very much, Mr. Chairman.

Welcome, Mr. Secretary.

And let me also thank Admiral Mullen for extraordinary service to the Navy and to the nation, great integrity, intelligence and remarkable service. So thank you very much, sir.

In fact, I think in your opening comments you mentioned how you have been sort of the principal intermediary within General Kayani. And I think when the history is written, your contributions will be extraordinary, particularly at the time when they had to redeploy from their border with India into the tribal areas and your efforts and others were critical in making that happen.

But in your dialogues with General Kayani -- and I think you appreciate and you've expressed the complex relationship we have with Pakistan. They are at times helping us immeasurably, at other times aiding people who are attacking us. Correct me if I'm wrong, but there are two points that I think -- I hope you're making. One is that we will have a presence in Afghanistan after 2014, a robust counterterrorism presence, a training presence, a(n) assistance presence, because one of the notions running around is that we're going to be all out by 2014 and it will be Pakistan's, you know, exclusive enclave.

The second point, if you've raised or not -- and correct me if you think I'm wrong -- is that when we come out -- or come down, I should say, let me say come down, in 2014, we will not have to rely upon the lines of communication through Pakistan and other support mechanisms they provide, which would give us more operational flexibility to strike anywhere in the region.

Is that accurate? And have those points been made?

ADM. MULLEN: I've -- at least from my perspective, I think it's important to know that we continue on this path to shift lead

security responsibility to the Afghans by the end of 2014.

While there may be some ongoing discussions about what's next, the discussions that I've seen essentially model it not unlike Iraq: a shift to a training mission and then obviously a negotiation with the Afghans about, you know, what the long-term strategic relationship will be.

That's why I think this strategic partnership declaration currently being negotiated is so important because that really is a commitment we're going to be there longer than 2014. Not unlike Pakistan, we left Afghanistan in 1989. They remember that. So that long-term commitment is absolutely critical.

The pieces of it -- we just haven't put that together. The -- you -- there are people -- we can speculate about that, what the composition might be. I honestly don't know, and there's been no determination except to say that there is this long-term commitment. And how we do that, which I think will be critical, is going to be important.

And if we leave -- if we leave the region, it's my view, not unlike what happened before, we'll be back. It'll only get worse. And you've got a very unstable -- two unstable countries, quite frankly, one with nuclear weapons, terrorists who seek nuclear weapons. And the proliferation of them, without any question, should we depart, will bring us back in a much more difficult situation.

SEN. REED: Before I ask the secretary to comment, though, let me focus again on -- you know, we are going to have a long-term presence. But it's going to be -- it's not going to be the same footprint we have today.

ADM. MULLEN: No, I -- absolutely.

SEN. REED: We're not going to be supplying 150,000 troops. We're not going to depend upon the gasoline being trucked from Karachi up through there, et cetera. And that, I would think -- and again, correct me if I'm wrong -- would give us more operational flexibility, which I would hope the Pakistanis would appreciate.

ADM. MULLEN: I think they will. I -- certainly we will have more operational flexibility because we just won't have as many troops. That said, we're working hard to create other options even right now to supply our troops. There are a lot of difficulties associated with that. So I would not say that we're going to be completely done with respect to needing that -- the ground LOC coming up from the south.

SEN. REED: Mr. Secretary, your comments on these topics?

SEC. PANETTA: I think from the very beginning the president has made clear that we will have an enduring presence there. And we're in the process, obviously, of negotiating that now with the Afghans with regards to the agreement with -- on forces. But I think it's clear that, you know, as we draw down, as we try to provide this transition that we're working towards, that in the future we are -- we have to be prepared to listen to their needs and what will -- you know, what will they need in terms of training, in terms of security in the future that will give us the opportunity to ensure that all of the gains that have been made will continue on the right track.

SEN. REED: Let me raise another aspect of the policy in the region, that is -- you know, as we come down, we're going to put a lot of increased burden upon, first, the Afghani national security forces. And I concur with your assessment that -- and particularly Admiral Mullen's assessment that there's been a remarkable progress. Now, the question is can that progress be sustained; and then second, the issue of governance, which is the -- sort of the wild card every place we look across the globe, and not just in the developing world, but everywhere we look.

But with respect to -- I would have to think that the strongest element we have is the Afghan national security forces. The issue of corruption -- I know we have a task force. I know we're trying to root it out. But frankly, that's a long-term effort. Then the question becomes, I think, is: Wow are we going to financially support these Afghan national security forces? We can't do it by the United States alone. Is there an international agreement? Because it consumes probably, what, 40 percent of the budget if they were fully funding their forces, Mr. Secretary?

SEC. PANETTA: I think -- first of all, Senator, I think -- I'm relying a great deal on General Allen as he develops the plans not only for how we begin to bring down the surge, but also what happens between now and 2014. And I have a tremendous amount of confidence in his ability to lay out a plan that, as we transition areas, that we bring in capable Afghan army, police to be able to provide the security.

In the seven areas that we have already transitioned, by the way, it is working very well. Now, admittedly, those are the easier areas. We've got some more difficult tranches to do. We'll do another tranche in the fall.

But I think one of the things that he's working on is to make sure that as we transition, as we reduce our forces, that there is a competent military force, Afghan military force, that's in place to provide security. We'll have a chance to see that take place, and I think that will obviously impact on how we measure the transition

going down.

With regards to the cost, I mean, that is -- it is a concern, that we developed this large force; what is the sustainability? Because it -- it's not cheap. And so the effort right now -- and I think General Allen is making good progress on this -- is how can we reduce the cost of how we maintain and sustain that force in the future? And they are making progress at reducing the cost. And in addition to that, this isn't a cost that we ought to bear; it's a cost that NATO and others ought to bear as well.

SEN. REED: Thank you.

Thank you very much, Chairman.

SEN. LEVIN: Thank you, Senator Reed.

Senator Inhofe.

SENATOR JAMES INHOFE (R-OK): Thank you, Mr. Chairman.

First of all, I echo the remarks made about you, Admiral Mullen, for your service, and I thank you very much for that.

Secretary Panetta, you -- I was jotting down things during your opening statement; some things I didn't find in the printed statement. But I applaud you on a great statement, but on three things in particular. First of all, a lot of people question the mission, the value of the mission, where we are today. And I think there's -- the ones who know it best are the fighters in the field and the commanders in the field and the families of those who have lost their lives. And when you made this statement, I was thinking that was just unique to me; that as I visit the families of those who have lost people, I have yet to have one of them deny that or talk about how we cannot allow this mission not to be carried through. And that's a very difficult thing. These are young people, and there's families of these young people. And I -- so I think maybe that's pretty consistent; not just Oklahoma and our exposure to these people, but elsewhere, too.

SEC. PANETTA: Right.

SEN. INHOFE: A second thing you said that I think is very significant, and that is, looking at any future cuts -- whether they come through sequestration or anything else, would be, using your words, devastating to our abilities to defend ourselves. And closely related to that, and the question I want to ask you, when you talk about the hollow force and we're going to avoid the hollow force, the easy thing to do for someone in your position is to put all the

resources in what's bleeding today, and all too often that happens. So what gets neglected, it's usually maintenance, it's modernization. And if we don't do that, they're going to have the hollow force.

So I guess the first thing I'd ask you, I know -- I know what's happening to your resources, I know where they're committed. How are you going to maintain the -- or avoid the hollow force that we've seen in the past?

SEC. PANETTA: I think the key is not to take the simple way out, which is to reduce everything by, you know, some kind of percentage across the board, and try to take everything down. That's what we've done in the past.

SEN. INHOFE: That's right.

SEC. PANETTA: And the result is that training was weakened, the force was weakened; they didn't have the weaponry, they didn't have the equipment, they didn't have the training. And as a result, you know, we did hollow out the force.

So my approach is to look at key areas here and make some tough decisions with regards to savings that do not involve just saying we're going to take everything down by a certain percentage. I'm just not going to do that.

SEN. INHOFE: Well, and also -- and I would hope that you would be looking toward the future in terms of modernization and maintenance -- those things that are not visible to the American people today.

SEC. PANETTA: Right.

SEN. INHOFE: And I know that's what you meant and that's what you will do.

SEC. PANETTA: Yeah.

SEN. INHOFE: Let me just ask both of you on -- Senator Reed talked about the fact that -- the long-term commitment, the -- and something that a lot of the American people don't think about, and that is if we have to come back a year from now, each month that goes by, the terrorists gain greater capability. We're talking about nuclear capability, delivering systems and all of that.

I know that when Netanyahu paid his visit here, his concern is each time that goes by -- he was referring to Iran -- but the capability of the other side is increasing. So to me, that kind of ties into something that I have thought of as a mistake, whether it's

this president or past presidents, in making withdrawal dates -- just the general concept, the fact that we are telling the enemy what to do -- what we're going to do and when we're going to do it. And if they know the timeline, in thinking about the mentality that we're dealing with, they don't think -- we think in terms, the Americans generally do, of hours and days; they think in terms of years and decades.

Last week Ambassador Crocker said -- and I'm going to quote now -- he said, "What we have to do is, I think, demonstrate the strategic patience that is necessary to win a long war. It's going to require more resources. It's going to require more time. I hope we can bring those to bear and -- because as hard, painful, as expensive as it has been in blood and treasure, it's cost us a lot -- a lot less, actually, than 9/11 did."

Well, in terms of just the concept of setting these dates, I would just say: Do you believe that when the dates were set, one immediately gone by us -- that is July of '11 -- then the summer of '12, December of '14 -- do you think that demonstrates the strategic patience that he was talking about? What's your feeling the withdrawal dates, as a concept?

SEC. PANETTA: Well, you know, I understand your view on that. And you know, I guess -- I guess my approach to it is that the most important -- the most important signal we can send is if we do this right and we pay attention to conditions on the ground and make sure that it works. Whether we have a date or not, the key here is making this transition work, making sure that the areas that we transition remain secure, making sure that stability is put in place, making sure that we don't allow that country to ever again become a safe haven for the Taliban. In many ways, that's my test for whether this works or not.

Whether there's a date or not, obviously, you know, we'll have -- we'll have differences over that. But I think the real key is how do you -- how do you conduct this transition in a way that makes clear -

SEN. INHOFE: Right.

SEC. PANETTA: -- that we're headed in the right direction.

SEN. INHOFE: Yeah. Well, and I think that -- and it's a difficult thing to deal with -- I have to say this: that during every visit I've made over there, the Afghan and the coalition personnel unanimously said that setting the dates was a bad idea. And I know that you take that in consideration.

We've talked a little bit about something I want to elaborate on, and that is, you know, we seem to concentrate on the bad things that are happening, but Admiral Mullen, this thing that's happening over in terms of the training program -- I was over there on New Year's Day, and I spent a long time going over and looking at what they're doing in this -- in the Kabul military training center. And you look at that -- you'd think that was -- it mirrors what we're doing in this country, the segregation between infantry and artillery --

ADM. MULLEN: Yeah --

SEN. INHOFE: -- and I just applaud everyone who had anything to do with that. I -- the last figure I got was about \$12 billion a year, the costs. And I would hope that you would look at the successes we're having there, not just in the abilities of these guys that we're training, but in their attitudes, because in each case they'd stop and say: All right, why are you doing this? And they were very proud.

They are looking for the day when they are going to be able to do --

ADM. MULLEN: Yeah --

SEN. INHOFE: -- the very job that they're being trained for. Do you have any comments to make on that --

ADM. MULLEN: Yes, sir, I've visited the same -- I've visited the police academy there, and one of the things that I took away was exactly what you said.

SEN. INHOFE: Yeah.

ADM. MULLEN: What I didn't understand is -- clearly, we've focused so much on illiteracy, but in fact the officer corps is a literate force. They have 85 to 90 percent force. So the illiteracy challenge has obviously been, you know, with the -- with the -- on the enlisted side. And we've made great improvements there, against what seemed to be impossible two years ago, as we used to discuss it.

General Caldwell has actually this year returned because of the analysis \$1.6 billion in '11. We know 12 billion (dollars) a year isn't going to work. There's been a lot of detailed work to look at how do you get that significantly down, and actually John Allen has got a lot of confidence in that work. We know that there's got to be something there, long term, but it can't be at this level. So do the Afghans. They understand that.

So I -- you know, from that model standpoint, I'm very encouraged

with where we -- where we are and where we've come from in less than 24 months.

SEN. INHOFE: Yeah. And I am too.

And I know, Secretary Panetta, you're kind of new in this particular job, but you're fully familiar with what we're talking about there, and the successes, and I would just hope that nothing is done that's going to change that successful pattern that has been developed.

My time's expired, but I do have a question for the record having to do with coalition forces, which I will ask for the record.

Thank you very much, Mr. Chairman.

SEN. LEVIN: Thank you. It will be asked for the record. Thank you, Senator Inhofe.

Senator Webb.

SENATOR JAMES WEBB (D-VA): Thank you, Mr. Chairman.

And let me begin by joining everyone else in thanking Admiral Mullen for his many years of service and adding a particularly personal note in that we've had the pleasure of knowing each other for more years than I can count since we were plebes at the Naval Academy trying to figure out what the hell entropy was and how you can measure the thermodynamic properties of steam. (Laughter.) It's been a long journey, and Mike Mullen from day one all those years ago has always been known for his forthrightness and for his integrity. And it's been a -- just a great honor to be able to work with you in your present capacity, and also wish your family and Deborah well. She has done enormous things for veterans and for wounded warriors and those other areas. So again, thanks so much for your service, and we look forward to seeing you on other occasions.

It occurred to me when listening to the exchanges that we tend to go tactical when we have these discussions. And at the same time I think -- from my perspective, we should be struggling here with the strategic and operational model that we should be using, looking into the future in order to address the issue of international terrorism. There's not a cure-all, but I think if we look at the models of the past 10 years, how we have struggled with this issue, we ought to have a better idea in terms of how we're going to move into the future on these things.

We can start with the model of Iraq. You know, certainly the discussions that I've listened to today clearly indicate that we have

inherited certain responsibilities as a result of what, in my view, was a great strategic blunder. There was no al-Qaida activity in Iraq when we invaded. We ended up as an occupying force in the middle of sectarian violence that followed our invasion. We've spent well over a trillion dollars. And at the same time, as I and others were predicting, we have seen the empowerment of Iran in the process.

We can then go to the Afghanistan model, where there were legitimately issues in terms of international terrorism. But more recently, we have assumed the risk and the expense of -- clearly of nation-building. It's costly, it's casualty-producing, and I, quite frankly, don't know what the outcome is going to be. I'm going to -- I'm going to ask a question about that in a minute.

And then we've seen recently an addition to this model in Libya, where we have seen unbridled presidential discretion in terms of the decision when to use military power beyond all normal historical precedent. I have spoken about this many times. We have a definition of a humanitarian mission in order to unilaterally introduce the American military into a theater of -- theater of operations. I worry about that. It's a vague and worrisome standard when you apply it into the future and when an administration comes forward and says this isn't conflict; we don't have to discuss that with the Congress. I think we all ought to be thinking hard about the implications down the road.

And then we have, especially recently, the use of special operations, and more particularly, Predators from remote bases attacking terrorist targets and highly secret missions in remote locations, and all of these occurring in areas which have fragile governmental systems or, quite frankly, no governmental systems.

And so really what I come back to is what have we learned from this? What is the model now for the future in terms of how we define the existential threats to the United States and how we apply military force to them? And Admiral, this is your final voyage here on the Armed Service Committee. I'd like to hear your thoughts on that.

ADM. MULLEN: As I listen to you, Senator Webb -- and I appreciate not only your comments, but obviously the friendship that is pretty special just because of where we both came from. And I think that honestly we're, to some degree, learning as we go here.

Obviously, the decisions get made about where we go to fight and how we fight. And we learn lessons from that, clearly. I mean Iraq -- this is notwithstanding whether we should have gone there or not, but certainly once there, with a conventional force that needed to dramatically shift and development of an understanding which we'd

lost, we'd forgotten about what counterinsurgencies were, and now evolution in that regard to where we are, and in my view -- which I spoke to very early in this job -- left us under-resourced Afghanistan.

I mean it's -- and clearly, you know, the main effort has shifted there. It's -- in ways, it's the same kind of fight, but it's a much different place and the complexities are enormous, and it's not just one country anymore.

I do -- you know, just back to Iraq for a second, I hear the Iran emboldenment piece and I get that, but they've -- I've watched them -- in ways what's happened in the Arab Spring has just rejected al-Qaida, rejected Iran. And so as they've tried to insert themselves even in these -- in the opportunities in the Arab Spring, it hasn't -- in fact, it's being -- continuing to be rejected. And then, you know, the president's decision with respect to Libya, obviously it's a -- it was a completely different way to support the overall efforts there.

I was -- I mean we have, in these hearings and historically, we've beat NATO to death. We haven't heard a word today about NATO's support -- negative word today about NATO's support in Afghanistan. I met with all my counterparts last weekend. It's extraordinary where NATO is on these kinds of things versus where they were two or three years ago. And I would argue there -- and I was delighted to sort of see Europe take the lead there -- again, I don't get to decide what we do, that's somebody else -- and quite frankly have an impact, however we got to that decision.

But I think all of that -- and I -- I take the tactical counsel well, but there are strategic implications for all these things. Significant differences. And I guess I would want to really carefully look at the lessons and integrate that into the longer-term strategic view, how do we get ahead of this. And right now it's sort of very much one at a time.

I'd like to figure out -- and existential -- for me there's only two existential threats to our country right now. One are the nuclear weapons that Russia has, and I think we have that very well controlled inside New START. And the other is cyber, quite frankly.

So I think -- I mean, you pose very important and difficult questions that out of all this, if we can step back from day to day, we owe ourselves some answers about how to move ahead, because it's not going to get any easier. I think the -- there will be situations where the use of military force will continue to rise, maybe not in the scale that we have right now, but taking what we've learned, as difficult as this decade has been, and figuring out what that means

for the future is a very important effort.

SEC. PANETTA: Senator, if I could?

SEN. WEBB: Yes, Mr. Secretary.

SEC. PANETTA: Senator, you've raised some very important issues, and this is really a very appropriate time to raise those questions, as we're in the process of trying to trim over \$450 billion from the defense budget. We have to look at larger strategies here as to what kind of defense system do we need to build as we confront those challenges and as we look to the future.

I mean, part of this has to be based on the threats that are out there. I mean, clearly we're going to continue to have a threat from terrorism and we're going to have to confront that. I don't think it necessarily means that we put 150,000 people into different countries in order to deal with that. You know, we have ways to do that that are much more effective, much more agile, much more efficient that can confront that. But that's an area we need to talk about.

We continue to have the threat of nuclear capability from both North Korea and Iran. We've got to be prepared to deal with that threat. We've got to be able to confront China. We've got to be able to deal with the cyber-threat. We've got to deal with the challenge of other rising powers. I mean, all of these things are the kinds of threat that we're going to confront.

What kind of force do we need to have that would make us effective at dealing with those threats? That's something I -- clearly I need your advice and guidance on as we try to structure the future in the Defense Department.

SEN. WEBB: Well, my time has expired, Mr. Chairman. I'd just like to -- on that point, Mr. Secretary, just one sentence, that if we or you indeed want the country to have the patience with respect to fighting a long war, I think it's going to be even more important to define very clearly what is the vital national interest in terms of our current operations in Afghanistan. Thank you, Mr. Chairman and Admiral Mullen. Mike, good luck to you.

ADM. MULLEN: Thank you.

SEN. LEVIN: Thank you, Senator Webb.

Senator Sessions.

SENATOR JEFF SESSIONS (R-AL): Thank you, and thank you for that good discussion. It's the kind of thing that we do need to be talking

about. It's critical to the core of our strategic world positioning.

Secretary Panetta, you said that the Defense Department had doubled in the last 10 years. Actually, I find that to be 84 percent increase, not quite double. And over 10 years, that's the base budget; that's a significant increase, but not as much as a lot of the other accounts in our government have had over the last 10 years. And the war costs are beginning to come down. This year it's 159 billion (dollars). Next year we expect 118 (billion dollars), thereabouts, the cost of the -- both wars, overseas contingency operations. The 10-year cost for the -- both wars was about 1.3 trillion (dollars), and that's less than this year's deficit. Our total deficit this year will be about 1.4 trillion (dollars), and the war costs will be a little bit more than 10 percent of that.

So I guess I think it is important for all of us to realize we will not balance the budget by the war cost coming down.

SEC. PANETTA (?): That's true.

SEN. SESSIONS: They just will not. And it did cost us a lot of blood and a lot of treasure, and we should never underestimate that. But in terms of balancing the budget -- and I'm ranking on the Budget Committee, so I'm seeing these grim numbers -- and they are really tough. They are really tough. And I believe the Defense Department has to tighten its belt, as I think both of you do.

And Admiral Mullen, you've been quoted frequently about the greatest threat to our national security is our debt. And I think it is.

So you've used today, I believe, Secretary Panetta, 450 billion (dollars) is the -- as the amount that was part of the debt ceiling that you're -- we've already voted. So the vote we did on the debt ceiling takes the defense budget down about \$450 billion over 10 years, which is pushing 10 percent. However, the challenge I know that you are faced with is what happens if there's not an agreement within the committee and the sequester takes place.

Admiral Mullen, it looks to me like it will be about 850 billion (dollars) over 10 years -- maybe 800 (billion dollars), some have said -- reduction in spending. In your best military judgment, is that acceptable? Is that an acceptable reduction in spending?

ADM. MULLEN: Absolutely not. I mean, actually, our estimates go to about 1.1 trillion (dollars). So if we -- if sequester goes into effect.

But it's not only just the amount, it's how it's executed, because it's peanut butter; it's everything. And it will -- from my perspective, it has a good chance of breaking us and putting us in a position to not keep faith with this all-volunteer force that's fought two wars and that needs to be reset in everything else that we look at for the future. And it will impose a heavy penalty on developing equipment for the future. And if we're not able to -- and it will hollow us out. So I think we do need to participate, and I've argued for doing that in the current -- in roughly the current amount.

Secretary Panetta said a very important thing in his opening statement, that whatever changes we make -- and this also was at the heart of this discussion with Senator Webb -- it's got to be strategically focused; we've got to have a strategy. And having that strategy or different views of the future and then what is it going to take to meet that -- this is not the '70s, it's not the '90s. This is a -- from my perspective, a much more dangerous time because of the world that we're living in. And the world keeps showing up on our doorstep for -- for the use of the military.

So we have to be very judicious about that. And I think the work that we've done to look at how we would do this at the 450 billion (dollars)-plus level has forced us to look into the abyss of what it would be if we had to roughly double that. And I think it would be incredibly dangerous for our country's national security to go there. And to your point, we are not going to solve that debt problem on the back of the Pentagon. You can't do it if you zeroed the budget.

SEN. SESSIONS: That's correct. We have a \$1,400 billion deficit this year, and the total defense budget is 529 (billion dollars).

ADM. MULLEN: Right.

SEN. SESSIONS: Not possible. And --

ADM. MULLEN: Senator Sessions, just one other thing: We have the same problem you have here. Yes, it's 10 percent. But there's -- we have our own discretionary accounts and our own mandatory accounts. And in fact, if we can't get at some of the mandatory side -- pay, benefits, those kinds of things -- we're way above 10 percent on the accounts that we can affect -- modernization, which is where we always end up going, modernization and force structure, the people accounts. So we get smaller faster, which, again, I think, would be -- significantly smaller faster. And I think it would be very dangerous.

SEN. SESSIONS: Admiral, just briefly, you said you could break the military. I have a sense about our fabulous men and women in uniform.

They're willing to do tough things. They're willing to take their share of the cuts. But it could be very demoralizing if it's -- if there's a perception that they've been targeted for exceptional cuts that others aren't taking. Would not you agree?

ADM. MULLEN: I would completely. I think the service chiefs would tell you -- and I've seen it myself -- we've all talked about tightening our belts. And we don't get much pushback. There can be some specific areas. There is concern for changing the retirement system, and that's not -- you know, that isn't on the immediate horizon. We -- Secretary Panetta and I both agree we've got to figure out as we -- if we make these changes that we grandfather them properly to keep faith with those that we contracted for -- with that are in the force right now. But yes, they are extraordinary, and I think they are willing to do their fair share here. But they are -- they are not willing and should not be willing to do that at an exceptional level.

SEN. SESSIONS: Well, let me just point out for my colleagues the sequester is not an across-the-board sequester. The Defense Department, even though last year we went up -- we had -- it was a flat budget, from 528 (billion dollars) to 529 (billion dollars) -- got no increase, basically, last year in the base defense budget. So you're talking about 15 or more percent, maybe more percent than that, whereas in the last 10 years defense has gone up 84 percent, but the food stamp program has gone up 297 percent. The Medicaid program has gone up 113 percent. In the last year, our nondefense -- two years -- in the last two years nondefense discretionary went up 24 percent.

So I guess what I'm worried about is that our committee -- they really do need to reach an agreement that can produce some reductions in spending that are significant and meet the goals that the committee was given. But it would be unacceptable, I think, to allow these unfair cuts because Medicaid, for example, and the food stamps, Earned Income Tax Credit are exempted under the sequester from any cuts.

Secretary Panetta, thank you for your, I thought, strong opening statement that represents a mature, solid view of where we are. Would you like to comment before we wrap up?

SEC. PANETTA: Senator, I'm probably one of the few people here that, having worked on a number of budget summits, ultimately did achieve a balanced budget. And let me tell you, if the idea is that you can rely on sequester in order to get there, that's an irresponsible view. Sequester was always fashioned -- I actually was in the conference in Gramm-Rudman when we fashioned the first sequester. And it involved, incidentally, entitlement programs as

part of the sequester. That's why it never happened. But when you develop these kinds of, you know, doomsday mechanisms that are supposed to blow everybody up in the hope that they'll do the right thing, very frankly, it doesn't work very well.

The responsibility does lie with the people in that committee to look at the entire federal budget. You can't deal with a federal budget that's close to \$4 trillion and expect that you can do it through sequester on the discretionary side alone. Discretionary accounts are one-third of that budget. Two-thirds of that budget is in the mandatory area. You've got to be willing to put all of that on the table if you're serious about reducing the deficit. And I hope the committee does do that when they look at all these issues.

SEN. SESSIONS: And just briefly one quick question. Based on your experience in the previous effort that succeeded in balancing the budget, would you agree that the depth of our challenge this time is far greater than it was when you made that achievement last time?

SEC. PANETTA: It sure is. I mean, the last time we balanced the budget, I thought we were in Valhalla and that everybody would be able to -- we'd be able to continue to operate on a balanced budget and that, you know, it would stay in place, that we wouldn't dare put us back into a huge deficit again. Unfortunately, that happened, and now it's much worse than it was when I faced that issue. It's a huge challenge, but nevertheless this Congress has a responsibility, working with the administration, to get us on a track to ultimately reduce that.

SEN. LEVIN: Thank you, Senator Sessions.

Senator Akaka.

SENATOR DANIEL AKAKA (D-HI): Thank you very much, Mr. Chairman.

I want to say good morning and add my welcome to our witnesses this morning. Admiral Mullen, and please convey my "aloha" to Deborah as well. I join my colleague in thanking you and your family for the many years of outstanding service to our country.

And to my classmate Secretary Panetta, I want to say "aloha" to you, too, and to Sylvia, and wish you well in your responsibilities.

I want to thank our men and women in uniform, as well as their families, for all of the sacrifices. As you both know, we face difficult decisions regarding our future in Iraq and Afghanistan. However, the one thing that is not in doubt is the fact that our soldiers, sailors, airmen and Marines continue to serve with honor and distinction, and we are proud of them.

Secretary Panetta, the special inspector general for Afghanistan released an audit showing that efforts to track the billions of dollars in aid provided to Afghanistan since 2002 has been hampered by numerous factors. As we look to the future, what are some -- some of the adjustments that are being made to increase accountability of how these dollars are being spent?

SEC. PANETTA: Senator, one of my -- one of my concerns is that I think we have to be able to audit the books of the Defense Department. And while this is done now in each of the areas, we don't have an overall auditability for the Defense Department. The effort right now, I think, is on track for something like 2017 in order to complete that process. I think that's too long. I think we've got to be able to be auditable. We've got to be accountable to the American people about how these dollars are being spent. And so for that reason, I basically urged all of the people in our budget shop to do everything necessary to try to speed that process up so that we can track these dollars and make certain that the taxpayers are getting the best bang for the buck.

SEN. AKAKA: Thank you.

Secretary Panetta, last quarter ISAF rated three additional units within the Afghan National Army that are capable of operating independently. As we continue to transition regions of Afghanistan back to host-nation control, what is the state of the remaining units that are attempting to achieve this high rating level?

SEC. PANETTA: Senator -- and I'll yield to Admiral Mullen, who has worked directly with this issue, but my understanding now is that the number of units that have that capability has gone up and gone up dramatically.

What I -- what I've seen both in the trips I've taken there and listening to General Allen is that there are more and more units that are operational, that are able to go into battle, that are able to conduct the kind of operations that have to be conducted in order to defeat the Taliban. So we are seeing -- it's taken a while, it's taken a lot of training, it's taken a lot of work -- but what we are seeing are units that are increasingly capable of engaging in battle. And if we're going to be able to make this transition, we've got to make sure that all of their units have that capability.

ADM. MULLEN: Can I just say, Senator Akaka, that over 70 percent of the police units are rated at the top, in the top-three proficiency levels; 90 percent of the overall ANSF units are partnered with ISAF, and the ANSF lead occurs in about 60 percent of our operations. Now that is just a far cry from where we were 12 or 18 months ago. So the -- as the secretary says, the trends are all in

the right direction. I don't want to overstate this. There's an awful lot of hard work that's left. But in this area in particular, it has been extremely successful over the course of the last year and a half. And we look for that to continue, and we see nothing that gets in the way of them continuing to take the lead, become more proficient so that they can have the lead throughout the country by the end of 2014.

SEN. AKAKA: Thank you.

Admiral Mullen, the Joint IED Defeat Organization was created in 2006 to reduce or eliminate the effects of all forms of improvised explosive devices used against the U.S. and coalition forces. What is your overall assessment of how the organization is achieving its three-part mission to attack the network and defeat the device and train the force?

ADM. MULLEN: I think the joint IED force organization has been an enormous success. I'm not unaware of the amount of investment that's taken. What strikes me is when it was stood up and heavily focused -- although not exclusively on Iraq -- it had an enormous impact across all three of those mission sets, first of all. It's been led by -- it is currently being led by somebody who's been in the fight. And as we shifted the main effort to Afghanistan, the IED threat is still extremely difficult and yet the enemy is shifting more and more to the spectacular attacks on the one hand and to a very heavy focus on IED implants. And it's a different kind of -- it's a different IED set. And we've needed this organization I think to be in touch with the fight and to be able to respond as rapidly as we can.

And actually, I appreciate the efforts on the part of many here in the senator -- Senate -- Senator Casey leading the effort to continue to put pressure on the ammonium nitrate piece in Pakistan so that we can cut that down as rapidly as possible. There is -- there is a view that we should integrate this into our overall organization. I'm not there yet. I think we need to wait until it's much more obvious that we fully integrate the Joint IED organization, because oftentimes, in our big bureaucracy, that can bring an outfit to parade rest or elimination. And it's too vital for our overall fight to do that at this time.

SEN. AKAKA: Thank you. Admiral Mullen, you are an outstanding leader and have served your country with honor over the last four decades. In your view, aside from budgetary issues, what do you see as the biggest challenge facing our military in the future?

ADM. MULLEN: I think when people ask me about the future as we look into discussions that we're hearing right now, I think if we are able to retain the right people, take care of our families, reset

this force, we're the most combat-experienced force in our history, and that -- and that we not hollow it out. You know, it may be best- summarized by: We may be the biggest threat to ourselves if we don't get this right. But if we keep the people right -- and that doesn't mean keep all the people -- if we -- if we are able to ensure that this best force I've ever seen in my life stays whole at whatever size and is supported, then I think we can address whatever threats are out there and provide the military capabilities and provide for the vital national interests.

So it may be that in the budget world we have -- our care has to be so precise that we don't break this force, break faith with our people. If we get that right, I think we'll be OK for the future.

SEN. AKAKA: Well, thank you very much, Admiral Mullen, and thank you for your service, and my best to you and your family in the future.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator Akaka.

Senator Ayotte.

SENATOR KELLY AYOTTE (R-NH): Thank you, Mr. Chairman.

I want to thank both of you for being here today. And Admiral Mullen, obviously we will miss having you before this committee, and thank you so much for your decades of service to our country.

I wanted to ask you about -- on -- Director Clapper testified last week before the House/Senate Intelligence committees that the re-engagement rate from those that we have released from Guantanamo Bay is at an all-time high, 27 percent, which means that out of the 599 detainees who have been repatriated from Guantanamo, there are 161 of them who we've either confirmed or suspected of re-engaging in terrorist activities or insurgent activities that obviously put our troops in danger, further undermine security in areas that we're fighting and are threats to the American people.

So I would ask both of you, at this point, would you agree with me that that re-engagement rate is unacceptable?

SEC. PANETTA: No, there's no question that, you know, we can't -- we can't allow that to happen where, you know, you release individuals that immediately go back into the battle and start killing our forces.

Now one of the protections is that any kind of a transfer that's

made, I have to certify that the country that accepts that transfer has taken all of the precautions necessary to ensure that that doesn't happen. Now I haven't -- I haven't -- I haven't done any of that up to this point as secretary, but you can be assured that I'm not going to certify unless I'm damn sure that that's going to happen.

SEN. AYOTTE: And can we have your assurances that you -- I mean, you just said that you won't allow someone to be transferred from Guantanamo to another country unless you can be assured that they're going to re-engage back in the battle to harm us.

SEC. PANETTA: That's correct.

SEN. AYOTTE: I appreciate that. And one of the issues I would ask both of you about is if tomorrow we capture a high-value terrorist outside of Iraq and Afghanistan, where do we put them, assuming we want to interrogate, assuming we want to detain, assuming we continue to have security concerns about them if we were to immediately release him or put them in some other country?

SEC. PANETTA: Senator, the approach now in dealing with that is very much, you know, kind of looking at a case-by-case approach. We did it recently with Warsame, who is a terrorist who we located and captured. We were able to gather a great deal of intelligence from him. As we developed that case, they -- there was a decision made that he could be prosecuted in the courts, so he was transferred for the purpose of being prosecuted.

With regards to the issue of -- you know, of ability to detain individuals under the law of war provision, that is an area, frankly, that I think we need to work with the Congress to decide how we do that, because the answers to that aren't very good right now.

SEN. AYOTTE: I would agree with you. I think we need a long-term detention policy. And right now would you both agree with me there isn't an alternative to Guantanamo that exists right now?

ADM. MULLEN: First of all, I agree with the thrust of what you're saying. And we -- the military commanders -- there's not a military commander out there that wants to see anybody back, and the return rate is far too high, and -- Secretary Panetta as well. None of us want to see that happen.

We do need a long-term detention policy. I think the Warsame case actually is instructive. We actually in that case kept him at sea for a while. Now that has limits. You don't want your Navy all -- you know, completely tied up. And that is a case-by-case basis, and in fact, you know, moving in that direction, there is a way to keep him,

and that is the -- that -- and he is being kept right now, having gotten to the point where he can be prosecuted.

But the law of war piece is a -- you know, it's a very hard problem that is only going to -- it's -- from my perspective, it's going to take everybody getting together. It -- it's been very contentious; we understand all that. But without that, it's really put -- it's given us this return rate, and it puts people on the ground who are in the fight in a pretty tough spot.

SEN. AYOTTE: When you talk about the situation with Warsame, we couldn't do that with every single individual, though, put them on a ship, could we, in terms of a practical reality?

ADM. MULLEN: I mean, you -- no. I mean, not really.

SEN. AYOTTE: I think we're going to need more ships if we're going to do that.

ADM. MULLEN: Yeah. Right.

SEN. AYOTTE: You know, one of the concerns that I have that brings me to this is Attorney General Holder pledged this week that the administration would close the -- Guantanamo Bay prior to the 2012 presidential election. And my concerns about his comments are that, hearing what you have said and what our military leaders have said before this committee, right now we don't have an alternative. And we have a recidivism rate that's unacceptable. So I would just say that -- to both of you -- I think it's very important that we not put political considerations ahead of making sure that these individuals get back in theater to further harm us, our allies and our troops.

SEC. PANETTA: We get -- you know, you we try to look -- the bottom line here, Senator, is we've got a real conflict here. Obviously, the president is very intent on closing Guantanamo and not adding to the Guantanamo population. At the same time, Congress has made very clear that there's no other place that we're going to be able to put these individuals, through legislation of one kind or another. We have got to be able to resolve that for the benefit of this country. And I would hope that, working together with the Congress, we could find a way to deal with these conflicts.

SEN. AYOTTE: Well, I hope so, too. I firmly believe we should keep Guantanamo open. I think that it is a top-rate detention facility. I've been there. And I think that is the best way to move forward. And I am hopeful that we will resolve this because, as we all know, it's very important that we not -- it must be so -- make our troops so angry when they come across someone that we had, we released, and they're now confronting again. So I don't want them to be in that

position.

I wanted to ask you about Iran and, in particular, Iran's influence on Iraq right now. Admiral Mullen, how would you describe Iran's surrogate activities in southern Iraq? And is Iran providing weapons to Shiite militias in Iraq, who are in turn attacking our troops? And how much is Iran contributing to increased violence in Iraq?

ADM. MULLEN: I think over the summer there was a significant spike into what the secretary said earlier with respect to Iran supporting two Shia extremist groups, AAH and KH. And they have control of that -- very clear. Because we went by several channels, but politically to Iraq; Iraq went to Iran, and it stopped. So it is -- there's no question that Iran can control this, and it's a very dangerous potential. And they're shipping EFPs and IRAMs in particular, and the IRAMs are getting bigger and bigger. And so there is a -- there is a great downside potential for destabilizing particularly southern Iraq.

That, actually, I think Prime Minister Maliki and the Iraqi leadership is concerned about. So in that regard, it is in one -- on the one hand, up to them. It's very clear that they -- if they want to do it, they can do it. They are -- they have been warned about continuing it, and consistent with what the secretary has said about the Haqqani Network, you know, that if they keep killing our troops, that will not be something we will just sit idly by and watch.

SEN. AYOTTE: My time is up, but I would -- appreciate your answer, and I would suggest also that as we look at troop levels, that it is in our national security interest, particularly with respect to Iran, that we have a government in Iraq that is independent of Iran, and that we do not allow Iraq to be in a situation where Iran has a greater influence than we would want them to, given our posture toward Iran, our concerns about Iran. And so I'm hopeful that we will take that into consideration, to make sure that we have enough troops to secure Iraq. Thank you.

SEN. LEVIN: Thank you, Senator Ayotte.

Senator McCaskill.

SENATOR CLAIRE MCCASKILL (D-MO): Thank you, Mr. Chairman.

And I -- we're all sounding like a broken record, Admiral Mullen, but you're the real deal. And you have been an incredible leader for our military, and your family has been terrific. And I haven't always liked every answer you've given, but I never doubted for a minute you were giving me absolutely your most honest assessment of any question

that was being put your way. And that's all we could ask for as the United States Senate, is that kind of forthright, you know, this isn't always easy real good information. So thank you for that.

I want to talk a little bit about sustainability. I think it is something that, as we have developed as the strongest military, I believe, in the world, counterinsurgency strategies, I think that the military has done a good job of figuring out how we work with a counterinsurgency situation, but I'm not sure that we focused enough on sustainability. And we've got a country, Afghanistan, that has, without our help, somewhere between 2 (billion dollars) and \$3 billion GDP, and they're now getting 16 billion (dollars) a year in GDP because of foreign aid.

Now, there are two parts of sustainability. One is what we're doing for their armed forces, and what we're doing for infrastructure. And I have yet to have anybody explain to me how they afford the army we're building for them. They can't afford it. They can't afford to pay for the army we're building for them. I mean, we built a university for them for their military that will cost \$40 million a year just to maintain and operate, and their GDP without all the foreign aid is not going to be sufficient to even operate that.

And the other part, before either of you respond, is the infrastructure. And I need to know who did the sustainability analysis on the Kabul power plant. How do we spend 300 million taxpayer dollars for a power plant that they can't afford to operate now even with the 16 billion (dollar) GDP that they have with our aid? It is sitting there as a \$300 million generator that is used every once in a while when there's a power plus or when there is a problem with the electricity they're buying -- I don't remember which one of the "stans," but they're buying electricity from one of the "stans" at a much cheaper cost than it will be to operate the \$300 million power plant we built for them.

And I'm very worried that we are throwing money at something that is just not sustainable. And that is the ultimate insult, I think, to the men and women who have risked their lives.

ADM. MULLEN: I think -- I mean we talked about this earlier, Senator McCaskill -- this is a critical issue that we are -- we want to understand. And two, there's a lot of detail work going on right now. And it is not finished. It isn't something I could bring and say here's the answer. But we recognize that \$12 billion a year isn't -- for the ANSF isn't anything close. It's got to be -- dramatically, 70, 80 percent less at best in order to be able to sustain it. And it also needs to be shared. This isn't just a U.S. burden in the long run. It needs to be shared with other partners from an international

perspective, but done in a way that allows them to provide for security.

So we're working -- I mean, we just got them to a point where we started to build them up. Your questions are valid. We're asking them of ourselves from an infrastructure standpoint.

But I also don't associate their GDP this year with that's what it's going to be forever, as well. There's an opportunity to develop. Whether it will or not I think's an open question. It's a question, actually, I think Afghan seniors are starting to understand, the government of Afghanistan, to some degree. I don't think we're going to have any answers here in the next couple of months, but over the course of the next 12 to 18 to 24 months, I think we'll know a lot more about that, and questions like the one you raise, we'll have a better -- we'll have a better perspective on it.

I don't know enough about the -- I'll have to get back to you on the Kabul -- the electric plant. But it's the same kind of question. And we are looking at and the president has tasked us with looking at the infrastructure piece of this along the lines of what you're talking about, not just the military, but the State Department and other agencies as well.

SEN. MCCASKILL: Secretary Panetta, we've spent 70 billion (dollars) in Afghanistan just on reconstruction and development.

That's not MILCON. That's not any of our ongoing training of the military. That's none of our military operations on the ground. And I really do think it's important that you require -- both your replacement, Admiral Mullen, and you, Secretary Panetta, require the senior leadership of all of our military and the Pentagon to read the war contracting commission's summary report.

SEC. PANETTA: Yes.

SEN. MCCASKILL: It is an eye-opening piece of work done by a very credible and bipartisan organization made up of a lot of expertise. The report has just come out. And it is -- it is really frustrating when you realize how fast and loose and sloppy that we have played with so much of this money. I -- and I need to know right now who is making the decision on the \$400 million -- I don't know if the American people are aware that for the first time in history our Defense Department has asked for a reconstruction fund. We've gone from CERP, which started -- I remember it being described to me when I first came to this committee as money that would be used to fix broken windows in storefronts. We're now up to multiples of billion dollars in CERP.

And now for the first time we actually have an Iraq reconstruction fund as part of a defense budget. And I don't know what the thought process was that we would get -- and what I don't like about it is it gives everyone the opportunity to blur the lines between State, AID and the Pentagon as to who's in charge of this reconstruction and who is making the decision as to whether or not there's sustainability and security that is adequate enough for us to begin to invest hard-earned Missouri and United States taxpayer dollars in these various infrastructure projects. I'm not confident about the process of approval, especially in light of some of the things that have been built that clearly have been a giant waste of money.

SEC. PANETTA: Yeah. Senator, I don't disagree with a thing you said. And my job is to try to make sure that we take a hard look at all of those issues because frankly, based on the budget constrictions that we're facing, we simply can't afford to operate that way. We're going to have to go back. We're going to have to look at these infrastructure issues. We're going to have to look at reconstruction funds. We're going to have to look at every area to determine, you know, just exactly what is needed, are we doing this right, are we getting the best bang for the buck, or is it something we just simply don't have to do.

You know, for example, on the whole issue of sustainability of the force, in looking at what now is an unacceptable cost of about \$12 billion a year, they've been able, by virtue of looking at infrastructure -- we don't -- we don't have to build the level of infrastructure in Afghanistan that we build here in this country. It doesn't have to be that. So we can -- we can find savings there. We can find savings in other areas to try to reduce those costs. We are going to have to implement much better discipline in order to make sure that we not only are accountable to you, but to the American people.

SEN. MCCASKILL: I just want -- I want to make sure we circle back and make sure that the CERP funds and the infrastructure investments we've made -- I hope someone is tasked to going back to Iraq and actually trying to document what difference it made in the success or failure of our mission.

SEC. PANETTA: Sure.

SEN. MCCASKILL: I don't think we should hold onto the notion that we've got to spend a huge amount on building schools and health centers and hospitals and roads and power plants -- that the American people have to spend a lot of money on that under the rubric of a counterinsurgency. And I just want to make sure that that strategy has been borne out as successful. And I frankly haven't seen that documentation yet.

ADM. MULLEN: Well, I think it's -- and we can certainly do the work. I -- from my perspective, when I go back to the origins of CERP -- and while there certainly were those projects that were more expensive than others -- but the vast majority of it was -- particularly at the height of the surge, in that time frame, was turned to enable young soldiers in the field to -- it wasn't just windows and storefronts. It was a lot of other things that really did make a difference. And while it may not be documented to the degree that we need to, there's no question in my mind that it was significant in turning the tide and getting Iraq to where we are right now.

Some of the bigger projects we can certainly take a look at and answer that question.

SEN. MCCASKILL: Thank you.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator McCaskill.

Senator Collins.

SENATOR SUSAN COLLINS (R-ME): Thank you, Mr. Chairman.

Secretary Panetta, first let me thank you for your very forthright comments on the dangers of excessive budget cuts. I too am very concerned about the possibility of a sequester. I think it would be the height of irresponsibility for Congress to allow that kind of indiscriminate automatic cut to take place, particularly since it so disproportionately affects the Department of Defense. That's just wrong. And it troubled me when it was included in the debt package, and I had a hard time deciding to vote for the package because of it.

So I very much appreciate your putting this committee on notice about how devastating it would be, were that to go into effect. So I just wanted to begin by thanking you for that.

Admiral Mullen, I also would be remiss if I did not thank you for your more than -- I think it's 40 years of service. It has been such a great pleasure to work with you, not only in your current position but when you were chief of naval operations. I appreciate all that you've done for our Navy, for our country and for -- and for working with us in such a collaborative way. You've been an extraordinary leader, and we will miss you both.

I want to follow up on the issue of Iranian influence in Iraq, because I am very concerned that with the withdrawal of our forces and the shrinking of our civilian presence as well, that we're

creating a vacuum that Iran is rushing to fill. We have seen a steadily increasing flow of arms and money and training to the Shiite militias, particularly in southern Iraq, and my fear is that there will be some in Iraq who will use those strengthened militias to exert power and seek to effect change outside of the newly established political channels, especially in southern Iraq.

So, Admiral Mullen, I will start with you. What concrete steps are we taking to counter that malign Iranian influence in Iraq? I know we've made it clear verbally that it's unacceptable -- both of you have -- but what are we doing about it and what can we do about it?

ADM. MULLEN: Well, and it -- I'd talk about the political channel, which actually for temporary effect -- and that temporary effect is still in place -- shut it down significantly from where it was when it was spiking this summer.

General Austin is not sitting back at all in terms of his operations and actually our support for Iraqi security forces in these operations.

I think along the lines of what you talk about, Senator Collins, the -- obviously Sadr and his group are not insignificant, but they're outliers, and this is something that, from the standpoint of this is an area they also really want to focus on -- and I think the political leadership -- and I know that Prime Minister Maliki very much understands this, although I don't know -- I don't -- I get the vacuum piece, but at some point in time Iraq's got to take -- it's got to take charge of its own -- Iran is not going away. They've had influence in that -- in -- on that border, and particularly in the south, forever. And actually, over the course of my time in that region, which started in the early '80s, you know, there is -- there is sort of an understanding up to a point, but at some point in time, you know, the Iraqis say that's enough.

And I'm hard-pressed to believe that having fought for what they've fought for, that they're going to sacrifice their sovereignty to this country. They're -- the backgrounds are deep and very contentious historically, and that Iraq has to take concrete steps -- and they are taking some.

They're clearly consumed in the political battles right now to figure out how they're going to move forward here, to include, you know, that kind of balance.

In the end, and I don't know if it's next year or the year after that, Iraq is going to have to figure that out. And that's part of what I think needs to be, you know, tied to the strategic relationship we have that they know to -- from a strategic level,

we're not going anywhere; we're going to be there with them in support. And we certainly want to continue to push back on Iran in every single way, not just in what they're doing in Iraq.

SEC. PANETTA: Senator, when I last went to Iraq, it was right in the middle of these IRAMs being provided that were -- you know, we were taking heavy casualties as a result of that. And I made very clear to them that that was unacceptable.

I think as the admiral has pointed out, we actually did have some encouraging results. Prime Minister Maliki was concerned. He indicated that concern. But more importantly, his national security adviser and he made very clear to Iran that that had to stop. And that was a very important message to the Iranians.

Secondly, there were operations -- General Austin conducted operations, the Iraqis conducted operations against those groups as well to make clear that we were not going to give them a free license to be able to conduct those kinds of attacks.

The combination of that did result in a hiatus in terms of what was taking place. We don't assume, however -- and General Austin has made clear -- that this is a temporary thing, and that Iran is going to come back and try to do the same thing. I think Prime Minister Maliki -- I think he understands that he -- his country cannot allow Iran to be able to conduct that kind of influence within his country, provide those kinds of weapons and basically undermine his government. That's what's happening. And I think he gets that message.

But we're going to have to continue to make sure that they take the right steps. And I think Iran needs to understand that we're going to be around a while here, making very clear to them that we're not -- we're not simply going to ignore what Iran is doing in Iraq.

SEN. COLLINS: Another troubling player, which all of us have discussed, is Pakistan providing safe havens and undermining the efforts in Afghanistan. Senator Graham and I are both members of the Appropriations Committee, and last night we met late and approved the foreign operations bill that places several conditions and restrictions on the Pakistan counterinsurgency capability fund. One of them is that the secretary of state must certify that Pakistan is cooperating with U.S. efforts against the Haqqani Network and other terrorist groups.

Do you, Mr. Secretary, support putting that kind of restriction on our assistance to Pakistan?

SEC. PANETTA: You know, I'm going to let the State Department

reply to you directly. But as far as I'm concerned, anything that makes clear to them that we cannot tolerate their providing this kind of safe haven to the Haqqanis and that they have to take action -- any signal we can send to them, I think, would be important to do.

SEN. COLLINS: Thank you. I had a feeling you might defer to State on that. But I do think it's really important. And the best way to send a strong message is to start conditioning the funding.

Admiral Mullen, a successful transition in Afghanistan depends in part on the Afghan forces' willingness and motivation to fight for their own country. And I know you've told me before that the Afghans are fierce fighters, and I've heard that from troops in the -- on the front lines, as well. But attrition in the Afghan national security forces continues to run very high, as much 32 percent per year. And between January and June of this year, there were more than 24,000 Afghan soldiers who went AWOL.

What troubles me is that is more than twice as many as for the same period a year ago.

So that to me does not represent progress.

The Department of Defense has noted in its most recent 1230 report that if levels of attrition seen throughout the last five months continue, there is significant risk to the projected ANA growth. What efforts have been undertaken to increase the long-term commitment among Afghans? After all, as with Iraq, ultimately, both of these countries' citizens are going to have to take responsibility for their own security.

ADM. MULLEN: Ma'am, it wasn't that long ago that we had those kind of numbers and that kind of percent in the police, as well. And as -- I think you've seen the attrition rate in the police come down to meet our goal. We're not happy with that. And I know on the army side in particular that this is an issue that General Allen and General Caldwell and the command addresses regularly.

Some of it got better tied to how we pay them, but it's -- it still is -- as you've described, it's a significant issue that's approaching roughly -- at least my numbers are about 30 percent per year. And we do find an awful lot of Afghan soldiers who want to be there and who want to provide for their country, but there's clearly a lot that don't have that message yet, and there's -- we need to continue to work -- I know this is a -- this is a huge priority for Minister Wardak, the minister of defense, for General Karimi, who is their -- my counterpart there, and that they continue to work very specifically to reduce this. But we don't have all the answers.

And to your point, clearly, it is a significant risk factor in the overall strategy. But I -- at least I haven't seen, nor has any commander told me, that it puts the strategy at risk. So it's significant, but it's something we think we can continue to address over time, and know we have to.

SEN. COLLINS: Thank you both.

SEN. LEVIN: Thank you, Senator Collins.

Senator Udall.

SENATOR MARK UDALL (D-CO): Thank you, Mr. Chairman.

Good morning, gentlemen. I know it's been one of those mornings on Capitol Hill when we have a lot happening, but I think it's illustrative of the importance of this testimony today that I think all -- every member of the committee has found the time to come and to ask questions and engage in a dialogue with both of you.

I think, Admiral -- and I was -- I wasn't here -- but I think in your testimony you said that we need to reframe our relationship with Pakistan. I want to build on Senator Collins' line of questioning about sanctions with a bit of a focus on how sanctions or reductions in military aid to Pakistan might hinder our mission in Afghanistan. And more broadly, I'd invite both of you just to comment further on how we do reframe that relationship with Pakistan.

SEC. PANETTA: Well, you know, we have -- we have indicated, with regards to assistance to Pakistan, that it is -- it is conditioned on several things that we've got to pay attention to. Number one, are they cooperating with regards to going after targets in al-Qaida and -- the remaining targets? I mean, we -- in my prior position, we identified a series of those targets that remain and we said: We need your cooperation to be able to go after them. So I think that's kind of one test.

Second is whether or not they're going to take action with regards to the safe havens and dealing, you know, with the Haqqanis. I think that is another area that -- in which, you know, we've got to say: You have got to take steps to be able to stop that from happening.

And thirdly, that we would like, frankly, for them to continue efforts to go after the terrorists that are threatening them. They did -- to their credit, took action in Swat; took action in South Waziristan. They took a lot of casualties. I commend them for the action they did, but very frankly, they've got to continue that pressure on those terrorists.

Look, I have made clear to them that terrorism is as much a threat for them as it is for the United States. But it's very important that they cannot choose between terrorists. If you're against terrorism, you're against all terrorists. And that's something I think that we have got to make clear to them, time and time again.

ADM. MULLEN: I would try to expand the discussion beyond -- I mean, certainly to include -- it's got to be where the secretary mentioned, in terms of included in the framework.

I went to Pakistan in 2008, and one of the things that I addressed to the political and military leadership, along with then Steve Kappes, who was the deputy at CIA -- I actually believe that the ISI has got to fundamentally shift its strategic focus. They're -- they are the ones who implement as -- I would argue as a part of government policy the support of extremists. It's not just Haqqani because we've also had our challenges with LET, which is an organization they put in place. So in many ways, it's the proxy piece here. The support of terrorism is part of their national strategy to protect their own vital interests because of where they live. And that's got to fundamentally shift.

I also believe there has to be enough patience on both sides that that's -- they'll probably be the last ones to shift. And how quickly that can be done certainly is an open question. I think we need to listen to them. This is a country that's generally in decline, although their financial situation is better now than it was a year ago. And so much of it focuses on, as it does in many countries, how's their economy doing? Is there a way to open up their markets? As they look out to the future, would they like to see Afghanistan settled -- I've believed for some time Kashmir actually unlocks the whole region, that it's an enormously difficult problem that I don't think, from my perspective, has got to be -- there's got to be pressure brought to bear on solving that problem as well, that they can -- one of the things I get constantly is their number one crop is cotton. They can't market that cotton here for lots of reasons that are well out of my lane.

So so much of it is far beyond just the security issue. He's got 2,000 detainees in Swat, roughly. He's got no place to put them, no place to take them into a legal system that can't handle it. So there's a whole rule-of-law piece here. There's a chairman of accountability for corruption in this country that needs to sign off on corruption charges. It's a terribly corrupt country in many ways. And that chair has been vacant for the last 18 months.

So there's a series of things that need -- I think we need to look at and have some patience. And I get this has been a long time. It's just not going to be solved overnight. But I think we need to broaden

it, certainly to include the security issue, the support -- and they have, quite frankly, supported us to significantly impact al-Qaida. But they're pretty choosy about which terrorists they support with us and the ones that they won't support.

SEN. UDALL: Thank you for that comprehensive overview. It strikes me -- and I wouldn't want to pin the two of you down, but at times it appears like Pakistan and its leadership are both playing the role of arsonist and fireman. And that's problematic. Admiral, you mentioned the economic policy change tied to their textile industry that would, I think, still be worth considering on behalf of the Congress and -- on the part of the Congress. And is that some homework for us.

Let me move in the time I have remaining to reports of fraud, waste and abuse in federal contracts in Iraq and Afghanistan. The Commission on Wartime Contracting estimated that at least 31 billion (dollars) has been lost to fraud and waste. And this is not a surprise to you two. It's not acceptable in good economic times, certainly not when we're in tough times. But at the same time I think we've got to be careful that we don't, in putting in place more oversight, bog down the good projects that are under way. How do we get the right amount of money to the right projects on time? And Mr. Secretary, what other steps are we going to take to ensure that tax dollars are not squandered by contractors?

SEC. PANETTA: There actually were some pretty good recommendations in that report. And I've asked our people to implement those recommendations. I think -- I think the key here is that, you know, without burdening the operation with, you know, additional bureaucracy, the fact is in the contracts themselves, when you develop the contracts, that's the first point where you put the right requirements in, and you do, you know, the kind of immediate oversight at that point that assures you that these contracts are being handled right. There's a series of other steps that they've recommended, but my goal is to try to put those into effect because frankly, that kind of waste, that kind of loss is something that's intolerable.

ADM. MULLEN: Could I just make one quick comment? When General Petraeus took over there, out at ISAF, we actually -- he put in place a Navy two-star admiral that had done this work in Iraq for him to run a task force over the course of about, I think, six or eight months to attack this issue. And she came up with many good recommendations. And those now are being implemented against existing contracts. Some contracts have been -- were cancelled as a result of that, because we recognize we're feeding the enemy in too many places.

We've also in the department over the course -- and this came out

of Iraq the last many years -- dramatically increased the number of contract oversight -- contract -- contract expertise in our own department, which we had devastated in the '90s, to put back in place individuals that can oversee this.

So I think we all recognize that this is an area that we've got to -- we've got to improve on, one, financially; two, it's -- you know, we're feeding the fight against us. And we're trying to do that as rapidly as we can.

SEN. UDALL: That -- Admiral, good point. That's the worst kind of two-fer -- (chuckles) -- taxpayer dollars being squandered, plus going to the enemy.

Any opportunities to recoup some of those pilfered funds? Any place in place to do so?

SEC. PANETTA: I think -- you know, frankly, it's too early to tell right now. I have asked that they look at that and determine whether or not some of that can be regained. I doubt it, but I think it's worth a shot.

SEN. UDALL: Maybe Admiral Mullen in retirement could take that on in one of his missions. (Soft laughter.)

Thank you, Admiral Mullen, by the way, for your tremendous service. And I know we all on the committee wish you the very best. And I think it's a tribute to -- you don't like to hear these expressions of gratitude, but we're going to keep them coming your way regardless of your sentiments. So thank you so much.

ADM. MULLEN: Thank you, sir.

SEN. LEVIN: Thank you, Senator Udall.

Senator Vitter.

SENATOR DAVID VITTER (R-LA): Thank you, Mr. Chairman.

And thank you both for your service. I apologize if I go over questions that other members have asked when I was absent.

Admiral, what advice would you give us as to the right number of U.S. troops to keep in Iraq next year?

ADM. MULLEN: I actually believe that it's -- and this in the training piece -- I really do believe it's tied to the mission. I think what -- first of all, assuming there's a number, that -- first and foremost we have to be able to protect ourselves. We cannot put

anybody in a position that is -- that is not able, whatever our mission, to protect ourselves. And I'm actually confident that's well understood up my entire chain of command.

Secondly, it is -- you know, we're in the middle of negotiations right now, and honestly, in the end, I actually believe -- and we've been working with the Iraqi military for a significant period of time. So we think we understand where the gaps are. The Iraqi military understands where the gaps are. In the end, it's going to be something that Prime Minister Maliki and the political leadership makes a decision on, tied to -- actually, not just to -- not just the training mission, but also to look at -- there's a -- there's a Department of State mission here, as we sort of move to normalize and put a -- put a relatively significant mission in under the Department of State umbrella as well.

So the honest -- and there's been a lot -- we've done a lot of analysis on this. I mean, Lloyd Austin has extraordinarily -- has covered this extraordinarily well. So -- but it really in the end depends on the mission, and that's not determined yet.

SEN. VITTER: Well, let's take parts of that at a time. What's the minimum number, in your opinion, would be required to protect themselves? I mean, that's sort of the -- where you start --

ADM. MULLEN: But inside -- how much training am I going to do, who's going to do it -- again, assuming we -- we're going to do this, where is it going to exist -- it's -- it depends on where it is in the country. It's different west than it is north than it is south or in Baghdad. It just -- it's just not -- I know, you know, people -- you, others would love to, you know, have me get a number out there. I -- honestly, it's just -- it's not determined yet. It really does depend on what we're going to do and where we're going to do it and how often we're going to do it.

SEN. VITTER: OK. Well, I guess I'm a little frustrated, Admiral, because on our side, on the U.S. government side, we're part of the political leadership. So I'm asking -- (chuckles) -- for that advice as we have that --

ADM. MULLEN: Sure.

SEN. VITTER: -- as we have that discussion.

ADM. MULLEN: Well, Secretary Panetta said earlier -- and I think it's important that, you know, when we get to that point, that we'll -- you know, I probably won't be here -- but I mean, he'll consult with Congress. We'll consult with Congress when we get to that point. But we're -- honestly, we're just not there yet. We'd be having, from

my perspective, circular conversations about this, because we just don't know what's going on in Baghdad.

SEN. VITTER: OK. To both of you, we've talked a lot about a new approach to Pakistan, and it's been a pretty broad discussion. It seems like we don't have a clearly defined new approach, and that's because it's a difficult issue. And I'm not suggesting it's an easy thing. But it seems very important to me that we come up with a clearly defined approach and clearly lay that out. And I think that's important for the Pakistani government. I think it's also important for the American people to have confidence that we're not just moving along and being taken advantage of again. When do you think and how do you think we'll lay out that clear new approach?

SEC. PANETTA: Well, Senator, I think that's already happened. You know, the Pakistanis, as we all understand, this is a complicated relationship. On one hand it's necessary because, you know, we're fighting a war there and we're trying to defend our country there, and they do give us some cooperation in that effort. I mean, just recently they helped us with a guy named Martani (ph), who was -- who's a terrorist who they helped -- apparently they helped capture. And they've given us other areas of cooperation. At the same time, we know what these other problems are, when they allow these safe havens to take place from which forces attack our people.

I think the most important thing is that the United States and the Congress, we all have to speak with one voice, one clear voice to the Pakistanis that makes very clear that we cannot tolerate their having these kinds of safe havens. We cannot tolerate having terrorists coming across the border, attacking our forces, killing our soldiers and then escaping back into that safe haven. That is not tolerable. And they should -- they are the first ones that ought to take action on that.

My experience with the Pakistanis is that if everybody speaks with one voice, if we all convey the same message -- Admiral Mullen has done that with Kayani, Director Petraeus has done that with General Pasha, and you know, I've done that with my counterparts -- sent a very clear message that this is unacceptable, that the more we keep that kind of pressure on them, the more they understand that they've got to do something about it. Now that's just the nature of the relationship. It isn't -- sometimes that's not very satisfying, but frankly, the only way to deal with the Pakistanis is to keep giving them a clear message where the lines are.

SEN. VITTER: Well, I agree with all of that, and I agree with speaking with one voice. Has it been articulated about what the consequences of their not changing in those ways are?

SEC. PANETTA: I've made very clear that we will do everything necessary to protect our forces. And I -- you know, I haven't -- I haven't spelled that out for them, but I would be very surprised if they were surprised by what we did to fulfill that commitment.

SEN. VITTER: And what about in terms of aid to the Pakistani government?

ADM. MULLEN: I like the term that Senator Collins used and obviously Senator Graham: I think it needs to be conditioned. I think we need to be careful about, you know, definitions of terms here, because if they're too broad, they can be lots of things -- did they make progress or didn't they make progress? I've, as has -- I think I've been there 27 times; I've met with him (multiple ?) more times than that with Kayani and with the rest of their leaders many times. It's an enormously complex problem.

And I -- from my -- the strategic way to approach this, from my perspective -- Secretary Panetta, Secretary Gates before him, Secretary Clinton, the president, the vice president, SRAP Holbrooke, SRAP Grossman -- terribly talented people for -- and not just our country, for a long time -- I think we need to continue to stay engaged.

And I don't know where the breakthrough's going to take place, but I think we -- I think we can get there, and we need to be there when the -- you know, when the light goes on.

And if we're not, I think it's a very dangerous long-term outcome should we cut it off. So I think we have to be careful about the conditioning, and yet it is an area -- it's a lot of money and there -- this is a two-way street.

SEN. VITTER: Well, let me just end on how I began this line of questioning, which is I think a new approach to Pakistan needs more definition, at least for the American people. Maybe it's been more clearly defined in private discussions with them. I don't know. I think it needs more definition for purposes of our continuing to support any engagement. And I would encourage that, because I don't think it's clearly defined even among members, much less the American people.

Thank you.

SEN. LEVIN: Thank you, Senator Vitter.

Senator Manchin.

SENATOR JOE MANCHIN III (D-WV): Thank you, Mr. Chairman.

And first of all, to Admiral Mullen, again, congratulations on a most successful career. I look forward to your next career of service, because I'm sure it will be something. I don't think that you're ready to retire.

ADM. MULLEN: Oh, yes, I am. (Laughter.)

SEN. MANCHIN: Well, let's just say this part of public service.

And of course, Secretary Panetta, I have the utmost respect, but mostly the confidence. I feel more encouraged and confident with you coming in and this new venture of yours and all your past services. So I look forward to much success.

With that, I do want to make a statement, and I think you all probably have known my feelings about what is going on and how I feel about the engagements we have. But it's my deep belief that we should be rebuilding America, not Afghanistan or Iraq. And today with our nation facing a stagnant economy and a death-spiral of debt, I don't believe that we can have it all, any longer have it all, or pretend that we can. We must choose what as a nation that we can and cannot afford to do. We must make a choice whether we will spend hundreds of billions of dollars to rebuild our nation -- build other nations or our own.

And some may believe that making the choice will weaken our security, and I truly don't believe that. Admiral Mullen, as you have said yourself, 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, and the cost of our inability to maintain and to sustain influence could be great.

This nation cannot in good conscience cut billions in services and programs at home or call on Americans to pay more in taxes in order to fund nation-building in Afghanistan that is estimated to cost \$485 billion just over the next decade. Let there be no mistake, we are at a crossroads in our nation's history, and I think every one of us in Congress and the president and, Secretary, yourself as secretary of defense, we all have choices to make.

I, for one, will not ask Americans to pay to rebuild another nation, and I have simply said I choose to rebuild America. To be clear, I want to share with you just a few of the facts and insights that have helped me formulate my opinion that we must, for the good of our nation and our national security, fundamentally shift from the president's strategy in Afghanistan to a pure mission of counterterrorism. I will be specific for the record.

At a current rate of our deficit spending, CRS projects our

national debt will exceed \$23.1 trillion by 2021. By the next decade, we will spend more on interest on our debt than defense, education and energy combined. At the same time, the Afghan economy is growing at leaps and bounds, while our economy stagnates. And that's only because American tax dollars are funding the Afghan economy.

Preliminary estimates suggest that Afghanistan's GDP growth rate was 20.4 percent in fiscal year 2009 and '10, while United States growth rate GDP was 2.2 percent. Also, in 2011 Afghanistan's growth rate was 8.2 percent, while our -- United States of America's -- growth rate was only 1.6 percent.

This might be worthwhile if we were building a stable and self-sufficient Afghanistan, but instead of building a capacity, the World Bank reports that Afghan imports and exports have declined for the last four years. Domestic revenues funded only 9 percent of Afghanistan's public expenditures from 2006 to 2010. This isn't an economy that can function on its own in any way. It's an economy that is entirely fueled by the American tax dollars.

In the coming days and weeks we will engage in endless partisan fights over whether we -- whether we could and should be investing \$50 billion more to rebuild American transportation infrastructure, funding that I do support. But we could have already paid for that and more with the \$72.7 billion we have already invested to build Afghanistan infrastructure since 2002, not to mention the billions more that we are projected to spend in the years ahead.

We will debate how to pay for the billions needed to modernize American schools, while the Commission on Wartime Contracting estimates that 30 (billion dollars) to \$60 billion has been wasted on corruption in Iraq and Afghanistan. That is money wasted and stolen from the taxpayers that could pay for all the school modernization that the president has proposed and, again, that I support.

And perhaps the greatest insult of all is that in spite of the blood and treasure that we have invested in Afghanistan, we are still not their preferred partner of future economic growth projects. And I'll be specific. In 2007 the state-owned China Metallurgical Group Corporation won a contract to develop the Aynak copper deposits in Lowgar -- in Lowgar province. This deposit may yield up to \$88 billion of copper ore. To my knowledge, China does not have one boot on the ground and has not contributed one penny to security of Afghanistan. Instead, we are directly and indirectly helping China profit while we lose our brave men and women fighting to keep Afghanistan safe.

Secretary Panetta, as I've said, I have great respect for you -- I

truly do -- and for your service, Admiral Mullen. I know that this is a new challenge for you, Secretary Panetta. But I hope that you would take these concerns to heart. I'm truly sincere about what I believe and what I've said, and I've given it great thought. And I've researched the best that I can with all of the different information available to me to come up with the conclusion that I have come up with that we should get out as quickly as we can. Go and fight terrorism anywhere and everywhere it may take us to keep it from the shores of America, and I think the American people will be behind us. But I do not believe that we can win and change the Afghans or the Iraqis or the Pakistanis from what they believe in.

And with that being said, I hope that we really do prevent that from happening here again as it happened in 9/11. And we will support that effort. So with that, I have a statement for you on that, that -- if your people would like to respond to that. And if either one of you would want to, you're more than welcome, and --

SEC. PANETTA: Senator, you know, I've -- you've shared those views with me before, and I understand your concerns. I think all of us, as the admiral has expressed, are concerned about the economic situation in this country and that it is a threat to our national security and that we have to pay attention to it. At the same time, it's important that if we're going to protect this country, protect our economy and protect our people that we also have to be able to respond to those threats to our national security and that it would not -- it would not behoove us to -- you know, to just focus on the economic challenges without focusing on the national security challenges as well. That's our responsibility.

And I think -- you know, the reality is that, you know, from 9/11 -- we just celebrated the 10th anniversary of 9/11. And we were attacked. This country was attacked, and a lot of people died as a result of that attack. And we have a -- we had a responsibility to respond to that. And what we have to do now is to make sure that places like Afghanistan and Pakistan don't become safe havens so that al-Qaida can again plan those kinds of attacks against the United States, particularly with regards to Afghanistan.

So that's the mission here. And you know, I know there are differences as to why we got into it. I know there are differences that are there as to how a lot of this has been conducted. But I also want to tell you that I think -- I think all of the efforts and all of the blood that has been spilled -- that in fact, we have made important progress here, that with regards to terrorism, I think we have seriously weakened al-Qaida and their ability to conduct those same attacks.

I think with regards to Iraq and Afghanistan, we've turned the

corner. We're in the process of beginning to draw down in Iraq; we're -- you know, we're in the process of drawing down, as well, in Afghanistan. And I really do think that, you know, if you look at that, we're on the right path in both places towards, hopefully, having a stable government there in both areas that can both secure and govern themselves.

It's going to take work. It's going to take commitment. I understand there's been waste, I understand, you know, that mistakes have been made. But I also believe that this is a point where the United States has got to stick with it and not just walk away from those responsibilities, largely because the last thing we should do is to say to those families who have lost loved ones that somehow all of this was in vain. The most important thing we can do to pay tribute to those that have lost their lives is to make this right.

SEN. MANCHIN: Sir, I know my time has expired. And I would only say that I support the war on terror wherever it may take us and whatever it costs. I just don't think at the expense of the United States, when we have to let our infrastructure crumble, that we're building their infrastructure, which does not seem to give us much of an advantage with them because they don't seem to appreciate it or respect what we're doing, the sacrifices we're making.

So let's take the war of terror to them anywhere they may go. Let's make sure that we never forget what they have done. And we'll punish and bring justice wherever it may be. Thank you, sir.

ADM. MULLEN: If I could --

SEN. LEVIN: Senator --

ADM. MULLEN: If I could just say, very quickly, I think -- to Secretary Panetta's last point, I think we just have to be very careful and thoughtful about the consequences of how we -- how we come out, how we withdraw, and that against the price that has been paid; and what does that mean for the future, about the health of our force and that sacrifice.

And then lastly, and just briefly, in Iraq, I was there not too long ago -- a month-and-a-half, two months ago -- flying over Baghdad at night. And I had a couple soldiers with me who had fought, lost colleagues, troops that they cared dearly about, in Baghdad. It looked like -- the lights at night, it almost looked like Las Vegas. But more importantly, they saw traffic on the streets. They'd never seen traffic on the streets in Baghdad at night. It is a different place.

When I took this job, this -- we were at -- we were at the height

of the surge discussion and debate then. The despair about where this was going was enormous, with no end in sight. And now, the end is in sight. And there are -- there's potential for 26 million people to lead a better life.

I understand the investment. This isn't about how we got there, why we got there; it's just where we are right now. That's why the responsible movement here over the course of the next year or so -- or whatever it is -- and the strategic partnership, and the opportunity that we have in that part of the world to have a friend, is pretty enormous.

SEN. LEVIN: Thank you, Senator Manchin.

Senator Graham.

SENATOR LINDSEY GRAHAM (R-SC): Thank you, Mr. Chairman.

Admiral Mullen, when you look back on your time in the Pentagon, I hope you feel very satisfied, because it's been a tough tour of duty.

ADM. MULLEN: Yes, sir.

SEN. GRAHAM: You have had a lot -- and we haven't always agreed -- but there's been a lot of social change in the military; there's been a lot of change in the world. And you have been consistent. You have told us what you think, what you think is best for the country, for the military. And that's the best anybody could do. So I am very proud of your service and you -- and I consider you a friend.

ADM. MULLEN: Thank you, sir.

SEN. GRAHAM: To my good friend from West Virginia: I couldn't disagree with you more. (Laughs, laughter.) Let me tell you that if you don't see things different in Iraq, you just haven't been lately.

And to those Iraqis who have fought and died: God bless you. Al-Qaida's the biggest loser in Iraq. Would you agree with that, Secretary Panetta?

SEC. PANETTA: Absolutely.

SEN. GRAHAM: They came to Anbar and they tried to take over, and the Iraqi people said: No, thank you. And with our help, al-Qaida was delivered a punishing blow in Iraq. Do you agree with that?

SEC. PANETTA: Yes.

SEN. GRAHAM: Now, you're the guy that said: We need to go into

Pakistan and get bin Laden. God bless you. That was a hard decision by the president, and he took your advice and he made a calculated risk. Well done, Mr. President. Going in on the ground was the most risky option, but the highest payoff -- and well done.

To be secure, don't we have to do more than just kill terrorists in the war on terror?

SEC. PANETTA: That's right.

SEN. GRAHAM: All right. So here's my construct. It's great to kill bin Laden, because that deters other people from wanting to be bin Laden, if they can be deterred. But the best thing I think we could do as a nation, Admiral Mullen, is to provide will -- capacity to will.

If there is a country out there who says, you know, I see al-Qaida just like you do, and I don't like the Taliban any more than you do; I'm willing to fight them, with your help, isn't it in our national security interest to help them?

ADM. MULLEN: Yes, sir, in terms of certainly the counterterrorism

--

SEN. GRAHAM: There will be 352,000 Afghans under arms by the end of the year. Is that correct?

ADM. MULLEN: That's correct.

SEN. GRAHAM: And our job --

ADM. MULLEN: By the end of next year.

SEN. GRAHAM: Excuse me. Over the end of next year. So that makes me feel good as an American, knowing that those 352,000 will take the fight to the Taliban, because -- talk about infrastructure crumbling here at home -- the World Trade Center crumbled. And that infrastructure crumbled because of -- a place called Afghanistan provided sanctuary to al-Qaida, and they executed the whole attack for less than a million dollars.

Do you agree with me, Secretary Panetta, that if things continue to go like they're going in Afghanistan, the likelihood of Afghanistan ever becoming a safe haven for terrorists to attack this country is very remote?

SEC. PANETTA: That's correct. The whole -- the whole point is to -- for them to achieve sufficient stability so that never happens again.

SEN. GRAHAM: And simply put, isn't it better to fight them in their backyard with the help of people who live in their backyard than having to do it all from home?

SEC. PANETTA: Yes.

SEN. GRAHAM: All right. So those who've served in Afghanistan and Iraq -- you are changing the world. And it is costly. It takes more time. It's more labor-intensive to build will to -- capacity to will than it is to kill a single individual.

Drone attacks are part of a strategy, but the ultimate blow to this ideological movement called the war on terror is to have the good people over there fight back and win. And you know what? They want to fight back.

ADM. MULLEN: Right.

SEN. GRAHAM: With our help, they'll win. So that's my two cents' worth.

Back here at home you're trying, Secretary Panetta, to go through the defense budget and over the next decade take out a substantial amount of money because we're broke as a nation. Right?

SEC. PANETTA: That's what they --

SEN. GRAHAM: It's painful, isn't --

SEC. PANETTA: -- that's what they tell me. (Laughs.)

SEN. GRAHAM: It's painful.

SEC. PANETTA: It is.

SEN. GRAHAM: (Inaudible.) You do it with a smile on your face, but you got to -- and I want to help, because the defense budget should be on table. Nothing is sacrosanct. The senator from West Virginia is right; we're broke. But you don't become wealthy by allowing your enemies to grow in strength and come back and get you the second time.

So we're going to put the defense budget under scrutiny. And whether it's 400 billion (dollars), 350 billion (dollars), 450 billion (dollars), it's going to be substantial over the next decade.

Triggers in the debt ceiling bill -- are you familiar with them?

SEC. PANETTA: Yes.

SEN. GRAHAM: As I understand this legislation, if this supercommittee can't find the 1.4 trillion (dollars) they're charged with finding in terms of savings over the next decade, there will be a trigger pulled to achieve that savings, and \$600 billion will come out of the Defense Department. Is that correct?

SEC. PANETTA: Roughly, in that area --

SEN. GRAHAM: On top of what you're trying to do.

SEC. PANETTA: That's right.

SEN. GRAHAM: If we pull that trigger, would we be shooting ourselves in the foot?

SEC. PANETTA: We'd be shooting ourselves in the head. (Laughter.)

SEN. GRAHAM: That's why I like you. It would be the dumbest thing -- do you know why Congress would do such a dumb thing? You don't have to answer that.

SEC. PANETTA: (Laughs.)

SEN. GRAHAM: I don't know either. That's the dumbest construct in the entire world. To try to find \$600 billion in savings is to put the Defense Department at risk, destroy the finest military in the history of the world, and I am disappointed in my Republican Party for allowing that to be part of the puzzle.

Now let's go to Iraq. You're not going to tell me the number. I understand why you're not going to tell me the number. But we're going to talk about Iraq in terms of our strategic interest. On a scale of 1 to 10, how important is it that Iraq end well, in terms of our national security interest?

SEC. PANETTA: (Chuckles.) It's certainly 8 and above.

SEN. GRAHAM: OK. So let's look at it in terms of 8 and above. The resourcing for a(n) 8 and above situation should be robust but reasonable. When General Odierno says that we don't want a -- too large a force, I agree. The Iraqis want to take over, but they need our help.

If you looked at the Kurdish-Arab dispute as a potential failure point in the future of Iraq, where fighting could break out, Admiral Mullen, how would you rate that as a risk?

ADM. MULLEN: High.

SEN. GRAHAM: OK. If you look at the construct that you've come up with, where you have a peshmerga, Afghan security force and American soldier forming a new brigade or company, that construct is paying dividends, isn't it?

ADM. MULLEN: Yes, sir, it has.

SEN. GRAHAM: They call it the "lion's brigade." So what I would ask you to do when you sit down and look at the number of troops, to make sure that that fault line does not crack, because we've got a plan to integrate the peshmerga, the Afghan -- Iraqi security forces. And we're the referee. Over time, we're going to build a transition force that will be more stable.

You said something: Capacity and capability is as important as numbers. I agree with that, but there's a time in military engagements where numbers do matter. We're at the point now where capability matters. So my point about 3,000 -- and I know that's not the number -- intelligence gathering: What ability do the Iraqis have to gather intelligence on their own, compared to us?

ADM. MULLEN: I would describe that as one of the gap areas that, you know, they clearly need to work on. It's not none, but it's an area that they certainly --

SEN. GRAHAM: But they don't have close to what we have. And if you want to keep Iran at bay, the more we know about what Iran's doing, the better off the Iraqis are. (Is that correct ?)?

ADM. MULLEN: Sir, but Senator Graham, I don't think we should make them us either. They -- yes, they need to improve. But it's not --

SEN. GRAHAM: But we have a national security interest still in Iraq, right? So it's in our national security interest to know what's going on inside that country. So when you look at the fault line of the Kurd-Arab dispute, you look at intelligence-gathering capabilities they don't have, and when you look at training their air force, training their army and having a force-protection plan for our diplomats, the numbers begin to add up. And all I'm saying is that, would you feel comfortable with a member of your family serving in a follow-on force of 3,000?

ADM. MULLEN: I would -- I have confidence that whatever -- if -- assuming there is a number, that force protection will be -- will be -- that our force protection will meet the needs of whoever might be there.

SEN. GRAHAM: One last --

ADM. MULLEN: So in that regard, yes.

SEN. GRAHAM: OK. One last question and then my time's expired.

Secretary Panetta, we've come up in the foreign operations markup with some conditions and benchmarks on Pakistan. I want to provide it to you. And you -- would you write me a letter and see if you think we're on the right track?

SEC. PANETTA: Sure.

SEN. GRAHAM: Simply put, you have informed the Pakistanis enough is enough. I believe we can't trust them or abandon them. Do you agree with that simple statement?

SEC. PANETTA: That's where we are.

SEN. GRAHAM: You can't trust them but you can't abandon them. But would you agree with me, if something doesn't change in Pakistan substantially, that we're on a collision course with Pakistan?

SEC. PANETTA: It has to change. We can't -- we can't continue the situation that's there now.

SEN. GRAHAM: Thank you both for your service.

SEN. SHAHEEN: Thank you all very much, Secretary Panetta, Admiral Mullen, for being here this morning and for your endurance. Hopefully, this is the end.

I want to echo all of my colleagues, Admiral Mullen, in expressing my deep appreciation for your leadership and for your service to the country. Thank you.

I would like to pick up from where Senator Graham ended on Pakistan. Because as you both pointed out in your comments, what happens in Pakistan has a great deal to do with what happens in Afghanistan. And I had the opportunity to accompany Chairman Levin to Afghanistan in August. Senator Merkley was with us as well. And one of the things that we heard from our military leaders when we were there was the growing influence of the Haqqani Network and the impact that they were having because of not only their own operations but because of their support for the Taliban and other terrorist groups not only in Afghanistan but inside Pakistan itself. So my question, Admiral Mullen, is first to you, and that is: Do you think that General Kayani, the Pakistani leadership recognizes that the threat -- the threat the Haqqanis present not only to Afghanistan and to our forces there but also to their own internal security and to their own military?

ADM. MULLEN: I think you said something very important, Senator -- and I think the secretary would agree with this -- which is what we've seen over the course of the last several years is the -- is the coming together of many of these terrorist organizations in ways that -- I mean, years ago, they didn't like each other much at all. But we see more and more of that, including recently the attacks -- the attack on our embassy.

And that's worrisome.

The -- with respect to the future, it's very clear the toughest fight is going to be in the east, and the Haqqani network is embedded in Pakistan essentially across from hosts Paktia and Paktika, which, as General Petraeus said, is sort of the "jet stream to Kabul." And they want to own that. That's really their goal. But they're also -- they also have, because of the relationships with other organizations -- TTP would be one; al-Qaida would be another -- there is also an internal threat that Pakistan is trying to deal with. And in fact, they've sacrificed greatly, lost lots of soldiers, lost lots of citizens.

And that is a priority for General Kayani and his leadership. He has about 150,000 troops deployed in the west. He can't sustain that. I mean, he can't rotate them. And they don't get to -- they -- not many of them have been able to rotate out over the last several years. So I think we need to recognize that there's been plenty of sacrifice there. Haqqani -- that group is a tough group, and they have not been willing to take them on militarily. There's concern about the ability to do that. That's why this emphasis, I think, is so important. And in the end it's going to be the strategic leadership of the Haqqani network, not the troops on the ground for the Haqqanis, that can effect this change.

So I think the risk there is very high. Over the course of the next couple of years I think the biggest fight is going to be in the east, enabled certainly by us, but also Afghan security forces and coalition forces, more than anyplace else. The south I'm not going to say is not problematic, but we're in a much better place in Kandahar and Helmand than we were a couple years ago. It's going to be the east, I think, that in the end answers this from a security standpoint. And Haqqani is at the heart of that.

We haven't talked about Quetta today. We haven't talked about Mullah Omar and the Taliban. They haven't gone away. And that needs -- that's a part of this, which also we need to work with the Pakistanis to help address. And we do get some cooperation there as well. So it's a mixed bag in terms of their overall support. In ways, as the secretary said, they've helped. In other ways, they haven't.

SEN. SHAHEEN: Thank you. I was not aware until we had our meetings in Pakistan of the extent to which they still had troops fighting the terrorists within Pakistan and the amount of casualties, both civilian and within their military, that they've already endured. So I think it is important to point that out. We also visited RC East while we were there. And are you confident that we have enough troops and we have a strategy on the ground there that can address the growing influence of the Haqqanis and that path or trail that goes back and forth between Pakistan and Afghanistan in that region?

ADM. MULLEN: I think -- I mean, one of the things that General Petraeus did while he was there was sort of set up this layered defense. And it's a much tougher spot -- tougher fight for the Haqqanis than it was a couple of years ago. We have a new commander -- and I think, actually, it's important -- we didn't talk about this today -- a new team there with Ambassador Crocker as well as General Allen. And it's an exceptionally strong team. And I'm actually -- I look for a positive outcome because of that team, and a positive trend.

General Allen is looking at how to, first of all, finish this fighting season, if you will, and then, based on the results, most of us expect he's going to have to redistribute some forces in the east from the south for next year. The specifics of that I think he's still working his way through. So in that regard, my expectation is that there will be some net increase in the east not coming from outside the country but from inside the country as things have gotten better in the south and he looks to a tougher fight in the east in the next couple of years.

SEN. SHAHEEN: I appreciate your mentioning the new team there. They were very impressive.

SEC. PANETTA: Yeah, they really are.

SEN. SHAHEEN: I think both of you also mentioned the confluence of India and their impact in the region. And one of the things that we heard from the leadership in Pakistan was their efforts to -- or their overtures to try and reduce tensions with India. How much of that do you think is real and has the potential to have a real impact, and how much of it is show and not going to have any real impact?

SEC. PANETTA: I think -- you know, I think it is real. I think they are making an effort at trying to see if they can find a way to resolve the issues between Pakistan and India. And, you know, I -- they've made efforts at that. I think what has to happen is that they really do have to make this a higher priority. They've got to really focus on this.

This is -- you know, I think in terms of the security of Pakistan, that, you know, if they could find a way to resolve their differences with India, that country would be a different country. But to do that, to achieve that, I really do think that they have to put a large -- a much larger effort into trying to resolve those differences with India. They can't -- you can't meet one day and then, you know, wait a long time, and then come together and then, you know -- it's got to be constant. And that's something that they're not doing right now.

SEN. SHAHEEN: And my time has expired, but just a final follow-on: How receptive do you think India is to those kinds of overtures?

SEC. PANETTA: Well, you know, I mean, India has in some ways resisted engaging as well. And I think -- I mean, I think both sides need to kind of roll up their sleeves and get to work on this. It's tough. It's tough politically in both areas. But in the end, we are never going to achieve stability in that region until the issues between Pakistan and India are resolved.

SEN. SHAHEEN: Thank you both very much. At this time, we'll close the hearing.

SEC. PANETTA: Thank you.

END.

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