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TRANSFORMING THE FEDERAL GOVERNMENT TO PROTECT AMERICA FROM TERRORISM

HEARING

BEFORE THE

SELECT COMMITTEE ON HOMELAND SECURITY HOUSE OF REPRESENTATIVES

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TRANSFORMING THE FEDERAL GOVERNMENT TO PROTECT AMERICA FROM TERRORISM

THURSDAY, JULY 11, 2002

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON HOMELAND SECURITY,
Washington, DC.

The select committee met, pursuant to call, at 10:05 a.m., in room 345, Cannon House Office Building, Hon. Richard K. Armey, chairman of the select committee, presiding.

Members present: Representatives Armey, DeLay, Watts, Pryce, Portman, Pelosi, Frost, Menendez, and DeLauro.

Chairman ARMEY. This meeting of the Select Committee on Homeland Security will come to order. The Chair will recognize himself for a unanimous consent request. Without objection and pursuant to clause 2(h)(ii) of rule 11 of the Rules of the House, the number of members that constitute a quorum for the purpose of taking testimony before the Select Committee shall be not less than two with a member each from both the Majority and the Minority. Is there any objection?

Ms. PELOSI. No objection.

Chairman ARMEY. No objection is heard. So ordered. That ends the business portion of our meeting.

The Select Committee is meeting today to hear testimony on transforming the Federal Government to protect America from terrorism. Given the time constraints of our witnesses, the Chair would ask members, other than myself and Ms. Pelosi, to forego opening statements at this time so we can hear from our witnesses and proceed to questions. Without objection, all members' opening statements will be made a part of the record.

The Chair now recognizes himself for a brief opening statement. Let me begin by thanking you, Secretary Powell, Secretary O'Neill, Secretary Rumsfeld, and General Ashcroft for taking time to be with us today. It is not often that we see the four most senior Cabinet officials to form such a distinguished panel. Each has gone beyond the call of duty in doing what is necessary to be able to speak with us today. Secretary Rumsfeld, for example, has come despite his need to recover from his recent surgery. Secretary O'Neill, in addition, has delayed his departure on a very important Mideast trip on business for this country. This testifies to the importance of what we are doing here.

The President asked no less of us than to embark on the most significant transformation of government in half a century. Consolidating hundreds of agencies, services and teams is not a task to be taken lightly. We are being told to take a road that is long and dif-

ficult. It is also one filled with a number of significant risks. If we are to take this path, it is essential that we understand why it is necessary to do so. We must start with the precise understanding of why an enormous transformation of our government is required.

The world has indeed changed. It is a much different place than it was in 1947 when the last transformation of government took place. It is a far different place than it was a mere 10 months ago. Our place on the world stage will never be the same.

What will it take to defend freedom under such circumstances? As the greatest, most free nation the world has ever known, how do we protect our citizens and our culture from the forces that hate us? Do we lock up the doors and bar the windows? Are we perhaps in danger of sacrificing our liberty in the name of security? These are just some of the questions we will be compelled to address.

But our purpose today is not to answer every question or to solve every problem. We must begin at the beginning. We must understand the need for action as well as the price of inaction. Right now our standing committees are finalizing their work on the details of the President's proposal. It would be more appropriate for this committee to address the exact details of this legislation after they have finished their work. Next week we will ask other administration officials to explain why they believe the President's plan is the right plan for the challenges we face.

So this morning, let us focus on the problem rather than the solution. We are fortunate today to have a panel that is better qualified than any others to begin this discussion. They will tell us the serious threat the American people face today. They will offer their firsthand knowledge on the face of terrorism and how the world has changed. They will explain the challenges the enemies of freedom present to our society, and they will tell us whether these threats are enduring.

We welcome our distinguished guests to this committee. I know all of you agree that our strength is in the people and in the caring we have for one another. Our strength is in our communities and our ability to pull together. Because we share such an important mission, let us embody these great American strengths in our work here today and in the coming weeks.

Thank you.

The Chair now yields back the balance of my time, and I recognize the gentlelady from California, the Select Committee's ranking member, for an opening statement that she might have. Ms. Pelosi.

Ms. PELOSI. Thank you very much, Mr. Chairman. I join you in welcoming our very distinguished panel today, Secretary Powell, Secretary O'Neill, Secretary Rumsfeld, and Attorney General Ashcroft. And as you said, their presence here in aggregate speaks to the enormous responsibility that we all have as we proceed in helping to make America a safer place. I join you in welcoming them, and I would like to commend our colleagues on both sides of the aisle on this panel for their leadership on this most critical issue facing our Nation today: protecting the American people as we protect our Constitution.

On my side are Representatives Frost, Menendez, and DeLauro, with whom I am honored to serve on the Select Committee, and have great expertise and experience in national security matters as

well as the mechanics and functioning of the Federal Government agencies. Congressman Frost has been ranking member of the Rules Committee. Bob Menendez has chaired our Homeland Security Task Force, and Congresswoman DeLauro has served for years on the Appropriations Committee.

As ranking Democrat on the House Select Committee on Intelligence, I am very aware, sadly, of the nature of the threat we face. We are all united in our determination to win the war against terrorism. We all agree that this battle will be won, and that we will succeed by working together.

Ten months ago, we were attacked here at home. We have a responsibility to the families of the survivors, indeed to every person in this country, to reduce the risk of future attacks. That is why when we began the joint inquiry into the September 11 attacks, we began with a moment of silence. That was an appropriate beginning for our other inquiries, of which this is one. I think that moment of silence carries forth to us today. Families of those affected by 9/11 talk of their continuing reaction to events that used to not be of great concern to them. Some feel fear with merely a plane flying overhead. Imagine how those families felt with the shooting at Los Angeles Airport last week.

So every time an act of terrorism, whether it is defined that way or not, a violent act associated with an airport or, something like that occurs, these families have deepened pain. And of course we mourn for the families of those affected by the L.A. tragedy.

Our government's most important responsibility is to protect and defend our people. Part of that protection, of course, is the protection of their civil liberties. Any proposal must be measured against the simple test: Do the actions we take make the American people safer and do they maintain our freedom?

The President's proposal to reorganize the government has stimulated a healthy discussion about how our government should be organized best to achieve that goal. We need a Department of Homeland Security, based on a model for the future. I take hope in our meetings with the President. He has been receptive to congressional input on his proposal.

I am especially pleased, Mr. Chairman, Chairman Armey, with your statement that you will be respectful of members' concerns and that you are not bound chapter and verse to the details of the President's proposal.

The Department must be streamlined. It must be agile and able to take advantage of the technological revolution to improve communications between and among those who have access to information and those who need it. Rather than creating a massive new Federal bureaucracy, we must first support our first responders at the State and local levels with training, resources, equipment, and information, and the Federal Department that matches that.

You know, in real estate, they always say the three most important issues are location, location, location. Well, in this case, the three most important issues are localities, localities, localities. For homeland security, helping our State and municipal governments must be where our emphasis lies and where our ideas spring from. That is where the threat is, the need, and the opportunity.

Successful government agencies have several things in common. They have a clear mission, and they are provided the tools and a budget sufficient and targeted to meet that mission.

There are still some unanswered questions about the President's proposal. We eagerly await the homeland security strategy that Governor Ridge's office has been working on for months, and hopefully we will see that before we finish writing this bill.

Costs. Two days ago, the CBO released its official estimate of the cost of the proposal. Just moving departments would cost about $3 billion, and that is without any technological additions to the move. That $3 billion doesn't, as I said, does not bring the Department up to date technologically. Without the new technology, we cannot really succeed.

And the good governance issues are ones that we must take very seriously. Civil service laws protecting against political favoritism would be waived, as I read the bill. Whistleblower protections would be waived. Open and competitive bidding laws would be waived. Government sunshine laws such as the Freedom of Information Act would be waived. I hope that is not part of our final product. Does national security really demand creating a second-class group of government employees? I don't think so, and I think that most Members of Congress share that view.

These questions are only a few of the important ones facing us as we move forward with creating a new Department of Homeland Security. We are the greatest country that ever existed on the face of the Earth. We can and we must do things in a better way.

Last week, on the Fourth of July, we celebrated, and we proved to terrorists that they cannot frighten us. You know, Mr. Chairman, that the main goal of terrorists is to instill fear, to have countries change the way they live their lives and how they regard freedom. We are the land of the free and the home of the brave. The American people demonstrated that last week when they turned out to celebrate the Fourth of July en masse. We can and do things in a way that respects our people, protects our founding principles, and protects and defends our communities.

I look forward to the testimony of our very distinguished witnesses today and thank you, Mr. Chairman. And I yield back the balance of my time.

Chairman ARMEY. Thank you, Ms. Pelosi.

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF THE HONORABLE TOM DELAY

We need to move forward by passing a bill that's going to provide the president the tools he needs to secure our homeland. Our current domestic security structure is clearly inadequate to meet the demands of an age in which the primary threats to the United States have shifted. While the threat of a conventional clash with a foreign power has diminished, new threats have surfaced. We now must grapple with asymmetrical warfare directed by rogue regimes and the related dangers posed by the proliferation of weapons of mass destruction and terrorist organizations with global reach.

What America needs today is an overhauled, comprehensive agency that is engineered to accommodate the serious dangers unique to our time. We need to move beyond the bifurcated, scattered and dysfunctional dispersion of domestic security responsibility. We need to apply our ingenuity and experience to craft a combined agency whose employees will arrive at work each morning with a solitary defining mission: Protecting the people, resources, and institutions of the United States.

To be organized effectively and function efficiently, the Homeland Security Department must be consolidated, flexible, and readily accountable to its Secretary. We simply cannot afford to invest this new department with the ponderous inefficiency that hobbles much of the federal bureaucracy. The safety and security of the United States is reason enough to design a Homeland Security Department that is responsive, adaptable, innovative, and aggressively focused on a single defining mission.

For a host of reasons, the process of combining the respective components of the federal government into a combined entity will be difficult and contentious. But we can't allow our security to be sidetracked to preserve political fiefdoms or compromised by parochial concerns—there's simply too much at stake. Although this process will be grueling we often find that our most difficult assignments produce the work from which we draw the greatest pride and satisfaction. And, if it is successful in preempting a catastrophic attack, the creation of this new Department may eventually be seen as the most important step taken by Congress in many decades.

The Bush administration has introduced a plan that creates a new Department of Homeland Security that would have over 170,000 employees and would oversee the country's borders, aviation security and defense against bioterrorism among other responsibilities. Today is the first hearing of the Select Committee on Homeland security.

PREPARED STATEMENT OF THE HONORABLE MARTIN FROST

Thank you, M. Chairman. Since we have just a limited amount of time today, and since all of us want to give our witnesses a full opportunity to testify about the specifics of this proposed new department, I ask that the rest of this statement be inserted into the record.

The security of the American people—at home as well as abroad—is a bipartisan priority for this Congress. Democrats have been working to make homeland security a cabinet-level priority since soon after September 11th.

So we are eager to work with the Administration to create as quickly as possible a new federal Department of Homeland Security to provide a smarter, leaner and more effective means of protecting the public. There are a few keys to accomplishing this goal—good faith, honest collaboration, and, ultimately, an open, bipartisan process on the House Floor. If we follow that path, then I am confident we will succeed for the American people.

Now, I am sure that each of you is quite busy these days so I don't want to waste your time here today re-ploughing ground that has already been well covered over the past 9 months.

Everyone—around the country as well as in this room—understands how radically the world has changed. September 11th—and the death of some 3,000 innocent Americans—taught us all that in a way Congressional testimony never could have.

In the wake of that terrible attack, a new national unity emerged. The people of this nation have pulled together to meet the first great challenge of the 21st century. Across the globe in Afghanistan, the men and women of the United States Armed Forces have proved their courage and skill on the battlefield once again. Here in Washington, Democrats and Republicans have put aside partisanship to support the war on terrorism.

And now that President Bush and Republican Congressional leaders have ended their eight months of opposition to the idea, there is overwhelming support for the idea of making homeland security a cabinet-level priority.

So now, with nearly universal agreement as to what we need to do, and a clear understanding of why we need to do it, there is only one really relevant question at this point: How can it be done best to ensure the American people that their government is doing all it can to keep them safe?

The initial work of answering that question—and of improving the President's bill—is taking place in other hearing rooms around the Capitol as we speak. And next week, this Select Committee is scheduled to turn their efforts into a single bill.

Based on the Speaker's assurances to the Democratic Leader, we expect that bill be considered under an open rule—allowing all Members to have amendments fairly considered on the House Floor. That is how we created the Department of Education in 1979—under an open rule, over four days of amendments—and I believe it is a critical element to this process. Ultimately, the new Department of Homeland Security—if it is to be successful—must be the bipartisan, collaborative product of the entire House of Representatives.

Therefore, I would invite each of the witness to use this opportunity to help the House address some of the specific steps the House can take to ensure the new De-

partment of Homeland Security is as smart, as lean and as effective as the people of this great nation deserve.

PREPARED STATEMENT OF THE HONORABLE J.C. WATTS, JR.

The select committee has begun listening to all parties and points of view as we discuss the proposed Department of Homeland Security. The need for a centralized agency is certainly great. The House will continue to hear from cabinet secretaries, administration officials, committee chairmen and ranking members as we prepare to debate legislation authorizing the president's request.

During my first year serving in the House, the Oklahoma City bombing occurred in my home state. During my last term in Congress, the events of September 11th have forever changed the world. The need for a heightened level of security in America has never been greater.

Majority Leader Armey is to be commended for his leadership on homeland security as he chairs this important committee.

Good government means securing all Americans. It is important to note that a comprehensive, organized plan of action taken by local governments to prevent and respond to terrorism will also help them better prepare for emergencies such as floods, earthquakes and fires.

I hope the example set by the legislative and executive branches of the federal government will serve as a model for local communities around the country. Working with the private sector, all levels of government must make securing the homeland their number one priority.

PREPARED STATEMENT OF THE HONORABLE ROBERT MENENDEZ

America has never been so powerful. The world has never witnessed a nation so powerful. Our culture, our government, our commerce, our ideals, our humanity—virtually everything we do and all that we stand for—has a global reach that is unprecedented in the history of civilization.

Yet, America has never been so vulnerable as it was on September 11th. Winston Churchill once said, "You can always rely on America to do the right thing. Once it has exhausted the alternatives."

Let me suggest to the distinguished cabinet secretaries before us, and to my colleagues, that the gravity of the challenges we face in the wake of September 11th impels us to prove Churchill wrong on his latter sentiment. We must get this right the first time.

America now faces the awesome responsibility to protect her people from terrorism.

This hearing and the legislation before the Select Committee are about how we exercise that responsibility; how we prevent, prepare for and respond to the threat of terrorism to our states, urban areas and rural communities; how we organize ourselves as Federal, State and local governments, along with the private sector, to protect the American people from terrorism; how we preserve the rights of the people enshrined in the Constitution in the process of providing that protection; how we respect the rights and the dignity of the legal immigrants and permanent residents who have helped make this nation what it is; in short, how we secure the homeland while preserving our most cherished freedoms as Americans.

How we project American power abroad determines our success as a global power, with all that entails, and defines us in the eyes of others. How we redefine the way we project American power domestically is an entirely different matter, and has profound implications for our culture and our people.

If we are going to get this right the first time, then we better lay down a firm foundation. If we don't, we cannot expect to construct a very sturdy structure will be built on top of that.

Merely moving numerous agencies under a larger department, as is proposed in this reorganization bill, cannot and will not, be a policy panacea. It is but an implementation tool—an implementation tool that would execute a strategy, which in itself should derive from a threat assessment.

Ten months after 9/11, we have before us a reorganization bill, but we do not yet have a coherent strategy for homeland security, and we do not have a comprehensive threat assessment. The improved coordination and data sharing this bill seeks must begin with a threat assessment, followed by a strategy and plans to implement that strategy. That strategy should outline specific priorities along with a budget that would allocate the resources necessary to implement it. These are not proposed embellishments; they are basic requirements.

The new threat warning system, the realignment of FBI agent duties to fighting terrorism, and establishment of a new military Northern Command may all prove

to be advisable in the fight against terrorism, but these actions have appeared to be improvised and disjointed outside the context of an underlying strategy. I would be interested in learning from our witnesses where is the strategy Congress was promised would be delivered in July.

Second, this is about people. It's about protecting our friends and neighbors, mother and fathers, brothers and sisters in America's big cities, small towns, and rural communities. It's about doing right by the civil service professionals that would comprise the rank-and-file of the new agency. It's about ensuring that the first responders who are on the front lines in all of our districts have all the resources and training they need. The American people are the stakeholders here. They need to be involved, they need the resources, and they need to be listened to—and their rights must be protected.

Yes, American life has changed after September 11th—but American values have not, and must not. We continue to value liberty and freedom and justice and fairness.

Third, the central and most glaring problem—even crisis, considering the consequences—with government performance during 9/11 was a breakdown of coordination and information-sharing among government agencies. It simply will not do to lay that entire responsibility at the hands of the Joint Intelligence panel. Any new Department of Homeland Security must include mechanisms that ensure the necessary coordination and information sharing occurs among government agencies, states, localities and the private sector.

What we do in this Committee and in this Congress is critical, but what happens after we pass our new laws may be even more important. Just consider what has happened with our airline security measures: We keep hearing excuse after excuse about why we can't get the explosive detection systems we need in the time-frame the law requires. What we pass here is part of the job, but we need to demand that the will of the people—the people's top priority, keeping their families and our nation safe—is carried out effectively. We need to demand a can-do attitude in our government, and—yes—in our private sector. A nation that can put a man on the moon and lead the information age can surely figure out a way to get the detection technology we need in our airports. The same goes for this new agency.

As a Congress, we need to speak with one voice that excuses and delays will not be tolerated.

I have concerns about moving the TSA over to a new Department before it has completed even this primary task. Integration is important; but it must not distract an agency like the TSA from its mission to protect the people in the near-term. That is but one example among many.

If it means we have to invest more resources to do so, than we should do it. If we need more human talent and better management, we need to get it.

The terrorists may think they've won some sort of victory—in fact, they have only assured their own destruction because we will not rest until the evil of terrorism is eliminated the face of the Earth. The key is how that happens.

PREPARED STATEMENT OF THE HONORABLE DEBORAH PRYCE

Today, exactly 10 months after the tragic events of September 11, this committee takes the first step in accomplishing the important task given to us by the President—to create a Department of Homeland Security. As the committees of jurisdiction in the House complete their work today on the President's proposal, we meet to learn from our honored guests about the nature of the threat facing our nation, and the need for this fundamental government reorganization.

Our nation faces what, in many ways, is the most unique and deadly enemy that we have faced in our history. This enemy is faceless, hiding in shadows and crossing international borders with ease, even penetrating into our own country. The enemy not only threatens our security, it steals from the American people their sense of safety and confidence. Creating this new Department will go a long way to both ensuring our security and restoring the faith and confidence of the American people.

Our government was last reorganized on this scale in order to respond to a changing global environment following World War II. At that time, the National Security Act resulted in the foundation for what is our modern Department of Defense. Once again, we face a new global picture, and the new threat requires a unique response and a new way of thinking. We must refocus our government and enable it to match the agility of our enemy.

In the days following September 11, we, as a nation, pledged not to let these times be remembered solely for our sadness and anger. We knew that these times must be marked by our national resolve. The American people have shown great resolve in pulling together to overcome this vicious attempt to break our national spirit.

The government has also shown resolve in going to extraordinary lengths to respond to the terrorist threat. But as these efforts reach the limits of their bureaucracies, it is up to Congress to take up the President's call to rethink our government structure and bring together the vital preparedness, intelligence analysis, law enforcement, and emergency response functions that are currently dispersed among numerous departments and agencies. As the President pointed out in his message transmitting his proposal to Congress, our Nation is stronger and better prepared today than it was on September 11. Yet, we can do better.

I want to thank President Bush and our distinguished witnesses for their leadership in fighting the war on terrorism. I look forward to working with my colleagues on this bipartisan committee as we conduct additional important hearings next week. We are moving quickly and deliberately to create the Department of Homeland Security.

PREPARED STATEMENT OF THE HONORABLE ROSA DELAURO

I want to thank Secretary Rumsfeld, Secretary Powell, Secretary O'Neill, and Attorney General Ashcroft for taking the time to testify before our committee today.

Since the attacks on September 11th, Congress and the President have come together to ensure our security. Reflecting our nation's renewed unity, we have committed to do what is necessary to win the war on terrorism. And now we are prepared to do what is necessary for our homeland defense. We have no more solemn responsibility under this Constitution.

In that pursuit, we already enacted legislation to make our airlines safer, to strengthen law enforcement and intelligence capabilities, and to strengthen our response to bioterrorist attacks.

I look forward to building on that record as we create the new Department of Homeland Security to ensure the safety of our citizens.

Many of us have been calling for the creation of a Cabinet level department to oversee these efforts for months, and I am pleased that the Administration has responded by offering this proposal. Obviously, we have a lot of work to accomplish in a short amount of time, but we want to do this right the first time. I fully support the creation of this department, but there are a number of issues that I believe we need to address, including:

- How will the new Department take up responsibilities that are critically important, but do not relate to homeland security—such as functions of the Coast Guard, the INS, and FEMA?
- How will the Department effectively coordinate 153 agencies, departments, and offices involved with homeland security? In fact that number will actually increase to 160.
- How will we ensure that the Department is able to prepare for future bioterrorist attacks, without disrupting the world class research and public health programs already in existence at the National Institutes of Health and the Centers for Disease Control?
- How will we ensure a smooth transition from the current organization to the new organization, without disrupting the ongoing war on terrorism or harming any of the non-security functions of agencies like the INS?
- How do we ensure that this department will operate effectively and efficiently and not become a bureaucratic obstacle to homeland security?

I pose these questions precisely because we stand firmly with the President and the Administration on ensuring security. We face enemies who leave us no room for error, and we owe the American people nothing less.

PREPARED STATEMENT OF THE HONORABLE ROB PORTMAN

Last September 11, the terrorists who struck our homeland killed more civilians than did all our previous foreign enemies combined. The threats facing America today are different from the ones we faced during the arms build-up of the Cold War. We must learn how to make government effective in stopping terrorism before it strikes. This requires agility on our side, something we have not usually associated with large government agencies—at least until now.

Last month, President Bush presented Congress with a visionary plan to create a new Department of Homeland Security. With over 100 federal agencies currently sharing responsibility for homeland security, the creation of such a department is clearly necessary. However, combining these different agencies and their roles in a way that matches the agility of our enemies will not be an easy task. It will require extraordinary cooperation among all those departments and agencies. It will require cooperation among the various committees in Congress that oversee these federal

agencies. And perhaps most importantly, it will require cooperation between the Administration and Congress.

Today's hearing is an example of this cooperation. I appreciate Secretary of State Powell, Secretary of Defense Rumsfeld, Secretary of the Treasury Paul O'Neill and Attorney General Ashcroft sharing their testimony with the Select Committee on Homeland Security. Their joint appearance is historic. Their insights will be incredibly valuable.

This new Department will not make us immune from terrorism, but it will make us safer. This committee—and this Congress—face a difficult task in the coming weeks, but our goal couldn't be more important. Keeping Americans safe from foreign threats is the most important responsibility of our federal government, and the creation of this new Department will help us carry out that responsibility.

Chairman ARMEY. Gentlemen, without objection, we will put your written statements in the record and give you an opportunity to summarize your testimony before us. Also, I would like to ask the indulgence of all our witnesses so we can depart slightly from protocol. The Chair would like to recognize Secretary Rumsfeld first, to allow him to deliver his statement and return to the very serious business of his recovery, and the Deputy Secretary would then take his place to answer members' questions. Secretary Rumsfeld, you are now recognized for any statements you might wish to make.

STATEMENT OF THE HONORABLE DONALD H. RUMSFELD, SECRETARY OF DEFENSE

Secretary RUMSFELD. Thank you very, much Mr. Chairman, members of the committee, good morning. I do appreciate this opportunity to make a brief statement on President Bush's proposal to create the Department of Homeland Security.

In announcing the proposal, the President properly highlighted the need for unified structure. He noted that today some 100 Federal entities are charged with responsibilities having to do with homeland security. As he put it, history teaches us that critical security challenges require clear lines of responsibilities and the unified effort of the U.S. Government. Those new challenges, he said, require new organizational structures.

Interestingly, it was just such a challenge in 1945 that prompted President Truman to combine another collection of offices into what became the new Department of Defense.

Meeting the complex challenges of the global war on terrorism requires a direct response. It means employing all of the instruments of national power: diplomatic, economic, military, financial, law enforcement, intelligence—overt as well as covert—activities. It means also a two-pronged approach to defending our country.

First, of course, is attempting to combat terrorism abroad. The President understands that a terrorist can attack at any time, at any place, using every conceivable technique. And we all know that it is not possible to defend in every place, at every time, against every conceivable method of attack. That being the case, we simply have no choice but to take the effort to the enemy. We also have to marshal all of the Nation's capabilities to attack and destroy terrorist organizations with global reach and to pressure those who harbor them.

Second is the establishment of the Department of Homeland Security, which we are discussing today, and to coordinate the efforts of Federal, State, and local agencies to provide for security at

home. Both of those efforts are crucial, the one abroad as well as at home, and the role of the Department of Defense in each differs in important ways.

With respect to the war abroad, U.S. Military forces, at the direction of the President, are charged with engaging enemy forces and governments that harbor them. In this effort, the DOD works closely with other government agencies, including the Departments of State, Treasury, Justice, and the Intelligence Community. And in these types of operations, the Department of Defense often takes the lead with other departments and agencies working in support of those efforts.

With regard to improving security at home, there are three circumstances under which DOD would be involved in activity within the United States:

First, under extraordinary circumstances that require the Department to execute traditional military missions, such as combat air controls and maritime defense operations, DOD would take the lead in defending people and the territory of our country supported by other agencies. And plans for such contingencies would be coordinated, as appropriate, with the National Security Council and with the Department of Homeland Security.

Second is the emergency circumstance of a catastrophic nature. For example, responding to the consequences of attack, assisting in response more today, for example, with respect to forest fires or floods, tornadoes and the like. In these circumstances, the Department of Defense may be asked to act quickly to provide and supply capabilities that other agencies simply don't have.

And, third, our missions or assignments that are limited in scope, where other agencies have the lead from the outset. An example of this would be security at a special event like the recent Olympics where the Department of Defense worked in support of local authorities.

The recently revised Unified Command Plan makes a number of important changes to U.S. Military command structure around the world. Indeed, the Chairman of the Joint Chiefs of Staff, General Dick Myers, recently said that in his view this was the most important and significant set of changes in the Unified Command Structure for the United States during his entire military career. The Unified Command Plan established the Combatant Command for Homeland Defense, the U.S. Northern Command, or NORTHCOM, which we expect will be up and running by October 1st. NORTHCOM will be devoted to defending the people and territory of the United States against external threats and to coordinating the provision of U.S. Military forces to support civil authorities. In addition, NORTHCOM will also be responsible for certain aspects of security, cooperation, and coordination with Canada and Mexico and will help the Department of Defense coordinate its military support to Federal, State and local governments in the event of natural or other disasters.

Second, we will establish a new office within the Office of Department of Defense to handle homeland defense matters, to ensure internal coordination of DOD policy direction, provide guidance to the Northern Command for its military activities in support of homeland defense, and lend support to civil authorities and co-

ordinate with the Department of Homeland Security and other government agencies.

Third, the administration has offered legislation to establish a new Under Secretary for Intelligence. The primary responsibility of this office would be ensuring that the senior leadership of the Department of Defense and the combatant commanders receive the warning and actionable intelligence and counterintelligence support that they need to pursue the objectives of our new defense strategy. This new office should improve intelligence-related activities but also provide a single point of contact for coordination with national and military intelligence activities.

Finally, I would just like to briefly mention the two functions identified for transfer in the President's proposal from the Department of Defense to the Department of Homeland Security: the National Communications System, or NSC, and the National Bioweapons Defense Analysis Center.

The NSC is an interagency body of 22 departments and agencies of the Federal Government. In addition to its strong government and industry partnership through the President's National Security Telecommunications Advisory Committee, the transfer of the NSC into the Department of Homeland Security can be accomplished with little impact on DOD.

The National Bioweapons Defense Analysis Center, the mission of which would be to coordinate countermeasures to potential attacks by terrorists using weapons of mass destruction, does not yet exist. The administration's draft proposal would establish that Center from the proposed $420 million in the DOD chemical, biological, defense program for biological homeland security efforts, which is included in the President's fiscal 2003 budget and transfer it in its entirety to the new Department of Homeland Security.

Mr. Chairman, the Department of Defense welcomes the new Department of Homeland Security as a partner that can bring together critical functions in a new and needed way. Working together with the other agencies charged with U.S. National security, we will accomplish our common goal of ensuring the security of the American people, our territory, and our sovereignty. Thank you very much.

Chairman ARMEY. Thank you Mr. Secretary. And Mr. Secretary, depending upon your comfort level, you are welcome to stay, or if you do need to move on and substitute your Deputy Secretary, I think we will all understand.

Secretary RUMSFELD. I will excuse myself.

Ms. PELOSI. Thank you, Mr. Secretary.

PREPARED STATEMENT OF THE HONORABLE PAUL WOLFOWITZ, DEPUTY SECRETARY OF DEFENSE

Mr. Chairman, members of the committee, good morning. As always, it is a pleasure to be here. I appreciate this Committee's focus on homeland security, and I am pleased to testify on both the Department of Defense's relationship to the proposed Department of Homeland Security as well as the threats facing the Nation and the American people in the 21st century.

In announcing his intention to propose a new Cabinet-level Department, the President clearly pointed out the need for a single, unified structure, noting that today numerous federal entities across the government are charged with responsibilities having to do with homeland security—far too many for the circumstances in which we find ourselves. As the President put it, "History teaches us that critical

security challenges require clear lines of responsibility and the unified effort of the U.S. government." Those "new challenges," he said, "require new organizational structures." And he is right. It was just such a challenge in 1945 that prompted President Truman to combine another collection of offices into a new Department of Defense.

Secretary Rumsfeld put it another way. He said, "New times require new priorities" and ever since the 2001 Quadrennial Defense Review, defense of the U.S. homeland has been the top priority of the Department of Defense.

The Department of Defense strongly supports the President's initiative to create a Department of Homeland Security. One of the foremost doctrinal principles that informs how the U.S. military conducts operations is unity of command. Unity of command refers to people working together, in harmony, towards the same goal and under the same command. By consolidating a number of homeland security functions that are, at present, scattered across the Federal Government, the new Department of Homeland Security would provide unity of command. From our point of view, a Department of Homeland Security would:

• Provide a single focus, at the federal level, to facilitate DOD support when directed by the President and the Secretary of Defense.

• By building greater civil capacity at the Federal level to protect our borders, prevent domestic attacks and manage the consequences of attacks, a Department of Homeland Security would expand the President's options in times of crisis.

• Lastly, by reducing our vulnerabilities at home, a Department of Homeland Security would contribute to our ability to deter conflicts abroad by reducing any potential advantage our enemies might gain by attacking us directly in the course of a conflict abroad.

The changing nature of the threats we face today—especially the threats posed by terrorist organizations and outlaw states—makes such a department an urgent priority, and we look forward to working with the new organization to provide for the Nation's defense.

As for the threat posed by terrorists and outlaw states, this is not—as you well know—a new phenomenon. Terrorism has a long and bloody history. What is new, however, is the level to which terrorists are willing to take their murderous deeds, and the weapons they have now, or may soon acquire, to ensure that the fear and devastation they inflict upon the innocent is greater than ever.

What is also new, as has been demonstrated in Afghanistan, is the ability of terrorist organizations to completely overtake and occupy a country, co-opt a culture, and oppress an entire people. Left unchecked in a world where the global nature of finance, communications, and transportation make it possible for even relatively isolated individuals or organizations to have global reach, terrorism presents the potential for destabilization or, as we witnessed on September 11th, destruction on a scale unmatched in previous eras.

Thus, after September 11th, the world was faced with a challenge that could no longer be denied or ignored: Do we live in freedom, or do we succumb to fear?

For the United States of America there was only one answer to that question. And nine months ago, President Bush answered it. In a bold and courageous act that recognized both its deep roots and its terrible potential, President Bush declared war—not just against the perpetrators of the deadly attacks on New York and Washington—but against terrorists and their organizations and sponsors worldwide. Indeed, as the President has made clear, the sources of the threats we face are not limited to Afghanistan or the Middle East. They stretch across the globe.

As September 11th so dramatically demonstrated, we are vulnerable to many forms of attack. Who would have imagined, only a year ago, that commercial airliners would be turned into missiles that would attack the Pentagon and World Trade Towers, killing thousands? But it happened. In the years ahead, we will undoubtedly be surprised again by enemies who will attack in new and unexpected ways—perhaps with weapons vastly more deadly than those used on September 11th.

Our enemies know we are an open society. They suspect that the space assets and information networks critical to our security and economy are vulnerable. They know we have no defense against ballistic missiles, which only gives them further incentive to develop weapons of mass destruction and the means to deliver them. Our job is not only to close off as many of avenues of potential attack as possible but to prepare for others—whether from terrorist organizations or from the outlaw states who cooperate with them and each other, intent on America's destruction.

September 11th was also a call for the military to do more with regard to homeland defense. The United States remains vulnerable to missile attack—which is why we are working to develop and deploy defenses against the most likely forms of ballistic and cruise missile attacks. But September 11 taught us, to our regret, that

our people and our country are vulnerable to internal as well as external attack—from hostile forces who live among us, who enter our country easily, who remain anonymously, and who use the freedom America affords to plan and execute their violent deeds.

Thus, the threat facing the United States today is multi-faceted and multi-dimensional. Not a single adversary, as we faced in the Cold War, but a syndicate of enemies characterized by highly complex and surreptitious interactions between global terrorist organizations and outlaw states. Compounding the danger is the fact that these organizations and states are aggressively pursuing weapons of mass destruction.

Meeting these complex threats requires an equally complex response. It means employing all the instruments of American power—military, economic, diplomatic, financial, law enforcement, and intelligence—and all the offensive and defensive tools of our government. It means overt as well as covert military operations. It means a two-pronged approach to defending the nation.

The first is combating terrorism abroad. The President understands that a terrorist can attack at any time, at any place, using any conceivable technique. Because it is physically impossible to defend against every conceivable threat, in every place at every time, we must take the war to the enemy. We must also marshal all of the nation's capabilities to attack and destroy any terrorist organizations with global reach, and to pressure those who harbor them.

In an era in which attacks on our homeland can result in tens of thousands of deaths, we cannot wait until we are attacked before we choose to act ourselves. Our highest priority must be preventing attacks from occurring by disrupting enemy operations, denying them sanctuary, and when necessary, using force preemptively.

The second key task in our two-pronged war on terrorism is to secure the homeland. Immediately after last fall's attack, the President took decisive steps to protect America. On October 8, 2001, the President established the White House Office of Homeland Security and the Homeland Security Council to coordinate the federal government's efforts. On June 6th of this year, the President proposed the creation of a new Department of Homeland Security, the most significant transformation of the U.S. government in over a half-century and one more key step in the President's strategy for homeland security. Both efforts—prosecuting the war on terrorism abroad and securing the homeland—are crucial, and the role of the Department of Defense in each differs in important ways.

With respect to the war abroad, U.S. military forces, at the direction of the President, are charged with engaging enemy forces and the governments or other entities that harbor them. In this effort, the Department of Defense works closely with other government agencies, including the Departments of State, Treasury, Justice and the intelligence community. In these types of operations, the Department of Defense takes the lead, with other departments and agencies working in support of our efforts.

With regard to improving security at home, DOD may employ U.S. military forces as follows:

1) Extraordinary Circumstances

First, under extraordinary circumstances that require the department to execute its traditional military missions to deter, dissuade or defeat an attack from external entities, DOD and the Secretary of Defense would take the lead. Plans for such contingencies would be coordinated as appropriate and, to the extent possible, would be coordinated, as appropriate, with the National Security Council, the Homeland Security Council, the Department of Homeland Security and other affected Departments and agencies.

As an example, in the case of combat air patrols, the FAA, a civilian agency, would provide data to assist the efforts of Air Force fighter pilots in the Guard and Reserve in identifying and, if necessary, intercepting suspicious or hostile aircraft.

Also included in the category of extraordinary circumstances are cases in which the President, exercising his Constitutional authority as Commander-in-Chief and Chief Executive, authorizes military action. This inherent Constitutional authority may be used in cases, such as a terrorist attack, where normal measures are insufficient to carry out federal functions.

2) Catastrophic Emergency Circumstances

Second, in emergency circumstances of a catastrophic nature—for example, responding to the consequences of an attack, or assisting in response to forest fires or floods, hurricanes, tornadoes and so on. The President's legislative proposal envisions the Department of Homeland Security will be the lead federal agency for domestic contingencies of national significance.

In these instances, the Department of Defense may be asked to act quickly to provide or to supply capabilities that other agencies simply do not have.

3) Limited Support to Other Federal Agencies

Third, missions or assignments that are limited in scope or duration, where other federal agencies take the lead from the outset. An example of this would be security at a special event, like the Olympics, where there were literally more men and women in uniform in Salt Lake City than there were in Afghanistan at the same time.

The first of those three categories—extraordinary circumstances in which DOD, at the direction of the President, conducts military missions to defend the people or territory of the United States—falls under the heading of homeland defense. In these cases, the Department is prepared to take the lead.

The second and third categories are activities which are emergency or temporary in nature, and for which other federal agencies take the lead and DOD lends support. Under the President's proposal, the Department of Homeland Security will have the responsibility for coordinating the response of federal agencies and, as appropriate, the interaction of those federal agencies with State and local entities. DOD will take an active role in this inter-agency process.

In the event of multiple requests for Department of Defense assets, the President would be the one to make the decision on the allocation of these assets. The coordination mechanism of the National Security Council (NSC) and the Homeland Security Council (HSC) exists to support just such a decision. The DOD is represented on both the NSC and HSC.

In sum, the Department of Defense has two roles to play in providing for the security of the American people where they live and work. The first is to provide the forces necessary to conduct traditional military missions under extraordinary conditions, such as the act of defense of the Nation's airspace and its maritime approaches. The second is to support the broader efforts of the DHS and federal domestic departments and agencies, and indeed state and local governments.

Before I describe the various transformation efforts of the Department of Defense with regard to homeland defense, I'd like to mention briefly the role of the National Guard.

The National Guard supports homeland defense and provides support to civil authorities in several ways.

First, in state service under the direction of State Governors. An example of this would be the way in which the National Guard in New York, New Jersey and Connecticut responded so heroically to the attacks on the World Trade Center towers on September 11th.

Second, in state service but performing duties of federal interest, the so-called Title 32 status.

Third, in federal service, or Title 10 status. For example, when the National Guard is mobilized to serve under the direction of the President or the Secretary of Defense.

These arrangements have worked well in the past. The challenge today is to ensure that these arrangements remain relevant in the new security environment. There are many proposals for doing so, and the Department will continue to work with the Congress, the Governors, the Office of Homeland Security and the proposed Department of Homeland Security to make certain that we have an approach that meets the nation's needs.

As for how the Department is organized to support these missions, a fundamental transformation has been underway to address the threats the Nation will face in the 21st century.

The new Unified Command Plan makes a number of important changes to the U.S. military command structure around the world. Indeed, the Chairman of the Joint Chiefs of Staff, General Myers, has described it as the most important set of changes in his military career.

The UCP established a combatant command for homeland defense, U.S. Northern Command, which we expect will be up and running on October 1st. NORTHCOM will be devoted to defending the people and territory of the United States against external threats and to coordinating the provision of U.S. military forces to support civil authorities.

In addition, NORTHCOM will also be responsible for certain aspects of security, cooperation, and coordination with Canada and with Mexico, and it will help DOD coordinate its military support to federal, state and local governments in the event of natural or other disasters.

Second, we will establish a new office, within the Office of the Secretary of Defense, to handle homeland defense matters to ensure internal coordination of DOD policy direction, provide guidance to Northern Command for its military activities in support of homeland defense, coordinate appropriate DOD support to civil au-

thorities, and coordinate with the Office of Homeland Security, Department of Homeland Security, and other government agencies.

Third, the Administration has offered legislation to establish a new Undersecretary for Intelligence. The primary responsibility of this office would be ensuring the senior leadership of the department and the combatant commanders receive the warning, actionable intelligence, and counterintelligence support they need to pursue the objectives of our new defense strategy. This new office will not only enhance intelligence-related activities but provide a single point of contact for coordination of the Secretary of Defense's intelligence responsibilities.

Finally, we support the President's proposal to transfer two items from DOD to the Department of Homeland Security: the National Communications System (NCS), for which DOD is the executive agent, and a yet-to-be-established National Bio-Weapons Defense Analysis Center.

The NCS is an interagency body of 22 Departments and Agencies of the Federal Government, in addition to its strong government/industry partnership through the President's National Security Telecommunications Advisory Committee (NSTAC).

The National Bio-Weapons Defense Analysis Center's mission would be to develop countermeasures to potential attacks by terrorists using weapons of mass destruction. The Administration's draft bill would establish the Center from the proposed $420 million in the DOD Chemical Biological Defense Program for Biological Homeland Security efforts, which is included in the President's Fiscal Year 2003 Budget, and transfer the Center to the Department of Homeland Security.

Mr. Chairman, September 11th was a stark reminder that mortal threats to national security did not end with the Cold War, or with the passing of the last century but, on the contrary, remain, and indeed, continue to multiply. It is important that we recognize and respond to that fact.

I remember well that Secretary Rumsfeld made this very observation in his first official remarks as Secretary of Defense. He said, "We enjoy peace amid paradox. Yes, we're safer now from the threat of massive nuclear war than at any point since the dawn of the atomic age, and yet we're more vulnerable now to suitcase bombs, the cyber-terrorist, and the raw and random violence of the outlaw regime.

"Make no mistake: keeping America safe in such a world is a challenge that's well within our reach, provided we work now and we work together to shape budgets, programs, strategies and force structure to meet threats we face and those that are emerging, and also to meet the opportunities we're offered to contribute to peace, stability and freedom * * *

"But," he said, "we need to get about the business of making these changes now in order to remain strong, not just in this decade, but in decades to come."

Mr. Chairman, the Department of the Defense welcomes the new Department of Homeland Security as a partner that will bring together critical functions in a new and needed way. Working together with the other agencies charged with U.S. national security, we will accomplish our common goal of ensuring the security of American citizens, territory, and sovereignty.

I thank the Chair and the Committee and look forward to your questions.

Chairman ARMEY. Secretary Powell, we are very pleased to see that you could make it today and are anxious to hear your testimony. So please proceed.

STATEMENT OF THE HONORABLE COLLIN L. POWELL, SECRETARY OF STATE

Secretary POWELL. Thank you Mr. Chairman, Ms. Pelosi, and members of the committee. It is a great pleasure for me to be here this morning with my colleagues. I would like to ask the committee's indulgence for a moment to introduce two guests that I have brought with me. As I think most of the committee members will remember from my previous incarnation, I was chairman of America's Promise: The Alliance for Youth. And one of the programs that came out of that is an exchange program between the United States Department of State and the United Kingdom's Foreign and Commonwealth Office. So, today two young Americans are in the United Kingdom traveling around with the Foreign Secretary of the United Kingdom, Mr. Jack Straw. He has taken them to

Bratislava in Europe to attend meetings with him. And in exchange, I have two young British—a young lady and a young gentlemen who are from Surrey, England. I would like to ask them to stand and be recognized. Ms. Mei Lai Lu and Mr. Tom Minor. I couldn't bring them or take them to Bratislava or anything approaching that, so I brought them here, Mr. Chairman. They were at a Britney Spears concert last night. They have been to a basketball game, and this is their day with the State Department to see what a Secretary of State does, and I think they are having a pretty good time in the United States.

Chairman ARMEY. If I might just say, Mr. Secretary, we look forward to showing you that there can be something better than Britney Spears.

Secretary POWELL. Mr. Chairman, members of the committee, it is a great pleasure to testify before you on this very important subject, and I congratulate you on this new committee and the work that you will be doing. It is vital work with respect to the security of our Nation. And I am pleased to appear with my colleagues to indicate my total support and the total support of the Department to the new Homeland Security Department and to President Bush's proposal.

We are prepared to cooperate fully with the new Department. In fact, we are eager to do so. As President Bush said in announcing the creation of this new Department, we are a different Nation today. The tragic events of September 11th and all those events have conveyed to us—have made us a new Nation and have given us a new situation that we really have to deal with.

And I think you, Mr. Chairman and Mrs. Pelosi, have spoken to this already, because the fight of international terrorism is different than any other war we fought in our history, different than any other war that I tried to prepare myself for as a soldier, or that I fought in as a soldier over the last 40 years. It is a war that will not be won principally through military might. It will be won through all of the elements of our national power that Don Rumsfeld spoke to a moment ago: military might, diplomatic prowess, political efforts, and our intelligence efforts, and going after financial institutions.

And as the President has said so often, we are in this fight to win, and we will not weaken, we will not lose our resolve, we will not run out of patience. We will stick with it until those enemies that come at us in this new and different and asymmetrical way are defeated. We will fight terrorist networks, and all those who support these efforts to spread fear and mayhem around the world, and we will use every instrument of our national power and we will not be made fearful.

As Mrs. Pelosi said, we all gathered last July 4th, notwithstanding all of the threats that were out there and the suggestions that something terrible would happen. We all came out of our homes and went to our public places to show that we are not a fearful Nation. We are a Nation with a spine of steel and a heart that is full of courage, and we will not be made fearful by terrorists. Progress in this campaign against terrorism will come through the patient accumulation of successes, some seen, some unseen, and we will remain ever vigilant against new terrorist threats.

Our goal will be reached when Americans and our friends around the world can lead their lives free from terrorist attacks. We cannot, we will not, let the need to fight this war make us that different a society. We have to protect ourselves, but we must not put up tall fences, sprinkle broken glass at the tops, put a guard at the gate, and seal ourselves off from the rest of the world. We must not become gated America, or they will have won. We can't let that happen.

So it will require sacrifice, dedication, energy, and a great deal of wisdom to maintain this precious balance between our way of life, our openness, that which makes us America to the rest of the world, our freedom and the security measures needed to protect our citizens to the maximum extent possible. We must fight the terrorists and protect the lives of our citizens, but we must not relinquish the very values that make us who we are, that have made us the greatest Nation on this Earth.

In this regard, President Bush's proposal for a Department of Homeland Security shows the way ahead as America does everything within its power to protect its citizens at home and abroad. The President has also proposed that this new Department assume responsibility for the policy guidance and the regulation that is required with respect to visa issuance. As you know, our first line of defense in protecting ourselves from those who would come to our shores are our diplomats at our consulates, and other locations around the world, where we issue visas to people to come to America. The United States is ready to make sure that our visa system is a strong one, a secure one, but at the same time, one that encourages people to come to the United States. Once we have made sure that they are the right kinds of people to come into our Nation, they are not coming in to conduct any kind of activity which would be injurious to any American. Under the new proposal, the Secretary of Homeland Security will determine what those policies should be.

The Secretary of State, the Department of State, is willing, anxious, to give all of the authority that we currently have with respect to visa issuance, the regulations, to the Secretary of Homeland Security. That is where it resides. He will have access to all of the intelligence information, law enforcement information, and he will make those policy judgments with respect to who should be authorized to receive a visa at our many visa-issuing facilities around the world. We will have some foreign policy input into those judgments, but I yield all of that authority willingly to the Secretary of Homeland Security.

I consider it absolutely essential, however, that the actual issuance of the visas remain with the Department of State. We have the experience, the training, the language skills, and the dedicated people to perform this mission. The State Department represents the United States at more than 200 posts around the world, where it carries out its responsibilities for conducting foreign policy, promoting trade, cooperating with foreign law enforcement authorities, and providing consulate services to Americans aboard. Our consular officers are also responsible for the issuance of visas to foreign nationals, but they have many other responsibilities, and it is difficult to shred out the visa-issuing responsibility

from these other consular activities that take place at our various facilities.

Most visa applicants want to come here for legitimate purposes: business, tourism, education. We want them to come to our schools. We want them to come to the United States and visit our wonderful tourist attractions. We want them to participate in health care activities and come use our hospitals and other facilities.

However, some seek visas for criminal and other unlawful purposes, including terrorist acts. So we have been working hard to be sure that only those who mean us no ill come to this country. There is no entitlement to a visa. The judgment is that you are not entitled to a visa, unless you can establish you are coming here for a legitimate purpose.

Since September 11th, we have done a lot to tighten up our system. The most important thing we have done, really, is to increase the size of the database available to our consular officers around the world. We have worked closely with our intelligence agencies, and especially with the Justice Department and the FBI, to double the size of the database so that when a young consular officer overseas puts the name of an applicant into that database, it comes back here and it gets the widest dissemination, so it is bounced against all the databases.

We can do an even better job of that. And I am very pleased at the level of cooperation that has existed between the State Department, the Justice Department, the CIA, and all of the other relevant agencies to make sure that we give the broadest screening to this name before that consular officer then makes a judgment as to whether or not an interview is required or whether or not it should just be shut down out of hand—we don't want this person here.

So I can assure you we are doing everything possible to tighten our procedures. We have put in place a new visa called a Lincoln visa, which I just have a sample here. Using the latest technology, the finest experts we have in our government have tried to modify this and alter it to see if they could get through this system, and they have failed. Doing the same thing with our passports, all using digitized data—this is my passport, and I can assure you I have one of the newest and the best—to make sure that we are protecting ourselves.

Our consular officers do a great job. Do we have problems from time to time? Have our efforts been defeated from time to time? From time to time do we have someone who does not live up to their responsibilities? Yes, that has occurred. But when we find it, we go after it, as we are doing in the current case at Doha. But do we also have officers who do a brilliant job of spotting someone who is trying to defeat the system? Yes, we do. The gentleman who was arrested recently, Mr. Padilla, was spotted by a consular officer, who found something unusual about this particular applicant and reported it to the regional security officer. That person, being vigilant, reported it back here. We then contacted the CIA, the FBI, and others, and found enough about Mr. Padilla so that when he arrived in the United States, we were waiting for him and he was arrested and taken into custody.

These are dedicated young men and women around the world. They have a career path and track. They have the language skills. They know all of the other consular activities that take place, that have to take place, in our embassies. In 2001 alone, we adjudicated 10 million nonimmigrant visa applications and allowed 7.5 million visas to be issued, allowing these people to come into our country. I want to assure the members of this committee that we take our responsibilities at the State Department and our consular responsibilities with utmost seriousness. And we are seeing what else we need to do, within the consular service, within the Consular Affairs Office at the State Department, to make sure that we are doing everything to guard our Nation, to guard our people, but at the same time to make sure we remain a Nation of openness, a welcoming Nation, the America we all love and the world respects.

And we look forward to working with the Secretary of Homeland Security and all the elements of the Department of Homeland Security, just as we are now working more closely with all of my colleagues at the table and the other organizations within the United States Government, to make sure that we are doing these two things: protecting ourselves, while remaining an open society.

And I look forward to your questions, Mr. Chairman, and members of the committee.

Chairman ARMEY. Thank you, Mr. Secretary, and let me just say that your statement is very reassuring to me on several points.

PREPARED STATEMENT OF THE HONORABLE COLLIN L. POWELL, SECRETARY OF STATE

Mr. Chairman, members of the Select Committee, I am pleased to testify before your committee.

The Department of State supports President's Bush's proposal to create a Department of Homeland Security. We are prepared to cooperate fully with that department. In fact, we are eager to do so.

As President Bush said in announcing the creation of this new department, "* * *we are a different nation today." The tragic events of September 11 and all that those events convey, have made us so.

The fight against international terrorism is different from any other war in our history. We will not win this war solely or even primarily through military might. We will fight terrorist networks, and all those who support their efforts to spread fear and mayhem around the world, using every instrument of national power-diplomatic, economic, law enforcement, financial, informational, intelligence, and military. Progress will come through the patient accumulation of successes-some seen, some unseen. And we will remain forever vigilant against new terrorist threats. Our goal will be reached when Americans and their friends around the world can lead their lives free of fear from terrorist attacks.

We cannot—we will not—let the need to fight this war make us a different society. We will not put up tall fences, sprinkle broken glass on the tops, put a guard at the gate and seal ourselves off from the rest of the world. We will not become "gated America."

It will require sacrifice, dedication, energy and a great deal of wisdom to maintain this precious balance between our way of life, our openness, and our freedom, and the security measures needed to protect our citizens to the maximum extent possible.

We must fight the terrorists, we must protect the lives of our citizens, and we must not relinquish the very values that make us who we are, that have made us the greatest nation on earth.

In this regard, President Bush's proposal for a Department of Homeland Security shows the way ahead as America does everything within its power to protect its citizens at home and abroad.

The President has also proposed that this new Department assume responsibility for the policy guidance and regulation governing visa issuance, and I fully support that proposal.

The Secretary for Homeland Security will determine who can and who cannot enter the United States. He will pass that guidance along to the State Department and we will faithfully execute it.

I will continue to exercise authority with respect to entry or denial of entry where there are foreign policy considerations; but for all others, the new Secretary will make the rules.

I consider it absolutely imperative that the actual issuance of visas remain within the Department of State. We have the experience, the training, the language skills, and the dedicated people to perform this mission.

The State Department represents the United States at more than 200 different posts around the world where it carries out its responsibilities for conducting foreign policy, promoting trade, cooperating with foreign law enforcement authorities and providing consular services to Americans abroad. Our consular officers are also responsible for the issuance of visas to foreign nationals seeking to come to America. Most visa applicants want to come here for legitimate purposes—business, tourism, education. Some, however, seek visas for criminal and other heinous purposes, including terrorist acts against our people.

Since the September 11 attacks on America, the Department has taken steps to better integrate the visa issuance process into the Federal Government's overall border security efforts. We have, for example, improved access to intelligence data for visa issuance and forged new relationships among departments and agencies to share real-time information impacting on homeland security.

We have also imposed a mandatory 20-day hold on visa issuances to certain nationalities and demographic groups, to permit a more thoroughgoing interagency review of these applications.

We have provided access to our databases so that an Immigration Officer sitting in the port of Baltimore, for example, now has access to the same information we do. This includes photographs of visa applicants.

Our consular officers who do this visa work on a daily basis must speak more than 50 different languages and have tremendous drive because the amount of work on our visa lines around the world is staggering. In FY 2001 alone, we adjudicated over 10 million non-immigrant visa applications—and out of this total we issued around 7.5 million visas, or about 70 per cent.

Nearly three-quarters of our overseas consular officers are devoted to this visa process, either as those providing direct interview services or as managers of this function. Where do we get such people?

Foreign Service Officers and Civil Service employees of the State Department come from the best talent of America. More Americans than ever are taking the Foreign Service Exam—over 8,000 in September of 2000, 13,000 in September of 2001, and 14,000 in April of this year. Our men and women are motivated by patriotism, a desire to serve, and a yearning to see the world and to meet different peoples. These are some of the best and the brightest America has to offer.

These men and women learn multiple foreign languages, will live and work in some of the most inhospitable places in the world, and will face grave dangers like the recent bombings in Karachi and Islamabad and the deadly attacks on our embassies in Nairobi and Dar as Salam—all in order to protect and serve Americans abroad. Every day I am reminded of their willingness to sacrifice for their country by the plaque in the lobby of the Department which records the names of those who have given their lives. Recently, I had a tragic reminder of the dangers to their families as well, as the church bombing in Islamabad took the lives of Barbara Green and her daughter.

Given the dimensions of their task, our consular officers do exceptional work. Let me give you some recent examples:

One of our consular officers at a Latin American post noticed an upswing in applications for ship crewmans' visas by people who did not seem to have any connection to the seafaring life. But they all had "certifications" from a mariner's school. They also presented what appeared to be a credential issued by the host government. The consular officers checked with the local government, and learned that the supposed credential was false. An investigation showed the mariner's school was conducting sham training, sending unqualified seaman onto cruise ships and potentially threatening the safety of passengers. Eventually, consular officers in three different countries found links to the mariner school. As a result, local authorities closed down the school and charged the proprietors with fraud.

Another of our consular officers, this time in Central America, noticed that several people had submitted visa applications which appeared to be filled out using the same typewriter. None of the people claimed to know each other. An investigation revealed that a visa fixer was operating a school to train low-income applicants to fool consular officers during the visa interview. The school had a psychologist on

hand to boost applicant's confidence, a fashion expert to help them pick out clothes to give an impression of prosperity, and a coach to help them through mock interviews. The school also helped middle class applicants to pose as simple farm folk in order to qualify for seasonal worker visas. Local police were able to make several arrests.

Just from these two examples it is clear that we need good, experienced, language-proficient people on the visa lines. And we have them and we are getting more of them.

These people and all the people of the Department of State, stand ready to work closely and in full cooperation with the new Department of Homeland Security.

I will stop here and take your questions.

Chairman ARMEY. Secretary O'Neill, we know that you have your passport in order—let me correct myself—for your trip to Central Asia. And may I remind members of the panel, the Secretary needs to get off on that trip by 11 o'clock. At this time, Mr. Secretary, thank you for your being here and let me just turn it over to you for your statement.

STATEMENT OF THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY

Secretary O'NEILL. Mr. Chairman, distinguished members of the committee, it is a pleasure to be here today, and because of the shortness of time, with your permission, Mr. Chairman, I am going to submit my statement for the record and let you proceed with the Attorney General so that we can have some opportunity for interaction before I really must go at 11 o'clock.

PREPARED STATEMENT OF THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY

Mr. Chairman, thank you for the opportunity to address the Select Committee today. I am pleased to address the Committee on behalf of the President's proposal to establish a new Department of Homeland Security and to offer my wholehearted support for transforming our government in order to fight terrorism more effectively and protect our nation.

During my tenure at Alcoa, we constantly sought to rethink the way we did business. Throughout the company, we tried to adjust our methods and models to changing circumstances. Companies that survive, decade after decade, do so through constant adaptation. In a sense, they exemplify a deep-rooted corporate tradition-and, truly, a deep-rooted American tradition-of questioning every tradition.

Change, of course, is often difficult, whether in a business or in government. Some people worry that change will require too much from them, or that it will deprive them of too much clout. President Truman faced such forces in 1947 when he set out to reorganize the military. The entrenched interests argued that the American military had just defeated the Axis; why change what worked? But President Truman recognized that the nature of warfare was changing. The intense and relatively brief fighting of World War II was giving way to the Cold War, which entailed decades of surrogate warfare, positioning for global supremacy, and the constant possibility of total war. Not all of this was apparent in 1947, but President Truman recognized enough of it to realize that things had to change: It was time for a joint or unified command. He was right.

Now, the nature of warfare has changed once again. The enemy is no longer necessarily a state. Instead, we face individuals and small groups, sometimes aided by a state, but not necessarily clad in its uniform or following its flag. Indeed, that is the great challenge of the new form of warfare-knowing who our enemies are. As the investigation into the attacks of September 11 has demonstrated, they walk among us. Only their violent and misguided ideology distinguishes them from our fellow citizens, and, not surprisingly, they keep that ideology to themselves. Their weaponry, too, is different. Before September 11, passenger jetliners had never been weapons of war.

But our weapons have also changed. Technology is giving us tools for tracking the possible terrorists among us. Flight manifest and passenger information, once recorded manually, now is automated through APIS, the Advanced Passenger Information System. This provides a system for tracking individuals entering our coun-

try. Technology also gives us the ability to integrate our databases and rapidly communicate our information. Thanks to new powers that Congress provided under the USA Patriot Act, Treasury's Financial Crimes Enforcement Network can blast-fax information about suspected terrorists to hundreds of financial institutions, which in turn can provide any pertinent information back to us. An investigation that might have taken weeks a few decades ago now takes hours.

September 11 has forced on us the sort of creative thinking that President Truman did in 1947. We have had to ask ourselves how this could have happened, what might happen next, and how we can prevent any further attacks. And the conclusion is clear: We cannot fight this war using structures designed for the Cold War, at the military level, and the varieties of indigenous and foreign crimes, at the law-enforcement level. Now, as then, new threats require new structures and new responses.

Today, responsibility for homeland security is scattered across the government. Lines of communication are not always open; lines of authority are not always sharply defined; and redundancies and inefficiencies are built in. One law-enforcement agency sometimes launches an operation and then must step aside-not because it finds no evidence of criminality, but rather because it finds evidence of the wrong sort of criminality. Last week, for example, the Customs Service stopped a suspicious boat and searched it for illegal drugs and other contraband. However, the Customs agents found illegal aliens. Customs transferred the aliens to the Coast Guard—currently part of the Department of Transportation. The Coast Guard, upon reaching land, then turned over the aliens to the Immigration and Naturalization Service—currently part of the Department of Justice. Under the President's reorganization proposal, a single entity would be responsible for all border issues.

The new Department will have homeland security as its primary mission. It will bring together within one Department the key entities to fight the war on terrorism, and ensure that we have a unified, coherent plan for protecting our citizens and our borders against the new breed of threats. And, crucially, it will be accountable. Citizens and public servants will know where the responsibility lies.

All the parts must work together at the same time and under the same direction to get things done. We cannot respond to the terrorist threats simply by pledging more cooperation or by making marginal changes. We must be willing to make a dramatic transformation in light of the dramatic threats we face. Indeed, this Select Committee provides a good example. Although many committees have jurisdiction over the issues covered by the proposed new Department, you realized that responsibility could not be parceled out as before. This Select Committee centralizes authority. We must engage in this type of fresh thinking in order to respond to the new threats.

Yes, the challenge is great. To defend our freedom in this new era, we must work together as never before. We must put aside notions of turf and tradition and the-way-we've-always-done-it, and work collectively for the common security. In some cases, we must say goodbye to valued colleagues. I have deeply enjoyed my time working alongside the fine public servants in the Customs Service and the Secret Service, for example, two Treasury agencies that, under the President's proposal, will be part of the new Department. But by and large, these hard-working people recognize the wisdom in centralizing responsibility for homeland security. They are excited over the prospect of helping start the new Department.

We know that you in the Congress are faced with a exceedingly difficult task. We at the Treasury Department pledge to do all we can to help, in accordance with our common commitment to combat these new terrorist threats. During the past few weeks, we have worked closely with several of the House Committees in drafting legislation to create a new Department of Homeland Security. We have shared our concerns and provided our comments. We will continue to provide our input to ensure that the final bill:

- leverages the strengths of the many component parts,
- provides clear and workable lines of authority, and
- creates the most efficient possible structure.

The importance of our work demands nothing less.

Thank you for your commitment to this fight, Mr. Chairman and members of this Select Committee, and thank you for the opportunity to address you.

Chairman ARMEY. Mr. Attorney General, let us move on to you.

STATEMENT OF THE HONORABLE JOHN ASHCROFT, ATTORNEY GENERAL

Attorney General ASHCROFT. Thank you, Chairman Armey, and thank you, my colleague, Secretary O'Neill, Congresswoman Pelosi, and members of the committee. I want to thank you for convening this hearing on President Bush's plan to make America safer through enhancement of our homeland security.

On behalf of the Department of Justice, I welcome this opportunity to express our unqualified support for the President's vision of homeland security that is rooted in cooperation, nurtured by coordination, and focused on the prevention of terrorist attacks.

A number of Department of Justice entities will be a part of this new Department, most notably the Immigration and Naturalization Service, but also the Office for Domestic Preparedness, the analysis and training functions of the FBI's National Infrastructure Protection Center, and the National Domestic Preparedness Office. The Department of Justice supports the prompt and effective implementation of these transfers, and they are critical to the Department of Homeland Security's success.

I commend the Congress for its commitment to act on these measures prior to the first anniversary of the September 11 attacks. Ten months ago to this day, our Nation came under attack by an enemy that continues to threaten the United States, our citizens, and the values for which we stand. Today the United States is at war with the terrorist network operating within our borders. Al Qaeda maintains a hidden but active presence in the United States, waiting to strike again. Terrorists posing as tourists, businessmen, or students seek also to penetrate our borders. Every year, the United States welcomes 35 million visitors to our country. More than 700,000 of these visitors come from countries in which al Qaeda has been active. As a result, we have tightened controls at our borders and issued new regulations to strengthen enforcement of our immigration laws.

In June, we announced the National Security Entry-Exit Registration System. That is the precursor to a comprehensive entry-exit system that Congress has mandated be in place by 2005. This system reflects the fundamental fact on the war on terrorism. The fact is that information is the best friend and most valuable resource of law enforcement. The National Security Entry Exit Registration System will attract up to 200,000 visitors in the first year, stopping suspected terrorists prior to entry, and verifying the activities of visitors and their whereabouts while they are in the country.

For 10 months we have conducted a campaign to identify, disrupt, and dismantle the terrorist threat. Years ago, the Justice Department of Robert F. Kennedy said it would arrest a mobster for spitting on the sidewalk in the fight against organized crime. On the war on terror, it has been the policy of this Department of Justice to be similarly aggressive. We have conducted the largest criminal investigation in history; 129 individuals have been charged, 86 have been found guilty, 417 have been deported for violations. Hundreds more who are in violation of the law are in the process of being deported in connection with the investigation.

For 10 months we have been successful in protecting the United States from another massive terrorist attack, using every appropriate legal weapon in our arsenal. But we are not under any illusions. There remain sleeper terrorists and their supporters in the United States who have not yet been identified in a way that will allow us to take preemptive action against them. And as we limit the access of foreign terrorists to our country, we recognize the terrorists' response will be to try and recruit U.S. Citizens and permanent residents to carry out their attacks, individuals like Abdualla al Muhajir, born Jose Padilla, who is now being detained by the Department of Defense as an enemy combatant. Al Muhajir, a U.S. Citizen with ties to the al Qaeda network, was apprehended in May of this year after we learned he was planning to explode a dirty bomb on U.S. soil.

But as terrorists have learned to adapt to the changing tactics of law enforcement, so too have we learned to adapt to the changing needs of America's domestic security. And among the chief lessons we have learned in the past 10 months is that our ability to protect the homeland today has been undermined by restrictions of the decades of the past. In the late seventies, reforms were enacted in our judicial system reflecting a cultural myth, a myth that we could draw an artificial line at the border to differentiate between the threats that we face. In accordance with this myth, officials charged with detecting and deterring those seeking to harm Americans were divided into separate and isolated camps.

Government created a culture of compartmentalization that artificially segregated intelligence gathering from law enforcement. This barred coordination of our Nation's security between these groups. Barriers to information sharing were erected between government agencies, and cooperation faltered. FBI agents were forced to blind themselves to information readily available to the general public, including those who seek to harm us. Information restrictions hindered our intelligence gathering capabilities, and terrorists gained a competitive technological advantage over law enforcement.

September 11 made clear in the most painful of terms that there were costs associated with the myth that we could separate the threat internationally from the threat domestically. We know now that al Qaeda fragmented its own operation to prevent the United States from grasping the magnitude of its threat. The September 11 events were planned or trained for in Afghanistan, planned in Europe, financed through the Middle East, and executed in the United States. Al Qaeda planned carefully and deliberately to exploit the seams in our security, the seam between the international agencies and the domestic agencies.

In the months and years preceding September 11, our weaknesses were among the terrorists' greatest strengths. It is now our obligation and our necessity to correct these deficiencies of the past. America's law enforcement and justice institutions, as well as the culture that supports them, must change. In the wake of September 11, America's security requires a new approach, one nurtured by cooperation, coordination, and collaboration, not compartmentalization; one focused on a single overarching goal, the prevention of terrorist attacks.

The first crucial steps towards building this new culture of cooperation have already been taken. They are the steps that could be taken by regulation and some by legislation. The United States Congress is to be commended for acting swiftly to enact the USA PATRIOT Act which made significant strides toward both fostering information sharing and updating our badly outmoded information gathering tools. Intelligence agents now have greater flexibility to coordinate their antiterrorism efforts with our law enforcement agencies. And the PATRIOT Act made clear that surveillance authorities created in an era of rotary telephones, well, those authorities needed to be able to apply to cell phones and the Internet and the digital technology as well.

In addition, the recently announced reorganization of the Federal Bureau of Investigation has refocused the FBI on prevention, taking a proactive approach. Instead of being bound by outmoded organizational charts, the FBI work force management and organizational culture will be flexible enough to launch new terrorism investigations to counter threats as they emerge. Five hundred agents will be shifted permanently to counterterrorism. Agents in the field have been given the new flexibility to use expanded investigative techniques. Special agents in charge of FBI field offices are empowered to make more decisions based on their specific knowledge of the terrorist threat.

Finally, the creation of the Department of Homeland Security will be the institutionalization of the culture of cooperation and coordination that is essential to our Nation's security. Part of our reorganization is the enhancement of the FBI's analytical capacity and the coordination of its activities more closely with the CIA. The results of this enhanced analysis and cooperation will be shared fully with the Department of Homeland Security.

For the first time, America will have under one roof the capacity for government to work together to identify and assess threats to our homeland, to match these threats to our vulnerabilities, and to ensure our safety and security. In accordance with the President's vision, creation of the Department of Homeland Security will begin a new era of cooperation and coordination in defending America's homeland.

Mr. Chairman, history has called us to a new challenge to protect America's homeland, but history has also provided us with the lessons we would do well to heed. We must build a new culture of justice, in which necessary information is readily available to law enforcement. We must foster a new ethic of cooperation and coordination in government. We must make our institutions accountable not just to their antiterrorism mission but to the American people they serve. We must always do this while respecting our Constitution and the rights which America is uniquely aware of and which America uniquely protects.

I thank you for your leadership and this opportunity to testify.

PREPARED STATEMENT OF THE HONORABLE JOHN ASHCROFT, ATTORNEY GENERAL

Good morning. Chairman Armey, Congresswoman Pelosi, members of the committee. Thank you for convening this hearing on President Bush's plan to make America safer through the enhancement of our homeland security. On behalf of the Department of Justice, I welcome this opportunity to express our unqualified sup-

port for the President's vision of homeland security rooted in cooperation, nurtured by coordination, and focused on the prevention of terrorist attacks.

A number of Department of Justice entities will be a part of this new department, most notably the Immigration and Naturalization Service, but also the Office for Domestic Preparedness grant programs, the FBI's National Infrastructure Protection Center and the National Domestic Preparedness Office. The Department of Justice supports the prompt and effective implementation of these transfers, which are critical to the Department of Homeland Security's success. I commend Congress for its commitment to act on these measures prior to the first anniversary of the September 11 attacks.

Ten months ago to this day, our nation came under attack by an enemy that continues to threaten the United States, our citizens, and the values for which we stand. Today, the United States is at war with a terrorist network operating within our borders. Al Qaeda maintains a hidden but active presence in the United States, waiting to strike again.

Terrorists, posing as tourists, businessmen or students, seek also to penetrate our borders. Every year, the United States welcomes 35 million visitors to our country. More than 700,000 of these visitors come from countries in which al Qaeda has been active.

As a result, we have tightened controls at our borders, issuing new regulations to strengthen enforcement of to our immigration laws. In June, we announced the National Security Entry-Exit Registration System, the precursor to a comprehensive entry-exist system that Congress has mandated be in place by 2005. This system reflects a fundamental fact of the war on terrorism: that information is the best friend and most valuable resource of law enforcement. The National Security Entry-Exit Registration System will track up to 200,000 visitors in its first year, stopping suspected terrorists prior to entry and verifying visitors' activities and whereabouts while in the country.

For ten months, we have conducted a campaign to identify, disrupt and dismantle the terrorist threat. The Justice Department of Robert F. Kennedy, it was said, would arrest a mobster for spitting on the sidewalk if it would help in the fight against organized crime. In the war on terror, it has been the policy of this Department of Justice to be equally aggressive. We have conducted the largest criminal investigation in history. 129 individuals have been charged. 86 have been found guilty. 417 individuals have been deported for violations of our laws. Hundreds more are in the process of being deported.

For ten months, we have protected the United States from another massive terrorist attack using every appropriate legal weapon in our arsenal. But we are under no illusions. There remain sleeper terrorists and their supporters in the United States who have not yet been identified in a way that will allow us to take preemptive action against them. And as we limit the access of foreign terrorists to our country, we recognize that the terrorists' response will be to recruit United States citizens and permanent residents to carry out their attacks individuals like Abdullah al Muhajir, born Jose Padilla, who is now being detained by the Department of Defense as an enemy combatant. Al Muhajir, a U.S. citizen with ties to the al Qaeda network, was apprehended in May of this year after we learned that he was exploring a plan to explode a "dirty bomb" on U.S. soil.

But as terrorists have learned to adapt to the changing tactics of law enforcement, so too have we learned to adapt to the changing needs of America's domestic security. And among the chief lessons we have learned in the past ten months is that our ability to protect the homeland today has been undermined by the restrictions of decades past.

In the late 1970s, reforms were enacted in our judicial system reflecting a cultural myth that we could draw an artificial line at the border to differentiate between the threats we faced. In accordance with this myth, officials charged with detecting and deterring those seeking to harm Americans were divided into separate and isolated camps. Government created a culture of compartmentalization that artificially segregated intelligence gathering from law enforcement, barring coordination in the nation's security.

- Barriers to information sharing were erected between and within government agencies, and cooperation faltered.
- FBI agents were forced to blind themselves to information readily available to the general public, including those who seek to harm us.
- Information restrictions hindered our intelligence gathering capabilities and terrorists gained a competitive technological advantage over law enforcement.

September 11 made clear in the most painful terms the costs of these myths and the culture they produced. We know now that al Qaeda fragmented its operations to prevent the United States from grasping the magnitude of the threat. The terror-

ists trained in Afghanistan, planned their operation in Europe, financed their activities from the Middle East, and executed their attacks in the United States. Al Qaeda planned carefully and deliberately to exploit the seams in our homeland security. In the months and years preceding September 11, our weaknesses were among the terrorists' greatest strengths.

It is now our obligation and our necessity to correct the deficiencies of the past. America's law enforcement and justice institutions as well as the culture that supports them must change. In the wake of September 11th, America's security requires a new approach, one nurtured by cooperation, built on coordination, and focused on a single, overarching goal: the prevention of terrorist attacks.

The first crucial steps toward building this new culture of cooperation and prevention have already been taken.

Congress's passage of the USA-PATRIOT Act made significant strides toward both fostering information sharing and updating our badly outmoded information-gathering tools. Intelligence agents now have greater flexibility to coordinate their anti-terrorism efforts with our law enforcement agencies. And the PATRIOT Act made clear that surveillance authorities created in an era of rotary phones apply to cell phones and the internet as well.

In addition, the recently announced reorganization of the Federal Bureau of Investigation has refocused the FBI on prevention, taking a proactive approach. Instead of being bound by outmoded organizational charts, the FBI workforce, management and operational culture will be flexible enough to launch new terrorism investigations to counter threats as they emerge. 500 agents will be shifted permanently to counter-terrorism. Agents in the field have been given new flexibility to use all expanded investigative techniques. Special Agents in Charge of FBI field offices are empowered to make more decisions based on their specific knowledge of the terrorist threat.

Finally, the creation of the Department of Homeland Security will be the culmination of the process of restoring cooperation and coordination to our nation's security. Part of our reorganization is the enhancement of the FBI's analytical capability and the coordination of its activities more closely with the Central Intelligence Agency. The results of this enhanced analysis and cooperation will be shared fully with the Department of Homeland Security. For the first time, America will have under one roof the capacity for government to work together to identify and assess threats to our homeland, match these threats to our vulnerabilities, and act to insure our safety and security. In accordance with the President's vision, the creation of the Department of Homeland Security begin a new era of cooperation and coordination in the nation's homeland security.

Mr. Chairman, history has called us to a new challenge: to protect America's homeland. But history has also provided us with lessons we would do well to heed. We must build a new culture of justice in which necessary information is readily available to law enforcement. We must foster a new ethic of cooperation and coordination in government. We must make our institutions accountable, not just to their new anti-terrorism mission, but to the American people they serve.

Thank you for your leadership and thank you for this opportunity to testify.

Chairman ARMEY. Thank you and let me thank all our panelists.

We are now going to proceed to questions under the 5-minute rule, and I might advise the committee that I will try to stick as strictly as possible to that. Also, I want to exercise the prerogative of the chairman and reserve the right for me to ask my questions at the end of the process so that we can involve our other committee members.

So at this time, with the indulgence of the committee, I would defer to my friend and colleague, Mr. DeLay, to open questions on our side of the aisle.

Mr. DELAY. Thank you, Mr. Chairman, and welcome to the House of Representatives. What a distinguished panel. Since the Chairman is going to adhere to the 5-minute rule, I want to jump into questions. And I know your time is short, Mr. Secretary O'Neill, so I start with you. Can you talk about the impact that terrorism concerns have had on our financial markets and what might be done to lessen that impact?

Secretary O'NEILL. Yes, indeed. I think what we have seen in our financial markets is in effect an increase in the risk premium that investors attach to investments, so that the uncertainty that is created by the reality of the attacks of September 11 and the heightened probability that future acts can occur has in effect been discounted into the marketplace, so that people are requiring higher rates of return than they did before September 11. I think as we go through time, most hopefully without any new events, the risk premium will shrink; but it won't ever go away completely, I think, because it is a new reality of our world that we have to anticipate and know that these terrible kinds of things could be repeated.

But there are some things that we can do—and the House of Representatives has already acted on one of those things—such as passing so-called terrorist risk insurance. By taking the action that you did, hopefully soon to be followed by a complete action of the Senate and by conference committee, I think we can take the exorbitant costs that are associated with trying to buy terrorist risk insurance in the private sector and appropriately move it above the consideration and concern of the private marketplace, so that if there is another terrorist event we will have to pay the costs, but it won't be baked into every single transaction that takes place in the private sector.

So I think we are beginning to—we haven't quite completed that activity, but, again, I think only time will heal this. I don't think time will ever completely heal the sense that we have and the risk premium that will now be inevitably baked into our future market considerations.

Mr. DELAY. Thank you.

Mr. Attorney General, as I travel around the country the question that is asked most often about the Department of Homeland Security is if we are creating this Department in order to protect the homeland, why is not the FBI and the CIA within the Department of Homeland Security? Maybe you could answer that question.

Attorney General ASHCROFT. Well, one of the important things about the FBI is to understand the breadth of its responsibility, and its responsibility was substantial before we had the elevated awareness that has been part of the national understanding since September 11. It is involved in general law enforcement investigation and in the provision of the information and evidence necessary for prosecutions. It is important to note that frequently those involved in terrorist activities, though, have other connections to criminal activities. So an integrated approach is appropriate so that the FBI can both develop information regarding terrorism, but also provide a basis for prosecuting individuals, including suspected terrorists, on things like document fraud, credit card fraud, and the other kinds of criminal activities in which we found that many of these individuals who are associated with the population of terrorists have been engaged. Those activities can go forward.

It is with that in mind that we think that a coordinated, integrated effort in the FBI remains a part of the Justice community. After all, terrorism is criminal activity, and frequently those associated with terrorism are involved in other criminal activities as well.

Mr. DELAY. Mr. Secretary Powell, could you talk about the threat from State-sponsored terrorism and maybe identify our Nation's greatest concern today?

Secretary POWELL. That is one of our greatest concerns, Mr. DeLay. There are those States that have not come to the realization that the way to provide for your people in the 21st century is through democratic practices, get rid of totalitarian forms of government. There are those states that continue to believe that they can get an advantage by developing weapons of mass destruction, weapons of mass destruction that they might consider using. And some of these states have used these weapons against their own people or perhaps these weapons of mass destruction can be used by non-state terrorists.

And that is why the President has taken a very strong position on this. He has identified what we call the "axis of evil," several specific states, North Korea, Iran, and Iraq, that clearly fit this category, and why we are remaining especially vigilant and looking constantly at what our policies should be with respect to such states. And we should be—we should be concerned, more than concerned. We should be very, very concerned about these states, and we conveyed to our friends and allies around the world why they should be concerned.

When you look at a state such as Iraq, the first target for these types of weapons is not the United States, but more likely their own neighbors. And they have demonstrated previously they will use it on their neighbors and they will use it on their own people. So we should have no illusions about the nature of these states and why they are developing these weapons.

There are other states that are not so identified on the "axis of evil" which are also concerns to us, for example Libya, Syria. And we are constantly looking for this kind of activity and taking all of the action appropriate to make sure that we can counter, deter, and, if necessary, find ways to defeat these kinds of threats.

Chairman ARMEY. The gentleman's time has expired.

Secretary O'Neill, I promised you and made a commitment that we would be able to release you to begin your travel by 11 o'clock. Your time has come for this departure, and I want to thank you again for the effort that you have made to come to this hearing, and excuse you at this time.

Secretary O'NEILL. Mr. Chairman, I was very pleased to amend my plans to have left last night at 9:30 in order to be here. If I may, and if the gentlelady doesn't mind, may I say just a couple of things that may be a useful contribution to your thought process before I leave?

Chairman ARMEY. That would be great.

Ms. PELOSI. We welcome it.

Secretary O'NEILL. I would make this plea. As you all do your important work in considering the proposal from the President. Beginning with this idea, I think it is critically important that as this new Department is formed, that while the principles be clearly established of what its mission will be and what the expectations will be, that the new Secretary—that you give the new Secretary a substantial grant of authority for flexibility.

And the reason I make this plea to you is this: I think simply collecting the organizations that have been named under one new title is not what we need to do. We need to deploy the resources that are going to be made available in a way that is consistent with the mission that needs to be performed, and I would submit to you it is not simply a continuation of the missions as they have been performed in the past.

And then I would offer you from my experience in assembling an organization, a growing organization from a little over 40,000 to 140,000 people, it is really true that it doesn't need to be more expensive to have a bigger organization than a smaller organization. And even though it is not a direct analogy, I would suggest this thought process to you. As I bought operations all over the world in Hungary, Italy, Spain, China, and all over Latin America, I have to tell you, I never spent any money except the amount of money required to hire sign painters to put our name over the door, in order to integrate them into what is by all accounts the best organization of its kind in the world. And in fact, in the process of assembling those organizations, it was possible to achieve very substantial cost improvements not at the expense of the human beings; because we were mindful of the need to recognize the contributions that people had made in their previous incarnation and previous organizational structure.

But I do not believe that it takes substantial amounts of money, because I think, for example, the notion of co-locating 160,000 people is, frankly, crazy, because most of the people, in fact—particularly those that are associated with the Customs Service and the Secret Service that I know about—they are appropriately deployed today in a geographic sense for the most part. A change into a new organization will not require huge redeployments.

So I would urge you to be skeptical of the idea that this new formulation requires huge amounts of resources. Rather, it requires for the new Secretary substantial flexibility to organize in order to work at the critical mission.

And then I would offer you one example of this that we already moved forward with in the Customs Service. Customs Service is a great organization. It began in 1789. The traditions are strong. The people are so dedicated and loyal to the mission that they have, and I know that they will carry that with them to the new Department of Homeland Security. But I want to tell you this little story. For more than 200 years, these people have been doing their work. And I think everyone felt they did it with distinction to the day of September 10. On September 11, everyone in the society recognized that we had a new set of forces that we had to deal with. And as the Customs Service looked at the proposition of dealing with traffic coming across the borders, they had a new thought process that was really important, and I was fortunate enough to go to Detroit a few months ago to witness the introduction of a new process for how Customs deals with goods coming across the Ambassador Bridge in Detroit, which is a bridge that transports millions of trucks every year, largely for the automobile industry.

We thought we were doing a good job in the Customs Service before September 11th. But what we thought is we have got to do a better job now of making sure that weapons of mass destruction,

in pieces or parts or in totality, don't come across our borders. So we have to do a better job of inspection. But the thought process changed after September 11th to say, let us think about this in a more holistic way and let us not think about it as a government thing. Let us think about it as a process of goods coming across our border. And so the Customs Service people worked with the automobile industry in Canada, and agreed that the manufacturer of the goods which, in effect, do security work at the plant site where the goods are loaded and then when the goods were completely loaded and inspected, they would be, in effect, electronically bonded so that no one could open the container without setting off an alarm.

And as a consequence of this rethinking of the process, what used to be an average 54-minute waiting time as trucks came across the Ambassador Bridge now happens like this: The goods are inspected, they are electronically bonded at the plant, the driver drives them to the border. When he gets close to the border there is an electronic transmission of all of the bill of lading information, where it came from, where it is going, and when the driver approaches the Customs station, they hand their driver's license to the official, who looks at the driver's license, makes sure it is the person that it says, and the time now has gone from 54 minutes for this important traffic to come across the border to 17 seconds.

What I said when I had the pleasure to represent my great people at the Ambassador Bridge the day we opened this service was, "In your face, terrorists," because we have figured out a way with existing technology to improve the economics of commerce across our border while significantly improving the security we provide. And for me, that is the test of this new department, not to have added cost because of terrorism but to demonstrate to the world we can use our technology and our brain power, and we will both be safer and more economically powerful than we have ever been.

Mr. Chairman, with that—.

Ms. PELOSI. Mr. Chairman, if I may, since the distinguished Secretary has raised a couple of questions in his comments I think it would be only fair if we were able to have a question from our side of the aisle to the Secretary if you have just another moment.

Chairman ARMEY. May I ask the Secretary if I may prevail on you for one question from the Democrat side of the aisle. I yield to you, and I take it you yield to Mr. Frost.

Mr. FROST. Mr. Secretary, you talked of course about the cost of this new department. The Congressional Budget Office has just released a study indicating that in their judgment the cost of the new department would include 3 billion in additional cost, in additional amounts over the next—between now and 2007. My question is do you agree with the study just released by the Congressional Budget Office and, if so, where are we going to find that additional $3 billion in light of your comments?

Secretary O'NEILL. I really do wish I could stay longer but I do want to answer your question, and let me say I have not seen their study but I would say as a matter of experience I think it is—it is unbelievable to me that anyone thinks this should cost $3 billion over the next 4 or 5 years. But in order for it not to cost $3 billion you can't simply take as a given everything as it is and then have

a conception that you are going to freeze everything as is and then you are going to assemble people into new space with new titles. You know, for the people who are in the Customs Service now who are in the Treasury building, there is no reason I can't be their landlord. I mean, why do they have to move anywhere? They don't have to move anywhere. But I tell you a mindset, and this is really important. This is not just about homeland security, this is about getting value for public service.

When I came to the Treasury Department I said to our people, how long does it take us to close the books at the Treasury Department? And to put this in context you should know Alcoa closes its books in 2½ days. They close their books faster than anybody else in the world. And they don't do it because they have more people. In fact, they have fewer people. It is because they have a brilliantly designed collection process that gets data from 350 locations that never has to be changed or amended. All the other people spend lots of time doing what I call repair work because they don't understand how essential it is to get things right so that data collection systems are friendly to the people who are supposed to do the work. And there is a high value placed on getting it right the first time.

So in the context of 2½ or 3 days to do the books for Alcoa at 350 locations around the world, I came to Treasury and said how long does it take to close the books? And they said 5 months. And I said why bother? And then I said, I know that it doesn't have to take 5 months and it doesn't take more people to do it right, it takes a new concept of how to do it fast. And I want the Treasury Department to demonstrate that public service can be as good as the private service. The last 3 months the Treasury Department people have closed our books in 3 days.

Now, if we don't bring that mentality and let the Secretary of Homeland Security have the ability to challenge the government to work at benchmark level processes, it will probably cost more than the $3 billion the Congressional Budget Office is talking about. If you let the Secretary have the flexibility to work to develop a benchmark organization, public service or private service, it will not cost more money. And the value created by these people will be staggeringly greater than what we have been able to do with the current collection.

Mr. FROST. I appreciate the Secretary for his response. This is something that Congress will pay a great deal of attention to.

Secretary O'NEILL. Thank you, Mr. Chairman. Thank you, members of the committee.

Mr. FROST. Mr. Chairman, I do have another question for another witness if I may.

Chairman ARMEY. You may.

Mr. FROST. And I want to a direct this to Secretary Wolfowitz. The President on July 4th announced a new program by Executive Order that I am sure you are very familiar with, to provide citizenship for people who are in this country legally and who join the military services. My question to you is rather specific about this, and I have an interest in this because I have introduced legislation on this subject. I have introduced it several months ago, which has bipartisan support. It is unclear to me under the program that the

President announced how we would guard against someone who is in this country legally but who may be a terrorist and who decides that he or she wants to join the military to immediately become a citizen.

Now, my question to you is have you given any thought to how this program would be administered? Would the person who joins the military be required to complete basic training and advanced individual training which could stretch over a period of a year before he or she actually begins his duty assignment in the military? Do you have any concern that some people who may want to do harm to the country would try and use this program to immediately gain citizenship?

Dr. WOLFOWITZ. Congressman Frost, let me get you a detailed answer for the record. We are still developing procedures here. You raise very important questions.

It is also the case as I think you are acknowledging in the substance of the questions that we have a great resource here in our immigrant communities. It is a resource of enormous value in fighting terrorists. We have people who are loyal Americans or who would like to be loyal Americans who know the languages that we need to know to fight these people, who understand the cultures that we need to fight them. So at the end of the day there is some balancing of risks here, but it is not all risk on one side. If we don't take advantage of that national resource we are running a risk as well.

I will try to get back to you as soon as possible with how we propose procedures that will deal with that problem. It is a real one and you are right to raise it.

[The information follows:]

With respect to gaining citizenship immediately, the Department of Defense does not become involved in the citizenship process, does not sponsor individuals for citizenship, and does not support applications for citizenship or entry into the United States. That process remains and individual responsibility, under the purview of the U.S. Immigration and Naturalization Service (INS).

The Executive Order (EO) announced by President Bush on July 4, 2002, concerned military service and eligibility of active duty members to immediately apply for U.S. citizenship. Prior to that announcement, members of the military were eligible to apply for U.S. citizenship after 3 years. Legally admitted, non-citizen civilians still must wait 5 years before they are eligible to apply for citizenship. The INS establishes these waiting periods.

The EO does not alter military enlistment standards or training requirements. Non-citizen applicants for military service must still be lawfully admitted to the United States for permanent residence. In addition, an INS files check is conducted for resident aliens. All recruits, regardless of citizenship status, must successfully complete basic and advance individual training before being sent to their first duty assignment. This period of time varies, depending on the length of training, but could take a year or so.

Just as military service does not guarantee U.S. citizenship, U.S. citizenship does not automatically earn a security clearance. The Deputy Assistant Secretary of Defense for Security and Information Operations is responsible for processes determining security clearance eligibility among military service members.

While the Executive Order permits faster citizenship eligibility for military members, it did not lower or remove standards of eligibility for enlistment or security clearance. Therefore, we do not anticipate an increased vulnerability to harm.

Mr. FROST. I appreciate it because it is a laudable objective and, as I said, in fact I and others on both sides of the aisle have introduced legislation to facilitate this and make this happen.

Chairman ARMEY. Thank you. The gentleman's time has expired. The Chair recognizes the gentleman from Oklahoma, Mr. Watts, who has been involved with these matters of concern for some time.

Mr. WATTS. Thank you, Mr. Chairman, and I want to thank our panel for being with us this morning. And Secretary Powell, I want to say to you how proud I have been as an American citizen to see you perform on the international stage with great patience and great composure, as you have been dealing with some very difficult circumstances and some very challenging times, as has the Department of Defense and the Attorney General's Office, the Treasury, the Secretary of the Treasury, all of our government. All of our citizens as well have been dealt some challenging blows, and it is always good to know you have got a steady hand at the wheel over at the State Department.

I would like for you and all of our witnesses this morning to respond to the question I am about to ask. And as the chairman said, I have been working on this issue now for some time, probably over the last 3, 4 years, because of what I saw in Oklahoma City in April of 1995, and there have been numerous studies of blue ribbon panels that have looked into issues of terrorism and the future threats to our security. Over 3 years ago one of those bipartisan panels, the United States Commission on National Security in the 21st Century, known as the Hart-Rudman Commission, accurately predicted that, "Attacks on American citizens on American soil possibly causing heavy casualties are likely over the next quarter century because both the technological means for such attacks and the array of actors who might use such means are proliferating."

Can each of you speak to the changes in threat that you have seen in your respective department and the steps that you are taking to address these threats or those changes?

Secretary POWELL. Well, I think the members of that commission were absolutely right and we have seen their predictions come to fruition, regretfully. And, I think, in the Department of State we recognize that we have to do much more to identify these threats long before they get anywhere near the United States. We have to identify the bad actors who are out there, we have to do a better job of identifying those state and non-state actors who would use this kind of indiscriminate terror and violence to hurt our people.

And that is why, I think, in all of our missions around the world, all of our diplomatic missions around the world, we are working more closely with representatives who are there from the Department of Justice, from other agencies of government, residents in our missions, to essentially put out this front line of defense.

And as I have increasingly called it within the State Department, front line of offense, as Secretary Rumsfeld said, it begins far away from our shores. Do a better job of identifying those who would try to hurt us, to go after them early, to take it up with the governments concerned. When we see terrorist organizations out there who mean us great harm, start now to discuss it with those governments.

And I think in another session, if it was a closed session, I think Paul Wolfowitz and I could describe some of the actions we have ongoing to go after terrorists in other nations who we know are resident. Now, a few years ago, we would have just sort of known

they were there and not done much about it. But now we are aggressively going to the leaders of those countries and saying "We don't want to wait until they surface in a way that will hurt us or hurt you and we want to work with you now so that you can go after them. We will give you the intelligence, we will give you the information we have, we will give you the resources. We will help train your people."

An example of what Secretary Wolfowitz can talk about is what we have been doing in the Philippines. So we are being far more aggressive using our diplomatic, political, intelligence and law enforcement means to identify these threats and to work with the countries where these threats reside and, frankly, put a great deal of pressure on them to do something about them now, before they become real and present dangers to the United States a few months or year or so later.

Dr. WOLFOWITZ. Congressman Watts, I would say even before September 11th we were addressing terrorism as a major concern of the Department of Defense in two respects, I suppose one could say defensively and offensively, particularly with the attack on the Cole. But going back to Khobar and even to Beirut, we have put more and more resources into force protection. We had become aware long before September 11th that our force is a potential target of terrorists.

But also last summer, when we did the Quadrennial Defense Review, we took heed of some of the advice that you just gave us from the Hart-Rudman Commission and other sources and intelligence sources and identified homeland security as the top priority for DOD transformation. That development was accelerated enormously, as you might imagine, by the events of September 11th. And among major things that I would say we have done first of all is creating the Northern Command, which we will be coming with a detailed planning on October 1st.

General Meyers, the Chairman of Joint Chiefs, has said this is the most significant change in the command structure in the Defense Department during his career as an officer. It will greatly improve our capability to do those things that are unique military roles in the defense of the country. But also we increasingly recognize that terrorists are both a potential target of the U.S. military and that we are a potential target of terrorists.

Let me start with that second piece. When we are at war, and we are at war with them now, one of the most important things on their agenda is going to be not only how to kill American soldiers in barracks or in bases, but also how to attack the key capabilities. Especially things like cyber terrorism become a major concern for us at the Defense Department but, secondly, from the offensive point of view, that we need to have a very broad and flexible range of capabilities. This is a shift we began last summer, also.

The terrorists do not present the kind of definable predictable threat that the old Soviet Union did. They hide, they come from unpredictable directions. When you flush them out of Afghanistan, they try to work from somewhere else. It means we have to have a military that is correspondingly flexible and agile, and that is what we are working toward.

But a final point that I would make, which I sense most dramatically, we have always depended on intelligence. Intelligence and the military have always been close partners. But in the fight against terrorism it is impossible to exaggerate the importance of that partnership. We can't do our job without extraordinarily good intelligence, and they also can't do their job without the kinds of capabilities we provide. We have seen synergisms of that kind coming out of Afghanistan. It was our military operation that drove Abu Zubaydah out of Afghanistan, but that by itself would not have accomplished what it did had it not been for the work of the CIA and the Justice Department and the cooperation with foreign governments and State Department to capture that man. He in turn led us to Mr. Padilla, whom the Attorney General referred to earlier. There are many examples of this kind, and it is why we have to integrate these different elements of national power to be successful.

Chairman ARMEY. I am going to have to call time so we can get on to Mr. Menendez from New Jersey.

Mr. MENENDEZ. Thank you, Mr. Chairman. I want to thank our distinguished panelists for their testimony. Winston Churchill once said you can always depend upon America to do the right thing after they have exhausted all the other alternatives. And in the spirit of trying to disprove him, make him wrong in this context, we need to get this done right the first time. And in that spirit let me ask the following questions.

Mr. Attorney General, if could you answer this particular question with just a simple yes or no. Do we need to reform the INS?

Attorney General ASHCROFT. Yes.

Mr. MENENDEZ. And I agree with you. And in that context then an unreformed INS being transferred into theDepartment of Homeland Security is as poorly functioning as it might be under the existing circumstances at the attorney general's Office?

Attorney General ASHCROFT. Well, the need to reform the INS is something that is being addressed too. The administration did present a program for reforming the INS. It is under way administratively. And as a matter of fact the administration urged the passage of a reform measure by the House of Representatives in anticipation of the Senate working to do the same. So we believe that the reform and improvement of INS is an ongoing process that should not be discontinued.

Mr. MENENDEZ. So we ultimately need to reform the INS to make it efficient whether it continues to be in the Attorney General's Office or the Department of Homeland Security?

Attorney General ASHCROFT. Absolutely.

Mr. MENENDEZ. In that context let me ask you, how do we ensure that the rights of American citizens to claim their mothers and fathers, brothers and sisters, sons and daughters is preserved in a Department of Homeland Security whose focus is security and not necessarily the service side of what is being proposed to be transferred in its entirety, which is the entire INS to Homeland Security?

Attorney General ASHCROFT. Well, obviously the policy as developed in the Congress of the United States and portrayed in the laws of the United States will be carried forward in the new de-

partment like it would in any other department, and these are important considerations. And I believe that the Department of Homeland Security will have the capacity to provide that the intent of the Congress and the policy expressed in the law will be carried forward.

Mr. MENENDEZ. Couldn't you achieve, still providing the security we need, keeping INS at the Attorney General's Office or could you not do that?

Attorney General ASHCROFT. I believe that it is best to integrate these agencies in the Department of Homeland Security so that we have the kind of focused effort that relates to our borders, that relates to preventing terrorism, that assesses the threat, that integrates the assessed threat with the assessed vulnerabilities and the hardening of various assets around the country in order to prevent an attack from being successful and to sustain the protection, the safety of the people. And I believe the optimal approach is the one recommended by the administration and proposed in the President's plan.

Mr. MENENDEZ. So you would not support the determination of the Judiciary Committee yesterday that divided the INS, sent the enforcement department to the new Department of Homeland Security and kept the service aspect of it in your department.

Attorney General ASHCROFT. The President has clearly stated that he believes that we should have separate capacities within the INS, one for enforcement and one for service, so that we have a culture that is service oriented and a culture that is enforcement oriented. But I believe that it is very important that they be connected because there are frequently overlaps, and to have them in different departments might make very difficult the kind of coordination that is necessary.

I will give you an example. In the service area we want to serve people well, but when someone comes and presents false documents in the service area or makes a fraudulent claim for citizenship or indicates that they have a legitimate document which was falsely obtained, perhaps like something that was illegally provided, it is important to be able to coordinate from that service responsibility the need to enforce the law.

Mr. MENENDEZ. But that coordination needs to go on whether it is in one department or another?

Attorney General ASHCROFT. That is exactly right. It does need to go on.

Mr. MENENDEZ. The real issue is coordination and information sharing.

Attorney General ASHCROFT. Absolutely. It is an issue, and I believe that is best undertaken if you don't have these two functions in different cabinet agencies, but that they remain in a single cabinet agency although they have this separate capacity to operate, so that you have a culture of service in one and a culture of enforcement in the other.

Mr. MENENDEZ. Thank you.

Chairman ARMEY. The gentleman's time has expired.

Ms. Pryce from Ohio.

Ms. PRYCE. Thank you, Mr. Chairman and gentlemen, for joining us today. This is one of the greatest endeavors that our country has

undertaken. It is a very difficult one and your cooperation in being here to help us get started is extremely important, and I am very grateful that you are here today.

Terrorists represent, in my mind anyway, a very mobile and agile enemy. It is clear that there has to be international cooperation and coordination to successfully track them and defeat them. What obstacles are we encountering with our efforts with our allies and others, to what extent must we depend on cooperation from others, and have you sensed any changes in the attitudes of other nations and states across the globe as we address terrorism from our country's perspective and from their own?

And I guess any of you who care to—Secretary Powell, it is probably—.

Secretary POWELL. I would be delighted to start, Ms. Price. Every ally that we have has come to the realization that terrorism does not respect boundaries, cultures, or any of the other normal elements of statehood that keep us separate. So we have found a high level of cooperation with our friends and allies. We passed U.N. Resolution 1373 that dealt with financial transactions of terrorism. And more and more we find nations willing to cooperate with us to share information.

It is going to take quite a bit of time to get it exactly where we want it because of individual laws and other problems that have to be resolved within individual countries. But there is a spirit of cooperation. We are not the only ones who have seen a terrorist incident in the last year. The Russians, so many other nations, have been exposed to this kind of horrible activity that I think there is a new spirit of cooperation.

We are very pleased at the level of cooperation we see from our allies around the world, some of course more so than others. And where we still have obstacles to overcome we are working with those nations. But generally, I sense and see and work within a new spirit of collaboration and cooperation with respect to diplomatic exchanges, political exchanges, law enforcement exchanges, and intelligence exchanges, and I am pleased with that level of cooperation, but we are pressing for even more.

Ms. PRYCE. Thank you. And Attorney General Ashcroft, perhaps you could expound upon my question in that we have seen just lately in the incident of Jose Padilla our own citizens becoming enemy combatants. And do you still feel that our government is limited in dealing with this type of enemy combat and/or were the changes made through the PATRIOT Act sufficient to deal with it, meet these needs? Do you feel equipped enough at this point?

Attorney General ASHCROFT. Obviously there are differing considerations when we deal with U.S. citizens and the way we deal with U.S. citizens here. There are different frames of protections afforded by our Constitution that do not extend to the way our government would deal with persons on a battlefield. But let me just indicate that the general constitutional provisions that relate to court proceedings and the judicial system don't necessarily apply to battlefield circumstances and the exercise of the President's war powers. And I believe that the President has sufficient power under the Constitution to act against enemy combatants to curtail their activities against the United States.

The terrorist community has, I believe, stated its intention to try and recruit individuals in the United States, and we know that it has in some measure been successful in doing so, and we will work very hard to make sure that we take every step necessary to disrupt activities that are designed to destabilize the United States or disrupt our safety even when those activities would be taken by someone who is legally resident here or a United States citizen.

Ms. PRYCE. Thank you. One final question. It is not the mission of the select committee nor is it our intention to reorganize the structure of this Congress, we are here in our mission to reorganize the structure of the agencies that deal with terrorism. And so the authorizing and the appropriating and the oversight responsibilities may not coincide with what we will do here.

Do you have any advice for us as we go through this and make these changes, and that may be a question for another day, but—I know my time has expired but if anybody has something right off the top of their head.

Secretary POWELL. No thoughts off the top of my head, but the one simple observation that follows something Secretary O'Neill said earlier, we have to make sure that the new Secretary of Homeland Security is given sufficient flexibility, both in terms of law and in terms of the degree of oversight that he is exposed to that does not constrain him. He is going to have a very difficult job, or she, is going to have a very difficult job as they try to put these pieces together. Not just making a wedding cake out of it, but making a new entity out of it, with a new culture. And I hope the Congress will be sensitive to that need for flexibility as you organize yourself to oversee this new department.

Ms. PRYCE. Thank you very much.

Chairman ARMEY. I thank the gentlelady. The gentlelady, Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman. Just to follow up my colleague Ms. Pryce, will we be able to submit questions that we don't get a chance to answer today?

Chairman ARMEY. Maybe this would be an appropriate time for me to take care of this item of business. We won't take this out of your time.

Ms. DELAURO. Thank you, Mr. Chairman.

Chairman ARMEY. Without objection, the hearing record will remain open for 30 days to allow members to submit questions to our witnesses and receive their responses.

Ms. DELAURO. Thank you very much. Let me just welcome this distinguished panel. I thank you for your time and for your thoughtfulness in the process. I want to address the question and ask that any or all the Secretaries to respond. So it is a general question.

We currently have 153 agencies, departments, offices that are involved with homeland security. After the creation of this new department that number is going to increase to 160. One critical issue is how is information going to be shared not only within the new Homeland Security Department, but among the various agencies and departments? No matter what kind of organization is developed, failure to address this issue is going to result in a failure in the war on terrorism.

So in that regard, in that context let me just pose three questions. There could be more but let me first just deal with these three. How do you recommend that the new department ensure that its needs and priorities for intelligence collection are reflected by the various intelligence providers? Secretary Wolfowitz talked about the issue of intelligence being key to whatever we do in the future.

Secondly, while reorganization is a start, that does not guarantee that we have the capability to combat terrorism. Example, 10 months after the anthrax attacks which hit the Wallingford Post Office in my district, forensic analysis still has not revealed the source either of powder, mailer, no agency has a database to solve this crime. How does the Federal Government intend to address the issue of building a shared database? And my understanding is, and correct me if I am wrong, that there is nothing to prevent the sharing of those databases today.

For instance, Treasury could combine Customs databases with a Federal law enforcement with the FBI database. That is okay. We could do that now if we wanted to, and we have not done that, I guess.

The President's proposal exempts the new department from complying fully with the Freedom of Information Act. If non-Federal entities like private corporations provide information voluntarily to the new department, that information is not subject to FOIA. Are there existing measures to prevent companies from hiding information they do not want public in such submissions and how do you plan to prevent this kind of effort from happening?

Let me just throw those questions out.

Secretary POWELL. Let me take the first swing at it, Ms. DeLauro. I think your questions are of such a nature that they should be presented to the Office of Homeland Security, the director of that office, as he brings forward the reorganization proposal. But let me say since September 11th, we have been doing a better job of sharing these databases. I can say to you something today that I probably would not have been able to say last summer, is that when somebody, for example, applies for a visa now at one of our consular offices, the database that it is bounced against is two, three times larger than the database it would have been bounced against last year. Now that should have been fixed last year and it wasn't, but it is fixed now.

The information that our consular officer has in that application that comes to him or to her and the results of that interview and the photo of the visa applicant is now available to every one of the INS inspectors who are waiting at Dulles Airport to see this person come through.

So, I think a lot has happened. I think it can happen in a more effective way in the future and we can do an even better job as these different pieces are brought under the Secretary of Homeland Security. So, we haven't just been waiting for the new department to come along. I think there has been a great deal of progress in the last 10 months. But I think progress will be even greater in the future with a Cabinet officer, with this as a sole responsibility, to make sure that he can put all of these organizations together, and with the authority that the Secretary of Homeland Security will

have over the policies, under which I will operate with respect to the consular officers, I think will be a much more effective arrangement than what frankly was an ad hoc arrangement. These had to be handshake deals between myself and John Ashcroft and a lot of us over the last 10 months that we should have fixed much earlier and they are now being fixed. And I think there will be a more effective fix when there is a Cabinet officer who has sole responsibilities for these kinds of activities.

Attorney General ASHCROFT. May I make a few comments? I note that time is waning quickly. But the FBI has undergone a major revision of its approach to information. The FBI had a culture of being able to reassemble an event that happened in the past, serving sort of like a forensic dentist who could tell you what happened to a crime victim by virtue of reassembling sort of the fragments of the skull. We need for the FBI to evolve from that prosecution function exclusively which it had into the area of prevention, being able to anticipate things. And we need in that event to be able to coordinate our information, which the Secretary has indicated is the best friend to prevention, and it is with entities like the CIA.

Let me give you an idea of some of the reforms at the FBI that are already well under way that would help us do that. An Office of Intelligence has been established there. And in order to get oriented to the future like the CIA, which has been more of a forecasting organization, anticipating events, than the FBI, which has been reconstructing events for purposes of going to trial and prosecuting, the new Office of Intelligence is headed by a CIA person. Twenty-five CIA individuals are there to help us develop that culture of anticipation and preventative information. The reporting and information flow in the FBI is now under consideration for reformatting so that the format of reports would be compatible with the format of reports in intelligence agencies so that the kinds of information could be exchanged easily.

Similarly, the upgrades in the computer programs which you all have authorized and have been funding, Director Mueller is making sure that the computers would be able to be conversant with other intelligence agencies so that when we have the databases that are available that they can speak to each other and they can be integrated.

Much has happened since September the 11th. We now have a combined or joint threat matrix. It used to be the FBI would develop a sense of what it thought might happen and the CIA developed an independent sense. And this was in part because the CIA and FBI were to address this mythological sort of context of different threats, one overseas and one at home. But we now have a cooperating joint threat matrix. We have shared databases.

I have recently authorized the FBI to use some commercial databases that are available to the public that had previously been off limits for the FBI just as it had been off limits for the FBI to seek information that is available to the public on the Internet. These kinds of things are precursors to the kinds of coordination that can happen at the direction of the new Secretary running the Department of Homeland Security, and I believe they are all steps in the right direction. The completion of those steps and the institutional-

ization of this culture of collaboration, cooperation and coordination should have happen most effectively in the new department.

Ms. DELAURO. Can anyone address the FOIA question?

Chairman ARMEY. I have to pull the gavel on the gentlelady from Connecticut. The time has expired. The gentleman from Ohio.

Mr. PORTMAN. I thank the chairman. I thank the very distinguished panel for being with us here this morning, now this afternoon. Thank you for your insights. There is no higher calling for any of us on this side of the dais—or that side—than protecting our citizens, and that is what we are all about here. I do have a couple of general questions, first just on the concept.

Each of you represents men and women who are on the front lines against international terrorism today. And Attorney General, you have people who are out there collecting information, tracking down suspicions, which is homeland security. Secretary Wolfowitz, you have people out there tracking down terrorists literally overseas, finding them. Secretary Powell, of course you are working closely with our neighbors to the south and north and around the globe, much of which is homeland security. And many of your functions and many of those personnel who are doing a great job and working overtime to protect us will not be part of the new Department of Homeland Security. At least it is not proposed in the President's proposal nor any of the drafts that we are working on here in Congress.

One concern that has been expressed now is that there will be a new department where there would be one person, as you say, who would be responsible for homeland security. Does this mean that you and your people would ease up on your vigilance and on the hard work you are doing here in the States and around the world with regard to homeland security? I wonder if you could address that concern.

Secretary POWELL. In my case, I think it is quite the contrary. The fact that I will now be getting policy direction from the Secretary of Homeland Security for me to execute through my existing consular affairs system makes me a part of the homeland security function in a more important way than might have been the case if someone had taken or if someone—still some people believe this is the right way to go. But if you were to take this function and this activity and these people away from all of our embassies out there and give it over to the Department of Homeland Security, then I obviously have less to do with it. And I would feel myself somewhat removed from this activity and this function and very important mission.

The President's proposal, I think, is structured in a way that is balanced and appropriate. Using the resources of the department and the very talented people we have there who are coming up with all kinds of new ways to protect ourselves, and giving proper policy authority to the Secretary of Homeland Security seems to me to be a way of taking advantage of the strengths of both departments, the Secretary of State and his department and, of course, the new Department of Homeland Security.

Dr. WOLFOWITZ. The answer is absolutely not. We have, as Secretary Rumsfeld outlined, been undertaking major changes within

our department, particularly the creation of a Northern Command, and those efforts will continue.

But I would like to emphasize how much we welcome the creation of a Department of Homeland Security that gives us one department where we can go to address what our responsibilities are instead of 153 different agencies. I think it is not inappropriate to think about the analogy that was referred early to the post-Cold War organization and the 1947 National Security Act. It is not difficult—it has vastly, I think, improved the ability of State Department to work with the military branches to support national security abroad.

I mean, I don't know, Collin, how you would possibly deal if you had to deal with an Air Force, an Army and a Navy Department that included the Marine Corps. Instead there is a Department of Defense. There are enormous issues that Secretary Powell and Secretary Rumsfeld coordinate every single day. To be able to do it between two Cabinet officers instead of the State Department and multiple ones. And I think the same analogy applies here on the homeland security side. And I believe we are going to work through this.

There have been huge changes in the Department of Defense, including the Goldwater-Nickles Act, which was another landmark piece of legislation. I don't think we have got the final answer here and it is going to take a long time. But I think this is a very important step that will allow our department to play its role in homeland security in a way that we have not been able to before.

Attorney General ASHCROFT. Congressman Portman, the Department of Justice obviously as the home of the FBI is very involved in the development of the kind of information that will help us secure America more profoundly and protect America better, and we look forward to the kind of coordinating and integrating involvement that this new department will have in terms of intelligence generally. So that while we are improving our ability to communicate with the Central Intelligence Agency and other intelligence agencies, whether they be in the Department of Defense or in other aspects in the culture, having an analysis center that relates the intelligence we get to the vulnerabilities we have so that you have a threat assessment with a vulnerability assessment and then the ability to move that in a coordinated way into the culture to have, say, hardening of our assets so that we are less vulnerable, we welcome that, and we see the Department of Homeland Security as taking this information, as helping organize it, and as helping move it effectively into the public domain where necessary for private citizens and concerns to be effective in using the information to secure safety, and we see ourselves as a major supplier of information, among others, in a coordinated way in the new department.

We think this is a formula for a much improved service.

Chairman ARMEY. Thank you. The gentleman's time has expired.

The gentlelady from California, Ms. Pelosi.

Ms. PELOSI. Thank you very much, Mr. Chairman. Again I thank our distinguished witnesses for being here today and their testimony, which I have found to be very helpful. I had a few specific questions, but first I will quickly make a couple of observations.

In the beginning of the hearing I mentioned that I hoped that at the end of the day we would come out with a Department of Homeland Security that was lean, that was agile, that relied, exploited, shall we say, telecommunications, sharing of databases, et cetera, that has been discussed here. And what I hear you saying is something that would be consistent with a leaner model than with a more old-fashioned model of—a big model—of agencies under one heading.

I was encouraged by what Secretary O'Neill said when he said it wouldn't have to cost so much money because there was no need for him to—why couldn't he be the landlord for the Customs Service? And Mr. Chairman, I will have a number of questions for the record for the distinguished Secretary of the Treasury regarding the Customs Service and why ATF isn't moving as well—judging from their responsibilities domestically. So I am hoping that with the wisdom of the Secretaries and the wisdom of the committee chairmen who will be submitting their proposals to this select committee, that at the end of the day we can reduce risk to the American people in a more modern way.

I had a specific question for you, Mr. Secretary of State. I guess I have to be specific here with all the Secretaries. I listened very attentively to what you said about the visas, and you seem to be satisfied with the arrangement that is in the new Homeland Security Department. I wondered if would you comment on the proposal made in the International Relations Committee yesterday, I don't know if you are fully aware of it, as to what you think of their refinement on the visa issue.

Secretary POWELL. The refinement is acceptable, if you are referring to the proposal that the Homeland Security Department might have some presence in our regions and in our embassies to make sure that what we are doing is consistent with the policies promulgated by the Secretary of Homeland Security.

Ms. PELOSI. It is the Hyde amendment.

Secretary POWELL. Yes, we are supportive.

Ms. PELOSI. You would be supportive of that? So when our committee takes up that suggestion it is something that you would support. I appreciate that very much.

Mr. Secretary Wolfowitz, I was very interested in your response to Mr. Portman. Certainly force protection is something that we will never relax on. I know in your department that is for sure and I am sure the Secretary of State agrees with that. So as the ranking on Intelligence I know that at the end of the day with all of this, not only would there not be less activity on your part, but a synergistic impact on force protection.

Dr. WOLFOWITZ. That is right.

Ms. PELOSI. Attorney General, I guess I call you General, General Ashcroft, I was pleased that in the—.

Secretary POWELL. What am I, chopped liver?

Ms. PELOSI. The Secretary—can't say General. Everyone responds.

Senator, Governor, Secretary, General, I was pleased in the Department of Homeland Security that it did not include an MI-5 type of new agency separate from the FBI which would spy on the American people. There have been some who have advocated such

an independent agency. Would you in the short amount of time we have take a moment to comment on that?

Attorney General ASHCROFT. Well, let me just refer to some of the remarks I made earlier about the fact that the FBI is a broad criminal investigative agency, and its association with the prosecution community and the Department of Justice is very important for an efficient prosecution of our laws.

Secondly, there is a balance in the Department of Justice that relates to an awareness of and a sensitivity to and a keen affection for the rights of American citizens, and the Department of Justice has a very aggressive Civil Rights Division that enforces civil rights and prosecutes those who infringe them. And to have that sensitivity to civil rights there in the same department where you have the responsibility for developing information and conducting investigations is a healthy thing.

Ms. PELOSI. So you would oppose such an MI-5?

Attorney General ASHCROFT. I really believe it is most effective to leave the FBI in the Department of Justice where we have that sensitivity and responsibility to protecting the rights of individuals.

Ms. PELOSI. I appreciate your direct response, General, Governor, Senator, all of the above.

Mr. Chairman, I would like to submit for the record the questions that I have for the Secretary of Treasury, but I wanted to say what they are—why is the ATF, as I mentioned, not a part of Homeland Security when the Customs Service is? How are the ATF, the FBI and CIA going to communicate with the Department of Homeland Security?

Yesterday, the Ways and Means Committee reported out a bill that protects the pay benefits of only a select group of Customs employees, revenue experts, attorneys, et cetera. These employees represent 25 percent of Customs workers, but these select Customs employees whose benefits are protected still do not enjoy assurances that they have Title V rights and protections, the right to bargain collectively, whistleblower protections, anti-discriminations, pensions, et cetera, will continue. Further, the remaining 75 percent of the Customs employees do not have any assurances that the benefits, rights and protections that they currently enjoy will remain.

That is a question directly to the Secretary in that regard. I don't know, I think that these, although they are addressed to Customs, really apply across the board to any of the employees who will come under the new Homeland Security Department.

And I would—if any of the Secretaries here have any observations—oh, I see my time has expired. I would be happy to receive them for the record. But as we all know, many of our first responders were public employees and if we want to have mission success we have to respect the President's mission, we have to respect the work of the committees of Congress, we have to respect the people who will execute the plan. And I don't see that yet in the proposal that is being made.

So if have you any observations on that I would be happy to receive them. I will please yield back the balance of my time.

Chairman ARMEY. I want to thank the gentlelady for that. Let me assure the gentlelady we will work with you in getting those

questions to the Secretaries and encouraging a prompt response because, as you know, our work goes on. Also I might suggest to the gentlelady from California I will recommend a Harvard solution to our dilemma and just say "gentlemen" .

It has been for me a pleasure to have you here today. I have listened with great interest and considerable encouragement to your testimony. I have long felt that the single thing that most sets America aside from all the nations in the history of the world is our love of liberty in America. In fact, I have made the observation that all too many times our American heroes have spent their life and their limb in the defense of liberty of people other than ourselves. No nation I know has been willing to make such a sacrifice for the love of liberty. That is why when we first heard of the Department of Homeland Security I had some pause.

Secretary Powell, you spoke with great eloquence about our commitment to the liberties of the citizens of this great Nation. I have now heard you, General Ashcroft, reaffirm that. But I guess my question is whether you can give me a sense of how we strike the balance between our Nation's need—indeed our requirement—for safety and security on one hand and personal liberties on the other?

For I fear a free nation will always be a nation that is at some risk, and it would be to me so tragic that we would create a Department of Homeland Security with such rigorous investigative abilities or protocols that we would trespass against our liberties.

Can you help me to see where I might search for that balance as we move forward with that committee, any chapter and verse or general observations you could give me. And maybe at this time we will reverse the process, Secretary, and start with General Ashcroft.

Attorney General ASHCROFT. I think these are very important concerns. I agree with you completely that liberty is the chemistry that provides the basis for America's uniqueness. It allowed Emma Lazarus in her poem on the base of the Statue of Liberty to say "Give me your tired, your poor." She didn't ask for the top 10 percent. She knew that liberty was so powerful a catalyst that anybody could come here and this would be a place for opportunity.

It is the thing we must safeguard. And for those that say we have got to make a choice between liberty and security, I always want to say liberty is what we are securing. If we are not securing liberty we have got our eyes on the wrong objective.

So in the aftermath of September the 11th, when I convened people in the Justice Department, I put it this way: We have got to think outside the box. We can't do the things the way we have always done them because we must change in order to be able to better protect. But while we think outside the box we can never think outside the Constitution. And I think that is important here. The Constitution is the enshrinement of the civil liberties of the American people, and we must always respect that and must never be infringed. And frankly, the new department can't infringe the Constitution. It is not within the power even of the Congress of the United States or the President of the United States to change the Constitution. We are sensitive to those rights.

I have indicated that I think maintaining the FBI in the Justice Department where the rights are protected as well as the investigations conducted is the right place for balance. But the Constitution—this may sound rather fundamental, it is to me—the Constitution is the guarantor and this does not adjust those rights.

Chairman ARMEY. Thank you, General.

Secretary POWELL. What I would say, Mr. Chairman, is that we will never be without risk totally. We should recognize that we are living in a new world that has risk, but let's not be terrified by that risk. Let's not say don't come to our shores, we are not issuing a visa to anybody else, we are not willing to take a risk, everybody stay where you are, you are not coming to the United States.

What a crime that would be! What a tragedy that would be! What would that be saying to the rest of the world? How many of our forefathers might not have gotten to this country? Would my parents have been able to come into the Port of Philadelphia and the Port of New York in the 1920s if that attitude prevailed?

So what we have to do is make sure the rest of the world understands that America remains an open society, we want you to come to this country, we want you to immigrate here, we want to take in refugees as we have in the past. We want people to come here and enjoy themselves, see the beauty of this land, see the beauty of our value system, and take it back with you across the oceans to your homes.

We are enriched by people coming to this Nation to visit and to become American citizens. At the same time we have to make sure that we are doing everything to protect ourselves, but not to the point of zero defect, zero fault, we cannot accept any risk whatsoever. And we can do a better job than we have done in the past.

We are hard at work on that at the department now by some of the little things I have shown you today and some of the new training we will be giving to our people who are out there doing such a great job. And when we find fraud, we find people are not living up to the responsibilities, we will take action.

So we can do a better job. But in doing that better job, let's not shut down America. Then they will have won. We can't let them win.

Chairman ARMEY. Thank you. I don't think I could have said it better. Let me suggest to the committee that we have I think a generous willingness on the part of our witnesses today to receive our written questions and respond to us in a timely fashion. And in lieu of that, let me just suggest to the members of this panel if you have a burning desire for a quick follow-up question, I would certainly want to honor that. Other than something that is pressing for you, I think we might be inclined to thank our panelists and excuse them.

The gentlelady from California indicates that—.

Ms. PELOSI. Mr. Chairman, I think that is perfectly fine. I do want to just say one thing, and that is Secretary O'Neill, when he was here, in one of his comments he said we are an example to the world. I think he was referencing how we proceed, and I think that is something that we all should remember as we proceed and certainly the testimony that we have here today supports, I think, a great example to the world.

Chairman ARMEY. I see the gentleman from New Jersey seeking recognition.

Mr. MENENDEZ. Mr. Chairman, if I may just very briefly direct a question to Secretary Powell, because of the unique ability that he will have to give us an answer, I think would serve us well in our deliberations if I may.

Mr. Secretary, drawing upon your past experiences as the Commander of the Joint Chiefs of Staff, as the head of the Joint Chiefs of Staff, when you would look at the world in that role and look at America's military challenges abroad in terms of its defense, you would do a threat assessment and decide how you would recommend to the Commander in Chief, the President, how to respond to that. Is that correct?

Secretary POWELL. Yes.

Mr. MENENDEZ. And then you would seek to marshal your forces and everything that you have to be responsive to that threat assessment, is that correct?

Secretary POWELL. Yes.

Mr. MENENDEZ. Does it not seem to you odd then with that experience that what we are doing here is before we have a national threat assessment in place deciding that the creation of this department and the movement of all of these different agencies is the appropriate response to a threat assessment that we have not determined yet?

Secretary POWELL. I think the threat is relatively clear. The threat is more than a threat. It is reality. We saw it at Khobar Towers, we saw it at the Cole incident that my colleague Paul Wolfowitz mentioned, and we certainly saw it in Washington and New York and in Pennsylvania last September 11th. It is clear to me that we do need a reorganization.

When I think back, as you say, to when I was Chairman of the Joint Chiefs of Staff, my threat was the Soviet Union, my threat was wondering where China might be going, my threat was 12,000 strategic nuclear weapons pointed at the United States. But during my tenure as Chairman of Joint Chiefs of Staff, most of those threats went away with the Cold War.

We have been examining new threats, and there is no threat that has come along that it seems to me is as real, as impressive, as the threat of asymmetrical terrorism.

Mr. MENENDEZ. Clearly we can agree that the United States has a threat in terms of terrorism. Nobody would dispute that. But the nature of the extent of that threat, the quality of that threat, the diversity of that threat and in the context of a threat assessment whether or not the biological and chemical weapons are among our highest concern is—or whether a different form of a terrorist attack is among our highest concern or whether or not, as we already discussed here, the greatest way to achieve protecting against any of that is the greatest integration and provisions of intelligence information and sharing that truly would come from a threat assessment, and then would you respond to that? And so that is the context in which I am asking the question.

And my second and final point is what will—I sit on the International Relations Committee. So I certainly have been looking at this whole question of consular visas.

I heard you say in response to Mr. Portman that you are looking forward to the policy direction, but you did not need policy direction as a Secretary of State to pursue the question of providing security as part of the consideration of issuing visas to come to the United States. You obviously had that as part of your own provisions.

What is it that the Department of Homeland Security is going to do differently than what you did and previous Secretaries of State did in ensuring that consular offices issuing visas abroad ensure the security of the United States? I fail to see what is the difference, and if you could share with that in the context of a threat assessment, it might be very helpful to this committee.

Secretary POWELL. I think what will be different and what will be important is that the person now establishing the specific policy as to who will be allowed into, or not allowed into, the United States by means of a visa will have available to him not just the foreign policy perspective. That will be there because I will give it—I will help the Secretary of Homeland Security with that.

But he will also have a domestic perspective to it. He will have access to all the agencies that are now within the Department of Homeland Security and will be within the Department of Homeland Security, and I think will have a much better way of integrating all of the things we have been talking about during the course of this hearing. So that the policy direction that will be coming down, I think, will be more holistic, more integrated, and will not just have solely the sort of foreign policy considerations that exist when it is the Secretary of State and the Attorney General solely who are putting together the policy with respect to who should be allowed into the country. So I think it will be a much more holistic, integrated—.

Mr. MENENDEZ. But that new secretary will still have to pursue the law, and the law instructs us as to how one can seek to come to this country, whether it is through family reunification of a United States citizen. So I still fail to understand, and maybe you will be able to submit it for the record, is what is going to be the difference? If you are pursuing the law and the law says here are the circumstances under which you can legally come to the United States, how are we differentiating it?

Chairman ARMEY. I have to encourage the gentleman to follow up with correspondence. The Chair has been signaled by Mr. Watts, Ms. DeLauro and Mr. Frost that they would have a final observation or comment and I would recognize you then, Mr. Watts, at this time.

Mr. WATTS. Mr. Chairman, I will be very brief. I would just echo what Secretary Powell said and add one thing to that. We can also throw in the Oklahoma City, April 19 of 1995. I mean, what we are dealing with is reality, and I proposed this very structure about two years ago to say that we have got over 140 Federal agencies, departments that have some jurisdiction in homeland security. We needed one agency whose sole function would be to protect, defend our homeland, and I think that is what the President has done. I think it is long overdue. In my closing remarks, I say thank you very much for coming to be with us this morning.

Chairman ARMEY. Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman. I would like to go back a second, if I might, and under the context of just generally, the legislation does include really broad exemptions to good government laws, government sunshine laws, if you will. And in that context, I talked about the Freedom of Information Act. There are other issues that have been brought up with regard to civil service employees. But with regard to the Freedom of Information Act, how in fact are we going to—because there is an exemption from fully complying with these laws—how are we going to—how in your view are we going to prevent the agency from not being forthcoming with information and hiding information that they don't want to make public?

Secretary POWELL. I think there will be a presumption on the part of the Secretary of Homeland Security that it is his or her responsibility to make information public not only for purposes of congressional oversight, but because it is a responsibility to let the public know what we are doing in the public's name. With respect to specific laws, the Freedom of Information Act and similar acts, I really must yield to the director of the Office of Homeland Security, who can give you the rationale for why they have proposed the authorities that they have proposed, or not have proposed, for the new department.

Dr. WOLFOWITZ. We do know very well from all of our foreign experience that in the business of collecting information on people like terrorists in order to be able to collect it you have to be able to protect it, you have to be able to protect the sources of it. You won't get a lot of information that is extremely important in catching terrorists if everything is deemed to be at risk of public exposure.

Like Secretary Powell I can't give you the details of how—I mean obviously, there are—we deal with plenty of classified information with the Freedom of Information Act. You need a lawyer to explain the differences. But the basic thing to be balanced is the need to protect sources of information in order to collect it, and at the same time guarantee the public's right to know. And sometimes the mechanism for achieving that balance is through the oversight of congressional committees that have access to everything.

Ms. DELAURO. Would you not concur that it would be useful to have that thought out in some way before we embark and not just put it off for another day, but to think it through? I am not suggesting that that be done here, but that there be some thought and reflection as to the—we spend a lot of time and a lot of effort in looking at government and the sunshine laws and private business and sunshine laws, and we are looking at a whole lot of things that have happened in corporate America over the last several years that no one has known about and has had some very devastating effects, particularly on our economy.

And now wouldn't we want to not be engaged in prevention of difficulty before we just kind of go off the edge of the cliff in this area? I just leave that with you and—.

Secretary POWELL. I am sure that is what the Select Committee will want to do.

Chairman ARMEY. I thank the panel, and I thank Ms. DeLauro on this point. I can assure you that this committee is, in fact, deep-

ly interested in this and we will be pursuing it. I have, right now, Mr. Portman is seeking an opportunity for a final short word. And I am sure if he returns in time, we will recognize Mr. Frost. The chairman will reserve the right for the last word. But may I ask the audience at the conclusion of our hearing would you please hold your seats long enough for our distinguished panelists to exit the room. It is not right to leave until Elvis has left the building. So, Mr. Portman.

Mr. PORTMAN. Just briefly, Mr. Chairman, I want to thank the panelists for their responses and to my colleague and friend from Connecticut. If you look at section 204 on the FOIA part, I think it is very narrowly drawn and it is drawn exactly to what Secretary Powell and General Ashcroft talked about, which is matching the risks out there, domestically with what the threat is and on the risk side, of course, you want the private sector to provide us what those risks are, including infrastructure risks, and what the private sector needs, of course, is some protection that they are not going to provide this kind of information and have it subject to FOIA. Look at section 204. I think it is very narrowly drawn. I think it is consistent with what we are hearing here.

What I am struck by, Mr. Chairman, today, is that everybody is focusing on the same thing, which is flexibility and agility. And Mrs. Pelosi talked about it early on and followed on it with her question. And Secretary Wolfowitz talked about it in terms of the terrorist threat globally, that this threat is literally moving from country to country and agility is the key to your response.

Secretary Powell talked about it in terms of dealing with the threat from a diplomatic point of view, and General Ashcroft talked about it in terms of our domestic threat, and then of course, Secretary O'Neill talked about it in terms of management. But it really is more than just putting the pieces together, which Ms. Pelosi talked about. It is also what the terrorist threat is here. It is just as agile here if not more so than it is globally.

And so I would hope that we can balance what our legitimate concerns raised by the gentleman from Connecticut and others with regard to FOIA, with regard to personnel issues and so on. By the way, whistleblowers are protected in the statute, at least the proposal as I read it. But we need to balance that against the need to provide this agility. To give the agility of this department to be able to not just organize and implement, but then respond to the threat. And with that, I thank you for a very constructive hearing.

Chairman ARMEY. I am sorry Mr. Frost did not make it back, but let us seize the moment and thank you, this fine panel. We so deeply appreciate your willingness to be here this morning and appreciate again your testimony. Without objection, the Select Committee stands adjourned, and again, let me remind you to make room for our distinguished guests to leave.

[Additional material submitted for the record follows:]

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE COLLIN L. POWELL, SECRETARY OF STATE, BY THE HONORABLE J.C. WATTS, JR.

Question. I think it is vital for the government to use all tools in our arsenal, diplomatic, military, or informational, to stop terrorism. What type of diplomatic action have we undertaken with our friends in the Arab world since 9/11 to prevent future acts of terrorism in America and what impediments have you encountered?

Answer. Diplomatic cooperation with our friends and allies in the Middle East and North Africa to prevent future acts of terrorism in America and elsewhere has been extensive since 9/11. Regional nations have worked with the USG to implement the counterterrorism initiatives of multilateral fora, like UNSCRs 1267, 1390 and 1373. We have worked closely with Middle Eastern governments to freeze assets and designate individuals and organizations with financial links to terrorists. Bilaterally, we have engaged regional governments to move forward on fighting terrorism and have offered technical assistance to bolster their ability to do so.

Steps taken by regional governments, often in concert with us, and ongoing counterterrorism relationships with regional countries have had a direct and positive impact on the security of the continental United States and our interests overseas. For example, the Bahrain Monetary Authority, in compliance with UNSCR 1373, took quick action in 2001 to freeze terrorists' financial assets—money that could have funded attacks against the United States or elsewhere. Saudi Arabia has moved to freeze the assets of the terror-linked Somali and Bosnian branches of the Al Haramain charity. Likewise, enhanced diplomatic engagement with Algeria has produced a mutually beneficial counterterrorism relationship between our two countries. Persistent, focused diplomacy has enabled us to maintain and enhance assistance from Gulf countries in the war on terrorism.

The ongoing Israeli-Palestinian violence, and popular negative reaction to it in the region, has made our counterterrorism efforts more challenging, especially with regard to the ongoing terrorist activities of HAMAS and Hizballah.

Question. As Afghanistan was an incubator for terrorists and their organizations what gaps are there in the way America addresses other third world countries. For example, do you think that there can be better coordination between U.S. Trade policy and U.S. Aid policy? It has been my experience that the trade people and aid people do not communicate. Plain and simple, it is the political instability of the third world that provides the incubators for terrorists.

Answer. Although terrorists can exist in any society, they are especially adept at exploiting conditions of poverty, political instability, and ethnic and religious conflict. Deprivation and despair make it easier for terrorists to manipulate target audiences, draw in fresh recruits, and build a support network for extremist activities. Ongoing U.S. programs to promote social, political, and economic development in Asia, Africa, the Middle East, Central Asia and Latin America play a key part in the global campaign to fight terrorism. In promoting development, the rule of law, and good governance, the United States, along with its friends and allies, is helping to diminish the appeal of terrorists and other violent extremists who challenge national security interests. Addressing the problem of failed and failing states is a particularly important challenge. As was demonstrated in the case of Afghanistan, such states have all too often served as terrorist sanctuaries. Thus, efforts to identify and ameliorate conditions that contribute to state failure are an important part of U.S. foreign policy. The United States is committed to fighting terrorism with a long-term and comprehensive strategy that integrates all the tools of statecraft—not just economic, but also law enforcement, intelligence, military, and diplomatic.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE COLLIN L. POWELL, SECRETARY OF STATE, BY THE HONORABLE NANCY PELOSI

Question. You will be losing extraordinarily talented and dedicated Federal workers as they transfer over to the new department. Don't those employees deserve the same civil service protections in the new department as they now currently enjoy?

Answer. No State Department employees would be transferred to the Department of Homeland Security under the President's proposal.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE COLLIN POWELL, SECRETARY OF STATE, BY THE HONORABLE ROSA L. DELAURO

Question. This legislation gives you the power to refuse a visa if you deem it "necessary or advisable in the interests of the United States." How will the State Department coordinate with the Department of Homeland Security to look over visa applications to determine whether one should be refused? Who determines if an application will be bumped to State for review, or will they all go to your department? Who will resolve the conflict if the Secretary of Homeland Security disagrees with your recommendation, or do you have final veto power?

Answer. [A response was not received in time for the printing of the hearing. The response, when received, will be retained in the Select Committee files.]

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE DONALD RUMSFELD, SECRETARY OF DEFENSE, BY THE HONORABLE J.C. WATTS

Question. Five to ten years from now, how do you envision the military acting as a supporting Federal agency to mitigating or helping America recover from another act of catastrophic terrorism?

Answer. We expect that the Department of Defense will continue to support of a lead Federal agency in mitigating or recovering from acts of terrorism within the United States.

The National Strategy for Homeland Security outlines a plan for increasing the capabilities of other Federal, State, and local entities. If the goals laid out by the plan are met, we expect that the requirements for military support will decrease. The Department will continue to stand ready to support where and when it is needed.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE DONALD RUMSFELD, SECRETARY OF DEFENSE, BY THE HONORABLE NANCY PELOSI

Question. Please describe how you envision the relationship between NORTHCOM and the new Department. How will the chain of command work? Will NORTHCOM have staff detailed to the Department? Will the Department have staff based at NORTHCOM?

Answer. As is the case for all other combatant commands, there will be no direct link between Northern Command and the Office of Homeland Security or the proposed Department of Homeland Security for operational tasking on national policy-related issues, unless directed by the Secretary of Defense.

Once policy has been established or specific support has been authorized by the Secretary of Defense, coordination between USNORTHCOM and subordinate agencies or bureaus of the Office of Homeland Security or the proposed Department of Homeland Security authorized to meet on specific operational/tactical issues or on planning, training, or exercise requirements.

NORTHCOM will not have staff detailed to the proposed Department of Homeland Security. Liaisons may be shared between NORTHCOM and the proposed Department of Homeland Security, as appropriate, for the purpose of coordinating authorized planning or operational/tactical issues.

Question. You will be losing extraordinarily talented and dedicated Federal workers as they transfer over to the new Department. Don't these employees deserve the same civil service protections in the new Department as they currently enjoy?

Answer. The Department of Defense is losing no personnel to the proposed Department of Homeland Security. The transfer of the National Communication System and the programs that would constitute the proposed "National Bio-Weapon Defense Analysis Center" entail the transfer of funds, not personnel. Additionally, in the case of the former, executive agency would transfer from the Department of Defense to the proposed Department of Homeland Security. Consequently, the Department has no concerns about its employees maintaining their civil service protections.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE DONALD RUMSFELD, SECRETARY OF DEFENSE, BY THE HONORABLE ROSA L. DELAURO

Question. Regarding the Department of Defense's role in Homeland Security, there remain critical questions about how the Pentagon—responsible for fighting terrorism abroad—will work with the new Department—responsible for fighting terrorism at home. Perhaps most crucial to resolve is the issue of how will the two departments handle their competing demands for the services of the Coast Guard and the National Guard. Has this issue been discussed? Is there a process for coordination? Has any thought been given to whether the two Guard services will have the necessary capabilities to meet both department's demands?

Answer. When the President signs into law the Homeland Security Bill, the Transition Planning Office, established by Executive Order on June 20, 2002, will begin planning the formation of the new Department of Homeland Security. The Department of Defense will participate in this planning and attempt to address and resolve many issues of mutual concern with the Department of Homeland Security—including the National Guard and the Coast Guard.

Regarding competing demands for the National Guard, Title 10 clearly establishes the relationship with the Department of Defense: the Army National Guard and the Air National Guard of the United States are reserve components of the armed forces (10 U.S.C. 10101). When in the service of the United States, the Army National Guard of the United States is a component of the Army (10 U.S.C. 10106), and the

Air National Guard of the United States is a component of the Air Force (10 U.S.C. 10111). The Administration's proposal for a Department of Homeland Security does not establish a direct relationship between the Department of Homeland Security and the National Guard.

The U.S. Constitution establishes a direct relationship between the National Guard and State governors. State governors, through their respective adjutants general, have a direct relationship with the National Guard forces posted in their respective states. Governors may call upon their National Guard forces to serve the State during local or statewide emergencies, natural or man-made.

There exists a well-established, well-exercised process for Federal departments and agency heads, which would include the proposed Department of Homeland Security, to request DOD support through the Secretary of Defense. These requests include those for the National Guard in the service of the United States. Most recently, for example, the Secretary of the Treasury and the Attorney General used this process to secure DOD support at the borders for the Immigration and Naturalization Service, the Customs Service, and the Border Patrol.

The current process is intentionally deliberate, and factors such as the impact on military readiness are weighed before deciding to support any Federal agency request for National Guard support in Federal status. As a result, requests for support are approved exclusively for exceptional needs when support rendered does not affect adversely National Guard readiness to preform its warfighting responsibilities.

Regarding the Coast Guard, the Administration's proposal maintains the traditional direct relationship with the Secretary of the Navy, as defined in title 14, United States Code. Historically, the Department of Transportation and the Department of Defense have balanced successfully the Coast Guard's dual peacetime and wartime responsibilities. We anticipate a similar relationship would continue between DOD and the proposed Department of Homeland Security.

Question. The Pentagon remains largely outside this historic merger of agencies. However, the President's plan does include the creation of a new chemical and biological weapons defense analysis center. How would this new center improve Americans homeland security? What would this new center do that the Pentagon is not already doing?

Answer. According to the President's plan, the mission of the proposed National Bio-Weapons Defense Analysis Center (NBWDAC) would be to "develop countermeasures to potential attacks by terrorists using weapons of mass destruction." The actual basis for the NBWDAC is an element of the President's FY03 Budget Request for the DOD Chemical and Biological Defense Program (CBDP) to fund two key initiatives: (1) Biological Counterterrorism Research Program, and (2) Biological Defense Homeland Security Program. These two programs would further enhance homeland security through the establishment of a Center specifically focused on countering biological terrorism and by initiating a comprehensive program to create and deploy a national, multi-component, multi-organization defensive capability targeted to urban areas, other high-value assets, and special events—a National Biological Defense System.

These two new programs—to be executed by DOD in partnership with the Office of Homeland Security—target two critical needs for the United States: countering biological terrorism and biological homeland security. The first program, targeting research, will support national security, law enforcement, and medical communities by improving understanding of biological agent pathogenesis and how potential pathogens may be weaponized and disseminated for the purpose of improving our ability to assess the threat, analyze and attribute, and develop effective countermeasures. The goal is to establish an interagency research program and analysis capability that focuses on science-based bioterrorism/biological weapons defense threat assessments and microbial forensics. The second program aims to create and deploy a national, multi-component, multi-organization defense capability targeted to urban areas, other high-value assets, and special events. This program seeks to provide an integrated homeland security capability to detect, mitigate, and respond to biological-related incidents. These homeland security capabilities would include: enhanced biological detection capabilities and the fusion of medical surveillance systems, wide-area environmental sensors, access control points and information systems; and deployed systems to exploit existing technology supplemented with new capabilities resulting from accelerated development. Representatives from DOD are working closely with representatives in the Office of Homeland Security to ensure the development of an appropriate detection system. Under the Administration's proposal, no personnel would transfer from DOD to the proposed Department of Homeland Security.

Question. I commend you and the Bush Administration for the leadership and commitment you have shown to preventing terrorism since September 11th. But before that attack, I understand that you reportedly threatened a presidential veto if funding for counterterrorism was increased at the expense of national missile defense. Do you still have these concerns? How have funding priorities changed since September 11th?

Answer. I strongly support full funding of the President's budget for missile defense and continue to be concerned about any proposals that would restrict development of DOD missile defense programs.

After the September 11th attacks, the war on terrorism obviously emphasized the importance of proper funding priorities. Specifically, the attacks reinforced the importance of the funding priorities already established: taking good care of our military men and women and their families, the readiness of our fighting forces, and transforming America's defense posture to enable us to counter 21st century threats, such as terrorism, more effectively.

"Counterterrorism" and "national missile defense" are two of many mission areas that are critical—and complimentary—to the Department's overall ability to defend our Nation and its interests. To increase any one mission area at the expense of another jeopardizes this ability.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY, BY THE HONORABLE J.C. WATTS, JR.

Question. Your efforts in Operation Greenquest are laudable, but as terrorist find new ways to hide their financing, what can your Department and other federal agencies do to drain the terrorists' funding pool?

Answer. Since September 11th, Treasury Enforcement, including its component bureaus, has launched a number of new initiatives to identify, disrupt, and dismantle terrorist financial networks both domestically and abroad. I am pleased to report that Treasury has named 213 individuals and entities as financiers of terrorism pursuant to the President's September 23rd Executive Order, and has blocked over $34.3 million in assets. Our coalition partners have blocked another $77.9 million. A portion of that amount has since been unblocked for the new Afghan Interim Authority to assist in its critical period of rebuilding. Perhaps more importantly, we believe our actions are disrupting flows of funds and deterring potential supporters of terrorist groups from providing financial support.

We have come to appreciate that terrorism has been nourished by ample funding channeled from and through a plethora of sources, including banks, charities, hawalas,* narcotics traffickers, and money launderers. We are attacking these means and methods of raising and moving money with all our authorities. In this effort, the Treasury Department and component bureaus are working closely with the National Security Council, the Office of Homeland Security, the Federal Reserve, the State Department, the CIA, the NSA, the Justice Department, and the FBI. Also, Treasury has been working with International diplomatic and law enforcement organizations.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY, BY THE HONORABLE NANCY PELOSI

Question: Why is ATF (also part of the Treasury Department) not part of Homeland Security when the Customs Service is? Didn't WACO illustrate that threats often come from within the country? Wasn't ATF a central agency in that conflict? It seems like the new department is more oriented toward border protection. Is that true?

Answer. As you indicated, the President's proposal does not include moving the Bureau of Alcohol, Tobacco and Firearms (ATF) to the new Department of Homeland Security. While a number of options were considered, the President's proposal is designed to cover the changes that need to be made immediately to accomplish the priority goal of securing the homeland as quickly as possible.

Question: Yesterday, the Ways and Means Committee reported out a bill that protected the pay and benefits of only a select group of Customs employees (revenue experts, attorneys etc * * *). These employees represent only about 25 percent of Customs workers. But these select Customs employees whose benefits are protected still do not enjoy assurances that their Title 5 rights and protections (the right to collectively bargain, whistleblower protection, anti discriminations, pensions etc * *

*Hawala is a type of alternative remittance system that is common in many parts of the world, including the Middle East and Far East.

*) will continue. Further, the remaining 75 percent of Customs employees do not have any assurances that their pay, benefits, rights and protections that they currently enjoy will remain with them. Do you agree that this is a fair thing to do?

Answer. Under the President's legislative proposal, when Customs becomes part of the new Department of Homeland Security, employees will transfer with existing pay and benefits intact. Employees can expect to enjoy the same benefits—health, retirement, life insurance and the new long-term care insurance plan—that are available to them today. When the Department is established, employees represented by unions will continue to be represented because their bargaining units will move with them to the Department.

The Office of Personnel Management has committed to work with the Committee on specific personnel issues such as the one you raise during Congressional consideration of the homeland security legislation.

Question: Do you think that the new department will be able to retain and recruit quality personnel by removing these types of work rights, protections, pay and benefits?

Answer. The President's legislation provides the Department of Homeland Security with the ability to attract and retain quality personnel, to offer incentives for exceptional contributions, to get the right people to the right jobs in time to make a difference. The legislation allows the Secretary of Homeland Security, working in conjunction with the Director of the Office of Personnel Management, to develop a new, agile personnel system which will reflect and support the Department's overriding security mission. To retain and recruit the quality personnel you mention, the new Secretary of Homeland Security will have the ability to reward outstanding employees and bring in new talent quickly to fill vacancies in critical positions whether created by retirements or changing missions.

Question. Many Members of Congress are concerned that the non-homeland security activities and functions of the Customs Department may be shortchanged when they are forced to compete for resources in the Department of Homeland Security. Apart from the money needed to move the Customs Service to the new Department, what additional resources do you think will be necessary to ensure that the non-homeland defense functions are adequately funded?

Answer. The Administration fully expects that the Customs Service will continue to discharge its trade and revenue function upon its transfer to the new Department, and this function will be adequately funded. In fact, Customs performing its trade and revenue collection function in the new Department is critical to improving border security.

Question. How are ATF, the FBI, the CIA, and other agencies going to communicate with DHS? Considering the difficulty that just two agencies (FBI and CIA) have with communicating with each other, will adding an additional department help?

Answer. The FBI and CIA have already taken important steps to improve the way they collect, share, analyze, and disseminate information to protect America. The new Department of Homeland Security will benefit from these reforms as a user of analysis and information provided by the CIA and the FBI. The Department will analyze the information it receives from all sources, including ATF and other agencies, and will develop its own assessment of the current and future terrorist threats against the United States.

It is important to note that the new Department will not have any new intelligence collection responsibilities or authorities beyond those traditionally conducted by the component services which will join it, such as the Customs Service. As for analysis, the new Department will have a different strategic focus, and will fulfill an important responsibility that did not clearly rest with any executive department or agency prior to September 11. The new Department will integrate its own and others' threat analysis with its comprehensive vulnerability assessment for the purpose of identifying protective priorities and promoting protective steps to be taken by all Federal, state, and local agencies and the private sector.

Question. You will be losing extraordinarily talented and dedicated federal workers as they transfer over to the new Department. Don't those employees deserve the same civil service protections in the new Department as they now currently enjoy?

Answer. The Treasury employees who may be moving over to the new Department are indeed extraordinarily talented and dedicated. In fact, on May 7, 2002, Secretary O'Neill recognized the hard-working Treasury employees at a Departmental Offices awards ceremony during Public Service Recognition Week.

As noted above, under the President's legislative proposal, when Customs and the Secret Service become part of the new Department of Homeland Security, employees will transfer with existing pay and benefits intact. Employees can expect to enjoy the same benefits—health, retirement, life insurance and the new long-term care in-

surance plan—that are available to them today. The President's legislation also provides the Secretary of Homeland Security with the ability to attract and retain quality personnel, and to offer incentives for exceptional contributions.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY, BY THE HONORABLE ROSA L. DELAURO

Question. Focusing on terrorists' financial networks is yet another way to eventually disrupt, degrade, and take down terrorists networks. As you know, tracking these funds is very difficult, because money is raised in a variety of forms, through charitable donations, through direct solicitations, through legal businesses, and criminal enterprises. This money is then moved through cash smuggling, regular banking systems, other money-laundering havens, and through underground banking systems. A disturbing trend we witnessed in the past was agencies intentionally hiding their activities in this dangerous field from each other. How do you recommend the Homeland Security coordinate with local law enforcement, the FBI, and the State Department in eliminating this problem?

Answer. [A response was not received in time for the printing of the hearing. The response, when received, will be retained in the Select Committee files.]

Question. The security of our nation's ports is a critical piece of homeland security. In my home town of New Haven, the Harbor is a critical entry point for oil, sand, sheet metal and other products and while the City is working to coordinate security, the local government needs back-up from federal law enforcement. Currently, Customs is only able to screen 2 to 3 percent of the large cargo containers that enter the United States. That leaves us highly vulnerable to the importation of any number of threats from abroad. How will moving Customs into the new department improve performance? Does the President's proposal include adequate funding to inspect all Customs-related products?

Answer. [A response was not received in time for the printing of the hearing. The response, when received, will be retained in the Select Committee files.]

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE JOHN ASHCROFT, ATTORNEY GENERAL, BY THE HONORABLE J.C. WATTS, JR.

Question. Knowing that all terrorism is local, how do you plan to work more closely with state and local law enforcement officials in the future to better coordinate the nation's efforts to address terrorism?

Answer. While we do not agree that all terrorism is local—either in terms of its organization, location of operatives and resources, or its manifestations—we do agree that working more closely with State and local law enforcement officials is a key aspect of our counter-terrorism efforts. In September 2001, the Attorney General announced an initiative creating Anti-Terrorism Task Forces (ATTFs) under the leadership of each of the 94 U.S. Attorneys across the country. Each ATTF brings together the Federal, State and local officials in each jurisdiction to pool their resources and their expertise in a coordinated approach to fight terrorism as it impacts the particular locale. These ATTFs are working together successfully, sharing information and pursuing operational goals in conjunction with their Joint Terrorism Task Forces (JTTFs) under the direction of the FBI. Through these mechanisms, Federal officials work effectively with the associated JTTF's, State and local partners.

Question. Are there law enforcement lessons we can learn from other countries regarding how they address the threat of terrorism on their shores?

Answer.: We regularly exchange information and expertise on terrorism issues with our allies at various international fora. These exchanges include meetings at the ministerial level as well as meetings of experts of the G-8, the European Union, the Organization of the American States, and the Financial Action Task Force. Through such discussions, we can draw upon the experiences of our allies in addressing the threat of terrorism. In addition, bilateral meetings and joint training sessions with other countries afford the opportunity to exchange law enforcement information for our mutual benefit. In addition, the FBI's Legal Attaches, as well as attorneys from the Department's Criminal Division Terrorism and Violent Crimes Section and Office of International Affairs, interact on an ongoing basis with their counterparts abroad to coordinate anti-terrorism efforts and learn about how other countries are addressing the terrorist threat.

Question. As terrorists become more innovative in their attack profiles, how do you view the threat of cyber terrorism against America's people, critical infrastructure, and financial markets? What are we doing to mitigate that threat?

Answer. *Exposure.* As our economy and infrastructure become more dependent on computers, our potential vulnerability to terrorist attacks against our cyber systems

grows. The United Statesrelies increasingly upon information technologies and the Internet to conduct business, manage industrial and governmental activities, engage in personal communications, and perform scientific research. These technologies have resulted in enormous gains in efficiency, productivity, and communications and have spurred tremendous growth in the U.S. economy. They have also become essential to our society's ability to function. Although terrorist organizations may have the desire to conduct a cyber attack, it is unclear whether such organizations possess the resources or skill to successfully mount a cyber attack. Almost any computer is capable of causing a serious cyber incident, especially since tools used to conduct cyber attacks are all too available online, but the ability to stage an effective cyber attack requires up-to-date intelligence about the target network and its architecture that would likely require stealthy intrusions conducted over a time. While nation states are likely to invest in such intelligence-gathering, most terrorist organizations are not. However, this situation could change.

Notwithstanding the debate over the probability of a cyber attack, we must prepare for the possibility of such an attack. In the aftermath of the September 11th terrorist attacks, it would be difficult, and irresponsible, to ignore the risk posed by a cyber attack on the critical infrastructure. Since the potential consequences of a cyber attack are too serious to ignore, Critical Infrastructure Protection (CIP) efforts that began in the mid-1990'shave recently culminated into a large government-wide effort to create a coherent and effective CIP policy.

Protection Efforts. The U.S. cyber security effort depends upon the collaboration of multiple Federal departments and agencies who contribute resources, skills, and disciplines to the protection information systems. Federal law enforcement investigates and prosecutes violations of Federal computer crime statutes that protect the confidentiality, integrity, and accessibility of information networks.

Furthermore, a broad array of Federal agencies and public organizations provide training and resources to help secure and protect U.S. networks. Most of these protection efforts come under our efforts to protect our critical infrastructure (which includes the banking and financial sector).

The government has focused on the issue of ensuring the uninterrupted operation of certain key infrastructures since at least 1996, when a presidentially-appointed commission began to study the issue of CIP. The commission formulated CIP policy that the previous administration adopted as Presidential Decision Directive 63 (PDD-63). PDD-63 supplied a framework for initial U.S. CIP efforts. It assigned overall responsibility for policy development and coordination for critical infrastructure assurance to the National Coordinator for Security, Infrastructure Protection, and Counter-Terrorism at the National Security Council. It also created the National Infrastructure Protection Center (NIPC) at the FBI that united representatives from FBI, DOD, USSS, Energy, Transportation, the Intelligence Community, and the private sector in an unprecedented attempt at information sharing among agencies in collaboration with the private sector. Furthermore, PDD-63 established the Critical Infrastructure Assurance Office (known as CIAO) as an interagency office located at the Department of Commerce to support the National Coordinator in carrying out these policy development and coordination functions.

In October 2001, President George W. Bush signed Executive Order 13231 establishing a new entity to further U.S. CIP efforts and initiatives and amending some of the structures created by PDD-63. The Order established the President's Critical Infrastructure Protection Board ("PCIPB") as a part of the White House's Office of Homeland Security and the National Security Council. The Board has responsibilities for Federal programs involving cooperation with, and protection of, private sector infrastructure, State and local governments' critical infrastructure, and Federal departments and agencies critical assets and information systems. The Special Advisor to the President for Cyberspace Security chairs the Board.

Since most departments and agencies in the Federal government contribute to the objective of critical infrastructure assurance, the PCIPB consists of more than 20 senior executive branch leaders including deputy secretaries, White House advisers, as well as other senior government leaders. The heads of executive departments and agencies are responsible and accountable for providing and maintaining appropriate levels of information systems security, emergency preparedness, continuity of operations, and continuity of government for programs under their control.

The President's proposed Department of Homeland Security would unify the responsibility for coordinating cyber and physical infrastructure protection efforts. Currently, the Federal government divides responsibility for cyber and physical infrastructure, and key cyber security activities are scattered in multiple departments. While securing cyberspace poses unique challenges and issues, requiring unique tools and solutions, our physical and cyber infrastructures are interconnected. The devices that control our physical systems, including our electrical distribution sys-

tem, transportationsystems, dams, financial markets, and other important infrastructure, are increasingly connected to the Internet. Thus, the consequences of an attack on our cyber infrastructure can cascade across many sectors. Moreover, the number, virulence, and maliciousness of cyber attacks have increased dramatically in recent years. Accordingly, under thePresident's proposal, the Department of Homeland Security will place an especially high priority on protecting our cyber infrastructure by working with the Federal departments and agencies, State and local governments, and the private sector to develop and coordinate the implementation of flexible protective measures that can rapidly adjusted to the threat.

Similarly, the PCIPB is currently developing the National Strategy to Secure Cyberspace. The Strategy is an implementing strategy of the broader Homeland Security Strategy and provides a framework for securing the information technology networks that are necessary for the nation's economy, defense, and critical services to run. A network of networks directly supports the operation of all sectors of our economy-energy (electric power, oil, gas), transportation (rail, air, merchant marine), finance and banking, information and telecommunications, public health, emergency services, water, chemical, defense industrial base, food, agriculture, and postal and shipping. The Strategy will provide a roadmap to empower all Americans to secure the part of cyberspace they control, including a variety of new proposals aimed at five levels: the home user and small business; large enterprises; sectors of the economy; national issues; and globalissues.

In addition, the Justice Department continues to expand its ability to investigate and prosecute computer crime, including cyber attacks. These efforts include the formation of CHIP ("Computer Hacking and Intellectual Property") units in eleven U.S. Attorney'sOffices. The Department will also work with Congress to ensure that laws protecting our computers and networks are adequate.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE PAUL H. O'NEILL, SECRETARY OF THE TREASURY, BY THE HONORABLE NANCY PELOSI

Question. The FBI's NIPC and the NDPQ are to be transferred to the new Department. Will you have to replace or replicate these functions at DOJ after the transfer?

Answer. The FBI will not need to replace or replicate the functions of the National Domestic Preparedness Office. However, the FBI will need to continue to have a training program for its own personnel, and that training is currently handled by personnel identified for transfer. Within the interagency National Infrastructure Protection Center(NIPC), 91 FBI positions in the Training Outreach and Strategy Section and the Analysis and Warning Section, have been identified for transfer to the Department of Homeland Security. The FBI support this transfer, however, of these positions, 33 (5 agents, 28 support) provide important collateral training to both the NIPC and to the FBI. This support includes providing computer intrusion investigative training to FBI personnel and reviewing and analyzing related investigative data. To minimize the potential impact on important FBI training, the FBI would plan to assign new personnel to perform this training function.

Question. Will you need to replace the FBI employees who are being transferred to the new Department?

Answer. Please see answer to the first question above.

Question. How are the ATF, the FBI, the CIA, and other agencies going to communicate with Department of Homeland Security? Considering the difficulty that just two agencies (FBI and CIA) have with communicating with each other, will adding an additional department help?

Answer. Intelligence support for the Department of Homeland Security (DHS) will be provided through the new FBI Office of Intelligence and will include support from the Foreign Terrorist Tracking Task Force (FTTTF) and from 56 Joint Terrorism Task Forces (JTTF) around the country. Among the full-time Federal participants on JTTFs are the Central Intelligence Agency (CIA), Immigration and Naturalization Service (INS), the Marshal's Service (USMS), the Secret Service, the Transportation Security Administration (TSA), the Customs Service, the Bureau of Alcohol, Tobacco and Firearms (ATF), the State Department, the Postal Inspection Service, the Internal Revenue Service (IRS), and the U.S. Park Police. Representatives from the DHS will be included as soon as possible. The JTTFs constitute a national counterterrorism effort and have created a very real force multiplier effect. They provide for very effective, real time information sharing among the participants, fundamental to effective intelligence support.

The Information and Requirements Group in the Office of Intelligence will serve as the central information clearinghouse, or hub, for all information between the Counterterrorism Division and FBI field offices, Legal Attaches, and between the

Counterterrorism Division (CTD) and other agencies. The group will serve as the singlefocal point through which other FBI entities and external agencies communicate with CTD. All incoming FBI communications from field offices, JTTFs, and Legal Attaches on terrorism cases, as well as cables, reports, and other intelligence products from external agencies will flow into the hub. Communications will be reviewed by a duty officer and his staff, logged, parsed, and routed to appropriate units. An administrative tickler system will affix accountability and ensure that taskings are completed on schedule.

Question. You will be losing extraordinarily talented and dedicated federal workers as they transfer over to the new Department. Don't those employees deserve the same civil service protections in the new Department as they now currently enjoy?

Answer. The Justice Department employees who would be transferred to the new Department are highly skilled and exceptionally dedicated public servants. The President's legislation is designed to enable the new Department to attract and retain employees of this caliber, and to offer incentives for especially significant contributions. It enables the Secretary of Homeland Security, working with the Director of the Office of Personnel Management, to develop a new and flexible personnel system that will support the Department's central security mission. To attract and retain high-quality personnel, the Secretary will have the ability both to reward outstanding employees and to bring in new talent quickly to fill vacancies in critical positions.

Moreover, employees will transfer with their existing pay intact, and can expect to enjoy the same benefits—health, life insurance, retirement, and the new long-term care insurance plan—that they have available to them today. When the new Department is established, employees represented by unions will continue to be represented because their bargaining units will move with them to the Department.

The Office of Personnel Management has committed to work with the Committee on specific personnel issues during Congressional consideration of the homeland security legislation.

QUESTIONS SUBMITTED FOR THE RECORD TO THE HONORABLE JOHN ASHCROFT, ATTORNEY GENERAL, BY THE HONORABLE ROSA L. DELAURO

Question. As we construct this new Department, it is vital that every effort be made to maintain the civil rights and privacy of hard working families who play by the rules. While not included in the President's proposal, one proposal is to create an Office of Civil Rights, Immigration, and Privacy in the Department of Homeland Security—similar to the office in place at the Department of Justice. Would you comment on this proposal? What recommendations do you have for protecting Americans' civil rights and privacy?

Answer. [A response was not received in time for the printing of this hearing. The response, when received, will retained in the Select Committee's files.]

[Whereupon, at 12:20 p.m., the committee was adjourned.]