



## Foreign Policy Priorities in the FY2011 International Affairs Budget

### Testimony

#### Hillary Rodham Clinton

Secretary of State

#### Testimony Before the Senate Committee on Foreign Relations

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**CHAIRMAN KERRY:** This hearing will come to order. Madam Secretary, we are delighted to welcome you back here before the committee. If I can just say quickly, as soon as we have a quorum, Madam Secretary, we're going to interrupt quickly for a goal that I know you will support wholeheartedly, which is to get a bunch of State Department nominations out of here and a couple of legislative items. So in a minute, if you don't mind, we'll interrupt to do that. This was a meeting that we had scheduled during the snowstorm, so it obviously didn't take place.

I don't think any of us could think of a time in our history when we've had a greater need for energetic diplomacy to make the case for America globally, and we appreciate your incredibly hard work and your many travels in the effort to do just that. And we welcome the chance to hear from you today.

The International Affairs budget is the backbone of our civilian efforts worldwide. And from fighting HIV/AIDS to supporting our aid workers and our diplomats on the front line states like Afghanistan, Pakistan and Iraq, this budget secures the tools that we need for a more effective foreign policy.

I think the Secretary would join me in agreeing that the funds that we have are not all that many of us wish we could have, but we are living in a difficult fiscal environment and they are, nevertheless, vitally needed for our national security.

As Defense Secretary Gates said in expressing his regret that America effectively abandoned Afghanistan after the 1980s, he said, "If we abandon these countries once we're in there and engaged, there's a very real possibility that we will pay a higher price in the end." It is with this history in mind and the lessons learned the hard way that we turn to the budget today to have this discussion.

This year's total International Affairs budget request of 58.5 billion represents a 2.8 percent increase over Fiscal Year 2010 amounts, including this year's supplemental. This money is a fraction of a fraction, just 1.4 percent of the overall budget of our country. We are discussing just one-sixteenth of our National Security budget, and compare that with the 2011 Defense budget of 708 billion. It is clear, at least to this senator, that our foreign policy is somewhat out of balance.

This year's budget represents the beginning of our efforts to change that and to move funds that had migrated elsewhere back to the State Department budget. One-quarter of the additional 6 billion in this budget for Iraq, Pakistan and Afghanistan is for programs previously funded through the Defense Department, including Iraqi police training and the Pakistan Counter-Insurgency Capability Fund.

As we grow our civilian capacity, we're going to have to defend civilian budgets for programs that are literally vital to our security no matter how they're funded. As we discussed last year, I believe that Congress ought to get back into the business of writing, authorizing legislation. Senator Lugar and I have recently introduced legislation authorizing the State Department's management and operations and passed the Foreign Assistance Revitalization and Accountability Act out of this committee.

Madam Secretary, I'm pleased to support your budget request for robust funding for the International Affairs budget and I look forward to hearing from you, as I know all the members of the committee do here, on a full range of foreign policy challenges, which is always what these hearings take advantage of.

For my part, if I can just say very, very quickly, I am really pleased to see that this budget includes a 38 percent increase in funding to address international climate change, especially in the wake of Copenhagen. I want to just say something about that. A lot has been said about what wasn't accomplished at Copenhagen, but the fact is that all the parties that went there knew there wasn't going to be nor was there an expectation of a final treaty or agreement. What was accomplished has not received the attention that it deserves. The Copenhagen Accord united the world's foremost emitters and most of the rest of the nations behind an unprecedented new commitment to reduce emissions and report on their progress. And for the first time, nations agreed to financing targets.

We were able to convince others to take action in large part because we made commitments ourselves. President Obama told the world, quote, "I'm confident that America will fulfill the commitments that we've made, cutting our emissions in the range of 17 percent by 2020 and by more than 80 percent by 2050 in line with final legislation. We have charted our course. We have made our commitments. And we will do what we say." And those are the words of the President.

As a country, we've put our credibility on the line. And I'll look forward to working with the members of this committee and others, as we are now with Senator Graham, Senator Lieberman and others, to get a comprehensive energy, jobs, energy independence, pollution reduction and climate bill through the Senate.

Madam Secretary, I'm eager to hear your thoughts about how you think we can keep our word on the range of issues, not just obviously from the Copenhagen Accord but the adaptation assistance and the other issues. Needless to say, there are more issues on the table perhaps than at any time in recent memory, all of them consequential, from Iran to North Korea to the Middle East, and you're engaged in all of them and we look forward to having a good discussion with you about them today.

Let me just thank you again on behalf of the country. I think all of us are appreciative of your extraordinary expenditure of energy. And we are particularly grateful to your Department and others for the emergency response to Haiti. It has been a tremendous effort. I want to thank many of the people that we've worked with directly who have helped families through a very difficult period, some in Massachusetts, elsewhere, and we're grateful to you and to our country, really, for the response. It's been a remarkable response and I think appropriate.

Senator Lugar.

**SENATOR LUGAR:** Mr. Chairman, I join you in welcoming Secretary Clinton, and we're pleased to have, as always, the opportunity to examine not only the State Department's budget, but also the priorities and policies reflected in those numbers.

Our discussion of the Foreign Affairs budget comes at a time of great domestic economic stress. Many American families are dealing with lost jobs, falling income and declining security. And our nation is also attempting to address a national debt situation that limits our policy options and could have grave economic consequences in the near future. In this context, our Foreign Affairs budget must efficiently deal with our most immediate problems as well as address any negative trends that could undermine the breathing space necessary to promote domestic recovery and solvency.

We should start with the recognition that secure international conditions are inherently fragile. We have to expect and prepare for international, political, economic and security shocks such as wars, terrorist attacks, energy disruptions, even natural disasters as we have seen in Haiti. World events can undercut our own economy's ability to recover, and as such, state emergency expenditures that put further pressure on the national budget. This is especially true at a time of global economic stress. We know that from history, societies living with severe economic conditions often do not make good political choices. Economic desperation can spawn ethnic rivalries, demagogic governments, extremism, and violent conflict within and between nations.

The United States is heavily engaged in Afghanistan, Iraq and Pakistan, and these front-line states will require substantial resources. It is vital that these funds be used effectively. Each of these countries present unique and difficult transparency challenges. If our investments are to be successful, we must ensure that strong implementation, monitoring and review mechanisms are in place that can account for the vast amounts projected to be spent in the coming years.

Beyond areas of heavy diplomatic and military presence, the most critical expenditures are those that prevent problems from spiraling into crises. In my judgment, WMD proliferation, energy insecurity, global food shortages are the underlying threats most likely to create the type of instability that can lead to conflict and, thereby, derail our domestic agenda.

I know the President and you, Secretary Clinton, share my concern with these problems. I appreciate that additional funding is being devoted to the State Department's nonproliferation and energy diplomacy activities. Countering the spread of biological, nuclear and chemical threats requires robust engagement around the globe. And Department nonproliferation experts are making important contributions in the former Soviet states, Iraq and elsewhere. State Department efforts to expand the Nunn-Lugar programs in front-line states will only grow in the years ahead. And likewise, bolstering multilateral nonproliferation mechanisms, such as the International Atomic Energy Agency, is a vital contribution to meeting the threats of WMD.

The Foreign Relations Committee has paid much attention to the impacts of energy security on our foreign policy. I am encouraged that more emphasis is being given to energy concerns at high levels of the State Department. Our energy crisis is not defined by a single threat. Our current energy mix produces near-term concerns of foreign oil supply manipulation and price volatility which will grow over time. Wasted economic gains from attainable energy efficiencies, or rather – yes, from energy efficiencies are a drag on economic recovery. And we're also concerned about the possible crises that could occur if dramatic climate change takes hold, as the Chairman has pointed out.

While some threats share solutions, others require us to prioritize policies commensurate with relative immediacy of the threats. I especially appreciate the strong and visible commitment that you, Secretary Clinton, have made in addressing global hunger. Unless nations work together to reverse negative trends in agricultural productivity, we may experience frequent food riots, and perhaps even warfare over food resources. We almost certainly will have to contend with mass migration and intensifying global health issues stemming from malnutrition.

With these factors in mind, Senator Casey and I introduced the Global Food Security Act last year. And we're hopeful it will serve both as a practical starting point for improving the efficiency of United States and global efforts in this area and as a rallying point for those who agree that food security should play a much larger role in our national security strategy. The Lugar-Casey bill was just passed by the Foreign Relations Committee on May 13<sup>th</sup>, 2009. It's the product of more than two years of study involving numerous foreign country visits and consultations with agriculture and development experts.

Over the course of the last year, the Administration under your leadership has undertaken its own intensive study of food security. As we have compared notes with Administration officials, it has become clear that the Secretary's Global Hunger and Food Security Initiative has reached many of the same conclusions as we reached on the most efficient ways to expand food production and to address hunger. Both the Lugar-Casey bill and the Global Hunger and Food Security Initiative focus on increasing agricultural productivity and incomes, promoting research and technology, being attentive to the special role of women farmers, and emphasizing the nutritional needs of children. Both initiatives would construct partnerships with host country governments, indigenous organizations, institutes of higher learning, and the private sector. And I look forward to working with you to pass the Global Food Security bill.

I would also mention the importance of fixing our foreign assistance programs. If we're to avoid inefficient experimentation, USAID must have a decision-making role and the capacity to evaluate programs and disseminate information about best practices and methods. These goals are reflected in the bill that Senator Kerry and I introduced last year, Senate bill 1524, the Foreign Assistance Revitalization and Accountability Act. I am eager to review the State Department's

[Quadrennial Diplomacy and Development Review](#) and the National Security Council's Presidential Study Directive on Development when they are ready.

But in the meantime, Congress should be offering its own ideas on how to improve our government's development capacity, and the Kerry-Lugar Foreign Assistance Reform Bill has strong support in the aid community and is co-sponsored by a bipartisan group of now 24 senators, 11 of whom are members of this committee. This level of backing for a bill related to foreign assistance is extremely rare. The bill has garnered wide support because it strengthens USAID and emphasizes greater evaluation and transparency of our foreign assistance programs to ensure we maximize the dollars that are available. I am hopeful the Executive Branch will recognize that a bill co-sponsored by a majority of the Senate Foreign Relations Committee and nearly a quarter of the full Senate should be given substantial weight in the review process.

Once again, we appreciate very much that you are with us today and we look forward to our discussion on these and many other matters. I thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you very much, Senator Lugar. We do have a quorum now. Let me move quickly to the agenda so we can get to the Secretary's testimony. There are 15 nominations, four legislative items, and Foreign Service lists on the agenda. The legislation includes Senate 2961 Dodd-Lugar bill, which encourages the U.S. Treasury to support debt relief for Haiti from the international financial institutions. I understand Senator DeMint would like an additional change to this bill, but that does not preclude his support at this point in time. So we will agree to work with him prior to floor consideration to address his concern.

The agenda also includes a Sense of the Senate Resolution which I introduced with Senators Casey, Menendez, Gillibrand, and Nelson, and that is on the recovery, rehabilitation, and rebuilding of Haiti following the humanitarian crisis. There's been one request for a holdover on one nomination, Bisa Williams, and so we will vote on that nomination at the next business meeting.

So I'm not aware of any request for a roll call vote. If there is none, I would suggest we vote en bloc. Is there any further debate?

**SENATOR DODD:** Mr. Chairman, just very briefly, let me thank Senator Lugar and thank you. And obviously, this is not a comprehensive response to the Haiti issue. It's merely trying to deal with the debt issue, about a billion dollars in debt that Haiti has, and to look more to grants than loans at this point, given the problems they have.

We originally included also materials dealing with trade issues here to eliminate any barriers that presently exist in order to get some job opportunities, economic opportunities. Obviously, the jurisdiction of that issue involves the Finance Committee and others, and so we have to be sensitive about those concerns. So we'll try to include them when we get to the floor with this bill as well.

And the second part of the bill does encourage the establishment of a trust fund to be built internationally to deal with infrastructure needs, which are just staggering in Haiti, for those who are familiar with the issue. But I want to thank Senator Lugar for his work and yours, Mr. Chairman, for – and other members of the committee as well – being supportive of this effort.

**SENATOR FEINGOLD:** Mr. Chairman?

**CHAIRMAN KERRY:** Well, thank you, Senator Dodd. If I can just comment and then recognize Senator Feingold. Your leadership in that arena for years is well known and well appreciated, and I just want to thank you for that. You've just come back from a trip to Latin America and we appreciate enormously, as I know they do, your continual sort of vigilance on the issues that matter there. So we thank you for that.

Senator Feingold.

**SENATOR FEINGOLD:** Mr. Chairman, I just want to thank you too for including the resolutions on Yemen and Sudan. And the Yemen resolution sends a critical message that this is central to our counterterrorism efforts, but the need for a broader comprehensive framework, and the Sudan resolution highlights the need to pay very close attention to the upcoming elections in Sudan. It will obviously be a critical year in the future of that country. And so I thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Couldn't agree with you more, Senator. Thank you. Is there any further comment?

(No response.)

**CHAIRMAN KERRY:** If not, we'll vote en bloc, voice vote. All those in favor, say aye.

(Chorus of ayes.)

**CHAIRMAN KERRY:** All those opposed, nay.

(No response.)

**CHAIRMAN KERRY:** The ayes have it and the agenda is approved.

Madam Secretary, thank you for letting us do that and we look forward to your testimony. Appreciate it.

**SECRETARY CLINTON:** Thank you very much, Mr. Chairman, Senator Lugar, members of the committee. It's a real pleasure to be back here in the Senate to be with all of you and participate in this important hearing. When I was last here to discuss our budget, I emphasized my commitment to elevating diplomacy and development as core pillars of American power. And since then, I have been heartened by the bipartisan support of this committee and the rest of Congress. I want to thank the Chairman and the Ranking Member and all of the members for your bipartisan support in moving State Department nominees; 114 were confirmed in 2009. We are now looking to get up and get nominated for your consideration the leadership team at AID and we are very grateful for the expeditious support and we hope they can move quickly when they hit the floor. But I thank you very much, Mr. Chairman. And let me also take this opportunity to express appreciation on behalf of the men and women who work every day at the State Department, at USAID, here in our country and around the world, to put our foreign policy into action.

The budget we are presenting today is designed to protect America and Americans and to advance our interests and values. Our fiscal year 2011 request for the State Department and USAID totals \$52.8 billion. That is a \$4.9 billion increase over 2010. But as the Chairman has pointed out, of that increase, \$3.6 billion will go to supporting efforts in "frontline states" – Afghanistan, Pakistan, and Iraq. Other funding will grow by \$1.3 billion, which is a 2.7 percent increase that will help address global challenges, strengthen partnerships, and ensure that the State Department and USAID are equipped with the right people and resources.

Over the past six weeks in Haiti, we have been reminded yet again of the importance of American leadership. I'm very proud of what our country has done, and we will continue to work with our Haitian and international partners to address ongoing suffering and transition from relief to recovery.

But I am also acutely aware that this is a time of great economic strain for many of our fellow Americans. As a former senator, I know what this means for the people you represent every single day. So for every dollar we spend, as Senator Lugar said, we have to show results. That is why this budget must support programs vital to our national security, our national interests, and our leadership in the world, while guarding against waste, duplication, irrelevancy. And I believe that we have achieved those objectives in this budget.

Now, these figures are more than numbers on a page. They tell the story of challenges we face and the resources needed to overcome them.

We are fighting two wars that call on the skill and sacrifice of our civilians as well as our troops. We have pursued a dual-track approach to Iran that has exposed its refusal to live up to its responsibilities and helped us achieve a new unity with our international partners. Iran has left the international community with little choice but to impose greater costs for its provocative steps. And we are now working actively with our partners to prepare and implement new measures to pressure Iran to change its course.

We have also achieved unprecedented unity in our response to North Korea's provocative actions, even as we leave the door open for a restart of the Six-Party Talks. And we are moving closer by the day to a fresh nuclear agreement with Russia – one that advances our security while furthering President Obama's long-term vision of a world without nuclear weapons.

With China, we seek areas of common purpose while standing firm where we differ. We are making concrete our new beginning with the Muslim world. We are strengthening partnerships with allies in Europe and Asia, with friends in our hemisphere, and with countries around the world, from India to Indonesia, South Africa, Brazil, and Turkey. And we are working under the leadership of former Senator George Mitchell to end the impasse between Israelis and Palestinians.

At the same time, we are developing a new architecture of cooperation to meet transnational global challenges like climate change and the use of our planet's oceans. With regard to the latter, I want to reiterate my support for U.S. accession to the Convention on the Law of the Sea. Our country stands to gain immensely from this treaty. Everything we know from what we are picking up with respect to other countries' use of the tools under the Law of the Sea demonstrates that we will lose out, in economic and resource rights, in terms of environmental interests, and national security.

In so many instances, our national interest and the common interest converge. We are promoting human rights, from Africa to Asia to the Middle East; the rule of law, democracy, internet freedom. We are fighting poverty, hunger, and disease; and we are working to ensure that economic growth is broadly shared, principally by addressing the role of girls and women. And I want to applaud the Chairman and the subcommittee Chairwoman Barbara Boxer for putting this issue on the map of the Foreign Relations Committee.

Now, our agenda is ambitious because our times demand it. America is called to lead – I think we all believe that – and therefore we need the tools and the resources in the 21<sup>st</sup> century to exercise that leadership wisely and effectively. We can bury our heads in the sand and pay the consequences later, or we can make hard-nosed, targeted investments now.

Let me just highlight three areas where we are making significant new investments.

First, the security of frontline states.

In Afghanistan, we have tripled the number of civilians on the ground. Civilians are embedded with our troops in Marjah in the combat operations going on. As soon as an area is cleared, they are part of the American team, along with our international allies, who go in to hold and build. Our diplomats and development experts are helping to build institutions, expand economic opportunities, and provide meaningful alternatives for insurgents ready to renounce violence and join their fellow Afghans in the pursuit of peace.

In Pakistan, our request includes \$3.2 billion to combat extremism, promote economic development, strengthen democratic institutions, and build a long-term relationship with the Pakistani people. That is the vision of the Kerry-Lugar-Berman initiative, and this includes funding for that. And I want to thank you again, Mr. Chairman and Senator Lugar, for your leadership. Our request also includes a 59 percent increase in funding for Yemen, Senator Feingold, to help counter the extremist threat and build institutions and economic opportunity.

In Iraq, we are winding down our military presence and establishing a more normal civilian mission. Our civilian efforts will not and cannot mirror the scale of our military presence, but rather they must provide assistance consistent with the priorities of the Iraqi Government. So our request includes \$2.6 billion for Iraq. These are resources that will allow us to support the democratic process and ensure a smooth transition to civilian-led security training and operational support. As these funds allow civilians to take full responsibility for programs, the Defense budget for Iraq will be decreasing by about \$16 billion. That is a powerful illustration of the return on civilian investment and illustrates the point that the Chairman was making that this is really part of the security budget for the United States and should be seen as part of that whole.

We are blessed with the best troops in the world, as we have seen time and time again. But we also need to give our civilian experts the resources to do the civilian jobs. And this budget takes a step in that direction. It includes \$100 million for a State Department complex crisis fund – replacing the 1207 fund through which the Defense Department directed money toward crisis response. And it includes support for the Pakistan Counterinsurgency Capability Fund, which previously fell under the Defense Department as well. Secretary Gates and I are working literally hand-in-hand and are committed to having a seamless relationship between the Defense Department and the State Department and USAID to further American security.

The second major area is investing in development. And this budget makes targeted investments in fragile societies – which, in our interconnected world, bear

heavily on our own security and prosperity. These investments are a key part of our effort to get ahead of crisis rather than just responding to it, positioning us to deal effectively with threats and challenges that lie ahead.

The first of these is in health. Building on our success in treating HIV, malaria, and tuberculosis, our Global Health Initiative will invest \$63 billion over six years, starting with \$8.5 billion in FY11, to help our partners address specific diseases and, equally importantly, build strong, sustainable health systems as they do.

The Administration has also pledged to invest at least \$3.5 billion in food security over three years, and this year's request includes \$1.6 billion, of which \$1.2 billion is funded through the State Department. And I greatly appreciate the work that Senator Lugar and Senator Casey have done to help target the United States effort when it comes to global hunger and food security. So this funding will focus on countries that have developed effective, comprehensive strategies, where agriculture is central to prosperity and hunger remains widespread.

On climate change, we could not agree with the Chairman more. Therefore, we have requested \$646 million to promote the United States as a leader in green technology and to leverage other leaders' cooperation – including through the Copenhagen Accord, which for the first time, to underscore the Chairman's point, brings developing and developed countries together. This is such an important initiative. We need leadership from the rest of the world. This is an opportunity for us to push this initiative and to ensure that we have support to give to core climate change activities and to spread the burden among other countries so that they share part of the responsibility in meeting this global challenge.

The budget also includes \$4.2 billion for humanitarian assistance programs. Our efforts in Haiti have made clear that State and USAID must be able to respond quickly and effectively.

All of these initiatives are designed to enhance American security, help people in need, and give the American people a strong return on their investments. Our aim is not to create dependency. We don't want to just pass out fish; we want to teach people to fish. And we want to help our partners devise solutions they can sustain over the long term. And essential to this is a focus on advancing equality and opportunity for women and girls. They are the key drivers for economic and social progress.

And that brings me to our third area that I want to highlight. None of this can happen if we do not recruit, train, and empower the right people for the job.

The State Department and USAID are full of talented, committed public servants, but unfortunately, we have too often failed to give them the tools they need to carry out their missions on the ground. Rather than building their expertise, we have too often relied on contractors, sometimes with little oversight and often with greater cost to the American taxpayer.

This budget will allow us to expand the Foreign Service by over 600 positions, including an additional 410 positions for the State Department and 200 for USAID. It will also allow us to staff the standby element of the Civilian Reserve Corps\*, a critical tool for responding to crises.

Now, while deploying these personnel generates new expenses in some accounts, it does reduce expenses in others by changing the way we do business. We are ending an over-reliance on contractors and finding opportunities to save money by bringing these functions into government and improving oversight.

So Mr. Chairman, one thing should be very clear from this budget: The State Department and USAID are taking a lead in carrying out the United States foreign policy and national security agenda. As we finish the first Quadrennial Diplomacy and Development Review, and as the White House finishes the coordination of the Presidential Directive, we have a unique opportunity to define the capabilities we need and then to match resources with priorities.

The QDDR will help ensure that we are more effective and accountable. And I want to thank all of you for your individual contributions on so many of these issues that are important not only to your constituents but to our country and the world. And Mr. Chairman, I look forward to continuing to work closely with this committee and I would be pleased to take your questions.

**CHAIRMAN KERRY:** Thank you very much, Madam Secretary. We'll do seven-minute rounds.

Recently, I just came back from Pakistan, and one of the things that they repeatedly brought to my attention was sort of the fragility of the economy, obviously, but also the sort of balancing act that they have to perform, which you're well aware of, in terms of their public opinion, the relationship to the United States, and what they're being called on to do. They pointed out that they are about to undergo another round of IMF negotiations and the pressure is already at the IMF – restraints have been significant in terms of price increases and other things that their citizens are feeling. I wonder if you'd sort of comment on what other steps we might contemplate that can have an impact. We have a very significant amount of money going in. We've got additional assistance, the 3.2 billion you've talked about, but it strikes me that there is a broader economic challenge and sort of provision of services challenge to their people that's going to have a profound impact on the outcome of what is happening in western Pakistan and ultimately Afghanistan. And you're no stranger, Madam Secretary, to our thinking that what happens in Pakistan is going to be almost as important if not far more important to the outcome of Afghanistan than some of what happens on the ground in Afghanistan. Therefore, should we be thinking about a free trade agreement or a broader trade agreement or something that's going to send a stronger signal from us about the economic possibilities? Or should we work with the IMF to make sure that the next round doesn't result in unpalatable, unacceptable pressures on their citizens so that we sort of undo the good that we're trying to do in all of these other efforts I wonder?

**SECRETARY CLINTON:** Well, Chairman Kerry, you have asked one of the most important questions that we have to figure out how to answer. To the credit of the Pakistani Government and President Zardari, they have complied with the IMF conditions. They raised the price of wheat. They've raised the price of electricity. They have demonstrated a political will which has resulted in some positive economic outcomes for them.

But they have a very difficult road to negotiate ahead of them for several reasons. And I will tell this committee what I told a group of Pakistani business leaders with whom I met when I was there. It was a very large, prestigious group representing a broad cross section of the Pakistan economy. And I told them that we did need to do more to promote trade, and I think the ROZs, the reconstruction opportunity zones, that legislation has been pending in the Senate. That would send a very strong signal to Pakistan. It would use trade instead of aid to promote economic growth. We have committed to some large signature energy projects because part of their economic challenge is keeping the power on and keeping those factories humming. And so I've ordered a redirection of our aid so that we produce results that are in line with the needs and aspirations of the Pakistani people. I think we should explore additional opportunities that might

increase more trade, remove more barriers. We could try it for a limited period of time, see what the results are.

But I think the Pakistanis have to do more as well. And I told the business group after we'd finished talking about the aid we give and the support we're giving and the Kerry-Lugar initiative, Pakistan has one of the lowest tax rates in the world. The -- they don't tax income. They don't tax land. And a lot of the wealth is held in these huge feudal estates. Some of you might have seen a program on television last night showing the failure to build schools, to staff schools, to equip schools. They have no public education system to speak of and it's because the very well off, of whom there is a considerable number, do not pay their fair share for the services that are needed in health and education primarily.

So I think there's more we could do and more the international community could do, but increasingly, Senator Kerry, I am looking for ways that the IMF, The World Bank, the United States as a donor, other donors can say to countries that want our help, you have a lot of rich people and those rich people make a lot of money out of their country and, yet, the people of their country are mired in poverty and you're going to have to raise your tax GDP percentage rate from 7 percent to 9 percent.

In the United States we fluctuate between 16 and 22 percent. They don't have the resources or the opportunity to do that, but we can't continue to allow these countries' elite not to do their fair share for the people of their countries.

**SENATOR KERRY:** To their credit, I will say they are in the midst now of a significant legislative initiative and government initiative to do exactly that. And I know some of it is at your urging and other people's urging.

One last question so I don't overly abuse the time here, but this is sort of a macro question I'd like to ask you. As you travel around as Secretary of State and you are engaged in any number of efforts to leverage our interests globally, whether it's arms control or the economic interests or counterterrorism, et cetera, et cetera, I'd like you to comment -- I don't want to draw you into a fight but -- the gridlock here in Washington and the inability of us to leverage our own economy and to begin to show the world signs of sort of economic strength, I have certainly run into many questions as I travel around, sort of, you know, where is America going? And I'd like to know if you find, as you talk to people, maybe share with this committee, which is the appropriate place to think about this or at least start to, to what degree is our domestic situation, our financial situation, our lack of cohesion with respect to responses affecting our status and leverage and position as we try to pursue our interests on a global basis?

**SECRETARY CLINTON:** Well, Senator, you travel also and you encounter the same questions and to some extent anxiety that I do as I travel. The world wants the United States to lead even if that's not what they tell you or what they say to their own press. But they want us to lead. They look to us. They also look to us as the world's oldest democracy, and they want to see us produce results and solve problems. So I do think that we have to do a better job in demonstrating what we know is our core strengths, which is this extraordinary country that we all love and have the privilege of serving, is capable of doing anything once we put our minds to it.

But I think that this is not a partisan issue. It's not an executive versus legislative issue. It's really an American issue. And you mentioned climate change at the very beginning of your remarks, and I cannot say how important it would be -- I cannot overstate it -- that we do what we can to show that we are a leader in this area. I would say for political reasons, global political reasons -- some of you may have read accounts of the President and I kind of crashing a meeting that the Chinese, the Indians, the Brazilians and the South Africans were having without us to try to figure out how they could avoid some of the questions, the hard questions we were asking. But at the end of a tough negotiating session, they agreed to this Copenhagen Accord. And this Accord is the first time in a -- probably since post-World War II that there's been any international agreement and the very first time that developing and developed countries have assumed the kind of equal responsibilities to show up, sign up, report and verify what they're going to do.

So the political imperative for the United States to lead, to be seen as leading, to manage this incredibly complex, interconnected world, I think is absolutely paramount. Secondly, on the facts on climate change, I know that Senator Kerry, Senator Boxer, others of you have been really leading on this. This clean energy economy is going to be captured by other countries. I mean the idea that we, the intellectual capital of the world that invented so many of these component parts and processes could be outflanked and out-produced and out-generated in terms of income by other countries led principally by China is deeply disturbing to me. This is an industry of the future, and we have jobs that are going to go by the wayside if we're not prepared to get in there.

Now, to me the domestic progress that was made in 2009 with passing a House bill and what Senator Boxer did and what you're doing on a bipartisan basis gives us a foundation, but this is a political issue and this is an economic issue. People also know it's an environmental issue and a moral issue, but I focus on what are the strategic interests that the United States has. We have to continue to show leadership on a global issue, and we have to get our economy moving in a direction where we're going to reap the benefits.

**CHAIRMAN KERRY:** Thank you very much, Madam Secretary. Senator Lugar.

**SENATOR LUGAR:** Madam Secretary, I have three short items and two longer ones. I will commence with the short ones first of all. And that is that I appreciate very much your accommodation, the efforts of your Department and likewise our Lugar-Casey bill on food security and the recent staff work between your staff and staff of this committee.

**SECRETARY CLINTON:** Yes.

**SENATOR LUGAR:** I hope that will continue intensively in the days and weeks ahead. And perhaps the Chairman will entertain another hearing on the suggestions you've made combined with ours so that we could move this along. As passed out of our committee, I think has broad support in the Congress as a whole.

Secondly, I just note that in the budget there are budget calls for 8 to 10 American centers of public diplomacy, and it's not clear where those would be located. You'll have to determine that. I would just note that the Chinese, according to our records, have now established 60 Confucius centers here in the United States. But they are permitting only four of our centers to be built in China. So I call this to your attention for some potential negotiations with Chinese friends as we try to extend this idea of diplomacy centers, which I think is important and I think (inaudible).

I appreciate your mention of the Law of the Sea treaty. I've just come from a conference with regard to Russia and Russian aspirations. It was pointed out that

with the melting of the Arctic, now huge oil resources, perhaps larger than those of Saudi Arabia, have been uncovered. The Russians immediately sent a ship up and planted a flag. This was a grandiose gesture. It doesn't establish that they're going to be drilling shortly. But the fact is that this is going to be an area of huge contention, and the need to have some structure in which American interests can come to the fore, the issue has always been sovereignty with regard to that. And sovereignty is the issue, but we've got to pin down our sovereignty.

**SECRETARY CLINTON:** That's exactly --

**SENATOR LUGAR:** And it's very important. Let me just ask -- we've already discussed in the budget -- or now touched today, but a new embassy in London. This has come to the forum in pictures in the last 48 hours or so, the thought that the embassy is a billion dollars, but then the value-added tax assessed by Great Britain of 17 percent, we are refusing to pay. The thought is that the sale of the Grosvenor Square Embassy would net us a billion dollars, at least as an offset. But how is the financing of this going? And what comment can you make, at least upon the need for a billion dollars worth of building, as well as this dispute over the value-added tax?

**SECRETARY CLINTON:** Thank you so much, Senator Lugar. Just very briefly, our staff looks forward to continuing to work with yours and that of this committee, and we want to deepen our partnership on global hunger and food security.

On the Confucius centers, the Chinese Government provides each center with a million dollars to launch, plus they cover operating expenses that exceed \$200,000 per year. We don't have that kind of money in the budget, so we are limited in the numbers that we can do. And we are also raising the issue of reciprocity with Chinese officials. So we are very aware of the concerns that you have pointed out.

Thank you for what you said about the Law of the Sea. I could not agree with you more. The Law of the Sea provides commercial rights to the mining of what is in the sea beds of the territories that are claimable under sovereignty provisions in the treaty. I believe with all my heart that we are going to be so sorry if we don't get this up and going, and I know that you and the Chairman are committed to doing so. And if there's more that we need to do from the Administration side, Mr. Chairman, I will get it done. You just -- you give me the date and we'll have the people here to testify, because I want everybody on the committee and the Congress to know what's at stake here.

Finally, on the London Embassy, the construction of the Embassy is estimated at between 500 to 700 million. It is self-financed because we are selling -- I forget, maybe 11 sites that we currently own, because we're consolidating everything in one place. We have sold the old Grosvenor Square Embassy, although we will inhabit it until we move to the new Embassy. We have -- also, we're selling the Navy annex. We're going to realize a significant return on these sales. And the estimated cost of the construction, as I said -- 500 to 700. The site, pre-developed, was 426 million. The VAT is 46 million.

So when you add it all up, because of the expense of doing business in London, among other reasons, it's going to be around a billion dollars. And we are going to work very hard to get the VAT exception, but we're not coming in for any appropriations. This is really consolidating sites and becoming more efficient, and it will also be a green building, which we value. We think that's a great signal to send.

**SENATOR LUGAR:** Let me ask one final question on the budget for Pakistan. There is obviously a submission for considerable expenditures this year. But I just want to inquire how expenditures are going from the 2010 budget. The reason I ask this is that it appears that they're going slowly and there's arguments as to how much should go through NGOs as opposed to the Pakistani officials, whether they'd be local or regional or national.

What is your general comment? Whether it's the Kerry-Lugar 1.5 billion or all the sorts of other things, how are we coming?

**SECRETARY CLINTON:** We're making progress, Senator, but we're trying to be very thoughtful about how we distribute this money, because it is a significant investment in Pakistan. We've spent money already on some of the energy projects which we think are paying off, both in terms of what they're doing for the people of Pakistan, but also because we're connected to them.

It is challenging because we do want to go through Pakistani institutions and NGOs wherever we can, but they have to be vetted. And we have to feel that they are going to perform in a way that I can come before this committee and report to you is in keeping with our efforts. So we can give you a very thorough readout of where the money is in the pipeline, but we've been spending a lot of time -- and Jack Lew, I think, has talked with this committee about that -- in making sure that we're spending it right, or as right as we can make it.

**SENATOR LUGAR:** That would be very helpful to keep us up to date. It is challenging, as you say, but it's critical in terms of the confidence of the American people, with appropriations of this size for -- with Pakistan and Afghanistan. Thank you very much.

**SECRETARY CLINTON:** Thank you.

**CHAIRMAN KERRY:** Thanks, Senator Lugar.

Senator Feingold.

**SENATOR FEINGOLD:** Thank you, again, Mr. Chairman, for holding this hearing. And Madam Secretary, just before I ask you some questions, I'd just like to note that your identification of the 150 account as a national security budget is absolutely right on the mark. A stronger State Department is vital to our nation's security, as is expanding and strengthening our work in such areas as economic development, good governance, respect for human rights, respecting the rule of law and conflict resolution. By ensuring these programs are well funded, we can help our foreign partners combat the recruitment and operation of al-Qaida while also strengthening and protecting our nation here at home. So I appreciate that very much.

Madam Secretary, a number of subjects. I've noted that enhancing our diplomatic capacity is vital to our nation's security. At the same time, as you well know, with skyrocketing deficits, we have to look at ways to eliminate wasteful or inefficient spending. And I think one glaring example of wasteful spending is a program that has, for years now, been found to be mismanaged and ineffective -- Radio and TV Marti at the Broadcasting Board of Governors.

Given the multiple GAO reports highlighting the many problems the plague the Office of Cuba Broadcasting and the urgent national security and human rights priorities we face around the world, can you please tell me why the Administration wants to continue funding Radio and TV Marti near previous levels in FY 2011,

and does this allocation of resources really match our national security and human rights priorities?

**SECRETARY CLINTON:** Well, Senator, we are taking a hard look at all of our aid programs for Cuba. Frankly, my goal is to be effective in what we spend so that it actually assists those Cubans who are fighting for freedom, who are standing up against the abuses of the Cuban Government. And we're looking at everything. I mean, I can't come before you and say that any program is sacrosanct because I want to be sure that we're getting our money's worth. And with new forms of communication and new ways of getting information into Cuba to help support the efforts of people on the ground, I think we have to look at this expenditure like every other one.

**SENATOR FEINGOLD:** Appreciate that answer. On a very different topic, in Africa, let's say a bit about our policy toward the Lord's Resistance Army, or the LRA, the rebel group from northern Uganda that's now operating across three countries – Northeastern Congo, Southern Sudan, and the Central African Republic – and continues to kill at an alarming rate. As you probably know, I've authored a bill that now has 63 co-sponsors and which will require more strategic tension resources to help address this violence.

And Madam Secretary, without sort of getting into all the weeds of this, how does responding to and seeking to end the LRA's reign of terror throughout the region fit into the fiscal year '11 budget? And does the Administration have any kind of a specific plan and dedicated resources to help address this issue?

**SECRETARY CLINTON:** Senator, we are deeply concerned and share your views about protecting civilians who have been suffering at the hands of the Lord's Resistance Army now for years in Southern Sudan, in the DRC, and Central African Republic. We have provided support to improve the effectiveness of military responses to the LRA. We've helped to support and supply some of the militaries in the area. Thus far, \$6.4 million has been provided. Additional funds will be notified to Congress soon.

Resources have come from reimbursements from the UN, for U.S. support for peacekeeping operations. We believe our support of these operations has helped to degrade the capacity of the LRA. We've encouraged the military forces seeking to defeat the LRA and the UN peacekeeping missions in the region to put a very high priority on civilian protection. There needs to be better coordination, information, and intelligence sharing. As you know, we tried that once; very unfortunately, not to the result we were seeking.

But we're going to continue to work with existing militaries and UN peacekeepings. I want to be specific here, because we've also provided assistance for civilian victims in the DRC, CAR, Southern Sudan – 1.74 million for NGOs in Southern Sudan, 1.1 million to the International Organization for Migration for relocation efforts in Southern Sudan, 1 million to the World Food Program for UN humanitarian air service in Central African Republic, and of course, contributions to the UNHCR.

I have been following the Lord's Resistance Army for more than 15 years. I just don't understand why we cannot end this scourge. And we're going to do everything we can to provide support we believe will enable us to do that.

**SENATOR FEINGOLD:** Thank you for that commitment. Madam Secretary, I have concerns about supplemental spending bills given that they fall out of the normal budget process, but in this case, I'd like to ask about INCLE, the funds requested for Pakistan in the FY 2010 supplemental, the majority of which will go toward training and other support for Pakistani police, including to do such things as to better confront the spread of extremism.

Given the documented problems of police abuse in Pakistan from your own State Department Human Rights Report, including allegations of torture, rape, and extrajudicial killings and continuing impunity for such crimes, and given the latest report's caution that, quote, "corruption within the police was rampant," what efforts are being taken to ensure that our assistance to the police forces does not inadvertently end up fueling the spread of extremism, rather than addressing the problems we sought to address.

**SECRETARY CLINTON:** Well, Senator, this is something that we are very focused on, because obviously, we have both legal and moral requirements as to how money that we provide to anyone is expended and what is done under the rubric of that kind of aid program. And what we've done is provide training, provide support to the Pakistanis so that they understand what we expect from them, what we are looking to see. We've worked with the Pakistani military to try to better create more accountability, and we've asked that they respond whenever any issue is raised with us.

I can't sit here and say that we know everything that's going on, but we are making a concerted effort to try to provide more oversight and expect more accountability in these funds.

**SENATOR FEINGOLD:** Thank you so much, Madam Secretary. Thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you very much, Senator Feingold.

Senator DeMint.

**SENATOR DEMINT:** Thank you, Mr. Chairman. Thank you, Madam Secretary. I appreciate your professionalism representing our country all over the world. The more I delve into foreign policy, the more I believe you probably have the hardest job in the Administration.

A couple of points. First, I want to thank you for your leadership in Honduras. As you know, that was a situation that appeared to be moving out of control, and I think you and your Department have got it on a good track, trying to restore relationships within and around Honduras. I get very good reports there from what the State Department's doing.

Let me just mention a couple of things. In Iran, obviously, that's a big issue. My concern is timing. You've, I think, taken an international leadership role in, I think, raising the pressure levels in Iran. But in my conversations with people in Israel and their concern that – well, my concern is that we may be only a few months away from some type of action that could destabilize the region. And I don't sense in the Congress the urgency of timing here of what we need to do and how quickly. And again, I appreciate you taking the sanction idea a step further, but I would like to hear a comment there and just ask your comment on a couple, a few other areas.

One, and you've mentioned, and several others have mentioned, human rights. And I've long been a supporter of engagement with countries like China and

trade with China, but it seems increasingly over the last year or two that human rights, religious freedom in China, Egypt, India, Vietnam, other countries, more and more reports that there is less religious tolerance, that there's more problems. And perhaps that's just a matter of what gets to the news, but I'm hearing from a lot of people directly in my office that are suggesting a deteriorating situation.

And meeting with people from Georgia, a lot of representatives, again, I hear a concern that our emphasis is more on Russia and even to the point of them not getting equipment they need for basic protection, such as parts for their rifles. So, some pretty important concerns there, specifically on Georgia. So if I could just ask you to comment on the urgency and timing of Iran, possible scenarios there, and just maybe your perception of human rights as well as a comment on Georgia.

**SECRETARY CLINTON:** Thank you so much, Senator. On Iran sanctions, we are intensely engaged with countries around the world. In the last month, I attended the London conferences on Afghanistan and Yemen and held numerous bilateral meetings with countries to lay out evidence about Iran, to urge that they join with us on the pressure sanctions track. I just came back from Saudi Arabia and Qatar and have also met last week with the prime minister of Turkey. I'll be going next week to Latin America, including Brazil.

So we are – and it's not just I; it's the top levels of the State Department – are engaged very directly in working the need for sanctions. We are beginning the process in the Security Council in New York, where language is being hammered out based on the work that has been done by the Treasury Department and the State Department in coordination. We are targeting a lot of these proposed sanctions against the Revolutionary Guard, which we believe is playing an increasingly important role in the politics and the economy of Iran.

So we are working it as hard as we can. I have to say that we've been heartened by the positive response from Russia. They, I think in their response, prove the wisdom of the President's policy of engagement. We have made it clear from President Obama's inauguration that we'll reach out our hand if the other side unclenches its fist. And our very clear commitment to engagement has created space for a lot of these countries to now consider supporting sanctions that they might not have otherwise, because we have demonstrated the strategic patience to exhaust the international efforts of convincing Iran to do the right thing without sanctions.

So I think, Senator, we are very, very focused on this. We hope that the next 30 to 60 days will see a sanctions resolution emerge in New York. And we also have made clear with others of our allies and partners that whatever comes out of New York, we may pursue bilateral or multilateral sanctions on top of whatever can be the result of the Security Council deliberations. So this is the highest priority for the Obama Administration.

On human rights, I share your concern. It's a kind of good news/bad news story. I mean, we see breakthroughs and positive actions, and then unfortunately we do get evidence of backsliding, discrimination, oppression, violence that is religiously based. We are working with a number of Muslim majority countries to devise an alternative to their proposal of defamation of religion, which we reject because we think that in a robust society, free expression should be protected. But we also recognize the sensitivity of criticizing or undermining the religious feelings and attitudes of people. So we're looking to see if there is a way to come up with a resolution that will suit our constitutional concerns. And we're working hard with a number of countries to do that. But we speak out vigorously against human rights abuses, and in particular, religious freedom and discrimination complaints, and we'll continue to do so.

And finally, with respect to Georgia, Georgia remains a high priority to this Administration. We've had a number of high-profile visits to Georgia – Vice President Biden, Deputy Secretary Steinberg, Special Representative Holbrooke. We've had a very clear message that we are supporting the Government of Georgia. For the FY11 budget, we're requesting \$90.1 million in aid, which is an overall increase of 8 percent from the FY10 level of 73.77 million. The bulk of that will be trying to help the Georgians sustain their work in democracy to enhance public confidence within their own country and in the region in their direction. We also are continuing to provide funding for nonproliferation, antiterrorism, demining, and related programs. And we are heavily supporting their military deployment to Afghanistan with new equipment, new training.

So I think that what we're doing is a very positive story, and we stand up for Georgia in many international settings against the very strong attitudes expressed by their Russian neighbors.

**SENATOR DEMINT:** Thank you. Thank you very much. Thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you, Senator DeMint.

Senator Boxer.

**SENATOR BOXER:** Thank you, Mr. Chairman. And Secretary Clinton, I just want to say that I think all of America is very proud of the job you're doing.

**SECRETARY CLINTON:** Thank you.

**SENATOR BOXER:** And I think you're just being so effective, and I was really glad to hear that expressed in a bipartisan way today. I want to talk to you about women in Afghanistan. And just yesterday, Senator Casey, Senator Wicker and I held a hearing, which our Chairman sanctioned, to examine the status of females in Afghanistan. And what we discussed with your wonderful Ambassador Verveer and with Dr. Sima Samar, who I know you're aware of, it was not good. It was alarming.

Today, the life expectancy of an Afghan woman is 44 years. Can you imagine? Forty-four. Afghanistan has the second-highest maternal mortality rate in the world. One out of every five children born in Afghanistan dies before the age of five. And over half of all marriages in Afghanistan are forced or involve girls under the age of 16. Yesterday, we talked about a forced marriage of an 11-year-old girl to a man 20 years her senior and this child set herself afire to get out of this situation. And it's just – it just touches your heart. She is now back with her own family.

But here's what I wanted to discuss with you. We all know how hard our military is working right now. Oh, Lord, we all pray this is a success. And we all know that reconciliation is what we're trying to achieve, to get these Taliban to give up their ways. And what worries some of us is that women could be used as a bargaining chip in the reconciliation process unless they're at the table at every single stage. Because we can't forget these are the same Taliban who required the windows of Afghan homes to be painted over to conceal the fact that there was a woman inside, and who take pride today in throwing acid in the faces of

Afghan girls.

Now, we know you are a tireless champion for women around the world. And we also know you have worked hard to raise this issue of women being at the table in this reconciliation process. But I thought I'd use today as an opportunity to get you to commit to us and to the Afghan women that you'll work to ensure that these women are given a clear, transparent, and meaningful role at every level of the reconciliation process to protect their right to education, to healthcare, because you know that they're not allowed to see a male doctor. And that's why so many of them die in childbirth, because it's considered – they're shunned if they see a male doctor. And there are no female doctors anymore. There are some, but there are not as many as there once were. So many of them are dying in childbirth. And they need to have freedom of movement and they need to be free of violence.

So, will you make that commitment to fight to get them into a key decision-making role in the reconciliation process? And will you personally reach out to President Karzai, because I know you have a close relationship with him, to make sure that this happens?

**SECRETARY CLINTON:** The answer is yes to both, Senator Boxer. It is a very deep, longstanding concern of mine, which I share with you. In our regional stabilization strategy for Afghanistan and Pakistan, we lay out how we wish to advance the rights of Afghan women and girls with key initiatives that we are pursuing. And I would hope that this could become part of the record, Mr. Chairman, the entire report.

**CHAIRMAN KERRY:** Without objection.

**SECRETARY CLINTON:** But on the specifics with respect to women, I'm not going to sugarcoat how hard this is. This is a very difficult challenge that we are making common cause with the women and girls of Afghanistan. I'm very proud of the work that Ambassador Verveer is doing. I have personally spoken several times about this to President Karzai and I will continue to advocate, as I did at the London conference, to make sure that women are included in the political process. Any kind of reconciliation or reintegration effort has to take into account the rights of women. And we're going to do everything we can to try to protect and advance that.

**SENATOR BOXER:** Thank you. Thank you so much.

My second question kind of dovetails on Senator DeMint's on Iran. Just recently, the IAEA released a report stating that it found extensive evidence of activities by Iran's military, quote, "related to the development of a nuclear payload for a missile," unquote. And this is chilling to all of us. Iran's behavior not only poses a grave security threat to Israel and the Greater Middle East, but also to efforts to stop the proliferation of nuclear materials and weapons around the globe. And I am very pleased that the Administration is focused like a laser beam on this. And I know you recently traveled to the region to discuss the threat from Iran and that National Security Advisor James Jones traveled there, Mike Mullen, Vice President Biden. And in addition, the U.S. Government announced a new set of sanctions on Iran's Islamic Revolutionary Guard.

Now, I understand you're seeking a set of new sanctions through the UN Security Council, which will require the support of all five permanent members, including China. So I want to ask you about China. You were recently in Saudi Arabia, which is now exporting more oil to China than ever. Reports have suggested that Saudi Arabia may be able to provide China the stable supply of oil it needs, thus reducing China's reliance on Iranian oil. And this, in turn, could make China more willing to support sanctions against Iran.

Do you feel better about the situation with China? Do you feel that this diplomacy of yours at the UN could yield the right outcome?

**SECRETARY CLINTON:** Well, Senator, we are working at it every single day. And the IAEA report gave us one more piece of evidence to present to doubting countries about conclusions regarding Iran's nuclear ambitions. We also are making the argument in public that China's dependence on oil from the Gulf should cause it to make a strategic calculation to support sanctions because in the absence of pressure that changes the Iranian efforts to obtain a nuclear weapon, there will be an arms race in the Gulf, and that will further destabilize the Gulf. It could lead even to conflict, which could dramatically undermine the delivery of oil from the Gulf. So our argument, joined by other countries, including some in the Gulf, to China is that if you're concerned about your market access to the Arabian Gulf for oil, then you should join the rest of the world in sanctions.

And we were very successful when nobody thought that we could get China on board for the North Korean sanctions, 1874, out of the Security Council. And even today, the South Africans stopped a ship carrying North Korean weapons bound for the Congo to cause more terrible violence and kill even more people there, because we got the international community behind us. And that's what we're seeking, and we're making that argument vigorously, and lots of people are joining us to try to convince China to join with the rest of the world.

**SENATOR BOXER:** Thank you so much. Thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you very much, Senator Boxer.

Senator Menendez.

**SENATOR MENENDEZ:** Thank you, Mr. Chairman. Madam Secretary, thank you for your service to our country.

Yesterday, Orlando Zapata Tamayo, a Cuban pro-democracy human rights activist and political prisoner, who was first incarcerated during the 2003 crackdown on dissidents in Cuba, died following a hunger strike protesting the Castro regime's brutal abuses. Amnesty International recognized him as a prisoner of conscience. And it's in his memory and the sacrifice that he made and hundreds of others of political prisoners who languish in Castro's jails that I want to ask you about some concerns I have with reference to how we are pursuing our Cuba democracy programs.

I sent a letter in January to Administrator Shah, who I have not heard an answer from yet, asking what is the intent of an email that they sent to the grantees and contractors for programs in Cuba. Basically, that email suggested, as the Department has suggested, that groups not travel to Cuba to conduct the pro – our democracy programs there, and that is a real concern.

Now, there are some people who have suggested that the United States only provides support to the Cuban people, when every single activity under these programs is specifically sanctioned by the Castro regime. It's naïve to think that independent groups would be allowed permission from the Castro regime to

carry out those activities when even members of this committee, who have sought visas to visit human rights activists and political dissidents inside of Cuba as part of an agenda, have been denied those visas by the regime and a clear attempt to stop anyone who wants to visit those entities, those individuals inside of Cuba. So I would not expect the regime to welcome anyone to help engage with human rights activists, political dissidents, independent journalists in trying to promote civil society inside of Cuba.

So we have a long history in the United States of supporting groups around the world and groups who have lived under the iron fist or behind what was the Iron Curtain. We've done that in Eastern Europe. We did that with Lech Walesa, we did it with Vaclav Havel, we did it with Alexandr Solzhenitsyn, we did it with so many others, and we did not seek permission from those countries in the world. For some reason, it seems to me that when it comes to Cuba, the recent actions by the regime to arrest an American citizen have totally frozen our actions. And I've even noticed that in the 2011 budget request stating what our democracy programs would do, a critical statement that existed in the 2010 request was eliminated.

So my question is: Are we going to have a permanent freeze on having entities that are trying to create peaceful change for civil society inside of Cuba? Is that the policy of the State Department?

**SECRETARY CLINTON:** No, Senator. Let me first express the United States Government's sympathies to the family, friends, and supporters of Orlando Zapata Tamayo. We were concerned about his welfare. We raised this with the Cuban delegation during the migration talks. We urged that he be given medical attention and care. And we are deeply distressed by his death during a hunger strike on behalf of his rights and to send a signal of the political prisoner situation and oppression in Cuba where we think there are in excess of 200 other prisoners of conscience.

We are very supportive of the work that we believe should be done to support those people of conscience inside Cuba. As I said earlier, we're trying to figure out the best ways to be effective in doing that. We're currently reviewing the risks in the wake of the baseless arrest of Mr. Gross in Cuba so that people who are traveling in furtherance of the mission of advocating for freedom, providing services, providing supplies and material to Cubans will take the necessary precautions when traveling.

This is an issue of great importance to us. We do want to do everything we can to try to assist Cubans who are struggling against a continuing longstanding regime of oppression. So we're not in any way taking a position against travel or against the kind of actions that we think will produce positive results, but we are engaged in a very intense review, so that what we do, we think, will have greater chances of being successful.

**SENATOR MENENDEZ:** Well, I appreciate your answer. However, let me just say that the email that came out of AID and the statements that have come out subsequently have basically chilled any activity in the promotion of the democracy programs that the President in his own budget put again, which we're pleased to see. But at the end of the day, if a regime, whether that be in China, whether that be in any other country in the world, can ultimately deter the United States from its engagement of human rights activists and political dissidents, then that pillar of our diplomacy crumbles and --

**SECRETARY CLINTON:** I know, but that is not what we're doing.

**SENATOR MENENDEZ:** Well, I'd like to see what we are doing, because right now, we are not doing very much. So I'll follow up with that. I hope we get a response from the Administrator.

I'd like to ask you two other questions. One is Senator Kerry, Lugar, Corker, and myself have written legislation with reference to reforming our foreign assistance institutions. You mentioned the Quadrennial Defense and Diplomacy Review. I'd like to know where we're at. Where -- when can we expect to see some tangible changes? What might these changes look like?

And my second question is: As you know, there are more than 40,000 Turkish troops occupying Cyprus. No one in the world accepts the proposition that they are there to protect Turkish Cypriots and Greek Cypriots and even the European parliament on February 10<sup>th</sup> passed a resolution calling for the immediate withdrawal of Turkish troops from Cyprus.

Yet, Madam Secretary, America's Ambassador to Turkey, Ambassador Jeffrey, very recently said in a newspaper interview that Turkey has, quote, "security concerns" on Cyprus. Certainly, he can't be supporting this rationale for keeping Turkish troops in Cyprus. Did he misspeak?

**SECRETARY CLINTON:** Well, first with respect to foreign assistance, the QDDR will be finished this summer. We look to it to help us coordinate with this committee and with the Congress on the foreign assistance reforms that we believe should be undertaken. Our goal is to enhance the capacity and effectiveness of American foreign assistance, to better coordinate among the various aspects of the American Government that provide assistance. We have everything from USDA to Treasury with its funding of the international financial institutions to, of course, State, to USAID and other entities as well.

We want to more clearly state the mission, more clearly resource that mission. The White House is currently simultaneously conducting its own review of development, bringing in all the other stakeholders because, of course, we're only looking at State and USAID. But I think that many of our findings will be very much in line with the direction and the aspiration that this committee has set forth in the legislation.

With respect to Cyprus, we strongly support the continuing negotiations under UN auspices for a bi-zonal, bi-communal resolution on Cyprus. We have been heartened by some of the intense consultations going on between the Cypriot and Turkish Cypriot leadership, but there's a long way to go. And I think that -- I can't speak for our ambassador, but I assume he was stating the opinion of the Turkish Government. That is something that we do not ascribe to because we want to see the entire Cyprus situation resolved. But we certainly understand that is the stated position of the Turkish Government, not the American Government.

**CHAIRMAN KERRY:** Thank you, Senator Menendez. Let me just say, so the record reflects it, Senator Menendez, that the committee has taken note, sort of formally -- I spoke on the floor previously about, in December, our efforts to try to review the democracy promotion programs. And we all agree that the goals are laudable and we want to help the Cuban people, but we also want to make sure that we're doing the most effective things and that the programs are working. So we're looking at that. We're going to work with the Administration. I think it's important to try to just look at it and evaluate it. And we're going to continue our review. And we'll work with you and with the Secretary to try to measure this.

**SENATOR MENENDEZ:** Mr. Chairman, if I may, I appreciate that. But what I am concerned about is turning a page that we have never permitted in our history, which is having an oppressive regime, anywhere in the world, tell us how we are going to ultimately engage in our democracy programs, and that's the core. We all want to see the most effective democracy programs. But for anyone to expect that we will get a stamp of approval from a regime to do this --

**CHAIRMAN KERRY:** Nobody expects that, Senator. And I think that you're, in a sense, postulating a sort of subjective criteria that doesn't exist here. We're not -- there's no stamp of approval necessary. We'll do what we think is in our best interest, and I'm confident the Administration will do that and want us to do that. It's simply a question of measuring the effectiveness of what we're doing against all outcomes, and I think we need to do that.

So we're going to -- we'll work with you. We'll have a good dialogue about it.

**SENATOR MENENDEZ:** And I'm happy to -- as long as we do that worldwide, Mr. Chairman.

**CHAIRMAN KERRY:** We probably should, and I think that's important.

Senator Casey.

**SENATOR CASEY:** Thank you, Mr. Chairman. Madam Secretary, thank you for your testimony today and your work. I was thinking, as we were preparing for this hearing, that one area of our discussion here that often doesn't get enough of attention is the budget itself, and that the management of a huge enterprise that the State Department is -- and I have always believed whatever level of government that we're talking about, that the strength of any government, especially the United States Government, can only be maintained by the strength or integrity of its agencies and the management of those agencies. And I know it's a difficult -- it's difficult enough to deal with the issues that you're confronted with, but you also have to run a big agency, and we're grateful for the way you've managed that and the team you've put in place to help you do that.

I was also struck by something that you said in your testimony on the section on development, where you highlighted the areas of development that the State Department is focused on, whether it's health or food security or climate change and clean technology jobs, but the last section of that I thought we cannot say this enough, and I'm quoting here, "These initiatives are designed to enhance American security, to help people in need, and thirdly, to give the American people a strong return on their investment."

Often when -- and you know this from traveling our country, you know this from your work in the Senate -- that when people are confronted with the question, how do we save money -- an important question these days -- they often point to cutting foreign aid as a bonanza, as a place where we can save all kinds of money. The reality we know is otherwise. I was noting that the International Affairs budget is about 1.4 percent of the total budget of the United States, despite all of the -- I guess the perceptions or misperceptions that somehow there's a lot of areas to eliminate. And I think you're demonstrating that every day that we can't, at this time in our history, especially in light of our security concerns, do that.

Let me ask you about two or three areas. One is -- one involves our domestic economy and the horrific recession that so many families have lived through. Pennsylvania has a lower unemployment rate, about 560,000 people out of work. And you mentioned that in the opening -- you mentioned the challenge of our domestic economy in the opening comments you made. Sometimes, that connection between the International Affairs budget and the investments we make around the world may not seem to translate into the domestic economy. But I note here that since 2005, the U.S. Export-Import Bank, which is funded through the International Affairs budget, has financed \$3.06 billion in exports from Pennsylvania, supporting 223 companies, 112 communities. There are other examples as well.

But I'd like to have you talk about that because it's not something that we talk about enough, and I think there's a story to tell here that the American people don't often hear.

**SECRETARY CLINTON:** Well, Senator Casey, I can't thank you enough for asking that question, because I think you are 100 percent right. I obviously believe that what we're doing is part of our security. And I think that case is certainly more understandable for people today, since 9/11, than it might have been beforehand. But I also think it is essential to our economy.

You illustrate one example of that, the Export-Import Bank. We really believe that we can do even more through the EXIM Bank, and I'm going to try to encourage that approach. Somebody asked me what I'd like to do; I said I'd like to put EXIM Bank on steroids because I think it does so much good work for American companies, and I want American businesses to know that.

We're also working on a much more extensive export-driven strategy that the President has announced and has spoken about with business leaders. I've asked Under Secretary Bob Hormats to lead our efforts inside the State Department, because we think there's more we can do. We can do more on our own. We can do more in partnership with the Commerce Department, and we intend to do that, and to reach out particularly to small- and medium-sized businesses about how they can export more lessons that perhaps can be conveyed to them, work with more chambers of commerce in partnership on this issue.

We want to do more to highlight American business. We're in an economic competition, as we are in every other aspect of the world today, and American business needs to have a partner in the United States Government. Other businesses from other countries have a strong partnership with their government; whether it's state-owned enterprises from China or private companies from Europe, they often have much more support from their governments than we have in recent years given to our businesses.

So I think, in many ways, we can do more to impress upon the American public the importance of what happens at the State Department in opening doors and in working with other government agencies here in the United States to promote jobs in America.

**SENATOR CASEY:** Thank you very much. And I -- maybe one more area before -- I've got about a minute left -- but it's on nonproliferation. I was giving a speech yesterday about the topic generally, and I especially appreciate the approach that you've taken and your team, the President and the Vice President, from a position of strength, that our number-one objective and number-one obligation is the security of the American people. And we're -- one of the fundamental goals of the nonproliferation strategy is to have a safe, secure, and effective nuclear arsenal.

I wanted to have you talk about that in the context of not just the – I guess not just the funding and the investment you have to make in this budget to make sure that we have a safe and secure and effective arsenal, but also in the context of a broader – our broader security agenda.

**SECRETARY CLINTON:** Well, I appreciate your recognition that this budget and, of course, President Obama, are committed to our safe and secure nuclear arsenal, but at the same time, the President's vision of a world without nuclear weapons. And some have asked me, how can those two coexist? And I said, "Well, they can only coexist." I mean, realistically, we know that the goal of a nuclear weapons-free world is off in the distance, so what are the steps we need to take in order to move toward that. And in his Prague speech outlining his vision, as well as in the State of the Union, the President made clear that as long as nuclear weapons exist, the United States will maintain a safe, secure, and effective nuclear deterrent. Infrastructure repair is critically important in order to sustain our nuclear security enterprise.

And therefore, the budget request supports programs that are important to implementing all of the President's nuclear security agenda. What can we do to fund the stockpile support activities that enhance our deterrent, that make deeper reductions through negotiations like what we're involved in with Russia on START, how do we make the case to the Senate surrounding the Comprehensive Test Ban Treaty, how do we fund the Defense Nuclear Nonproliferation Program; there's just – every piece of this fits together.

So it's an issue that, of course, Senator Lugar has been a champion of for a very long time, but I think you are so right to be raising this issue in audiences that you speak to, because it's one of the most important issues confronting humanity and we're trying to walk the line of being committed to a goal of zero, but being smart about how we protect and maintain our deterrent now. So that's the tension, but we think it's the realistic way forward.

**SENATOR CASEY:** Thank you very much.

**CHAIRMAN KERRY:** Senator Cardin.

**SENATOR CARDIN:** Thank you, Mr. Chairman. Secretary Clinton, thank you very much. We very much appreciate your leadership. I particularly want to underscore how important your statements about American foreign policy priorities, including human rights, has been received internationally. Senator Wicker and I were recently in an international meeting of the OSCE and your statements, particularly about the importance of human rights, but also that we are going to evaluate our own performance, was very well received and it's helped us. And I encourage you to continue your strong commitment in that area.

I want to talk about the direction of our foreign aid program. I strongly support what you're trying to do, including providing more resources and more aggressive use of our involvement internationally. But I am concerned about our government partners when there is a significant leakage of funds because of corruption. Corruption is a problem in so many places in the world, and when we try to provide a partner with money and that money gets used for other than its intended purpose, we're not only denying the taxpayers of our own country the accountability that is demanded, but we're denying the purpose for which the foreign assistance was being made available.

I also mention this context, the Extractive Industries Transparency Initiative, which Senator Lugar and I are encouraging a much stronger participation by the United States in the EITI. The, as you know, oil wealth and mineral wealth for many countries is a curse because it fuels corruption rather than development within a country and would just encourage you as we go through foreign assistance reform to make sure that we have strong accountability built into the programs and an expectation that there must be progress dealing with the corruption issues among our partner countries.

**SECRETARY CLINTON:** I could not agree more, Senator. First, thank you for your continuing work with the OSCE. We view that as an important forum. We are trying to become more engaged and involved. We have a new ambassador teed up to go. So we're very much focused on what we need to do to support the broad initiative, broad agenda of the OSCE.

On the question of corruption, this is the cancer that eats away at societies and it's particularly apparent in these resource rich societies where it is the oil curse. When you go to a country like Nigeria, whose social indicators are falling despite the increase in oil wealth, and the corruption is so endemic that people are just discouraged and turned off by their own country's efforts, it's so distressing because think of what could be done if properly managed.

So we're doing several things. We are working very hard in support of anticorruption initiatives internationally. The UN has some efforts under way. We want this to be a topic in other multi-lateral fora, including the OSCE, where I think it could be quite important. We are also pushing the Extractive Transparency Initiative because we agree with you that this mineral wealth should be protected as much as possible so that the revenues flowing from it are used for the benefit of the people. And we look forward to working with you and others on how we enhance the tools that we have on the Extractive Industries Transparency Initiative.

I think we have to think outside the box so to speak. How do we get more accountability? And I think we have to have more conditions based aid. You know, I know that a lot of people see aid as something that America should do. And in certain instances, like in the aftermath of Haiti, I agree with that. But it's always a choice. There are many priorities in the world that we could spend the hard-earned taxpayer dollars on. And so when we're looking at aid, I think we have to have more of an approach that says what are you going to do in return for that aid? And how do we prevent the diversion? What are the techniques that we use?

Some of the diversion is straight out corruption. It goes into peoples' pockets. It goes into, you know, Swiss bank accounts. But some of it is diversion so that if we're putting money into a health program, then the government takes their money out of the health program. So we're not getting additive. And you wonder why we're never getting ahead because we keep putting money in, other partners keep putting money in. We have to enhance the contributions from the local communities. I mean a simple example is, you know, when we used to give malaria nets, they weren't as effective as when we made people pay just a little tiny something for it.

So there's a lot of best practices and good lessons learned that we're trying to apply in our aid programs going forward. And the more we can enhance transparency of all kinds -- and I'll just end with this because I could go on about it. But we're trying to use technology as an anticorruption tool. So when we put -- when we help to fund cell phones going into the hands of people, they can then do mobile banking.

So, for example, in a country like the Democratic Republic of Congo where there is no banking system, where there are very few roads in the entire country, in order to pay the military, a bag of money starts off in Kinshasa, and by the time it gets to the troops in Goma, there's nothing left. But if we can set up a mobile banking system, we cut out the middle people. And one of the biggest differences we could make with our aid investments is helping to build transparent, anti-corrupt e-government systems. And some countries are very open to that, and we're working with them. And we're also sending this sort of little SWAT team we

have of high tech young people around the world working to enhance these programs. But we're taking this anti-corruption campaign very seriously.

**SENATOR CARDIN:** Well, I appreciate that response. There's nothing wrong with conditioning aid because Americans expect there's accountability in the use of our taxpayer dollars.

**SECRETARY CLINTON:** That's right.

**SENATOR CARDIN:** So we have a right to expect that countries are fighting corruption. I would also to add to that list the gender issues that they are integrating women into the programs. You've been a leader on that. And it gives us a chance to advance that issue.

Let me -- in the minute I have left, I want to just continue to raise the concern of the refugees from Iraq that are in Syria and Jordan. There was a student at Goucher University in Baltimore who was an Iraqi refugee living in Syria that was fortunate enough to be able to make it to the United States. His story about so many people in his family that didn't make it because of the refugee status -- we have a responsibility in regards to the people who are still refugees from the Iraq conflict, and I would just urge you to continue our attention to get Iraq, the region, and the international community, along with the United States focused on how we can help the lives of those people.

**SECRETARY CLINTON:** We completely agree with that. And we have a concerted effort that is looking at how we can do more to help Iraqi refugees and try to resettle them back in Iraq if that's their choice.

**SENATOR CARDIN:** Thank you. Thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you, Senator Cardin. And let me thank you -- as Chairman, I want to thank you for your terrific diligence in pursuing the Helsinki Commission efforts. You've been a real leader at that, and we really appreciate it enormously.

Senator Shaheen.

**SENATOR SHAHEEN:** Thank you, Mr. Chairman. And welcome, Secretary Clinton. We're delighted to have you here and very much thank you and appreciate the leadership that you're providing to the Department of State and to our diplomacy -- diplomatic efforts all around the world. Thank you.

Last week I had the opportunity to travel to the Balkans with Senator Voinovich who is, I'm sure you know, quite a hero in the Balkans just as former President Clinton is. And it was remarkable to see the progress that has been made there. But as you know, that region still is the missing piece as we seek to see a Europe that is whole and free and at peace. And Bosnia, in particular, I think remains a concern. I was pleased to see a recent speech about the future of NATO and the commitment to leave the door open for prospective NATO members who meet the alliance's criteria. I hope and I appreciate the leadership that you're providing to say to those countries in the Balkans that if they can achieve the alliance's criteria, they will be welcomed as members of NATO. And I wonder if you could speak to that.

**SECRETARY CLINTON:** Well, first, Senator, as I expressed to Senator Voinovich earlier in the Foreign Operations Appropriations Subcommittee, thank you for going to Southern Europe and the Balkans. There's a lot of unfinished business there. We can be proud of the role that the United States played, but we can't rest on any laurels because there are still some volatile situations that have to be addressed.

With respect to NATO membership, I believe strongly in leaving the door open. I also believe it needs to be left open for the European Union, although we have no direct role in that. And I think it's particularly important for Bosnia.

Now we have been trying to persuade Bosnia-Herzegovina to do the necessary constitutional reform that will enhance the prospects for unity and not division within that country. And some people have argued well, that should be the carrot that is held out to them so that if they do the constitutional reform then they can get into the MAP process for NATO. Others have said no, let them in and then don't let them become members until they do it. However you look at it, I think that we want Bosnia to be looking toward Europe. We want Bosnia to stay united. We want Bosnia to be integrated into the Euro-Atlantic Alliance. So we're constantly trying to figure out what's the best way to achieve that. And the door remains open. When they begin the walk through it, that's something we're still trying to work out.

**SENATOR SHAHEEN:** Well, we heard some real concern on the part not just of Bosnia but some of the other countries in the region about enlargement fatigue particularly when it comes to the EU. But also I think with respect to NATO, concern that perhaps there were other reasons why they -- their MAP process was not viewed favorably at this point. So I hope that the Administration will continue to remain engaged with the EU to keep an open process and an open effort to encourage the countries of the Balkans to consider future membership and maybe you could talk about what we're doing to try and encourage that to continue.

**SECRETARY CLINTON:** Senator, we are encouraging the European Union to do more to demonstrate the benefits to Bosnia of European integration and to work with the Government of Bosnia to try to understand what it must do to be eligible for EU membership. There are other countries that are also seeking that kind of path, Serbia, which I think is very important to be, you know, focused on Europe and the West.

So it has been one of my highest priorities in terms of our European policy. I'm not satisfied with where we are because I think that there's been changes going on in Europe with post-Lisbon. There was a desire on the part of the Europeans to kind of take care of their own business first, but we are keeping them focused on the Balkans.

We have a lot of work to do and we don't want to see any moves to break up Bosnia and we worry about that a lot. So this is a long list of concerns. But the NATO piece of it I am watching very closely because I share your concerns that we want Bosnia-Herzegovina to feel like they're welcome. And they may not be there yet, but with a little bit more effort they could be.

**SENATOR SHAHEEN:** Thank you. I appreciate that. And let me just be clear, when I was referring to concern over enlargement fatigue in the EU, it wasn't just in Bosnia-Herzegovina that we heard that, it was in Serbia and the other parts of the Balkans. So I think that's a very real concern and one that we should continue to pursue with our friends in the EU.

With respect to NATO, as I said, I very much appreciated the speech that you gave recently on NATO. As the strategic concept draft is being developed, what are

your main priorities for that new concept?

**SECRETARY CLINTON:** Well, as I spoke about in my speech and as Secretary Gates reiterated the following day, we believe that NATO must continue to be a strong, effective alliance of the 21st century just as it was in the 20th. And we have to take a hard look at how we are defining our roles and responsibilities within NATO. We have to reform NATO so that it is more streamlined, more manageable than many people believe it is now. We have to look at what the sort of out-of-area challenges are from piracy to cyber terrorism and figure out what response we are going to have. We have to determine the way forward on missile defense, which we think is critical to NATO's future. There's just a long list of what our new responsibilities for NATO to assume.

But Madeleine Albright is chairing the Strategic Concept Committee and doing an excellent job. So I think we'll get a good result out of that work. And then it will be up to the member countries to hammer out the actual content of it.

**SENATOR SHAHEEN:** Thank you.

**CHAIRMAN KERRY:** Thank you, Senator Shaheen.

Senator Kaufman, the perpetual winner of the patience award.

**SENATOR KAUFMAN:** Thank you, Mr. Chairman. Thank you, Madam Secretary. I frankly don't know how you do this. Really – (laughter) – I watch sometimes the amount of travel and then trying to run the State Department at the same time. It is an incredible challenge and I really appreciate your service in doing this.

These are really tough times for us economically, but I am very pleased to see that the Administration's decided to have a sizeable increase in Department of State funding. I mean I've traveled to Afghanistan and Iraq several times and our troops are magnificent. But when you're there, you have to kind of be not thinking to say, you know, how do we stop this from happening before it happens? And I think that anyone that thinks about that far, having a strong, smart, big Department of State can act as an incredible prevention so we don't have to send our magnificent troops out there and put them in harm's way and go through what we go through today. And I know that you have no better supporter in this than -- and it's really a great time -- and that's Secretary of Defense Gates. I mean he really is articulate about it.

So I noticed that in this bill you mentioned in your statement that you're the -- the complex crisis fund and the Pakistan Counter-Insurgent Capability Funds being transferred from DOD to State. Can you talk a little bit about why that makes sense in light of the roles of State and Defense?

**SECRETARY CLINTON:** Thank you so much, Senator Kaufman. Thank you for your service to this committee before you were a member of it.

Secretary Gates, before I ever were Secretary of State, understood from his many decades in government service, and particularly over at the Defense Department now, that our national security was out of balance at the end of the first decade of the 21<sup>st</sup> century. We had come to rely so heavily on our military, and it wasn't just for their being warriors on behalf of our security, but they were doing development, reconstruction, humanitarian projects -- just so much. And they're so good at it and they have more than, what, 12 times the resources that the State Department and USAID do.

But it wasn't the kind of balanced national security policy that's in the long-term interest of the United States. So Secretary Gates started sounding this alarm two years ago and I'm very grateful for his support. So what we're trying to do is to rebalance by moving back and maybe for the first time into the State Department and USAID what were known as 1206 funds, the kind of pre and post conflict work that should be led by civilians. There is a lot of room for partnership with the military, but we've got to train up a civilian capacity to be able to do this work. And look at what's happening in Iraq. It's the perfect example. We have a deadline to withdraw our troops. It's a deadline negotiated with the Iraqi Government, so we are expected to leave. But the Iraqi Government has certain requests that it has made of us. One of them is to do advanced-level police and law enforcement training. The military has been doing that. They have all the resources, they have the helicopters, they have the hardened facilities. We don't have any of that. So if we're going to have a chance of getting in and doing what is expected of us, we have to have the resources to plan for and then execute and deliver on what that mission is.

So I think that this is not easy to do and we're asking for some additional resources to be able to do it. But even with our just -- our Civilian Response Corps is in the infancy, but we sent people to Haiti, we sent people to Afghanistan. We are beginning to have more expeditionary personnel and the resources to match. There will always be a role for the military in humanitarian assistance, as we saw in Haiti. We could not have done what was done absent our military being there in force. But we've got to be better positioned to do our part on the civilian side and that's what we're attempting to achieve.

**SENATOR KAUFMAN:** That's great. Can you talk a little bit about public diplomacy and how you see the future of public diplomacy in your budget and what you're doing in terms of new ideas and things that we can do to encourage public diplomacy?

**SECRETARY CLINTON:** I would strongly encourage the committee members who are interested in public diplomacy to get a briefing from our new Under Secretary for Public Diplomacy. This is not faulting anyone, because when we merged USIA and all of the other public diplomacy elements of our government that had done so well during the Cold War in the late '90s into the State Department, they were still independent agencies, the mission was not clear. To give the Bush Administration their due, they tried to figure out how best to do this. It's really hard. And it's not a PR job. It's not a propaganda job. It is a management job. We have enormous resources spread around the world. We need a clear line of communication and a message that is repeated over and over again.

And let me just give you two quick examples. When we went into Haiti, it was a joint military-civilian operation, but obviously the military had a much bigger footprint. There were some media outlets around the world who immediately put a negative picture out there of the United States. And the attitude previously was, well, that's the -- what can you expect from these countries? They're anti-American or their outlets are anti-American. And we said no, we're going to go right at them. And we did. We called them up and we said that's wrong, that story is unfair, we'll give you people who you can talk to. So we are actively engaging with even outlets and countries that are not always considered friendly to our interests. We can't leave these stories just out there to become conventional wisdom. In Pakistan, there were a number of stories, and our Embassy personnel had historically been told not to respond. If there's a story, don't respond to it. Well, that is not the way modern communications work. So we are -- every single day we monitor what is said on the public media. That's what -- we need to know what's being said to people in countries where we're operating. And then if we think they're saying something that's not true about the United States, we try to get in there with an alternative point of view.

So our Under Secretary Judith McHale came from Discovery, so she was a media executive, not an advertising person or a PR person, so she knows how to look at this systematically. And that's what we're trying to do, to change the message, to change the urgency. When I was in Qatar, I met with the board of Al Jazeera. We are putting people on there. We are responding. This is one of the most powerful media presence in the world that we are engaged with. So we're not saying, "Well, what can you expect?" We're saying, "No, you can do better. We'll give you people to talk. We'll give you somebody to get on that television show and put out the American point of view." Now, we're not going to change their perspective overnight, but we're not going to let it go unanswered either.

**SENATOR KAUFMAN:** Well, March 10<sup>th</sup>, Under Secretary McHale is coming. We're having a hearing on public diplomacy with former Under Secretary Lieberman, Hughes, and Glassman.

**SECRETARY CLINTON:** Great.

**SENATOR KAUFMAN:** So I think this is absolutely incredibly important as we look at the world. It is a much more complex world and how we handle public diplomacy is key. Thank you. And thank you, Mr. Chairman.

**CHAIRMAN KERRY:** Thank you very much, Senator Kaufman. I think what the Secretary just said is terrific and I'm delighted to hear it, as I'm sure we all are.

Just a few quick wrap-ups before we close off, unless Senator Lugar has additional questions. But can you just share with us very quickly what the current – the status of the plans to assess and assist on the Haiti rebuild?

**SECRETARY CLINTON:** Yes. First, there will be a donors conference on March 31<sup>st</sup> that the United States is co-hosting with the UN and other major donor countries at the UN in New York. We have been engaged with the EU, with lead countries like France and Brazil and others who have put forward – and Canada – significant contributions. But every country in our hemisphere has contributed something, and so we are working to enhance those contributions.

There is an effort underway to coordinate the Haitian Government and the United Nations with the U.S. and other donors through a development authority that the Haitian Government would set up and run but which would be given sort of lines of accountability from the donor countries as well. As you know, Mr. Chairman, we had a plan, a well-developed plan that we had worked on with our Haitian partners prior to the earthquake and we are working to implement that as part of the recovery with certain changes, for example, focusing on agriculture as one of the big issues we're trying to further.

So we will give you in probably about two to three weeks a very thorough report. We'll also include all the information we have about what other countries are doing, because this –

**CHAIRMAN KERRY:** Who's heading this up for the State Department?

**SECRETARY CLINTON:** Well, Raj Shah is the lead person named by the President, and my chief of staff Cheryl Mills is our State Department –

**CHAIRMAN KERRY:** Is it going to be one single person coordinating all of it?

**SECRETARY CLINTON:** Well, right now, Raj Shah is the designated director.

**CHAIRMAN KERRY:** (Inaudible.)

**SECRETARY CLINTON:** Yeah.

**CHAIRMAN KERRY:** And the timing of a supplemental request – any sense of that?

**SECRETARY CLINTON:** We hope within the next few weeks.

**CHAIRMAN KERRY:** Okay. On the QDDR and the coordination with the presidential study, I assume – I mean, are we going to have two different concepts here or are they going to be – what's going to happen?

**SECRETARY CLINTON:** Well, that is certainly not our intention. We are working very hard to coordinate those and to have one voice coming from the Administration. Now, there will be other elements in the PSD because of the IFIs and Ex-Im and all the rest of it, but we want the general concepts to be adopted Administration-wide.

**CHAIRMAN KERRY:** And finally, just on the PCCF which is going to come to you guys directly this time, but last year when it came to you, you funneled it directly over to the Defense Department again. And as we try to sort of redo this, I guess that doesn't make sense. Is that going to happen this year or are you up and ready to –

**SECRETARY CLINTON:** We are up and ready. We are going to be administering it this year.

**CHAIRMAN KERRY:** Terrific. That's great to hear. Senator – do you mind? Senator Risch just quickly wanted to make a comment, I think.

**SENATOR RISCH:** Very briefly. Thank you, Mr. Chairman. Secretary Clinton, as you know, the people who were held recently in Haiti as a result of their travel there to attempt to assist some children in Haiti, most of them were from Idaho. And as a result of that, they were held for some period of time. Their families in Idaho were very stressed over the situation that they were being held at. And I just want to thank you on behalf of them. Your team, both the team that you assigned here in Washington, D.C., and the team that was on the ground in Haiti, particularly Ted Coley from your operation and Katherine Farrell, who was on the ground there in Haiti, were very, very helpful to the people in Idaho and were very responsive. When we – some of us – congressional delegation jumped in and attempted to assist those people. As you know, many Americans are unaware of the difficulties they face when they get ensnared in the criminal system in other countries, and it can be very befuddling. They don't understand why they don't have the same constitutional rights. They don't understand that the facilities in which they're being held aren't up to the same type of facilities here in the United States. But your organization was very, very responsive. I want to thank you for that. When the media asked, me, I told them Secretary Clinton runs a tight ship, particularly in these kinds of instances. So I wanted to pass that on to you.

We have also received communication from some of the families thanking us and thanking your organization, so I wanted to pass that on to you. Thank you so much for what you did, without any reference to what the facts of the situation were there or what actually happened as far as the actual situation, just as far as what the State Department was able to do, you did, and we're appreciative of that. Thank you.

**SECRETARY CLINTON:** Thank you very much, and I'll pass on those kind words, Senator.

**CHAIRMAN KERRY:** Thank you, Senator Risch. Appreciate it.

Senator Lugar.

**SENATOR LUGAR:** Secretary Clinton, I have just three quick items that I'll mention and then ask for your comment on any of them.

First of all, on the policy statement that you gave in your speech at the Newseum on internet security and cyber security – another look at it. But just tremendously important. I'm curious as to whether there are any budget figures or additional positions that may be available that would buttress that position that you took.

I suppose, secondly, we've worked actively in this committee on the PEPFAR program, the HIV/AIDS program, and I think there's been a recognition by Mark Dybul and Eric Goosby and others that we cannot treat our way out of these problems. Prevention is terribly important. And it would appear that the prevention efforts might be in for reduction in the budget, and so if you would take a look at that and at least the rationale for the program as you see it, because I know it does continue on a very broad scale and a very humane way.

And finally, I'm just curious, given the outcome of the election in Ukraine, what new initiatives you might be pursuing there. Obviously, many of the things we've attempted to do have been frustrated, largely by the problems within the administration of the government. That may still be the case, but hope springs eternal. And clearly, the affairs in Crimea are very important. So this is a sidebar – I wanted to raise this. I thought about that.

**SECRETARY CLINTON:** Thank you, Senator. We are very serious about implementing a robust, comprehensive internet security/cyber security policy. It's got many aspects to it. We're reorganizing within the State Department so that we can be more effective in the whole arena of cyber security and better interact with our intelligence community, Defense Department, and others who are similarly focused.

With respect to our efforts to open up the internet and keep it open to protect the freedom of expression and the virtual freedom of assembly in countries like Iran, we are going after this with intense focus. We are providing funding to groups. We're working with private sector partners that often have the intellectual property and the access that is needed. It would be perhaps of some interest to you and other members of the committee to give you a classified briefing at some point in the future.

And on our prevention and treatment efforts, we are attempting to maintain and certainly fulfill our obligations on the treatment side, even increasing, but we are moving more aggressively in the prevention side and in building systems. So I will give you an answer in detail about that because Eric Goosby has given a lot of thought to how we can best do that. And partnering with some countries that were not our partners to any great extent before, like South Africa, where we are now very deeply engaged in helping them.

And finally, on Ukraine, General Jim Jones will lead our delegation to the inauguration tomorrow and we are going to begin exploring what we can do. We want to be responsive and supportive of this free, fair, and credible election process which has led to a new president. It is difficult. We have to wait to see how the government is formed and what their attitudes might be. But we want Ukraine to know the United States stands ready to be a positive partner with them for the future.

**SENATOR LUGAR:** (Inaudible) the idea that the new president is going to Europe first and Russia second was a significant statement.

**SECRETARY CLINTON:** That's right.

**SENATOR LUGAR:** Maybe offers some promise.

**SECRETARY CLINTON:** I agree. I agree.

**CHAIRMAN KERRY:** Madam Secretary, as we wrap up, I wanted to give you just a chance to perhaps say a word, if you want to, about one issue before the Congress, before us and you right now, and that's the conference committee – the conference on the Iran Sanctions bill. Deputy Secretary Steinberg wrote us expressing concerns that the legislation would "weaken rather than strengthen international unity and support for our efforts." I know you have submitted a number of proposed changes at this point. So do you want to sort of just share what you might hope would come out of the Congress and why at this moment?

**SECRETARY CLINTON:** I appreciate this opportunity, Mr. Chairman. We very much support congressional action. We want a very broad global sanction regime that isolates Iran, encourages it to change its strategic calculus. And we think that there can be a very good partnership between the Congress and the Obama Administration in order to achieve that. Our goal is to support the purpose and principles of the congressional bills that have been passed that are now in conference, but to work closely with you with some suggestions about how they would better fit into our agenda in the Security Council, in the multilateral world, to give the President some flexibility so that we can come out of the legislative process with a really strong tool and not just a statement of concern that won't really dovetail with what we're trying to achieve.

So we have a team led by Assistant Secretary Rich Verma ready and willing to work with the Congress, the conference committee, in order to explore how we can come out with the best result.

**CHAIRMAN KERRY:** Good. Well, I appreciate your comments on it. We tried within the Senate before the passage to get some of that done. It wasn't possible. But hopefully, in the conference we can get there. And I appreciate what you are trying to do.

Thank you so much. I think you've covered an incredible amount of ground and done so with clarity, and we are enormously appreciative of how comprehensive the afternoon has been. So thank you very, very much.

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**SECRETARY CLINTON:** Thank you so much, Senator.

**CHAIRMAN KERRY:** We stand adjourned.

(Whereupon, the Committee was adjourned.)

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\*Should read Civilian Response Corps

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