

Transcript of Senate Foreign Relations Committee Hearing on the Proposed Fiscal 2012 Budget for the State Department

Hearing Held on March 2, 2011

KERRY:

Good morning. This hearing will come to order. Madame Secretary, it's wonderful to welcome you here today. I know you are freshly back from a quick trip, and we appreciate enormously all of your efforts on our behalf. I can't think of a more relevant moment in many ways for you to appear before the committee, so we're happy to have you here.

Let me just say up front that we have joined with our allies, and we've heard loudly and clearly from you, Madame Secretary, that Colonel Gaddafi must go. He has lost all legitimacy, and I think it's important to be clear that we can't be halfway about that goal.

The people of Libya are not asking for foreign troops on the ground. They are committed to doing what is necessary, but they do need the tools to prevent the slaughter of innocents on Libyan streets.

And I believe that the global community cannot be on the sidelines while airplanes are allowed to bomb and strafe. A no-fly zone is not a long-term proposition, assuming the outcome is what all desire, and I believe we ought to be ready to implement it as necessary.

It is clear that we are living through one of the most important transformations in the history of the modern world. Some have likened the wave of protests sweeping the Middle East to the revolutions of 1848, which changed Europe's political landscape forever. And there is no doubt that the events of this year will be studied for decades to come.

But in this moment, at the time as we gather here and as the events unfold in the region, the full ramifications of the upheaval that has happened from Tunis to Tahrir Square, from the streets of Munama (ph) and Sana (ph) in Tripoli and beyond, we don't understand yet exactly how that outcome is going to be defined.

What we do know is that this is a time of great challenge, particularly for the people there but also for people in other countries with interests and with families and connections there.

Events this powerful demand a powerful response. Our commitment now to the ordinary people who are risking their lives to win human rights and democracy will be remembered for generations in the Arab world. We have to get this moment right.

We are working here in the senate with colleagues on both sides of the aisle to create a package of longer-term financial assistance. As contrary as some might think is in the context of our budget today, which we'll discuss, it is in fact an imperative because it is key to helping to turn the new Arab awakening into a lasting rebirth.

In the event that our involvement is not about sending troops or tanks to remake the region in our image, it's about sending economists and election experts and humanitarian aid to help a region remake itself.

We have not yet worked out any numbers or details, and obviously we'll work with the administration, but I am convinced that a significant financial commitment by the United States to assist in this monumental and uplifting transformation is key to its long-term outcome and to our relationship to it.

We're being called upon to forge new relationships in a part of the world that has been and will remain vital to our national security, and we've been given the opportunity to demonstrate conclusively to the young men and women of the Muslim world and beyond that al-Qaeda's belief that change requires violence and radicalization is just plain wrong.

In fact, that is one thing that really stands out in the events of the last six weeks or so. The Arab awakening is an unambiguous repudiation of al-Qaeda's poisonous doctrine.

We now have one of history's greatest opportunities to refirm the universal appeal of democratic values to people across cultures and across religions and to encourage an entire region to move towards reform and away from violence.

Now, as I mentioned, and the secretary knows this better than anyone, we all understand we face a budget crisis in our country. But, we can either pay now to help brave people build a better democratic future for themselves, or we will certainly pay later in much higher terms with increased threats to our own national security.

The budget that we're here to discuss this morning lays the foundation for our ability to fulfill our responsibilities to the American people and our responsibilities on a universal basis to people that keeps face with our values.

The \$53 billion in core funding that the president has requested for international affairs is, in fact, a very small investment for the kind of return that we get. Consider this.

We're going to spend certainly \$700 billion plus this year on our military. By contrast, the international affairs budget is less than one-tenth of what the Pentagon spends. And as Secretary Gates himself pointed out, if you took the entire foreign-service roster you could barely staff one aircraft carrier. And yet, our diplomats are serving on the front lines of multiple revolutions and wars.

They are making vital contributions in Afghanistan and in Iraq. They are planning the transition from a military mission to a diplomatic one so that we can cement the political progress that has cost hundreds of billions of dollars and thousands of American lives.

In Africa, they are helping to midwife the birth of a new nation in South Sudan, to resolve the situation in Darfur, to forge a new relationship with the government in Khartoum.

They're leading the fight against global challenges like nuclear proliferation and climate change, and in countless communities around the world they are providing a central humanitarian assistance, preventing the spread of cholera in Haiti, preventing distributing food to refugees from the conflict in northern Kenya and preventing -- providing shelter to flood victims in Pakistan.

This is simply not the time for America to pull back from the world. It is time to step forward. Yet, just last week, the house sent us a continuing resolution for fiscal year 2011 that imposes draconian cuts.

The budget would slash our humanitarian aid by 50 percent, decimating our ability to provide food, shelter and medicine after natural disasters and putting hundreds of thousands of lives at risk.

It would cut nearly two-thirds of the funds devoted to promoting clean energy and increasing resilience to climate change in the most vulnerable regions of the world.

It would cut over \$1 billion in global health funding, which means that over 400,000 people would have -- who would have received life-saving treatment through PEPFAR will now linger on waiting lists as their HIV diagnosis becomes a death sentence. And it would slash food and education for the world's poorest children by 50 percent.

There's something about these cuts that I think does violence to the Judeo-Christian ethic by which so many people claim to be guided in their private and their public lives. These cuts are not abstractions. These are people, and they also are the values of our country.

Cutting these programs will do almost nothing to rein in our budget deficit, but it will cost thousands of lives and certainly cost us our reputation and our commitment in the world. And by reducing our diplomatic capacity around the globe, believe me, we will increase the threats to our own country.

I know Secretary Clinton feels just as strongly, powerfully, about these issues and about the necessity of maintaining our global commitment. She's been an ardent advocate and tireless practitioner of American diplomacy, and so we're very pleased to have her here today to discuss this budget with the committee. Senator Lugar?

LUGAR:

Thank you, Mr. Chairman, and I join you in welcoming Secretary as always to our committee, and I look forward to her thoughts on state department and foreign policy priorities for the coming year.

Our hearing today is taking place in the context of deep economic uncertainty at home coupled with extraordinary upheaval overseas. The American people are still suffering from high unemployment with 9.5 percent out of work in my home state. The fiscal year 2010 budget deficit registered about \$1.3 trillion, or 9 percent, of GDP.

Under President Obama's proposed budget, the fiscal year 2011 deficit would be at least that high. Our total national debt has climbed above \$14 trillion. Some businesses are returning to profitability, but long-term economic growth is threatened by numerous forces, including the skyrocketing national suffering from high unemployment with 9.5 percent out of work.

Now let me just say, overseas almost 100,000 American military personnel are fighting a difficult war in Afghanistan. More than 1,380 of our troops have been killed in Afghanistan with almost 50 -- 10,500 wounded.

And meanwhile, we're entering our eighth year in Iraq, a deployment that has cost more than 4,400 American lives and wounded roughly 32,000. We still have more than 46,000 troops deployed in that country.

As we discussed in our hearing yesterday, tensions on the Korean Peninsula are extremely high with no resolution to the problem of North Korea's nuclear program. We continue to pursue international support for steps that could prevent Iran's nuclear program from producing nuclear weapons.

We remain concerned about stability in Pakistan and the security of that country's nuclear arsenal. We're attempting to counter terrorist threats emanating from Afghanistan, Pakistan, East Africa, Yemen and many other locations.

Now in recent months, this tenuous security environment has been further complicated by the mass movements in Tunisia, Egypt, Libya and elsewhere that are reshaping the Middle East with unpredictable results.

People who have been alienated from their governments with no political power are beginning to believe they have a personal stake in their country's direction. While this comes with high risk, especially in the short term, we know the long-term prospects for stability, prosperity and moderation are better in a Middle East in which the populations actively participate in their own governance.

These conditions at home and abroad necessitate that all government agencies, including the State Department, prioritize initiatives that invigorate and protect the American economy and fundamental US security.

Secretary Clinton and our diplomats, aid workers, security personnel and others are on the front lines of these issues. We appreciate very much the sacrifices they make, the risks that they take daily on behalf of the American people.

I would observe the situation in Libya and the broader Middle East underscores the importance of three ongoing objectives of the United States foreign policy that extend beyond management of immediate problems and crises.

First, the State Department and other agencies must be devoted to United States energy security. The disruption of oil from Libya has impacted world marketing, causing the price of oil to spike above \$100 a barrel and raising the prices Americans pay at the pump.

Volatile oil prices are a threat to United States' economic recovery and dependence on foreign oil limits, our foreign policy choices. We are living in an age of extreme vulnerability to oil supply disruption from war, instability, terrorism and embargo.

To end this dangerous over-reliance on oil imports, we must find more domestic resources, improve -- vastly improve our efficiency and improve international co-operations.

I believe the administration should reverse its de facto prohibition on new offshore oil drilling, develop new forms of liquid fuels from domestic feed stocks such as biomass and coal and dramatically increase the fuel efficiency of our vehicles.

As this occurs, the State Department must work to diversify supply routes and boost our energy trade with reliable and transparent allies such as Canada and places shaky and sometimes hostile suppliers.

Second, although the situation in Libya is extremely dangerous, we can be thankful that the upheaval is occurring without a nuclear weapons dimension. The Bush Administration was successful in coaxing Libya to give up its nuclear weapons program about eight years ago.

The importance of that success has been magnified by the current crisis. And although the Defense Department is responsible for a large share of global non-proliferation and counter-proliferation efforts, including the so-called non-looter programs, the State Department also plays a key role in working with other governments to overcome the proliferation threat.

As we discussed yesterday in the context of North Korea, regime instability, wherever it occurs, heightens the chances that governments or individuals will seek leverage or profit that might come with transferring weapons of mass destruction technology. The consequences of even on WMD attack by terrorists or a rogue state could be devastating for our budget, our economy, our children, perhaps our freedoms.

Last fall, I led a United States government delegation to East Africa to strengthen the Nambouger (ph) outreach to several governments on improving security related to biological pathogens. Officials and programs throughout our national security apparatus must redouble efforts to deal with proliferation threats, wherever they may occur.

Thirdly, food shortages and high prices for commodities have been issues in almost every Middle Eastern country that has experienced recent demonstrations. This underscores again the pivotal position of the United States as the largest and most diverse grower and exporter of food.

This role comes with both enormous economic opportunities and national security imperatives. The world will experience explosive growth in demand for food as large populations in China, India and elsewhere become more affluent.

Meanwhile, countries throughout Africa and Asia suffer from severe hunger and malnutrition. The United States must give high priority to executing a global food policy to both creates export opportunities for our farmers and agricultural businesses and addresses hunger in volatile regions that could negatively impact our national security.

I am grateful for the secretary's personal interest in this topic. I encourage her to continue her work with the congress on this issue. We appreciate very much the timely appearance of the secretary before us today in the midst of a very demanding schedule. I admire her stamina, and we look forward to our discussion.

Thank you, Mr. Chairman.

KERRY:

Thanks, Senator Lugar. Thank you very much Madame Secretary. Again, we are delighted to have you here. Thank you.

CLINTON:

Well, thank you. And I want to begin by thanking you, Chairman Kerry, and you, ranking member Lugar, for not just those two eloquent statements of our priorities and our needs as a nation but for your service, your lifetime of leadership on issues that really do matter to America's security, interests and values. It's an honor to appear before you.

I recently took part in emergency meetings in Geneva to discuss the events unfolding in Libya, and I'd like to begin by offering a brief update. As the chairman said, we have joined the Libyan people in demanding that Colonel Gidaffi must go now without further violence and bloodshed, and we are working to translate the world's outrage into action and results.

Marathon diplomacy at the United Nations and with our allies has yielded quick, aggressive steps to pressure and isolate Libya's leaders. We welcome yesterday's decision to suspend Libya from the Human Rights Council, as I had urged a day earlier.

USAID is focused on Libya's food and medical supplies and is dispatching two expert humanitarian teams to help those fleeing the violence in Tunisia and Egypt.

Our combatant commands are positioning assets to prepare to support these critical civilian missions. And we are taking no option off the table, so long as the Libyan government continues to turn its guns on its own people.

As both the Chairman and the ranking member have noted, the region is changing and a strong, strategic American response will be essential. In the years ahead, for example, Libya could become a peaceful democracy or it could face protracted civil war or fall into chaos. The stakes are high.

And this is an unfolding example of using the combined assets of smart power, diplomacy, development and defense to protect our interests and advance our values.

This integrated approach is not just how we must respond to the crisis of the moment. It is the most effective and most cost effective way to sustain and advance our security. And it is only possible with a budget that supports all the tools in our national security arsenal, which is what I am here today to discuss.

I understand and agree that the American people are rightly and justifiably concerned about our national debt, about our economy and about unemployment. But I think also, Americans understand the need for responsible investments

in our security for the future, to make us safer, to keep markets open, to ensure that we remain the leader in the world.

Just two years after President Obama and I first asked you to renew our investment in development and diplomacy, we are already seeing tangible returns.

In Iraq, almost 100,000 troops have come home and civilians are poised to keep the peace.

In Afghanistan, integrated military and civilian surges have helped set the stage for our diplomatic surge to support Afghan-led reconciliation that can end the conflict and put Al-Qaeda on the run.

We have imposed the toughest sanctions yet to rein in Iran's nuclear ambitions.

We have reengaged as a leader in the Asia-Pacific region and in our own hemisphere.

We have signed trade deals to promote American jobs and nuclear weapons treaties to protect our people.

We worked with northern and southern Sudanese to achieve a peaceful referendum and prevent a return to civil war. And we are working to open up political systems, economies and societies at this remarkable moment in history in the Middle East and to support orderly, peaceful, irreversible democratic transitions.

Our progress is significant, but our work is ongoing. These missions are vital to our national security and now would be absolutely the wrong time to fall back.

The FY 2012 budget we discuss today will allow us to keep pressing ahead. It is a lean budget for lean times.

I launched the first ever quadrennial diplomacy and development review, the so-called QDDR, to help us maximize the impact of every dollar we spend. We scrubbed this budget. We made painful, but responsible cuts.

For example, we cut economic assistance to Central and Eastern Europe, to Caucasus and Central Asia, by 15 percent.

We cut development assistance to over 20 countries by more than half.

This year, for the first time, our request is divided in two parts.

Our core budget request is \$47 billion. That supports programs and partnerships in every country, but North Korea. It is essentially flat from 2010 levels.

The second part of our request funds the extraordinary temporary portion of our war efforts. This is the same way the Pentagon's request is funded. In a separate, overseas contingency operations account known as OCO.

Instead of covering our war expenses, through supplemental appropriations, we are now taking a more transparent approach that reflects our fully-integrated civilian military effort on the ground. Our share of the President's \$126 billion request for these exceptional wartime costs in front-line states is \$8.7 billion.

Let me walk you through a few of the key investments.

First, this budget funds vital civilian missions in Afghanistan, Pakistan and Iraq.

In Afghanistan and Pakistan, Al Qaeda is under pressure, as never before. Alongside our military offensive, we are engaged in a major civilian effort to help build up the governments, economies and civil societies of both countries and therefore help undercut the insurgency.

These two surges, the military and civilian, now set the stage for the third surge. A diplomatic push in support of an Afghan process to split the Taliban from Al Qaeda, bring the conflict to an end and help stabilize the entire region.

Our military commanders are emphatic. They cannot succeed without a strong civilian partner. Retreating from our civilian surge in Afghanistan with our troops still in the field would be a grave mistake.

Equally important is our assistance to Pakistan. A nuclear armed nation with strong ties and interests in Afghanistan.

This is a complicated and often frustrating relationship, which the Chairman knows well. And we are grateful to him for his constant attention and very helpful interventions.

We are working to deepen that partnership and keep it focused on addressing Pakistan's political and economic challenges as well as our shared threats.

After so much sacrifice in Iraq, we have a chance to help the Iraqi people build a stable, democratic country in the heart of the Middle East. What we are hoping will happen in Egypt and in Libya and in Tunisia is happening in Iraq. And it is imperative that as our troops come home, our civilians take the lead, helping Iraqis resolve conflicts peacefully, training police and inculcating the habits of the heart that are at the root of any kind of democratic society.

Shifting responsibilities from soldiers to civilians actually saves taxpayers a great deal of money.

The military's total OCO request worldwide will drop by \$45 billion from 2010, while our costs in state and USAID will increase by less than \$4 billion for Iraq. Every business owner I know would gladly invest \$4 to save \$45.

Second, even as our civilians help bring today's war to a close, we are working to prevent tomorrow's. This budget devotes over \$4 billion in sustaining a strong US presence in volatile places, where our security and interests are at stake.

In Yemen, it provides security, development and humanitarian assistance in the midst of the headquarters for Al Qaeda on the Arabian Peninsula.

It focuses on those same goals in Somalia.

It has helped the northern and southern Sudanese chart a peaceful future and we need to stay on that path.

It helps Haiti rebuilt and it proposes a new global security contingency fund that would pool resources and expertise with the Defense Department.

We are trying to tear down the walls and the bureaucratic jurisdictional obstacles that too often prevent the United States government from being as efficient as it can be, by bringing all of our government assets together.

This budget also strengthens allies and partners. It trains Mexican police to take on violent cartels and secure our southern border. It provides nearly \$3.1 billion for Israel and supports Jordan and the Palestinians. It does help Egypt and Tunisia and it supports security assistance to over 130 nations.

Now over the years, these security funds have created valuable ties with foreign militaries. We saw that in real time when it came to Egypt.

Because the United States military has trained a generation of Egyptian officers, because that experience built relationships between American military leaders and Egyptian military leaders, we saw the Egyptian military refuse to fire on their own people. And there were many, many conversations going on between people who weren't picking up the phone for the first time, but who had trained together, lived together, worked together.

Across the board, we are trying to ensure that all who share the benefits of our spending also share the burdens of addressing common challenges.

Third, we are making targeted investments in human security. We have focused on hunger and thank you so much, Senator Lugar, for your constant, constant pointing out that this is in America's interests as well as the world's interests.

We have invested in preventing and ameliorating the effects of disease, climate change, humanitarian emergencies. These challenges not only threaten the security of individuals, and increasingly in our world, individuals here at home, but they are the seeds of future conflict.

If we want to lighten the burden on future generations, we have to make the investments that will make our world more secure.

CLINTON:

Our largest investment is in global health programs, including those launched and led by President George W. Bush.

These programs stabilized entire societies, that have been devastated by HIV, malaria, tuberculosis and other diseases. They save the lives of mothers and children and they halt the spread of deadly diseases.

Global food prices are approaching an all-time high. Three years ago, this led to protests and riots in dozens of countries. Food security is a cornerstone of global stability. We are helping farmers to grow more food, drive economic growth and turn aid recipients into trading partners.

And I look forward to working closely with the Congress as we try to really sharpen this program.

Now climate change, we know, threatens food security, human security and national security. Our budget helps to build resilience against droughts, floods and other weather disasters.

It promotes clean energy and it preserves tropical forests. It gives leverage to us to persuade China, India and other nations to do their part as well.

Fourth, we are committed to making our foreign policy a force for domestic economic renewal. We are working aggressively to promote sustained economic growth, level playing fields, open markets and create jobs here at home.

And we are fighting for companies, large and small.

For example, our economic officers in the Philippines helped Jarden Zinc when a \$21 million raw materials contract, that will create and preserve jobs throughout Senator Corker's home state of Tennessee.

Fifth, and finally, this budget funds the people and platforms that make possible everything I've described. It allows us to sustain diplomatic relations with 190 countries. It funds political officers who are working to diffuse crises and promote our values. Development officers spreading opportunity and stability. Economic officers, who wake up every day thinking about how to put Americans back to work.

Several of you have asked the department about the safety of your constituents in the Middle East. Well, this budget also helps fund the Counselor Officers who evacuated over 2,600 Americans from Egypt and Libya and nearly 17,000 from Haiti. They issued 14 million passports last year and served as our first line of defense against would-be terrorists seeking visas to enter our country.

I'd like to say just a few words about our funding for the rest of 2011. As I have told Speaker Boehner and Chairman Rogers, and many others, the 16 percent cut for state and USAID that passed the House last month would be devastating to our national security. It would force us to scale back dramatically on critical missions in Iraq, Afghanistan and Pakistan.

As Secretary Gates, Admiral Mullen and General Petraeus have all emphasized to the Congress, time and again, we need a fully engaged and fully funded national security team, including state and USAID.

Now there have always been moments of temptation in our country to resist obligations beyond our borders. But each time we have shrunk from global leadership, events have summoned us back to reality.

We saved money in the short term, when we walked away from Afghanistan after the Cold War. But those savings came at an unspeakable cost when we are still paying ten years later, in money and lives.

Generations of Americans have grown up successful and safe because we chose to lead the world in tackling its greatest challenges. We're the ones who invested the resources to build up democratic allies and vibrant trading partners in every region. We did not shy away from defending our values, promoting our interests and seizing the opportunities of each new era.

I believe, as I have traveled around the world, and I am now the most traveled secretary of state in history, the world has never been in greater need of the qualities that distinguish us as Americans.

Our openness and innovation, our determination, our devotion to universal values. Everywhere I travel, I see people looking to us for leadership. This is a source of strength, a point of pride and a great opportunity for the American people.

But is an achievement, not a birthright. It requires resolve and it requires resources.

So I look forward to working closely together with all of you to do what is necessary to keep our country safe and maintain American leadership in a very fast changing world.

Thank you, Mr. Chairman.

KERRY:

Well, thank you, Madam Secretary. I think that was a terrific, important statement and overview of the issues that are at stake here and we really thank you for it.

Let me just ask you quickly, if I can, perhaps you might comment, we received the unsettling and sad news that Minister Shahbaz Bhatti, the minister of minorities, was assassinated this morning in Islamabad, Pakistan.

He is the only Christian -- was the only Christian, member of the cabinet.

I wonder if you would comment on the implications of that and sort of where we find ourselves at this moment, with respect to that relationship?

CLINTON:

Well, thank you, Mr. Chairman, because like you, I was shocked and outraged by the assassination, reportedly by Al Qaeda linked terrorists, of Pakistan's federal minister for minorities affairs, Shahbaz Bhatti.

I think this was an attack not only on one man but on the values of tolerance and respect for people of all faiths and backgrounds that had been championed by Muhammad Ali Jinnah, the founder of Pakistan.

I recently had the opportunity to meet with Minister Bhatti. He was a very impressive, courageous man. He was a patriot. He was a man of great conviction. He cared deeply for Pakistan, and he had dedicated his life to helping the least among us.

When I spoke with him, he was well aware of the drumbeat of threats against him. Despite those threats, when the Pakistan was recently reshuffled and the cabinet shrunk, he agreed to continue his work as the minister for minorities and affairs. And on behalf of the United States, I extend our deepest condolences to his family, his friends and his colleagues.

I have to say, Mr. Chairman, as I spoke yesterday before the house foreign affairs committee, the intolerance toward minorities, particularly religious minorities that we are seeing, not only in Pakistan but elsewhere in the region, the attack on Christians in Iraq, the attack on cops in Egypt, the attack on minority Islam sects in Pakistan and elsewhere is a matter of deep distress to me personally and to our government.

It runs against all of our values, and we are going to be doing all we can to support the freedom of religion, the freedom of conscience and to work with governments everywhere so that they uphold universal values.

KERRY:

Well, thank you. That's a strong and appropriate response, and I think all the members of the committee associate themselves with your comments. And we thank you for them.

With respect to the -- you gave a very comprehensive and, I think, important overview of the implications of the budget cuts with respect to our foreign policy interests.

I wonder of you'd sort of, you know, simplify and personalize it in some ways for the average person as these choices come before the congress. And, you know, as you know, Madame Secretary, there's a huge misconception out there across the country.

When -- I had a town meeting recently, and I'm sure others have done this, and you ask people, "How much foreign aid do we give?" And --.

CLINTON:

Right.

KERRY:

It's just stunning. People think it's a huge amount, and they're shocked when they hear that it's 1.some percent. It's very -- it's about 1.5 percent to 1.6 percent of our total budget, which is so minuscule.

Can you give sort of a -- just a simple grass-roots kind of explanation of what -- what's at stake here for Americans? What do we risk losing with this kind of a reduction at this moment of transformation in the world?

CLINTON:

Well first, let me speak about a lot of the specifics. And you -- you included a number of those in your opening statement, Mr. Chairman. We will be cutting back on our support for global health in particular, support through the PEPFAR project, which was started by President Bush, which has been continued and very strongly supported by President Obama.

Hundreds of thousands of people will be cut off of their life- sustaining drugs. Others will never have access to them. We will see a decrease in the number of people who are treated for other diseases, including malaria and tuberculosis.

We will see, unfortunately, a stop in the outreach for women and children. A woman dies of pregnancy-related complications every minute in the world, and we have made maternal and child health one of our priorities.

We are certainly backing off from the commitment to food security, the Feed the Future initiative that Senator Lugar referred to. We really worked hard to get the inputs right, because what we had done over the last 20 years was move away from working with farmers in their own countries so they would better produce for themselves.

And then, the United States would be providing expertise and technology, and certainly we would create healthier societies where our own exports would increase. And instead, what we had been doing, was just providing emergency food relief, which was not teaching anybody how to fish or anybody how to farm.

And we began to reverse that, and that would be severely impacted, in fact zeroed out in the CR that -- or the budget that was passed. We have also seen a complete dismissal of the work on climate change and energy security, which I think is a grave mistake.

I'll give you just a quick example. We have a lot of support in the Pacific Ocean region. A lot of those small countries have voted with us in the United Nations.

They are stalwart American allies. They embrace our values and they believe, contrary to what some might think, that they are sinking. And they have a lot of evidence that they are sinking and that the oceans are rising.

And all they've asked for us is some recognition, some help with their efforts to be more resilient when it comes to the effects of climate change. We had a small amount of \$21 million that we were going to spread across many of these island countries. Obviously that would not be possible, and we are in a competition for influence with China.

I'll just be -- let's put aside the moral, humanitarian, do-good side of what we believe in, and let's just talk, you know, straight real politique. We are in a competition with China.

Take Papua, New Guinea, huge energy find, to go to one of Senator Lugar's very strong points. Exxon Mobil is producing it. China is in there every day in every way trying to figure out how it's going to come in behind us, come in under us.

They're supporting the dictatorial regime that unfortunately is now in charge of Fiji. They have brought all of the leaders of these small Pacific nations to Beijing, wined them and dined them.

I mean, if anybody thinks that our retreating on these issues is somehow going to be irrelevant to the maintenance of our leadership in a world where we are competing with China, where we are competing with Iran, that is a mistaken notion.

So, I would strongly support this on humanitarian, moral, values- based grounds that we do the right thing, we get credit for, but I also look at this from a strategic perspective. And it is essential.

KERRY:

Senator Lugar?

LUGAR:

Madame Secretary, you have called for \$150 million of reprogramming of money in our Egypt situation for democracy economic support activities in the current crisis.

Let me couple my question about this with questions that we've raised in this committee of -- frequently not of yourself but of others about the so-called Kerry Lugar program for Pakistan, \$1.5 billion for five year's time.

Now, one of the reasons as we visit with our colleagues that they have some skepticism about our advocacy is that it's not clear precisely what these programs are intended to do and, worse still, who supervises the expenditure of the money and who spends it in the country.

That is, in the face of Egyptians, who would we deal with currently and who has a governance function in Egypt? Or for that matter, in Pakistan who are we dealing with with regard to the \$1.5 billion or so?

Now, much of that obviously has not been spent and is not being spent, although it is of importance diplomatically. And you've had to face public meetings in Pakistan explaining all of this, finally asking, "Do you want the money or not," at one occasion, as I recall.

But, try to trace through with us how you are attempting to bring closer objectives and supervision so that this can be more transparent to the American people as well as to the Egyptians and the Pakistanis, because I think that confidence level is critical in terms of furthering these programs.

CLINTON:

Well, thank you. I agree with that completely, Senator Lugar. Let me -- let me start with Egypt. We plan to use those funds to support an array of efforts that are underway by Egyptians themselves to prepare for constitutional amendments, for free and fair elections, for setting up political parties, to support civil society groups that are working toward those ends.

We are certainly looking for ways to support the economic conditions in Egypt, because there have been a lot of economic consequences of what has been happening. Their tourist industry, which is a major part of the economy, employs a lot of Egyptians, has dried up. Other parts of the economy are under stress, so we intend to use some of that to help support the economic recovery in Egypt.

And, you know, we're looking at creative ways of doing that. We started on this before Tahrir Square occurred with an entrepreneurial program that we use to reach out to primarily young people in Muslim- majority countries, including Egypt.

We set up a website through which they could obtain business advice and mentoring. We'd like to link what we're doing in economic aid with university sites where we can continue to help young people become entrepreneurs.

You know, there are so many university graduates the economy that -- cannot absorb them. We want to look for ways to help them understand how to support and start their own businesses.

We're looking to identify local businesses that we think have greater capacity. We'd like to look at partnering for, you know, some job-training skills with some of the unions that have arisen, because they've been a leader for secular change in the economic arena. So, I think there's a lot that we have on the drawing boards that is promising.

The Egyptian government right now, which is run by the Supreme Council of the Armed Forces, is very cautious about taking outside help of any sort except economic help. That's a message they've given to us, they've given to the Europeans, they've given to everyone who has approached them.

I sent Under Secretary Bill Burns to Cairo. He had a number of meetings with people in and outside of the government, particularly the opposition and civil society.

And there is a weariness across the Egyptian society about not looking like they are being influenced by or directed by any outside force. So, we are working to be as careful and as sensitive to those needs while being effective so that whatever money we put in we can trace and point to.

In Pakistan, when I was here the first time testifying two years ago, at that time there was no doubt that the Taliban was in -- had the momentum that the extremists in Pakistan were in the driver's seat.

As you recall, the government had made a deal to permit their own extremist Pakistani Taliban in Bonair (ph) and Swat (ph) and other places to basically govern. I said at that time, that was a terrible mistake for them. Thankfully, they began to reverse that policy of appeasement. They began to go after the extremists.

You know -- and if you look, two years is a lot of time to us, because that's - - we're an impatient people. Two years in Pakistani terms is not much at all and, from their perspective, they've moved troops off the Indian border. They've gone into Waziristan. They have targeted extremists. They have worked with us to target the guys who are our adversaries and the Afghan's adversaries. So, they have moved on the military front.

Now, economically and politically, it's a much more complex story. They have made some decisions that we support and that Kerry- Lugar-Berman was intended to encourage.

But, they've also run into a lot of political difficulties, because this is a political system that is dominated by the rich. They don't want to pay a penny in taxes, if that sounds familiar. They want to keep their big landed estates, don't want anybody asking them to support education, support health, to support anything for their people.

And as a result, those powerful interests dominate the politics of Pakistan. So, we have been working with those ministries that we believe are on the right track for reform. We've been working with NGOs, both Pakistani, American and international that we think can support those kinds of changes.

And the flood -- you know, the floods came along and just upended everything, because they were so devastating and they cost so much money. But I would say that, on balance, despite how challenging the relationship is and how much internal pressure their government faces every day we are in a better position than we were two years ago in actually confronting the real problems. We're not papering over them. We're not pretending that they can somehow be ignored.

LUGAR:

I thank you for that answer. Let me just add one thought, and that is you have spoken eloquently about the broadcasters, the broadcasting board of governors. And I think Walter Isaacson is taking hold of that as a constructive thing.

I would hope that we would be more successful in moving more money toward communication with China, and as we heard with our North Korean hearing yesterday, more complex as to how you get the message. But, this is still a great force of diplomacy to get our message into places.

We're doing better in Iran. We're doing in better in the Middle East, and we saw, and Tunisia, Egypt and so forth. But, I'm hopeful you can bring us good news about the more aggressive policies, hoping with the BBG (ph) and others.

CLINTON:

Well, senator, I want to thank you for the report that you did on the broadcasting board of governors and all of the problems that it has experienced. I agree with you. Walter Isaacson is an excellent choice. The board is a very invigorated group of republicans and democrats. They understand.

We are engaged in an information war. During the Cold War, we did a great job in getting America's message out. After the Berlin Wall fell we said, okay, fine, enough of that. We've done it. We're done.

And unfortunately, we are paying a big price for it. And our private media cannot fill that gap. In fact, our private media, particularly cultural programming, often works at counterpurposes to what we truly are as Americans and what our values are. I remember having an Afghan general tell me that the only thing he thought about Americans is that all the men wrestled and the women walked around in bikinis. Because the only TV he ever saw was Baywatch and Worldwide Wrestling.

So we are in an information war. And we are losing that war. I'll be very blunt in my assessment. Al-Jazeera is winning. The Chinese have opened up a global English language and multi-language television network. The Russians have opened up an English language network.

I've seen it in a few countries, and it's quite instructive.

We are cutting back. The BBC is cutting back.

So here's what we are trying to do. In the state department, we have pushed very hard on new media. So we have an Arabic Twitter feed. We have a Farsi Twitter feed. I have this group of young techno-experts who are out there engaging on websites and we're putting all of our young Arabic-speaking diplomats out, so that they are talking about our values.

Walter is working hard with his Board to try to transform the broadcasting efforts. Because most people still get their news from TV and radio.

So even though we're pushing online, we can't forget TV and radio. And so I look -- I would look very much towards your cooperation, to try to figure out how we get back in the game on this. Because I hate ceding what we are most expert in to anybody else.

LUGAR:

Thank you.

KERRY:

Thank you very much, Senator Lugar.

Senator Boxer?

BOXER:

Thank you so much, Mr. Chairman.

Secretary Clinton, we welcome you. You are working so hard and you're doing a tremendous job of advancing US interests at a time when there's just change, seems like every hour, on the hour.

In response to Senator Kerry's questions on why the 1.6 percent of the budget you're responsible for is important, I just thought it was on the mark. I can't even do justice by trying to summarize it.

So I'd like to ask -- I'd like to put it up on my website.

Is it okay with you if I do that?

CLINTON:

Of course. And I can give you more information as well, especially on women and girls. Because I know that's one of your highest priorities, Senator.

BOXER:

Well, I just feel, when Senator Kerry said, just speak to the grassroots folks out there, I wouldn't change a thing about it. I'd just like to put it up because I would like every American to read that.

It feels like there's more change sweeping the world at this very moment than at any time in recent memory. And we all have our theories on why.

People are crying out for freedom because they know more about it. And some are looking to us. Some are looking to other parts of the world. And some are looking inside.

And it's a delicate issue and it's different in every country. But here we have this.

In the meantime, we're winding down our war in Iraq that is entering its eighth year, its cost the United States more than \$750 billion and when we look at the budget, we have to look at this. \$750 billion and more than 4,400 American lives.

President Obama states his intention to begin the withdrawal of combat forces from Afghanistan this July, a war in its ninth year. It has cost the United States more than \$336 billion and nearly 1,500 American lives.

Both the administration and Congress have worked tirelessly to enact the toughest sanctions to date in Iran, but Iran is continuing its reckless pursuit of nuclear weapons and we all know we can't rest until we see an abandonment of that program.

And despite recent repeated attempts by the United States to bring lasting peace to the Korean peninsula, Korea seems to be doing everything to encourage conflict.

In Egypt, prominent opposition leader, Mohamed ElBaradei, just last week, voiced concern about a six-month election time line, which was put forward by the military, saying "if we go too fast, if we organize elections in four or five months, it will be all over for the revolution. The old regime will perpetuate itself in another guise."

Secretary Clinton, do you share Mr. ElBaradei's concern about the proposed time line for transition to a new civilian government, which was announced by the Egyptian military?

CLINTON:

Well, Senator, we are trying very hard to support the Egyptians in what they are doing because obviously this was Egyptian instigated and it is Egyptian led. And it should be. And we are mindful of that.

I do think that being prepared for elections, doing the constitutional changes that are necessary, the legislative changes that are necessary, setting up the apparatus, being prepared to actually implement an election is quite an undertaking.

And there are many, not just the United States, but the United Nations, other nations, who are engaging with [audio gap - 1:55, 1028 to 3:40, 1032]

(UNKNOWN)

courage, the knowledge, something to deal appropriate with our spending issues.

And it's my hope that we'll do that.

But I just want to point that out, that this pressure is because of our inability to deal with all the real spending that is really creating the unsustainable situation, which deals with entitlements and putting them on a longer-term path.

So with that, let me move on to -- and I think the administration, not your pay grade, is missing a tremendous opportunity to lead on this issue. And I think the country has recognized that and my hope is that the president will come to the table and with all of us, together, solve this problem. Which is the only way we can do it.

Divided government, as you well know, due to the '90s, it's a great opportunity for us to solve these problems.

So with that, Afghanistan, I was just there and also in Pakistan. Did we change these from ten minutes?

(UNKNOWN)

(OFF-MIKE)

(UNKNOWN)

OK.

I think that the administration, generally speaking, has done a good job in communicating. And I'm willing to -- I want to support this fighting season in Afghanistan, when we finally have everything on the ground, both civilian and military. And that fighting season will end in October. And hopefully there will be great gains.

The one area where I think the administration has not communicated clearly with the American people is the amount of state building and nation building that's taking place. This is far from a narrowed mission.

We are engaged in all-out state and nation building.

And as you referred to while we have troops in the field, we need to have civilian efforts. Secretary Gates has talked about our ticket out of Afghanistan being one of the troops -- when we turn it over to the Afghan forces.

I am very concerned that we're going to be there for a long, long time doing things. We've raised the expectations beyond what is sustainable in Afghanistan. Even tribal elders believe we're going to be there for generations.

I'd like for you -- are we going to move out quickly, as soon as our troops move out, with the nation building efforts that are underway there now?

CLINTON:

Well, Senator, I think that I would characterize what we are doing in Afghanistan as capacity building. I don't -- it may have been, ten years ago, an idea in the minds of decision makers on both sides of the aisle, in both administrations that we could nation build or state build.

I think that our assessment now is that we have to get a level of stability where Al Qaeda is degraded and hopefully defeated, unable to operate out of the tribal border areas. That the Taliban is not able to bring down the government of Afghanistan, take over population centers, including Kabul. And that there is enough of a governing stability. Now we're not talking about France or Germany or the U.S., but enough of a governing stability to maintain its independence and its sovereignty against continuing threats.

So what we are doing is aimed at trying to help it get its finances straight, trying to help it get basic services and governance operating. And after 2014, NATO, including the United States, has said there will be some kind of a continuing relationship with Afghanistan, in a supportive role to make sure that these goals for them are achievable and sustainable.

What that's going to look like, we are just beginning the conversation about.

Not so dissimilarly from what the Bush administration concluded was necessary in Iraq.

The status of forces agreement, which President Obama set up, and without any loss of our ability to maintain stability, but then the strategic partnership agreement, which talks an enduring relationship with Iraq.

And so in both Iraq and Afghanistan, that's what we're working on and trying to get the inputs right to figure out what the end state is that we can support.

(UNKNOWN)

My time is up, unfortunately, and I won't ask a long question. I'll just make a statement. I think the people on the ground in Kabul and throughout the country that we have that are doing great work, I think that we need to move quickly to change the expectations of what we're going to be doing in Afghanistan.

I mean we are paying cash. We have cash for work programs where we're paying the Taliban to work in vineyards instead of take up arms. The security forces on the ground, their security force is over \$7 billion in expenditures. They only have a \$1.3 billion budget.

So when we talk about contingency operations, these are not contingency. They're going on for a long, long time. And I really do believe that we have given expectations to the Afghan people that are way beyond what we're going to be able to sustain as a country, and I hope that we'll move quickly to recalibrate that. Thank you, Mr. Chairman, and thank you for your service.

CLINTON:

Thank you.

KERRY:

Thank you. I look forward to having a good discussion with my colleague about how the ethic applies and the debate on the budget. I think it's an important one to have but probably not here at this particular instant. Senator Menendez?

MENENDEZ:

Thank you, Mr. Chairman. Madame Secretary, I want to congratulate for your statement yesterday that the United States is considering seeking the prosecution of Moammar Gadhafi for the 1988 Pan Am 103 bombing that killed 189 Americans, including 33 of my fellow New Jerseyans. And that comes on the heels of the reports by the ex-justice minister of Libya that Kadafi personally ordered the attack.

And so I hope you'll give us, as this moves along, a sense of how we're going to verify this information, I hope we get access to the justice minister soon, and in what timeframe we might expect a decision on whether we will seek to prosecute Kadafi for the heinous crime.

And also, I want to urge you to consider, you know, that I and other of my colleagues on this committee issued a report on the release of the convicted Pan Am 103 bomber, al-Megrahi, which was released we believe from a Scottish prison on false pretenses.

I want to urge you to consider requesting of any potential new Libyan government that may come out as a result of what is going on in Libya, I know it's a little premature to say that, but I want to put it on your radar screen that I hope that if there is a new Libyan government, when we engage with that government that we will consider asking for the extradition of al-Megrahi to finish serving his sentence instead of sitting in the lap of luxury.

CLINTON:

Well first, senator, thank you for your continuing focus on this terrible crime. I represented New York and, of course, many of the victims were from Syracuse University. I have met, like you, many times with family members. And it just a heart-breaking experience, and justice must be served.

So what we are doing is reaching out, based on these recent reports, to the FBI and the Justice Department, which have the jurisdiction over any continuing prosecution to ask that they immediately try to take whatever actions are possible.

I was given a letter yesterday by two of the family members in the house hearing, which outlines a number of ways that we could proceed. And I have sent that over to Justice and the FBI.

I don't think it's only Kadafi. I think that there may be others as well who were involved in some way and, like you, I would like the families to have whatever information they can finally get and then whatever legal action we can take.

MENENDEZ:

And I hope that among those, if we have a new Libyan government, we'll consider -- you know, if we send a message that you can kill Americans and ultimately walk away from jail, then we send a message that is, you know, horribly wrong in our global challenge against terrorism.

I want to change to Iran. I am concerned that what has happened -- I am concerned about what is happening in the events of that in Egypt and across North Africa and the Middle East, that the world's attention will be diverted from the dangers of Iran's nuclear program.

I'm worried that Iran will use this opportunity to speed up its nuclear program and crack down on opposition and human rights activists, and I am concerned as someone who is supportive generally of the administration's budget for this department that we don't use the law that we passed here to find that we have not even sanctioned one non-Iranian foreign company for its investments in Iran's energy sector.

You know, the administration has yet to sanction a non-Iranian bank, despite the reports that several Turkish, South Korean, Ukrainian, Chinese banks continue to deal with Iran's financial institutions, in violation of the law. And I

know that the State Department, based upon previous testimony by former Under Secretary Burns, said that there were a series of violations appearing to be going on.

I'm wondering what's the status of those violations? You know, there's a 180-day clock. How many investigations are currently open? And when will we see sanctioning of some of these companies that are clearly in violation of the law?

CLINTON:

Well, senator, first, as you know, I became the first secretary of state to impose any sanctions. And you're right, it was on a Swiss-based, Iranian-owned firm. But, we are moving as expeditiously as we can to review any cases.

We have also used SOSATA (ph), the sanctions that you passed last year, to convince a number of companies, including Shell, ENI, Total, IMPEX and others, to withdraw from Iran and not do further business.

We have also monitored a lot of activity and, as a result, we are seeing some decisions made by companies. A number of shipping companies have discontinued services to Iran.

Several maritime shipping insurers have said they will no longer provide coverage for Iran-bound vessels from wherever. Major energy traders have discontinued sales of refined products to Iran. And as a result, we have seen Iran have to take steps that we think is adding to their economic mismanagement and instability.

Now, we will continue to gather information, work with our allies and partners on this matter. And we are -- since we are the first administration to ever rigorously enforce any sanctions against Iran, we have a lot of catch-up to do.

There is -- there are cases that are still in the review process, and we are using as separate -- as secretary -- as Deputy Secretary Steinberg said last September, we are using the information we have to have opened investigations in several cases.

We've been engaged with a lot of those companies to try to get them to discourage further investments or withdraw. And last week, I made a certification as to how we were going to treat a couple of companies that is classified, which of course we can brief you on.

So we are moving, but here is the challenge. We have the United Nations sanctions, which we've been more successful than many thought we could be in getting the world to enforce.

We have additional sanctions. The European Union has additional sanctions. Other countries like Japan, Korea, etcetera, have added on sanctions. Trying to get some of our partners to follow that are not UN sanctions has been challenging. But we literally are at it every single day, and we're going to keep it up. And there will be more to report to you in the near future.

MENENDEZ:

Well, I thank you for that. I just hope that you can submit subsequently for the record how many, you know, are under review and what is the 180-day tolling period looking like as it relates to those reviews? Thank you, Senator Menendez. Senator -- oh, excuse me, Senator Rubio.

RUBIO:

Thank you, Mr. Chairman. Good morning, Madame Secretary.

CLINTON:

Good morning.

RUBIO:

I have a couple of quick questions. I'm -- I wanted to talk to you briefly about the national debt in light of Admiral Mullen's recent statements that it was a major issue with regards to national security.

On the -- I was hoping you would share some of your views on the impact that the national debt in some sustainable nature is having on our foreign policy, in particular our ability to impact events around the world.

CLINTON:

Senator, I have spoken out about that as well, and I think it's a -- an incredibly important issue. I clearly agree that the United States must be strong at home in order to maintain our strength abroad.

And at the core of our strength is our economic strength and so I'm well aware, having sat where you are now sitting for eight years, the necessity for us to take action to begin to rein in our debt and particularly our indebtedness to foreign countries, the top of the list being China.

I also know quite a bit about how challenging it is because it was, at the end of the 90s in my husband's administration, that a bipartisan deal was struck that put us on a path where we had a balanced budget, where we didn't have -- where we had decreasing deficits and we were on a glide path for actually, as hard as it is to believe, ending our national debt.

I sat on the budget committee of the senate in early 2001 and I believe that we made decisions, starting in 2001, that undermined our capacity to actually do what I think both of us agree must be done.

So, I hope there is an appetite for a bipartisan agreement that will deal with our debt without undermining our strength, which is so needed in the world today. And that's the balancing act and it's a tough one, but certainly I support efforts to do that.

RUBIO:

I -- just I think to summarize what we are both saying is it's your belief that if the United States could establish a plan to deal with our debt to begin -- make it manageable again that that would help us carry out foreign policy and it would strengthen our hand in the world.

CLINTON:

Yes. And it -- I -- it won't surprise you to know that I think some things have to be done on the revenue side as well. You know, I go to a lot of countries where rich people will not pay a penny to support the services of their government where they are at a -- in my view, a mistaken belief that somehow people in the twenty- first century are not going to demand more. And I think there has to be a compromise on a bipartisan basis like we did in the late 90s where we put spending and revenues and entitlements on the table.

RUBIO:

Briefly, if I could turn your attention to the western hemisphere for a moment, in the hemisphere it appears that basically countries are heading in one of two directions. There's the rise of these autocratic-type situations that we see in Nicaragua and Bolivia and Venezuela. Of course, they're joining Cuba on that list.

On the other hand, there's the promising development in places like Brazil, Chile and Colombia. All of this, I think, is kind of colored by a growing loss of influence in the region by the United States vis-a-vis other nations stepping up. We've -- earlier, I think you used the phrase we're in a competition of influence with China. I think that's especially true in the western hemisphere, and even Iran has tried to play in some of these countries.

I was hoping you could outline some of the steps that we're taking to re-engage the region, in particular encouraging nations and -- to follow the route of Brazil, Chile and Colombia and, in particular the free-trade agreement with Colombia, which I know has languished for some time and hoped we could get some update on where that is and exactly what are we waiting for to consummate that?

CLINTON:

Well, senator, thank you for turning our attention to the western hemisphere, which often does not get the attention it deserves. The countries in our hemisphere are our biggest trading partners, our biggest energy suppliers.

They have, with notable exceptions like Cuba and a few others like Venezuela and Nicaragua, they have moved into an era of sustainable democracy and economic growth. So, there's a lot to the United States to be very proud and grateful for.

But again, I underscore your point. There are other nations that are competing with us. Take Colombia for example. This congress and previous administrations invested a lot of money in the effort to support Colombia in the fight against the FARC and the drug traffickers. And by and large, that has been a successful American partnership.

And yet, we're watching Colombia sign free trade deals with Canada, with the European Union. I think they're either in negotiation or about to be with China, and we have a free-trade agreement that we are still not able to act on. So, certainly this administration is moving as rapidly as possible to resolve outstanding issues.

I want to get that up this year. I think it is definitely in American business economic interest. I feel the same way about Panama. Those are tangible signs that the United States is really engaged with our friends in the region.

You talk about Brazil. I mean one of the things that Brazil did, and I don't want to sound like a broken record, they have the highest tax-to-GDP ratio in the hemisphere and they've used that money to invest in social inclusion, to improve their education and healthcare systems. And Brazil is booming, and we view it now as a real success story.

Other nations like Chile, which you point to, have similarly had good leadership, good investments, and Chile makes a free-trade agreement with everybody they can, including us. And it benefits them and it benefits us, and it provides an economic base of stability that allows democracy to flourish.

So, we are looking at how we can enhance security assistance to our friends in Central America. We're using the Merida Initiative to work with Mexico. President Calderon will be here tomorrow. Let's not forget our friends in the Caribbean, because a lot of those small nations are struggling against crime, drug-trafficking influence.

So there's a big agenda for us to do, and I'm very pleased that President Obama will go to Brazil, Chile and El Salvador this month. But, we have to do even more to tighten the bonds of friendship and partnership.

KERRY:

Thank you, Senator Rubio.

Senator Cardin?

CARDIN:

Thank you, Mr. Chairman. And Secretary Clinton, thank you very much for your incredible service to our country.

I share your view about global development policies being one of national security. And that it is important that we have adequate resources.

I think this also speaks to our values, as you pointed out. And it's also cost effective. I'd much rather use development assistance than have to use our military. So I think that from every point of view, you're absolutely correct that this needs to be part of our discussions about national security and which we need to make sure that we have adequate resources and the amount of money that we're spending on our international development programs are relatively small.

So I share that.

I wanted to move to the second part of this equation that you and I talked about before. In this Congress, I'm going to be chairing the subcommittee here that deals with international development assistance.

And I want to know a little bit more about accountability. We've talked about this one several times, that we -- our involvement in other countries need to advance gender equity, need to make sure that we're not participating in corruption, so the money ends up in the pockets of some despot rather than going to the development of the nation.

Can you share with us ways in which you can engage this committee to make sure that we get the proper return in regards to American values as we participate in other countries?

CLINTON:

Well, Senator, thank you. And thanks for your long-term attention to this issue.

In the first ever quadrennial diplomacy and development review, the QDDR, we set forth a number of recommendations, many of which are already underway, to improve how we deliberate, how we hold it accountable, how we vet partners, how we move contract functions inside and thereby save money.

The USAID forward agenda that Raj Shaw is implementing is a result of the work that went into the analysis and we're seeing some results.

We're seeing procurement changes. We are seeing those who had gotten contracts held responsible. Some of them prohibited from further contracts because of their financial irregularities.

We are looking to streamline a delivery so we're not duplicating throughout the United States government. That was one of the goals behind our efforts to have a whole of government approach with our ambassadors, our chiefs of mission responsible for everyone. So that if we have aid going in through justice or agriculture or commerce, it's not often a separate direction that we try to focus it and better organize it.

And we are doing that as well in the state department, where we are vetting a lot of our programs, trying to better organize them, making progress, but not yet enough.

CARDIN:

Let me mention, part of the jurisdiction of this committee, which is international investment, protection of intellectual property and technology transfer. I mention that because I think you mentioned trade agreements, which obviously can be very beneficial to America.

But we don't have a level playing field on protection of intellectual property. And it's costing us jobs, thousands of jobs, if not more, in this country.

So I just want to put that on your radar screen, as you have your discussions internationally to make sure that we make that a priority also.

CLINTON:

I agree completely.

I think there's a grand bargain to be had here on trade, in addition to the free trade agreements, with Korea, Panama, Columbia. We have trade adjustment assistance. We have the Andean preferences. We have the general system of preferences.

All of that should be looked at as our comprehensive trade policy. And embedded in those are and should be protections for intellectual property rights.

We worked hard with the Chinese to begin to get more protection and, frankly, to make the case that as China develops, they're going to want intellectual property protection, which up until now, they haven't seen as in their interests.

So there's a lot of work on that front going on.

CARDIN:

I could point out that China's very efficient in stopping information getting to its citizens when it wants to, which seems to be very lax when it comes to stopping piracy, which is thievery against American interests.

CLINTON:

Absolutely. I've been jammed by the Chinese several times, starting in 1995 and most recently with my Internet speech. So they are quite efficient and I understand that completely.

But we -- in all of our dealings with them and other of our trading partners, we are making this case because, you're right, I mean, our intellectual property is the lifeblood of American innovation and it is jobs, it is economic opportunity and it is the leading edge of where we go in the 21st century. We've got to do a better job of protecting it.

CARDIN:

I also want to thank you for your attention to the Iraqi refugee issue. I think we have made some progress. But we still are not there yet. And obviously as our role is changing in Iraq, I think it's important that we continue to point out to the Iraqis that the refugee problems, as it relates to Iraqi refugees being in Syria, in Jordan and other neighboring countries. But I did appreciate the attention that you've given.

I want to ask you one last question. And that deals with the circumstances in Libya.

Each of the countries are different and you point out the Egyptians, and rightly so, do not want to see outside forces dictating how their governments are going to be formed.

In Libya, those who are standing up to Gaddafi are asking for international assistance.

Can you tell us how and what role the United States or the international community can play in regards to Libya?

CLINTON:

First, Senator, we are sending humanitarian teams to both the Tunisian and Egyptian borders with Libya. We are working with the United Nations to stand up humanitarian operations. We've done a survey of medical supplies and food supplies that are in the region that we can quickly move to assist the people in Libya.

The tough issues about how and whether there would be any intervention to assist those who are opposing Libya is very controversial within Libya and within the Arab community. The Arab League just issued a statement today, early today, saying that they disapproved and rejected any foreign interference within Libya, on behalf of the opposition, even though they have called for Gaddafi to leave.

So we're working closely with our partners and allies to try to see what we can do and we are engaged in very active consideration of all the different options that are available.

CARDIN:

Thank you. Thank you, Mr. Chairman.

KERRY:

Thank you very much.

Let me just say we have a vote on. Senator Lugar's going over to vote. We want to try to keep everything going, so we don't -- I don't know, Senator Ee (ph) or Webb, you may want to vote and then come back quickly. And then we'll keep -- we'll probably get two question round in in between that.

Senator DeMint?

DEMINT:

Thank you, Mr. Chairman and Secretary. Thank you for being here. Its been very informative.

The chairman, as well as you, have mentioned the apparently growing problem with religiously motivated violence in different places in the world, and I know, those of us who live in freedom understand that there's a strong link between political, economic and religious freedom.

As we look at countries where we're shedding blood and treasure in Iraq and Afghanistan, obviously very concerning when apparently the governments we support appear to be at least complicit, and in Afghanistan, where someone converted to Christianity was threatened with execution and even allies, democratic allies like India, where we see religious violence, the government has resisted visas for congressional delegations to come in and try to observe what's happening.

And the U.S. commission on international religious freedom, in 2010, reports just on Afghanistan, Afghanistan's on a watch list and they concluded that, and I quote, "the U.S. policy has not sufficiently prioritized human rights, including religious freedom in Afghanistan, promoting respect for freedom of religion or belief must be an integral part of the U.S. strategy, particularly as the government of Afghanistan pursues a peace or reconciliation process with anti-government insurgents."

So my question to you is, while we hear these reports, and the media seems to informally document them, is the state department actually trying to track and quantify these crimes in Afghanistan and other countries where we support with foreign aid? What are we doing? What can we do to stop it, to express our concern?

CLINTON:

Senator, thank you for raising that and I know this is an issue of great importance to you, as it is to me.

We are tracking it. We are trying to make it a major part of our human rights reporting. We are trying to increase our attention paid to it and speaking out forcefully against it and engaging with governments.

It's a foreign concept, unfortunately, to many people around the world. We are trying to work with a lot of our fellow nations in crafting a proposal that says we support religious freedom and we support freedom of expression because there's been a move to try to criminalize what is called defamation, leading, as you say, all the way up to execution in some places.

And we've worked steadily on this for two years. We're slowly, I think, making some progress. But it has been a very hard discussion.

Because a lot of other cultures just -- their idea of religious freedom is you get to be our religion. That's religious freedom. And the idea that we enshrine in our constitution and that we respect here at home is a hard one for many to accept.

So this is certainly on the top of my personal list and I would welcome any suggestions you would have because we're going to do everything we can to raise the alarm where necessary and keep the conversation going.

DEMINT:

Well, I hope a lot of our aid and assistance in the future to countries will be conditional on an understanding that these principles of freedom, that while we do have different cultures that we certainly have to respect that when our soldiers are dying, the idea that they couldn't practice the faith that they believe in these countries they're dying for is a concern to many.

And as we look ahead, and I'm sure you know how complex the situation in the Middle East is getting in Northern Africa and with what's happening Egypt, organizations like the Muslim Brotherhood, there have been mixed signals from the administration of whether they're secular or not and the record seems to show that they are much less than secular.

But as you -- what -- as you look at Egypt and how we're going to deal with that, I know you can't give a clear answer and we're certainly not in control of what happens, but how do we deal as a nation, and hopefully as an ally, with groups like that Muslim Brotherhood? What signals do you plan to send to them as far as the U.S. support of Egypt in the future?

CLINTON:

Well, we've been consistently saying that any political party that participates in an electoral process must respect democratic institutions, the rights of minorities, including religious minorities, has to be supportive of independent judiciary, independent media, to not have an armed wing or a militia associated with it. And it's been interesting because we've been getting a lot of reporting back, not just from our diplomats, but from European and others, who have gone into Egypt, they've been meeting with a lot of the opposition groups, including young members of the Muslim Brotherhood.

And I think they are in an internal debate about exactly how they're going to participate in a democracy.

So we want to encourage the -- what we would view as answers that would protect the inclusive nature of Muslims and Coptic Christians living peacefully together in Egypt that would recognize the political process in a democracy. You have to be able to get along with people who have different opinions, different religious beliefs.

Again, this is going to be an ongoing effort. And one thing, Senator, is we could use help in confirming our ambassador for religious freedom. I know you've raised some questions.

Part of the reason why the administration and I personally support Reverend Cook is because she's got a personality. She's got an ability to connect with people. And sending her into places where she would be listening and talking, I think, would give us a face for religious freedom that isn't necessarily expected and could, based on what I know of her and her work and how she's been accepted as a woman preacher by her male counterparts and broken new ground in so many areas in New York, in the Baptist convention, et cetera, she would be somebody who, I think, would be especially well suited to dealing with a lot of these issues now.

Not in a threatening way, but in a persuasive way that would build up personal relationships.

DEMINT:

Thank you, Senator. And absent a chairman, I will yield to the Senator from Pennsylvania.

CASEY:

Thank you, Senator DeMint.

Secretary Clinton, thank you for your testimony today and for your great work here and around the world. It's a remarkable schedule you keep and we're grateful for your time here.

I was especially grateful for what you said at the beginning of your testimony regarding Minister Bhatti. Someone I've met on two different occasions and just demonstrated, I don't know how you say it, uncommon and remarkable courage in the face of a threat and seemed to have, when I spoke to him a number of weeks ago, seemed to have been at peace with that, that he knew he was under threat and was not going to allow that threat to prevent him from doing the good work he did.

So we're grateful for your recognition of that and your work to advance the same causes and the same goals that he - and the same values, I should say, that he espoused.

I wanted to ask you about maybe two or three areas. One of them, first and foremost on ammonium nitrate. You and the department and the late Richard Holbrooke and others have worked long and hard on this issue.

And for those who haven't paid close attention to it, it's really just a -- the main ingredient in improvised explosive devices and it's outlawed in Afghanistan but unfortunately not in Pakistan. And it's coming over the borders in kind of a -- almost like a rushing current of ammonium nitrate coming from Pakistan, as well as other places, into Afghanistan.

And I guess I wanted to ask you about two areas. One is if you could tell us a little bit about and also maybe if after the hearing you could provide a report your team can provide a report on it in terms of our own work and progress report, and then, secondly, on the legislative efforts within the government of Pakistan to not just impose a statutory remedies but also to better regulate it.

CLINTON:

Well, senator, thank you for your leadership on this important issue because this is a direct, deadly threat to our troops and also to the people of Afghanistan and Pakistan.

In November 2010, the United States launched what we're calling Operation Global Shield, and it is a multinational law enforcement effort involving 60 countries and international organizations aimed at stemming the flow of IED components, including ammonium nitrate.

Sixty countries are participating, including the UN Office of Drugs and Crime and the World Customs Organization and Interpol, and since its inception approximately 68,000 kilograms of explosive precursors have been seized.

Now in addition, we are increasing our intelligence sharing on ammonium nitrate and other deadly ingredients. We continue to work with the governments of Afghanistan and Pakistan to get them to take more concrete actions to disrupt the flow of these chemicals.

We're working with them. Pakistan established last November a counter-IED forum to bring a whole-of-government approach. We've pressed them to do more on the regulatory and legislative framework.

And because ammonium nitrate, even in our country, is a legal substance we have to figure out how to stop its flow but not cut it off from construction and agriculture. And it's obviously much harder in a country like Pakistan that doesn't have a regulatory framework really where a lot of this could already be housed.

But, we remain absolutely committed to this. We're going to do everything we can, and we welcome your leadership and any other suggestions that you have as to how we can be more effective.

CASEY:

Thank you, very much. And I know we have limited time because of the vote and it may allow you to have a little bit of a break, I hope. Just -- maybe just one more question. We'll have a few others we'll submit for the record, but I wanted to ask you about Lebanon.

When I was there in July for the first time I was stunned by, I -- and maybe I shouldn't have been, but stunned by the overarching and dominant presence that Hezbollah has in that country. And, of course, the world has changed. Now, you've got a prime minister moved out in essence because of the strength of Hezbollah.

I guess I wanted to get a sense of your -- because I know your department has statutory obligations based upon the 2009 Supplemental Appropriations Act where I guess you're directed to report on the procedures in place and I'm reading here, to enforce that no funds are provided to any individuals or organizations that have any known links to terrorist organizations, including Hezbollah. I just want to get a sense of that in light of the change there and what you can tell us about that.

CLINTON:

Senator, as you know, the government is not yet formed. And we are awaiting so that once it is we will review its composition, its policies and its behavior to determine the extent of Hezbollah's political influence over it. And it is important that we continue planning so that we be ready if there is an opportunity to work with this new government.

I believe still at this point we should continue supporting the Lebanese armed forces. I know that's been a subject of some debate here in the congress. It is considered a non-sectarian institution that is national in scope. It has the respect of the Lebanese people from all sects.

It continues to state its support for Security Council Resolution 1701, which is our primary security-related goal in Lebanon. It cooperates with the United Nations mission in the south to try to keep the peace there.

And we worry that if the United States does not continue supporting the Lebanese armed forces its capabilities will rapidly deteriorate. Security in the south and along the border with Israel will be at risk, and we do have a good relationship.

Our military-to-military ties with the Lebanese armed forces is strong. That's served us well with the Egyptian military. So I hope, as the congress is looking at the budget, we will think seriously about continuing our support for the Lebanese armed forces.

CASEY:

Thank you.

KERRY:

Senator Casey, thank you. I know they'll have the vote waiting for you. Senator Webb?

WEBB:

Thank you, Mr. Chairman. Secretary Clinton, I'm sorry I missed the exchange because I had to vote, so I hope I don't ask you anything that's redundant of what you've already said.

First let me, as I've said many times, express my admiration for the intellect you have brought to your job and for the energy that you put into it. You really have given a great service to our country.

There was a -- an exchange earlier with Senator Rubio about the free-trade agreements in this hemisphere. And then, you briefly mentioned afterwards the Korean free-trade agreement. And this is as a comment.

I have two questions in a very short period of time, but I can't overstate my hopes that we can get this Korean free-trade agreement in place for strategic as well as economic reasons.

The northeast Asian area is the only place in the world where the interests of China, Russia, Japan and the United States directly intersect, and right in the middle of that is the bull's eye of a divided Korean Peninsula.

We have every reason for the economic well being of the country but also for the strategic interests in that region to move forward on that agreement with all due haste.

There was a comment by Senator Boxer about the situation with ending our involvement in Iraq. I would like to echo my concerns about that issue. We tend to focus on the crisis of the moment, as we are doing down with these other issues in the region, rather on conclusively ending ongoing commitments that were not intended to be permanent.

We've been in Iraq for eight years. The war as a war, meaning ending Saddam Hussein's regime, was over in a matter of weeks. We have been involved in a very costly occupation since that period.

I've read the strategic framework agreement and also the SOFA, and it's clear that we should be out by the end of '11. But, it's also -- there's language in there that allows an extension, and I would like to hear from you whether you believe there are any circumstances that should compel us to stay longer.

CLINTON:

First, senator, I agree completely with you about the Korean free-trade agreement and I think it is very much in America's strategic and economic interests. And I hope that that agreement will be submitted soon and acted on soon by the congress.

I think with respect to Iraq, there are no plans that I'm aware of. But, you're right that the Iraqi government does have certainly the opportunity to request additional assistance.

On the military side we have committed to civilian assistance, which I think is appropriate. At this point, I do not have any insight into whether or not the Iraqis have any interest in making such a request. They seem to have their hands full getting their government set up, which they haven't yet accomplished.

The only point I would make, and it is not in any way meant as a statement of approval or disapproval is, you know, we made long-term commitments to a country like Korea, for example.

We were there while they had a less than perfect democracy with coups and assassinations and corruption of the most egregious kind. And would we say that that 50-plus, I guess, 60 years of expenditure was worth it or not? Well, I think many people would argue that it probably was.

Could it have been cut short? Probably under certain circumstances. Is it still one of the most dangerous places in the world? Absolutely. So, I think each of these situations has to be looked at and evaluated independently.

And I think Iraq is a very important piece of the puzzle about what happens in the Middle East because we are all asking ourselves can Egypt and Tunisia become democracies.

Well, an equally important question is can Iraq remain a democracy and move to improve that democracy. Can it withstand pressures from Iran? I don't know the answers to those questions. So, as we move forward with Iraq, I do think we have to factor in any kind of ongoing involvement in what is in our strategic interest as well.

WEBB:

Right. Well, I would just like to reiterate my long-held view that there are completely different strategic reasons when we look at the Korean Peninsula versus the part of the world.

And I just believe it's a negative for us to be an occupying power in that part of the world, whereas if you look at again northeast Asia, the volatility of that part of the world over history has been because of the interaction of China, Russia and Japan. And the presence of the United States since World War II has largely given us a stability that they have not seen previously.

I only have one and a half minutes. I want to make sure I ask you this other question because it regards the comments that have been made regarding potentially the use of military force in Libya.

And we -- I know we can all agree on the negative characteristics of the current regime. I found your comment earlier regarding the statement from the Arab League about, you know, basically warning about an American military involvement.

And I'm also very conscious of history in this part of the world, the unpredictability of history in this part of the world, when it comes to situations after these opposition movements run their course, Iran being the classic example where we traded the Shah of Iran for the Ayatollah Khomeini.

And what I'm really concerned about is hearing from you what are the characteristics of the rebel forces, for lack of a better term, in Libya that would commend them to our government to a level that we would actually consider military intervention in cooperation with them?

CLINTON:

Senator, that's the key question. And I think it is fair to say, as you probably heard from Secretary Gates and Admiral Mullen yesterday, there is a great deal of caution that is being exercised with respect to any actions that we might take other than in support of humanitarian missions.

There may well be a role for military assets to support getting equipment and supplies into areas that have need of them and where we are welcome. But, I think that it is a big reminder to us that we don't know the outcome of this. We don't know these players.

We just opened an embassy for the first time in years in 2009. We were just getting to know a lot of these people. We are not as aware even of what went on in Egypt and Tunisia, and I have to admit to a certain level of opacity about both of those circumstances.

So I take your caution, and certainly our military leadership does as well. The only point that I would make is that, you know, we faced a similar situation in the Balkans where there were many, many reasons why it was not viewed with favor that we would set up a no-fly zone for a lot of the similar reasons, the difficulty of it, the maintenance of it, the appearance of it. And eventually, it was determined that it was in the interests of the peace and stability of the region, etcetera.

I think that we are a long way from making that decision, and I believe that your -- you know, your statement is certainly very much in the minds of those in our government who have to make this decision.

But, I wanted to just end on something about Iraq because I value your opinion greatly. And I'm -- and, as I say, I'm not advocating this. I just think we need to have a debate about it.

Our troops will leave. Our troops are leaving. They will be gone. That is in accordance with the status of forces agreement. We will not be an occupying country any longer in Iraq.

Now, if the Iraqi government comes to the United States government and says, "You know, we have no air defenses. We have no air force. We have no intelligence abilities. We have no surveillance abilities. We've got this hungry, big neighbor on our border and we don't want to be taken over by them anymore than they're already influencing us. Can you stay in some capacity at our invitation?"

I think that's a debate we need to have because, at that point, you could take the position it's not in our national interest. It is not a strategic region, although I would disagree with that, and that what we are now facing in the environment with Iran is as much a competition for our future positioning as what we faced in the past with China and Russia.

So I just think that this is a debate. We're nowhere near it because nobody's asked us for anything and they may never, because of their own internal politics.

WEBB:

It's a debate for another time and as long as I'm in the Senate, I would be happy to participate in it.

Thank you very much for your testimony. Thank you, Mr. Chairman.

KERRY:

Thank you, Senator Webb. Senator Shaheen?

SHAHEEN:

Thank you. And thank you, Secretary Clinton, for being here today and for the face that you represent for America around the world. We are all very grateful.

I would be remiss if I didn't, at the outset of my time, comment on the back and forth we heard from some of our colleagues about the debt and the importance of addressing the debt. And I think all of us here recognize how critical an issue that is for the country.

But I think as Senator Corker so rightly pointed out, trying to address dealing with the debt on the 12 percent of the budget that is non-defense, discretionary spending, I don't think makes sense.

And I very much appreciated and am in agreement with your comments that not only do we have to look at the spending side of our budget and entitlements in defense are a big piece in that, but we also need to look at revenues and tax reform. And we are not going to get where we need to go unless we address that as well.

So thank you for making that point and for pointing out the history of how we got here.

I want to go back to Afghanistan. Because yesterday, we heard at armed services, from General Mattis, the CENTCOM commander, that we are looking at actually increasing the numbers of Afghan security forces above the original -- or the recent target of 305,000.

And I think there is an acknowledgement that the cost of sustaining this kind of a force would be over \$10 billion a year while the government takes in about \$1 billion in revenue a year.

And I know that the point has been made by a number of people that it's cheaper for the Afghans to be fighting this battle than for us to be paying for American soldiers to fight it, but that still doesn't address the long-term costs of developing and maintaining this kind of a security force.

And so as we look into the future, and think about how we -- how the forces continue to be paid for, what do we think is going to happen here?

CLINTON:

Well, Senator, thank you for your opening comments about the need to put everything on the table as we try to deal with our deficit and, most particularly, our debt.

With respect to the Afghan national security forces, there is an ongoing analysis. You heard from General Mattis about what it would take for Afghanistan, after 2014, to be able to defend itself. And that is not only the military, but their police forces and then however you factor in the local village protective forces that they are creating.

I think that one of the ways we are trying to address this is by working with the Afghan government to help them increase their revenues. There's been a lot of work done about the resources that Afghanistan has. Its mineral resources in particular.

If those are managed correctly, and that's a big if, but if they are managed correctly, there would be a steady stream of increasing revenues for the Afghan government, which would give it the capacity it needs to take on greater and greater responsibility for defending itself in the future.

SHAHEEN:

And are we talking to our allies on the ground there about potentially helping to pick up the costs for a longer period of time as well?

CLINTON:

Well, at the NATO summit in Lisbon, at the end of last year, there was a position adopted that NATO would have a continuing relationship with Afghanistan after 2014.

The content of that is in process, being developed by Secretary General Rasmussen and our NATO allies. So we are all looking toward 2015 when we want to see Afghanistan defending itself. But I think it is fair to say that there will have to be continuing support from the United States, from other nations and from NATO.

SHAHEEN:

And as we're looking at the civilian efforts on the ground in Afghanistan, I was pleased to see the creation of the senior civilian coordinator and I'm pleased to see the appointment of the new ambassador, Simon Gass. But concerned that the coordinator still lacks the authority to really do -- provide the overall coordination that was envisioned when this position was created. And I wonder if you could speak to that and whether we think there needs to be more authority given to this position and how to accomplish that, if so?

CLINTON:

I think there will be increasing authority and the exercise of it by the civilian coordinator over the next years. Really, we've just got the inputs on the military surge right for the first time, about six months ago. I mean, I think it is fair to say that when President Obama came into office, he inherited a deteriorating military situation in Afghanistan.

The Taliban had the momentum, there wasn't any doubt about. Sitting on his desk, waiting for him, was a request for additional troops that had not been acted on by the prior administration.

So we believe that the military surge is finally operating as it was intended to.

The civilian is getting up to speed and I think you'll see, with the civilian coordinator, more of an effort to be sure that we're doing all we can to maximize the international civilian presence.

SHAHEEN:

And President Karzai has made a number of statements in the last month or so, that have raised questions, in my mind, about how he envisions reintegration and reconciliation efforts. And I wonder if you could speak to whether we are actually on the same page with President Karzai or if we think there are better ways to address this piece?

CLINTON:

I think we are on the same page, but there are many pages to go in trying to figure out how to bring about an end to the conflict, in a way that does not undermine any future stability in Afghanistan. And clearly we want this to be Afghan-led. But the United States has to play a major role.

Our new special representative for Afghanistan and Pakistan, Ambassador Grossman, is in consultations as we speak, met with Karzai, I think, yesterday, where Karzai was in London, is meeting with the contact group of about 47 nations, including 13 Muslim nations, hosted by the Organization of the Islamic Conference in Jeddah, Saudi Arabia.

So there are many voices that are involved in trying to organize and move forward with this process and we are conscious of the need for Afghan-led, but it can't be only Afghans involved. Because it has regional implications. And we're very much aware of that and working to try and help facilitate it.

SHAHEEN:

Thank you.

KERRY:

Senator Coons.

COONS:

Thank you, Mr. Chairman.

I want to thank the Secretary for your leadership and focusing on the critical nexus between development, diplomacy and defense.

I just returned from a week-long trip to Afghanistan and Pakistan, Israel and Jordan. Senator Corker was one of the two other senators with me.

I saw firsthand the critical and essential partnership between our military and civilian missions in all four of those countries.

In Afghanistan, I would agree with your characterization, our troops are making remarkable and steady progress in degrading the strength of the Taliban and in standing up an Afghan national security force and local police forces and our troop morale is good and the Afghans we met with were grateful for our commitment and sacrifice, which I considered significant.

But the progress in Afghanistan, in my view, was matched with a lack of real sustained progress in Pakistan. And I have some real concerns about their either unwillingness or disinclination to go after extremists and to essentially close this deal and give us a sustainable opportunity for success.

My first question for you, Madam Secretary, is what are we doing as a nation to ensure that the very extremists who slipped through our fingers in Afghanistan and crossed over to Pakistan are not already able to find promising second fronts to move to in Yemen, in Somalia and in other states that there were disturbing developments, even today in Yemen. But what are we doing, given the huge scale of our investment in Afghanistan, to ensure that we're paying sufficient attention to sub-Saharan Africa, to the horn of Africa, to the Maghrib to make sure that we are partnering military and civilian, to prevent their moving into a whole other base of operations?

CLINTON:

Senator, that's a really critical question, made more so by the events of the last weeks.

We are working on counterterrorism efforts in all the places that you have mentioned. We are supporting the African union in support of the transitional federal government in Somalia against the Al Shabab group that is allied with Al Qaeda. We have alliances with a number of north African and south -- sub-Saharan African countries against Al Qaeda and related groups that are part of a syndicate of terrorists.

And it is a very big order, indeed. There is a lot that we are trying to do in order to degrade and defeat Al Qaeda and undermine all of its related organizations.

We have made progress against core Al Qaeda. Core Al Qaeda does not have the reach or the capacity. It still serves as a financing mechanism, as an inspirational sort of focal point for a lot of Jihadists around the world.

But it doesn't have quite the impact.

However, Al Qaeda, in the Arabian Peninsula, Al Qaeda in the Maghrib, Al Qaeda here, Al Qaeda there, particularly in Iraq, where we think we still have about 1,000 Al Qaeda sympathizers or members, which is another reason why we have to keep our eye on Iraq.

It is the highest priority of this government, of this administration. It is a whole of government effort. And we are literally working as hard as we can, every single day. Because there's no doubt that Al Qaeda and its affiliates continue to plot against us, plot against our European allies, plot against many other countries.

One of our biggest concerns is Libya descending into chaos and becoming a giant Somalia.

It's a -- it's, right now, not something that we see in the offing, but many of the Al Qaeda activists in Afghanistan, and later in Iraq, came from Libya and came from eastern Libya, which is now the so-called free area of Libya.

So, I mean, there is a lot of moving parts to this that are very difficult to put in neat little boxes and stack up somewhere. So your question goes to the heart of what we're doing in Afghanistan and Pakistan and many other places and that is trying to go after those who attacked us and put them out of business.

COONS:

And as you have assembled your budget for this year, I, and many on this committee, respect the fact that we're under significant spending pressures, we have to make cuts, we have to trim and eliminate and focus our spending. But in sub-Saharan Africa, there were 19 countries that faced significant cuts or complete elimination of USAID.

How do you strike the priorities? How do you strike the balance in deciding which countries, in such a fluid environment, should continue to receive U.S. assistance and where we simply say we can no longer afford it?

CLINTON:

Well, it's a multi-pronged analysis and I doubt that we have zeroed out any country in sub-Saharan Africa because there are other funding streams that go into those countries and other programs that are present. But these are really hard choices.

What we always are trying to balance is what is the right amount of American presence, diplomatically, developmentally, defensively, in order to protect our security, advance our interests and further our values?

And it's -- it's as much an art as a science and we are constantly calibrating it.

But one thing I know for sure is where we not -- where we are no longer present, others will be. And if you -- we just had Senegal expel the Iranian ambassador and diplomats because they found them selling arms to people, not only through Senegal, but within Senegal.

Iran is very active in Africa. You know China is extremely active, diplomatically and commercially.

There are many different forces at work. And I wish we were back, some days, I believe it would have been a lot nicer being secretary of state during the Cold War. We had a really clear view, you're with us or you're against us and here's how we calculate it.

It's much more complicated right now. And therefore, I don't want us to lose ground, even while we work on trying to get our budget.

And our Africa budget, I was just handed by my very able staff, it grows by 10 percent over FY '10.

And that's because we think we've got to stay very active and involved in Africa.

COONS:

One more question, Mr. Chairman.

I also was very encouraged by what I saw in Jordan and in the Palestinian authorities in terms of progress around security,

One more question, Mr. Chairman, if I might?

I was also very encouraged by what I saw in Jordan and in the Palestinian authorities in terms of progress around security, around improvement in the economy and in particular the training center [Egyptic] to see how US and allied trainers are delivering sustained, high-quality training that's helping the Palestinian authority to deliver more security on the ground.

And that particular program is one that really is a joint defense and state program where it's under state leadership but they are a defense-affiliated folks and leadership. I had dinner with General Mollar (ph) there.

Can you give me some other examples of some encouraging exemplars of how the military- and civilian- or diplomatic-led missions are collaborating effectively, given that I think we're going to see more and more need for this in these sorts of fluid environments going forward?

CLINTON:

Well, that is certainly the case in Iraq, Afghanistan and Pakistan. It is the case in the Horn of Africa. It is the case in many parts in Latin America. It is the case in our efforts in, you know, certain parts of Asia where we're cooperating.

So really, it is most visible in the front-line states of Iraq, Afghanistan and Pakistan. But, the example you're giving of our joint training for the Palestinian security forces along with a partner like Jordan is what we're going to have to do more of.

And it is my goal that we better integrate our civilian and military capacities, which is why I'm so adamant that you can't talk about national security and leave out the State Department and USAID.

You know, we have a tradition where foreign military financing goes through the State Department for a reason. We want to build broader relationships with militaries that give them some sense of why it's important that there be civilian control of a military.

I mean, there's just reason after reason why what we do really requires a whole-of-government approach. And by cutting us, we are also diminishing that message and those values, which are really important to the final outcome.

COONS:

Thank you, Madame Secretary. Thank you, for your interest today. Thank you, Mr. Chairman.

KERRY:

Thank you, Senator Coons. Madame Secretary, we're almost at the end here. I just wanted to follow up with a couple of quick questions if we can.

First of all, which of the reductions -- I mean, if you were to list the priority at some of the cuts that have been made that need -- in terms of restoration, where would you begin?

CLINTON:

Well, one thing I'm really worried about --.

KERRY:

What's the most damaging --?

CLINTON:

Yes. Well, what I'm worried about, senator, is with this very large cut coming out of the house there will be pressure for us to try to meet as much of our mission in Iraq, Afghanistan and Pakistan to the detriment of the entire rest of the budget.

We will see a very serious impact on all of the initial -- initiatives, global health, Feed the Future, climate change, clean energy technology. Those were specifically, you know, zeroed out in the house.

We will also see a great decrease in our ability to fulfill our commercial and economic missions. We will have to close aid programs in a number of countries where we think it will be to our disadvantage to do so.

We have unfortunately a combination of threats here with such a large cut coming out of the house that will severely undercut our ability to really meet any of our requirements.

And the idea of cooperating with the military, which I think is one of the real advances we've made over the last two years, you know, the military will probably go and get that money. You know?

They'll say, "Ok. Well, you know, the poor old State Department budget couldn't get the money, but give us the money." And then, you know, they'll be doing functions that should be much more done, not with a military American face but a civilian American face. So, I think on specifics as well as on the general needs, it would have a very serious impact on us.

KERRY:

Yes. What about -- I know when you came in initially one of your goals was to expand the language capacity in some of the foreign -- and representation itself. Have you been able to do that? Is this now going to mean we're going backwards from the advances we made?

CLINTON:

Well, we will go backwards in the numbers of personnel that we have. We will go backwards in the talents and the skills that we are training them to have.

You know, one of my goals has been to save money by better integrating state and USAID trainings, so we now have a lot of the AID development experts getting language skills out at the Foreign Service Institute.

We had been woefully under-resourced, and thanks to your support and Senator Lugar's support we were beginning to build up our capacity again. But, it will be very difficult for us to put people where we need them.

And, as you know, we tripled the number of civilians going to Afghanistan. You know, when I got there were about 300 and they had six-month rotations, so they weren't even in the country long enough to figure out what it is they were supposed to do.

We now have about 1,100. They have full-term deployments. They are full partners with the military. You know, we're going -- we're going to have to make cuts all over the place in order to try to meet budgetary restraints, and we're going to lose a lot by doing that.

KERRY:

Now, I want to ask you again sort of -- we touched on it before and you gave a terrific answer and Senator Boxer referred to it, but I want to kind of bear down just for a moment if I can.

You're at a town meeting in -- anywhere in America and somebody says to you, "Well, you know, that's all well and good, senator. It's nice to be able to save the life there, but I've got some people here who need a better school. I've got some people here who, you know, are having hard time putting food on the table," and so forth.

Balance for them what the cost is to them by not doing this, that in fact they're not getting out from under something. And in your role, you have a lot of examples of that, and I think it would be good to share a couple.

CLINTON:

Well, first I would say what you have said in your town halls. The foreign aid diplomacy budget in the United States of America is approximately 1 percent if you'd look at that state and USAID. If you add Treasury, the Peace Corp, the Millennium Challenge Corporation, it's maybe 1.5 percent. So, it's not that 10 percent or 20 percent --.

KERRY:

Raw budget.

CLINTON:

Yes, raw budget. It's not the 10 percent or 20 percent that most Americans think it is. And so let's start with some kind of factual base about what we're talking about, that it is a leverage with our military that cuts of the level that are being discussed would profoundly compromise our national security.

First, half of the state USAID budget increase from the FY 2008 base has funded our military to civilian efforts in Iraq, Afghanistan and Pakistan, which we knew we had to fund if we weren't going to see a deterioration in security in both of those -- in all three of those countries.

In the Middle East, proposed cuts would force us to scale back our help and undercut our influence at the very time when the United States needs to step up and try to influence the course of events in the Middle East.

We would sacrifice economic opportunities for American businesses. We work every day on trying to bring jobs and create economic growth in the United States. We would sacrifice American safety opportunities.

We would no longer have as many councillor officers doing that first line of defense against those requesting visas and making sure that they weren't coming here for bad purposes.

We would be cutting back our peace-keeping efforts. You know, we get a considerable advantage by working with the international community, making our contribution in Darfur, the Congo and elsewhere.

We would weaken our efforts to prevent disease and prevent it from being essentially exported to the United States. We would dramatically cut our efforts to combat climate change, to help lead the world to a clean energy future.

We would cut back really severely on what we were doing for children and women around the world and denying them treatment. We would walk away from our humanitarian aid and food security efforts.

You know, there is something in all of this for nearly everybody. I mean, if you think that America should be standing up for our national security, which I think is our primary priority, we're going to be undermining that.

If you think we should be looking to open up markets and create jobs for Americans, we're going to be undermining that. If you think we have a humanitarian and moral mission in the world, we're going to be walking away from, you know, five million children and family members who we will not treat for malaria.

We're going to be walking away from 3,500 mothers and more than 40,000 children under five who die because they don't get an effective child survival intervention. And we're going to be turning away people from programs, you know, like PEPFAR and HIV/AIDS, or 16 million people will be denied treatment for debilitating tropical diseases.

So, you know, people in America are very generous and we respond to disasters. And we often say, "Why isn't our government doing more on X, Y or Z?" And unfortunately, I think we were making progress in delivering aid and having a diplomatic presence in a more cost-effective way, and we will be undermining a lot of that work.

KERRY:

Well, I'm sorry I caught you unprepared for that today.

CLINTON:

I could go on and on, but the time is running I see.

KERRY:

That was a superb answer, and I'm glad I asked the question and appreciate the answer very, very much.

CLINTON:

Could I add one more thing, because I think this really does go to the heart of it? We will also cut back on -- we'll have 18.8 million fewer polio vaccinations and 26.3 million fewer measles vaccinations.

And yesterday on the news, there was a -- an announcement here in Washington about some visitor from somewhere who had measles. And this person had been seen on this bus, and this person had been seen in this restaurant. So if you were there between the hours of 3 and 5 or you were on the bus between 6 and 7 you need to be checked.

I mean this all comes home. I mean we don't live in a world any longer where we are effectively protected by these two great oceans on each side of us. We are now fully integrated and inter-dependent, and if we don't lead on these issues I don't know what will happen.

KERRY:

I'm not going to ask my -- I had a couple of other questions. I'm going to reserve those for the next hearing. We do want to get a date if we can, Madame Secretary, pinned down for you and Secretary Gates on Afghanistan. We can talk about that maybe afterwards.

CLINTON:

OK.

KERRY:

Are there any other questions? Senator Lugar?

LUGAR:

I don't want to pre-empt the thought the chairmen just mentioned about having a hearing with you and Secretary Gates on Afghanistan, but let me ask this question that our foreign policy in recent times has been characterized by the fact if we were attacked by al-Qaeda and therefore we responded by going to Afghanistan, President Bush, either because there was a belief that Iraq had nuclear weapons or even if they didn't that we really needed to have a nation-building exercise in Iraq so there would be a state in the Middle East that shared our values, that might influence the others.

We then came back much more strongly in Afghanistan because, al-Qaeda or not, the instability of the country was apparent from the Taliban and problems across the board in Pakistan invited our attention.

Now President Obama, and when he met with congressional leaders after he came into office, indicated we would be leaving Iraq at about the timetable that appears to be the case.

And at the same time then later on, a year or so, and I'm sure you were engaged in this frequently, he had meetings with the congressional leaders in which he talked about a time of departure from Afghanistan in 2011, middle of was mentioned.

It was a great pushback from many people who said you were simply signalling the enemy that you were going to leave; this is totally unacceptable. I wouldn't say the president changed his mind but on the other hand he said, "Well, this is sort of the beginning of the process." And then bit by bit with European discussion, we got under the 2014 situation.

Now at some point, there appeared to be a promise of some type of evaluation by Secretary Gates, by yourself, by the president, by maybe all of you, of really what is the course of activity in Afghanistan and where are we headed, even given the fact that we have the troops there now.

Anecdotally, press accounts province by province are not very promising on some occasions. On other times, there's testimony by our military officers that they've made a great deal of headway.

Members of congress and Senator Corker has just been there, he can speak for himself, but other returning I find very disturbing their conversation with President Karzai about what his course of action is and what he's about, quite apart from others in the country.

So in short, there is an unease as to where and how long and in the midst of this than all of the rest of what's occurring in the Middle East comes along, quite apart from our problems with Iran, North Korea and the rest.

What I think we need, at least in this committee or in the -- is some sort of summary judgments or conferences from time to time as opposed to there being a sense of either drift or the inability really to take decisive action simply because the losses to our own military, the losses with regard to our budget and so forth are horrendous.

So it does lead, as you point out, to the type of problem we have with this hearing this morning. Here, the State Department budget is being compressed some more. That trend has been evident in this committee for at least a decade, if not longer.

The thought was that the diplomats just simply don't get it, but you need hard military force. And this is where you put you money, and there are other things that might be done in a humanitarian way.

But, the thought that Secretary Gates expressed, that there are many things the State Department should be doing better, is almost trying to push money out the door and we've been appropriating of that office to get over here, and that really needs to be discussed very candidly.

We're not going to be able to resolve all these problems this morning, but I would just simply say that I just sense of a drift, with regards to the Afghanistan situation, with regard to Pakistan. I don't know what'll happen in Iraq, but I would see, even after all of our nation building, the few polls and others of Iraqi people indicate a very great degree of unhappiness with the United States.

On the one hand, the leaders are afraid we will leave and a good number of people say you'd better get out. We're tired of you.

And the American people say, after all we have put into this, we built your country, we try to do the infrastructure and on and on and on.

This is just not working well.

So I throw this out, maybe, for our next time together, either in a public conference or in private meetings. Because I think there's basic issues.

Absent that, I think we're going to have some very strange votes in the Senate and in the House.

And they would be reflected, sometimes, in budget items, simply because people don't know where to strike and make their voices heard as opposed to a rational discussion, where the country's going and where we've been.

CLINTON:

Senator, I really appreciate your putting into words what I think are the concerns and feelings of many in this body and even outside. And I do think we need both the hearings that Chairman Kerry has referred to and maybe some private discussions.

But very briefly, let me say that the strategy that President Obama adopted, after very serious consideration, and I can guarantee you that when he came into office, the last thing in the world he wanted was to be faced with having to increase our military and civilian resources and assets in Afghanistan. But he concluded, and I agreed with that conclusion, that we were in a never -- kind of a never-never land.

We were not succeeding. We were not failing. We were just marking time.

And it was not a good position to find the United States of America in.

And as a result, the president made what I think were very difficult choices and then had to make some additional difficult choices removing commanders and saying very clearly to our allies, who had the same kinds of concerns that you're expressing.

Where are we today?

Well, I do believe that the military inputs are right. The civilian inputs are far closer to right than they were. We not only believe that ourselves, but we have convinced our NATO allies, who have also very questioning publics, to put in a lot more troops and a lot more civilian assets. We now have a total of 150,000 troops, 100,000 Americans, 50,000 NATO ISAF.

We have convinced 13 Muslim majority countries to participate because they now see this more in line with their interests than they ever did before.

That is not, in any way, to discount the difficulty of the road ahead. Because there is no doubt that it is.

But we are in a much better position to achieve our goal of transitioning out by the end of 2014 with some confidence that we're going to be leaving behind has got a fighting chance for success.

Now you reference Iraq and certainly no point in going back and reliving the history of how we got there and what we did, but as American troops withdraw, you don't see Americans fighting over it. There is a recognition and an acceptance that we've done whatever we could do, at great cost in life and treasure.

We are leaving. We're leaving them a fighting chance for a democratic future, which is not bred in the bone at all, but what they're going to have to figure out how to do.

The significance of having a Shiite majority country that is trying to be a democracy, trying to balance the Suni, the Kurd and the other interests, is being looked at and followed very closely.

So I think in Afghanistan, we want to position ourselves to be in a similar place in the next three years.

I'm well aware of all the pressures, the budgetary pressures, the public questioning, just as I lived through what we did in Iraq. And I'm well aware of how difficult, in many ways that was.

So I think your cautions, your questions are incredibly timely and we'll do our best to try to answer them.

LUGAR:

Thank you.

KERRY:

Thank you, Senator Lugar.

Senator Corker?

CORKER:

Mr. Chairman, and thanks for your patience, also to you, Madam Secretary.

I just want to add on a little bit more to what Senator Lugar was talking about in the earlier round of questioning.

I -- it feels, we went into Afghanistan early on, probably, with not enough troops, things happened. I agree with your assessment that when the president came in, we were in a place that was sort of twixt and twoh (ph). I agree with that.

And as I mentioned earlier, certainly in support this fighting season, with all the resources in our place.

Here's what I'm concerned about though. The -- I don't think that we have articulated yet and pressured down the things we're going to need to pressure down, regardless of whether they had budgetary constraints or not. We've been there a long time. And we have to deal with the partners we have, none of them are ever perfect. Let's face it, the president there is a great politician and plays both sides against the middle and that's what he's doing right now.

We all understand that and understand, by the way, why he does that.

But I do think, I just want to -- we have got to put downward pressure on our effort.

I think we have mission creep. We went from a place of not knowing exactly what we were going to do to all of the sudden this overpowering effort on both sides. Again, I understand why. But I -- that downward trajectory on the building side, the development side, to me, has to accompany the troop withdrawal process too. And I think we need to be honest with ourselves about the budgetary support that's going to be necessary just to maintain their security forces.

I mean, they couldn't pay one seventh of their security forces, their own, with their own budget. So I do hope we'll have some hearings and we'll talk about that more clearly.

I'll just emphasize one other, Pakistan, in order to maintain appropriate relations I will not publicly articulate my feelings after meeting with leadership there.

CLINTON:

Thank you, Senator.

CORKER:

But it has to be --.

KERRY:

Well said, Senator. I think we can move on from that.

CORKER:

That is the most disheartening place in the world to be when you're talking about the type of relationship we have. And these, again, are editorial comments.

I understand that we wanted to show that we were partners, that our relationship was not transactional.

But it is kind of transactional.

And in every place, Kandahar, Helmand Province, Kabul, every place that we meet with our military, they're fighting criminality. They're really, they're fighting criminality in Afghanistan.

You go to a prison there, we have 80 people there that are probably zealots, and the rest of the 1,500 folks there were just criminals.

And so our forces, this huge footprint that we have is basically fighting criminality in Afghanistan because all of the command and control is taking place in Pakistan.

And it's just -- it -- you want to pull your hair out. They want to pull their hair out. And I know they're watching to see what kind of success we're going to have, I understand that, but there's been some discussions about additional funding to Pakistan. And I understand the country is a mess in many ways, regardless of our relationships, I just want to tell you as one senator, I supported the Kerry-Lugar efforts and I thank the two leaders for taking -- making the strides they did.

I will be very, very slow because of the -- it is transactional and our side of the transaction is the only side that, to me, is being fulfilled.

I think that in many ways, we get played like a piece of music sometimes. Bad actors end up getting, not that the leadership is, bad action, let me put it that way, end up getting more U.S. money.

And I just want to say, again, I think in private conversations in other places, I hope we'll talk a little bit more about this situation and be very, very slow to talk about additional funding until we see a different behavior pattern.

And I know we've created our own problems, with -- we've got a decade of generals coming behind Kiyani that don't have relationships with America. The unintended consequences of previous legislation has left us with a major problem there. I understand. And I'm not criticizing you. I'm just saying it is hugely disheartening to see what we're doing in Afghanistan taking place, knowing that the center of all of it is really in Pakistan and there's no real effort to deal with it on their part.

CLINTON:

I look forward to our discussions, both in the hearing setting and privately and I very much appreciate the seriousness of the comments that you've made, Senator.

KERRY:

First (ph), Secretary, thank you.

Senator, let me just say, very quickly, that I also appreciate the seriousness of the comments. And as the secretary knows, we're engaged in a lot of that conversation right now, with the folks in Pakistan.

I do think, in fairness, and the secretary alluded to this earlier, they have also made a lot of choices that one didn't expect and the IMF and other things have forced some very difficult political decisions.

They have raised prices and they've done a lot of other things in terms of their economy that create problems for them internally.

They've done it without a huge amount of assistance because the Kerry-Lugar money only really began to flow in this last year.

They have put 147,000 troops in the western part of their country and taken a lot of casualties, which nobody fully thought would necessarily happen.

So there's a balance here. And it is a very complicated place with some extraordinary downsides to some of the options.

So I think we do have to have a very serious conversation about the choices that we face with respect to it and I look forward to having those with you. I know you always approach this very seriously and listen carefully and work at it hard. So I think we could all do this in a very thoughtful way.

But your message is an important one today and I'm confident the secretary welcomes it, as I do, in terms of what we're trying to work through here.

That said, Madam Secretary, if we could spend a minute, maybe back after here, and we appreciate, again, let me say publicly, I think you've done a superb job today and certainly made it clear to the Senate what is at stake here and we're going to have an interesting budget debate. And you've helped us to frame that. So I thank you very much.

CLINTON:

Thank you very much.

KERRY:

With that, we stand adjourned.