

U.S. Senate Committee on Foreign Relations
Senator Richard G. Lugar
Opening Statement for
Confirmation Hearing of Senator Hillary Clinton to be Secretary of State
January 13, 2009

It is a pleasure to welcome Senator Clinton to the Foreign Relations Committee. Those of us who have served with her during the past eight years can attest to her impressive skills, her compassion, and her collegiality. I have enjoyed the opportunity to work with her in the Senate, and I look forward to the prospect of much more frequent collaboration when she is Secretary of State.

I also want to congratulate Senator Kerry on assuming the chairmanship of our Committee. My first hearing as Chairman of this Committee in 1985 was one of the proudest moments of my career, and I am sure Senator Kerry is feeling the gravity of this historic occasion. I want to thank him and his staff for their graciousness during the last several weeks. It has been a pleasure to work with them, and I look forward to all that we can achieve together under Senator Kerry's Chairmanship.

I have frequently said that the foremost criteria for selecting a national security cabinet official should be whether the nominee is a "big-leaguer" who has achieved extraordinary accomplishments, is well known to the world, understands both process and policy, and can command global respect. In Senator Clinton, President-Elect Obama has boldly chosen the epitome of a big-leaguer. Her qualifications for this post are remarkable. Her presence at the helm of the State Department could open unique opportunities for U.S. diplomacy and could bolster efforts to improve foreign attitudes toward the United States. She has longstanding relationships with many world leaders that could be put to great use in the service of our country. Her time in the Senate has given her a deep understanding of how U.S. foreign policy can be enriched by establishing a closer relationship between the Executive and Legislative Branches. She is fully prepared to engage the world on a myriad of issues that urgently require attention.

During the last six years, this Committee has held more hearings than any other Committee in the Senate, as we have tried to come to grips with issues involving Iraq, Afghanistan, Iran, North Korea, Russia, the Middle East peace process, Africa, the Western Hemisphere, the NATO alliance, non-proliferation, foreign assistance reform, the State Department budget, and numerous other priorities. All of these challenges will continue to occupy Senator Clinton as Secretary of State. I would highlight several other points to which I hope the Secretary will give very high priority in addition to ongoing crises that will press for her attention.

First, it is vital that the START Treaty with Russia be renewed. When the Senate gave its consent to ratification to the Moscow Treaty in 2002, it did so knowing that the U.S. could rely on the START Treaty's verification regime. It provides important assurances to both sides. At the time, this Committee was assured that extension of START was a very high priority. Unfortunately, little progress has been made and it will expire in eleven months. In other words, the conceptual underpinning of our strategic relationship with Russia depends upon something that is about to expire. Such an outcome will be seen as weakening the international nonproliferation regime.

Second, energy security must be given a much higher priority in our diplomacy. Earlier this month Russian Prime Minister Vladimir Putin ordered a cut-off in natural gas supplies that struck allies across Europe. This dispute is only the most recent example of how energy vulnerability constrains our foreign policy options around the world, limiting effectiveness in some cases and forcing our hand in others. I look forward to supporting President-Elect Obama in taking the necessary steps to dramatically reduce our domestic dependence on oil. Yet domestic reform alone will not be sufficient to meet the global threats to our national security, economic health, and climate. In my judgment, energy security

must be at the top of our agenda with nearly every country. Progress will require personal engagement by the Secretary of State.

Third, eradicating global hunger must be embraced as both a humanitarian and national security imperative. Precipitous food price increases that occurred in 2007 and 2008 created havoc in many parts of the world, causing riots in some 19 countries, and plunging an additional 75 million people into poverty and increased vulnerability to malnourishment. Nearly 1 billion people are presently food insecure. It is predicted that the world's population will grow to such an extent that by 2050, current food production will need to double in order to meet demand. There is no reason why people should be hungry when we have the knowledge, technology, and resources to make everyone food secure. The United States is uniquely situated to help the world feed itself, and has the opportunity to recast its image by making the eradication of hunger a centerpiece of U.S. foreign policy.

With all these issues in mind, it is especially important that we move forward with Senator Clinton's nomination. President-Elect Obama has expressed his confidence in her, and he deserves to have his Secretary of State in place at the earliest opportunity.

The main issue related to Senator Clinton's nomination that has occupied the Committee has been a review of how her service as Secretary of State can be reconciled with the sweeping global activities of President Bill Clinton and the Clinton Foundation. To this end, the Obama Transition and the Clinton Foundation completed a Memorandum of Understanding outlining steps designed to minimize potential conflicts of interest.

I share the President-Elect's view that the activities of the Clinton Foundation and President Clinton himself should not be a barrier to Senator Clinton's service. But I also share the view, implicitly recognized by the Memorandum of Understanding, that the work of the Clinton Foundation is a unique complication that will have to be managed with great care and transparency.

The core of the problem is that foreign governments and entities may perceive the Clinton Foundation as a means to gain favor with the Secretary of State. Although neither Senator Clinton, nor President Clinton has a personal financial stake in the Foundation, obviously its work benefits their legacy and their public service priorities. There is nothing wrong with this, and President Clinton is deservedly proud of the Clinton Foundation's good work in addressing HIV/AIDs, global poverty, climate change and other pressing problems.

But the Clinton Foundation exists as a temptation for any foreign entity or government that believes it could curry favor through a donation. It also sets up potential perception problems with any action taken by the Secretary of State in relation to foreign givers or their countries. The nature of the Secretary of State post makes recusal from specific policy decisions almost impossible, since even localized U.S. foreign policy activities can ripple across countries and continents. Every new foreign donation that is accepted by the Foundation comes with the risk that it will be connected in the global media to a proximate State Department policy or decision. Foreign perceptions are incredibly important to U.S. foreign policy, and mistaken impressions or suspicions can deeply effect the actions of foreign governments toward the United States. Moreover, we do not want our own government's deliberations distracted by avoidable controversies played out in the media. The bottom line is that even well intentioned foreign donations carry risks for U.S. foreign policy.

The only certain way to eliminate this risk going forward is for the Clinton Foundation to forswear new foreign contributions when Senator Clinton becomes Secretary of State. I recommend this straightforward approach as the course most likely to avoid pitfalls that could disrupt U.S. foreign policy or inhibit Senator Clinton's own activities as Secretary of State.

Alternatively, the Clinton Foundation and the Obama Transition have worked in good faith to construct a more complex approach based on disclosure and ethics reviews that will allow the Foundation the prospect of continuing to accept foreign donations deemed not to have the appearance of a conflict of interest. The agreement requires, among other measures, the disclosure of all Foundation donors up to this point, an annual disclosure of donations going forward, and a State Department ethics review process that would evaluate proposed donations from foreign governments and government entities.

All of these are positive steps. But we should be clear that this agreement is a beginning, not an end. It is not a guarantee against conflict of interest or its appearance. For the agreement to succeed, the parties must make the integrity of U.S. foreign policy their first principle of implementation. For this reason, the requirements for transparency in the MoU should be considered a minimum standard.

I am hopeful that the Clinton Foundation and the Obama Administration will go further to ensure that the vital business of U.S. foreign policy upon which the security of our country rests, is not encumbered by perceptions arising from donations to the Foundation. If there is the slightest doubt about the appearance that a donation might create, the Foundation should not take it. If there are issues about how a donation should be disclosed, the issues should be resolved by disclosing the donation sooner and with as much specificity as possible. Operational inconveniences for the Foundation or a reduction in some types of donations that have been accepted in the past are small prices to pay when balanced against the serious business of U.S. foreign policy that affects the security of every American.

With this in mind, I have suggested several additional transparency measures that could be embraced by the Clinton Foundation and the Obama Administration going forward. Because time is limited, I will not discuss each one now, but I have provided a background sheet [Attachment A] that outlines these measures. My understanding is that the Clinton Foundation has already accepted the fourth item listed. The willingness of all parties to voluntarily implement these additions would strengthen the commitment to transparency and at least partially mitigate the risks inherent in foreign contributions.

I believe that every member of this Committee will seek ways to support Senator Clinton's work as Secretary of State. I am certain that every member wants her to succeed. We have the opportunity through the leadership of President-Elect Obama and Senator Clinton to establish a new foreign policy path that will greatly benefit the security and prosperity of the United States. I look forward to our discussion with our esteemed colleague today and applaud her willingness to take on the role of Secretary of State at a very difficult moment in history.

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Attachment A to Opening Statement of Senator Richard G. Lugar

1. All donations of \$50,000 or more in a given year from any source (foreign or domestic) should be disclosed immediately upon receipt, rather than waiting up to twelve months to list them in the annual disclosure. Multiple gifts of less than \$50,000 should be disclosed at the time they collectively exceed \$50,000 in a given calendar year.

There is no appreciable administrative burden in having a staffer post these notable donations on the website at the time they are received. According to the Clinton Foundation website, 499 donors have given \$50,000 or more during the entire period since the Foundation's inception in 1997 – an average of less than one a week. They could be posted as part of the normal routine of processing a large donation. The transparency benefits of this simple step would be significant, and it would strengthen the Foundation's commitment to protecting the integrity of U.S. foreign policy activities.

2. Pledges from foreign entities to donate more than \$50,000 in the future should be disclosed both at the time the pledge is made and when the donation eventually occurs.

This is likely to involve a very small number of cases, but it would mitigate the risk that large donors might seek to circumvent disclosure by promising donations in future years, including years beyond Senator Clinton's service at the State Department, when no disclosure would be required.

3. Gifts of \$50,000 or more to the Clinton Foundation from any foreign source, including individuals, should be submitted to the State Department designated agency ethics official for the same ethics review that will be applied to donations from foreign governments and government controlled entities.

The MoU only commits the Foundation to submit gifts from foreign governments and government controlled entities for State Department ethics review. In many foreign countries, the line between the government and private citizens is blurred. Individuals with close connections to governments or governing families often act as surrogates for those governments. Consequently, contributions from foreign governments or government controlled companies are not the only foreign contributions that could raise serious conflict of interest issues. For example, conflicts of interest could arise from a donation from a Gazprom executive or a member of the Saudi Royal family as easily as from the governments of Russia and Saudi Arabia. All large foreign donations should be vetted by the State Department to discover any connections between the giver and a foreign government or other potential conflicts of interest.

4. The annual disclosure requirement in the MoU does not specify the format of the disclosure. The Foundation should clarify that it will annually disclose a distinct list of the donors and corresponding donation amounts (or the amounts within a dollar range) for that year.

It is important that each annual disclosure provides a distinct picture of donations for the previous year. Other formats might not satisfy the spirit of the annual disclosure requirement. For example, merely updating the original donor list released in December 2008 would not achieve transparency, because even a large donation might not push some previous donors into the next highest dollar range. To illustrate, a past donor who has given \$5 million and has been disclosed in the December 2008 disclosure within the \$5 to \$10 million range, could give almost \$5 million more without altering where their name appears.