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ASSESSING U.S. FOREIGN POLICY PRIORITIES AND NEEDS AMIDST ECONOMIC CHALLENGES IN THE MIDDLE EAST

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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ASSESSING U.S. FOREIGN POLICY PRIORITIES AND NEEDS AMIDST ECONOMIC CHALLENGES IN THE MIDDLE EAST

THURSDAY, MARCH 10, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE MIDDLE EAST
AND SOUTH ASIA,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 o'clock p.m., in room 2172, Rayburn House Office Building, Hon. Steve Chabot (chairman of the subcommittee) presiding.

Mr. CHABOT. The committee will come to order.

Good afternoon. I want to welcome all my colleagues, new and old, to the first hearing of the Subcommittee on the Middle East and South Asia.

I guess I am both a new and old member of the subcommittee, having served for a number of years under Chairmen Gilman and Ros-Lehtinen and Ackerman. And after a temporary interruption in service—I like to call it my 2-year involuntary sabbatical—I am back.

And I want to acknowledge my friend from New York, the distinguished ranking member, Mr. Ackerman. I have enjoyed working with him over the years and look forward to working closely with him in the next couple of years and hopefully longer.

I also want to acknowledge the vice chairman of the subcommittee, my friend from Indiana, Mr. Pence. I look forward to working with him, as well.

And, finally, I would like to welcome our freshman members, who will hopefully be here soon: Mr. Marino, Ms. Buerkle, Ms. Ellmers, and Mr. Keating. I hope that they enjoy serving on the subcommittee.

And I would expect that this subcommittee will continue to work in a bipartisan manner as often as possible. We will certainly disagree on issues from time to time, but we will also find many areas, I am certain, where we can work together. I can assure you that I will try to operate the subcommittee in a collegial manner. And I know Mr. Ackerman, Chairman Ackerman at the time, did that at the time over the years.

And this hearing was called with the intention of following up on Secretary of State Clinton's testimony that the full committee heard last week, but with an exclusive focus on the Middle East. This will give members the opportunity to ask more specific ques-

tions, both about the Fiscal Year 2012 proposed budget as well as broader U.S. strategy throughout the region.

The regional shifts happening right now in the Middle East place the United States and our allies at a precipice in history. The entire strategic framework that the United States regional posture has been based on for decades is rapidly transforming. The precise new composition of the region remains uncertain. At a minimum, it will be shifting from autocracies of varying degrees to political diversity.

At this critical juncture, the administration must seize the initiative to cement new partnerships and secure enduring U.S. strategic interests, such as countering terrorism, securing energy supplies for global markets, countering proliferation, moving forward on the Israeli-Palestinian peace process, and guarding against the threats posed by Iran and Syria. These objectives can only be achieved by helping to establish the foundations and principles for a new strategic order in the region.

For decades, the United States has been criticized throughout the Middle East for what was perceived to be an unprincipled foreign policy. Today, we have the opportunity to prove wrong those who hold this belief. But that can only be achieved with action. We must not miss this opportunity.

It is safe to say that there are many learning opportunities to be had. It is particularly thought-provoking to consider the reforms President Obama called for in his Cairo speech. Many of the measures laid out in the speech resonated with citizens throughout the region.

Unfortunately, many of those measures were never implemented. What, if over the past few years, we had more effectively lobbied our allies in the region, many of whom are large aid recipients, to implement political reforms? Could we have had liberalization without the violence and bloodshed that we see now?

No one can know the answers to those questions for sure, but they highlight one undeniable truth: Money is no substitute for effective diplomacy.

I think we can look at the Middle East today with cautious optimism. We can certainly be inspired by the brave actions taken by pro-democracy activists who seek merely to have the same fundamental human rights that are the birthright of every individual on Earth. We know now that the claims of many in the past that the Middle East is somehow not ready for democracy are fundamentally false. We are reminded that the rights to life, liberty, and the pursuit of happiness do not stop at the water's edge.

With this in mind, I think we can look to the future with hope—hope that we see emerge in this region true representative government, a government that embodies key principles of a democratic society, such as the right to vote and the right to free expression, and that these principles are applied fairly across ethnic and religious lines.

At the same time, we have to be concerned that the efforts of so many may be hijacked by extremists who seek to use the institutions of democracy to rise to power, only to abolish that very system. Although it is the right of the people of the Middle East ulti-

mately to self-determine their own fate, we should be ready to assist them in their effort.

As I mentioned earlier, although the circumstances in the region are changing, our core interests are not. And our mission is, without a doubt, daunting. The budget that this Congress is considering is the means of meeting these challenges.

To that end, we will hear today from Ambassador Feltman and Mr. Laudato on what those plans are and how the budget allocations they have requested will enable them to achieve them. I want to thank them both for taking the time to meet with us today.

And I would now recognize the ranking member, Mr. Ackerman, for his opening statement. The gentleman is recognized.

[The prepared statement of Mr. Chabot follows:]

Opening Statement
The Honorable Steve Chabot, Chairman
Subcommittee on the Middle East and South Asia

"Assessing U.S. Foreign Policy Priorities and Needs
Amidst Economic Challenges in the Middle East"
March 10, 2011

Good afternoon. I want to welcome all of my colleagues—new and old—to the first hearing of the Subcommittee on the Middle East and South Asia. I guess I am both a new and an old Member of the subcommittee having served for a number of years under Chairmen Gilman, Ros-Lehtinen and Ackerman. And after a temporary interruption in service, I have returned.

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And finally, I'd like to welcome our freshman Members—Mr. Marino, Ms. Buerkle, Ms. Ellmers, and Mr. Keating. I hope you enjoy serving on the Subcommittee. I would expect that this Subcommittee will continue to work in a bipartisan manner as often as possible. We will certainly disagree on issues from time to time but we will also find many areas, I'm certain, where we can work together. I can assure you I'll try to operate the Subcommittee in a collegial manner.

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It is safe to say that there are many learning opportunities to be had. It is particularly thought-provoking to consider the reforms President Obama called for in his Cairo speech. Many of the measures laid out in the speech resonated with citizens throughout the region. Unfortunately many of those measures were never implemented. What if over the past two years we had more effectively lobbied our allies in the region—many of whom are large aid recipients—to implement political reforms? Could we have had liberalization without the violence and bloodshed that we see now? No one can answer these questions, but they highlight one undeniable truth: Money is no substitute for effective diplomacy.

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With this in mind I think we can look to the future with hope—hope that we see emerge in this region true representative government that embodies key principles of a democratic society, such as the right to vote and the right to free expression, and that these principles are applied fairly across ethnic and religious lines. At the same time, we have to be concerned that the efforts of so many may be hijacked by extremists who seek to use the institutions of democracy to rise to power only to abolish that very system. Although it is the right of the people of the Middle East ultimately to self-determine their own fate, we should be ready to assist them in their effort.

As I mentioned earlier, although the circumstances in the region are changing, our core interests are not and our mission is without a doubt daunting. The budget that this Congress is considering is the means of meeting these challenges. To that end we will hear today from Ambassador Feltman and Mr. Laudato on what those plans are and how the budget allocations they've requested will enable them to achieve them. I want to thank them both for taking the time to meet with us today. I now recognize the Ranking Member, Mr. Ackerman, for his opening statement. The gentleman is recognized.

Mr. ACKERMAN. Thank you very much, Mr. Chairman.

Let me first congratulate you on this, your first day and first hearing——

Mr. CHABOT. Thank you.

Mr. ACKERMAN [continuing]. Of this subcommittee in this Congress, and tell you that we look forward to working with you in a nonpartisan fashion in the interest of our country. We see many issues eye-to-eye, and you and I have gotten along famously in previous Congresses. And I look forward to that continuing, despite the fact that you are in the chair.

Mr. CHABOT. Thank you.

Mr. ACKERMAN. Mr. Chairman, although there is a lot of ground to cover in this hearing, focusing on the Middle East as a whole, I would like to focus chiefly on Egypt. First of all, I think what happens in Egypt is absolutely critical and may determine the future of the entire region; and, second, because, to my deep regret, the Obama administration now appears to be on the verge of a colossal and inexcusable failure to seize this critical moment.

So, you have a close friend. She has been very reliable and helpful to you, and she is very important in the neighborhood. After a 30-year marriage, she finally throws her good-for-nothing husband out of the house. As you well know, he continuously beat her, abused their children, and frittered away their scarce resources.

Now, imagine, a few days after pushing the old man out, your helpful and reliable friend calls you and asks you for help. And in response to your good, reliable, and helpful friend, you jam your hands into your pockets, pull out a stick of gum and a used ChapStick and 150 bucks, and say, "Don't spend it all at once."

And as you walk away, you add, "Do you remember the three grand you guys borrowed so you could feed your kids? Well, make sure you get me about 300 bucks back this year. I am having a tough time, too."

I think we would consider someone who responded that way to be a rather sorry excuse for a human being, much less a friend. But this is almost exactly what the Obama administration is doing. And it is worse than a sin; it is a mistake. We will not get another chance to help Egypt in this critical and formative moment in its history.

And let's be clear about the scale: If things go bad in Egypt, the consequences for the Middle East and for the United States will make the Islamic revolution in Iran look like an episode of Sesame Street.

What has to be borne in mind is that this revolution in Egypt is shaped like a hurricane, and right now we are in the eye of the storm. Things seem kind of quiet. In reality, the back end of the storm is coming. And in a few short months, when expectations come crashing into reality, the great mass of Egyptians are going to discover that they are still impoverished with yet-unfulfilled dreams, and they are going to take to the streets again.

And this time they won't just be asking for democracy and their God-given rights. The vanguard of this second revolution won't be bright-eyed, secular, Twittering youngsters. It will be the Muslim Brotherhood, who are shrewdly hanging back right now and waiting for Egypt's neo-nascent democratic experiment to arrive stillborn.

But instead of moving aggressively to lift a $3 billion burden off of Egypt's back, a debt that will cost them roughly $315 million this year and for many years to come, the administration has proposed reprogramming $150 billion so that USAID aid could support "nongovernment organizations supporting the Egyptian-led economic and citizen-led transition effort"—in other words, exactly the same kind of inconsequential programs that USAID has been doing for the past several decades. It is a big box with the same old mush and a great big "new and improved" sticker slapped on it, the same great mush, now even more feckless.

USAID has proposed spending 75 million bucks on three new economic growth programs that will include "secular-based dialogues for local businesses to encourage local, regional, national, and international trade expansion; and improving the skills and access to finance of entrepreneurs, enterprises, and businessowners." This bureaucratic mumbo-jumbo sounds to me like a bunch of seminars in a Holiday Inn. It is the commercial, "I am not really a global power, but I did stay last night at a Holiday Inn."

Egypt has 80 million people and a $500 billion economy. USAID is proposing a bottle of aspirin for a man who needs a heart transplant. Debt relief, by comparison, is big, is fast, is meaningful, and it leverages America's standing as a global leader and a diplomatic

powerhouse. American support for debt relief could help encourage European support for debt relief, something the Egyptians are already seeking, to the tune from the Europeans of some $9 billion. The Egyptian Government's total foreign debt is roughly $30 billion.

Instead of us playing small ball at the Holiday Inn, leading a global effort to eliminate the debt accrued by Mubarak's Egypt would show real commitment and real friendship. Debt relief could help leverage Egyptian reform efforts and be done before the back of the hurricane hits, without the bureaucratic delay and parasitic contractors that so regularly plague even USAID's debt efforts. Debt relief requires no new outlays from the U.S. Treasury. And, best of all, debt relief empowers Egyptians to chart a new course for their country on their own terms, which was the point of their revolution in the first place.

I am told that both Treasury Secretary Geithner and Under Secretary of State Burns have been talking down American debt relief for Egypt. I have a lot of respect for each of these men, but if, in fact, they are pushing debt relief off the table, I think they are making an incredibly shortsighted and potentially catastrophic error.

And, finally, a quick word each about Lebanon and Syria. I have said before that our assistance to Lebanon needs to be put on hold until the new government takes shape and demonstrates that it intends to pursue the interests of Lebanon—not Iran, not Syria, and not Hezbollah. The burden rests with the next Lebanese Government. If terrorists put you in power, you have to show, not simply declare, that you are independent from them.

And regarding Syria, I have one simple question: Is our policy "passive consistency" or "consistent passivity"? Or don't we have any Syria policy at all? I am glad Ambassador Ford is in Damascus. I just wish he was doing more than conveying the usual feckless message to the Syrians and reporting their contempt back to Washington.

I thank you, Mr. Chairman, and I look forward to hearing from our two very distinguished witnesses.

Mr. CHABOT. Thank you very much, Mr. Ackerman.

Any other folks want to say anything particularly pressing?

Okay. We will go ahead and introduce our panel here, our very distinguished panel here this afternoon.

We will start with Ambassador Jeffrey Feltman. Ambassador Feltman was sworn in as Assistant Secretary of State for Near Eastern affairs on August 18, 2009. He is a career member of the Foreign Service since 1986. Ambassador Feltman served as Principal Deputy Assistant Secretary in the Bureau of Near Eastern Affairs from February 2008 to his present assignment, serving concurrently as Acting Assistant Secretary of State for the Bureau since December 2008.

From July 2004 to January 2008, Ambassador Feltman served as U.S. Ambassador to the Republic of Lebanon. Prior to his assignment in Lebanon, he headed the Coalition Provisional Authority's office in the Irbil province of Iraq, serving simultaneously as deputy regional coordinator for the CPA's northern area.

And it goes on and on. It is a very long and distinguished bio. But rather than continue with that, I am going to go over to Mr. Laudato's here quickly, and then we will hear your testimony.

George Laudato leads the Middle Eastern Bureau as the Administrator's Special Assistant for the Middle East at the U.S. Agency for International Development (USAID). He has more than 45 years of experience in international program development and management in the private and public sectors in Asia and the Middle East, Latin America, and Central Europe.

And this one goes on and on, as well. But rather than take the time to do that, since we really want to get to your testimony here this afternoon, we will go right to the testimony now. And members then can follow up with questions.

We will begin with you, Ambassador Feltman.

And each of you has 5 minutes, by the way.

STATEMENT OF THE HONORABLE JEFFREY D. FELTMAN, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador FELTMAN. Mr. Chairman, Ranking Member Ackerman, distinguished members of the committee, thank you very much for inviting me and for inviting George Laudato to testify before you in your first hearing in the new session. So thank you very much.

We look forward to testifying regarding our Nation's foreign policy priorities in the Middle East at this critical time, as both you and the ranking member mentioned.

Transitions in Egypt and Tunisia, the tragic violence unfolding in Libya, and unrest in Yemen and elsewhere are indicative of larger forces at work across the region, including unprecedented mass movements calling for democratic change.

Notably, the genesis of these momentous events has not been anti-American or anti-Israeli or anti-Western. Rather, they are inspired by domestic grievances and legitimate aspirations for certain rights and opportunities that we, as Americans, have long recognized as universal.

The outcomes of the political changes under way in the region are still taking shape. While these changes are different in each country of the region, they are playing out against a backdrop of shared challenges. Daunting demographic, political, economic, and environmental challenges compound each other.

And we know a strong and strategic response will be required from the United States if we are to adequately protect our interests, promote our values, and advance our security in this crucial region.

We have much at stake. Successful democratic reforms in the Middle East would lay the groundwork for a more sustainable regional foundation. Peaceful changes that answer people's legitimate aspirations and respect their rights would give the lie to al Qaeda and all of those who claim that violence and extremism are the only means for achieving results.

We are seeking to act as partners, to governments as well as peoples and civil society, to help counter acute threats, to resolve conflicts, and to build the stronger democratic foundation that will en-

able our friends to meet the challenges and seize the opportunities they face.

This is the road to long-term stability and broad-based economic opportunity—ingredients that are essential to make the region more secure and more friendly to American interests. And it is the work that the State Department, USAID, and our interagency colleagues are engaging in every day, working to help shape events and address contingencies that could have a critical impact on our national security.

It is worth noting that the price tag of these diplomatic and development efforts is far smaller than if we were forced to defend our interests through military force.

We stand for a set of core principles. We strongly condemn any violence directed against peaceful citizens. Governments must respond to their people peacefully through engagement and meaningful reforms. And we stand for the rights of all men and women, regardless of age or minority status.

As you well know, the United States has other important core interests in this region in addition to promoting democracy and human rights: Halting Iran's illicit nuclear activities; ensuring lasting security for Israel; achieving a comprehensive peace between Israel and its neighbors based on a two-state solution; supporting a sovereign, stable, and self-reliant Iraq; countering terrorist groups; and maintaining open energy, trade, and communications flows. These all have significant effects on our interests today and into the future.

U.S. foreign assistance is applied toward advancing our national interest, to strengthening our friends and allies, and to helping to build the capacity and will to tackle shared problems. Approximately 85 percent of our fiscal 2012 foreign assistance request consists of bilateral assistance to critical partners in Israel, Egypt, and Jordan, as well as to the Palestinians.

The more than $3 billion provided to Israel is the largest sum and, in tandem with our policy of guaranteeing Israel's qualitative military edge, ensures that Israel is able to meet any combination of threats it might face.

Our assistance to Egypt was invaluable in maintaining our relationship with Egypt's military and civil society during the recent events there. And these relationships will remain critical in helping Egypt remain on a positive trajectory as Egyptians seek to consolidate their historic gains and implement essential democratic reforms.

In this tight fiscal environment, we are mindful we need to make sure that every foreign assistance dollar is well-spent in service of our national interest.

I look toward to discussing with you some of the specific issues that I address more fully in my written testimony, and I look forward to your questions.

[The prepared statement of Ambassador Feltman follows:]

TESTIMONY OF
ASSISTANT SECRETARY OF STATE JEFFREY D. FELTMAN
HOUSE FOREIGN AFFAIRS COMMITTEE
MIDDLE EAST AND SOUTH ASIA SUBCOMMITTEE
"ASSESSING U.S. FOREIGN POLICY PRIORITIES AND NEEDS IN THE MIDDLE EAST AMIDST ECONOMIC CHALLENGES"
THURSDAY, MARCH 10, 2011

Mr. Chairman, Ranking Member Ackerman, distinguished Members of the Committee:

Thank you for inviting me to testify today regarding our nation's foreign policy priorities in the Middle East at this critical time. The advent of transitions in Tunisia and Egypt, the tragic violence unfolding in Libya, and the unrest evident in Yemen and elsewhere are indicative of larger forces at work across the region, including unprecedented mass movements calling for democratic reforms. Notably, the genesis of these momentous events has not been anti-American, anti-Israeli, or anti-Western, rather they are inspired by domestic grievances and legitimate aspirations for certain rights and opportunities we as Americans have long recognized as universal.

A Transformational Moment

The Middle East is in the midst of a season of transformative change, the full implications of which are still taking shape. We have to respond to crises, like that in Libya, with an eye to help in resolving the immediate and longer-term challenges faced by the Libyan people and their neighbors. We must be determined and creative in support of peaceful, irreversible democratic transitions in Egypt and Tunisia. Governments across the region must open up political systems, economies and societies to bridge the gaps between people and their governments. And we know a strong and strategic response will be required of the United States if we are to protect our interests and promote stability in this crucial region.

Theses transitions will take different forms in different places, with the people of each country the final arbiters of what course they will take toward more open, transparent, and democratic governance. But despite the unique context in each country, the region at large is facing certain shared challenges. Daunting demographic, political, economic, and environmental challenges compound each other, threatening the stability of governments and the region, with significant consequences for U.S. interests and our friends and allies. We are seeking to act as partners, to both governments and people, to help our friends in the region counter acute threats, resolve conflicts, and build stronger democratic foundations for long-term stability and broad-based prosperity.

The people of the Middle East face some steep obstacles in meeting these challenges, and though it is they who will determine the outcomes, the United States has much at stake in their success and stands prepared to support and assist them as they grapple with these issues. Successful democratic reforms that respond to the people's legitimate aspirations and respect people's universal rights would discredit those who claim that violence and extremism are the only means for achieving change, while laying a more sustainable regional foundation that benefits the people and governments of the Middle East and the international community alike. Investing in

diplomacy and our relationships in the Middle East, with governments as well as people, will enable us to help shape events and address contingencies that can have a critical impact on our national security.

Matching our Policies and Assistance to our Interests

The historic changes currently underway in the region have reaffirmed our consistent message to our partners: security and stability are best achieved by governments that recognize the legitimate aspirations of their people. Our ability to realize our core interests in the region—achieving a just, comprehensive peace and lasting security between Israel and its neighbors; halting Iran's illicit nuclear activities and countering its use of violence and terrorism in support of its regional goals; supporting a sovereign, stable, self-reliant Iraq; countering terrorist groups; and expanding trade and communications lines—is, in the long run, enhanced by our ability to partner with more representative governments. Successful democratic transitions in Egypt and Tunisia and the establishment of meaningful democratic reforms in other regional states are worthwhile in and of themselves, but will also be the most effective counter to Iranian negative influence in the region as well as the extremist ideologies that fuel terrorism. Our regional partners will be stronger partners in the long run if their power and legitimacy is based in genuine democratic support. We will continue to push leaders to engage positively with their people, with civil society, and with business, as we pursue our other interests in the region.

We have some good tools to build stronger partnerships with governments, businesses, and societies that are on the path to progress, prosperity, broader inclusion in the political process, and long-term stability in the region. The Middle East Partnership Initiative (MEPI) and our Public Diplomacy programs, along with programs sponsored by the Bureau of Democracy, Human Rights and Labor (DRL) and USAID, represent our most effective tools for engaging civil society groups while also having the flexibility to respond to changing events on the ground. We will continue to use USAID, MEPI, and DRL programs to help citizens in the region build more participatory, prosperous, and pluralistic societies to strengthen good governance and promote and defend human rights. Our embassy Public Diplomacy sections have for years been reaching out to youth and activists in the Middle East through their Facebook pages and blogs, and they will continue to send hundreds of political, economic and civil society leaders to the United States each year to learn about how to be most effective in a democracy through the State Department's various exchange programs.

In order to achieve these objectives, the Department's judicious foreign assistance request of $8.84 billion in Fiscal Year 2012 for the Near Eastern Affairs Bureau reflects our commitment to working with our regional partners to ensure a better future for the peoples of the Middle East and North Africa. Funding in this request will be applied toward efforts critical to our national interests, including advancing a comprehensive regional peace and securing our friends and allies. In fact, approximately 85 percent of our fiscal year 2012 foreign assistance request consists of bilateral assistance to Israel, Egypt, and Jordan, as well as to the Palestinians. The request not only provides more than $3 billion provided to Israel, which in tandem with our policy of guaranteeing Israel's Qualitative Military Edge ensures that Israel is able to meet any combination of threats it might face, but also enables the Palestinian Authority to continue building the institutions of statehood necessary to realize a secure and viable two-state solution. Our request also will help support Egypt in its democratic transition and continue to build our strategic bilateral relationship. Our request further provides critical, region-wide assistance on

democratic governance, economic opportunity, confidence-building, and counterterrorism programs through MEPI, the Near East Regional Democracy (NERD) program, the Middle East Multilaterals, the Middle East Regional Cooperation (MERC) program, and the Trans-Sahara Counterterrorism Partnership (TSCTP).

In this tight fiscal environment, we are mindful that we need to be sure that every foreign assistance dollar is well-spent. We are convinced that providing the resources necessary for effective U.S. engagement in this region during this critical time passes this important test. We will need your help in providing us with sufficient and flexible funding so that we can meet the challenges and seize the opportunities as they arise.

Let me now turn to some of the specific critical issues the Administration's fiscal year 2012 budget request will help to advance.

Promoting Democracy and Universal Rights

The status quo of stagnant political orders and skewed economies in the region is untenable. The dichotomy between democratic political reform and stability is a false choice. As Secretary Clinton has noted, "the challenge is to help our partners take systematic steps to usher in a better future where people's voices are heard, their rights respected, and their aspirations met. This is not simply a matter of idealism. It is a strategic necessity."

Accordingly, our Ambassadors and Embassy officials, as well as interagency interlocutors are engaging in active outreach to governments and longstanding partners in civil society, as well as emerging actors, across the region, encouraging meaningful political and economic reform, and stronger commitments to respect the rights of all men, women, and children. We are also using the expertise, leverage, and partnerships developed by democracy assistance programs, through MEPI and DRL, to provide support to individuals and organizations throughout the region as they strive to create more pluralistic, participatory, and prosperous societies. This work enables our diplomats to nurture and support locally-led change. That is exactly the type of diplomacy that we will need more of if we are to support peaceful political reform across the region and help democratic transitions to succeed.

In the past few weeks, we have heard Egyptians demand reforms from their government, and we have seen the government respond with a new cabinet, proposed constitutional changes, and other steps. We are encouraged by these measures, and we must stand by Egypt's people and institutions as they consolidate their historic gains, including through implementing steps that will be essential for allowing free and fair elections and real reform. We will consult with an ever wider variety of actors to ensure we are providing the appropriate assistance to help Egypt cope with economic issues attendant to transition, and to facilitate a genuine and lasting transition to democracy. We know our longstanding relationship with Egypt, as well as with all our traditional allies, will remain vital, as we continue to work together toward peace, stability, and greater prosperity in the region. While we will continue to underscore the importance of these relationships, we nevertheless will not hesitate to share frank assessments of what steps are necessary to promote individual rights, prosperous societies, and stable states.

Enabling our Civilian Mission to Secure the Gains Made in Iraq

In the frontline states of Iraq, Afghanistan, and Pakistan, American civilians are carrying out missions vital to our national security. We are engaged in sustained diplomacy in support of a strategic partnership between the United States and Iraq, in line with the President's goal of supporting an Iraq that is sovereign, stable, and self-reliant. Our military's drawdown in Iraq is a critical part of the transition to full Iraqi responsibility. The Administration's request is designed to provide us with the resources necessary to implement and operate the diplomatic platform that will enable us to advance U.S. interests in Iraq, including consolidation of Iraq's democratic transition, Iraq's reintegration into the global economy, and ensuring Iraq is not a safe-haven for terrorist groups. This platform will also make possible an American partnership with Iraq that will contribute to peace and security in the region. Despite generating an increase in the Administration's FY 2012 budget request for the State Department, shifting responsibilities from soldiers to civilians actually saves taxpayers a great deal of money overall. As the Secretary has noted, the military's total FY 2012 Overseas Contingency Operations (OCO) request worldwide will drop by $45 billion from FY 2010, while OCO costs in the State Department and USAID will increase by less than $4 billion in FY 2012.

The Administration's request will enable our diplomats to directly engage in Iraq's provinces, where unresolved issues such as ethnic and sectarian tensions and disputed internal boundaries threaten stability. We will streamline our 16 Provincial Reconstruction Teams (PRTs) to two consulates and two embassy branch offices (EBOs) by the end of September 2011. These offices, located in strategic cities, will provide platforms for us to continue building Iraqi institutions and work with Iraqi leaders, citizens, and civil society outside of Baghdad, as well as react to sudden events and work as an honest broker to reduce frictions and crises.

Preventing and Resolving Conflicts

The Middle East has long played host to endemic conflict, which, too often, has cost innocent lives, including Americans, and destabilized the global economy. Our leadership and support is critical to reducing tensions and finding peaceful solutions to the sources of conflict.

The Arab-Israeli conflict continues to pose a grave threat to Israel's future as a Jewish and democratic state; it inhibits the legitimate aspirations of the Palestinian people; and fuels tensions across the region. Of course, we know that resolving the Israeli-Palestinian conflict will not itself guarantee stability in the region, but it is clear that an absence of peace will guarantee continued conflict and instability, which is harmful to the United States, to Israel, and to all the people in the region. It is no secret that recent efforts to resolve the conflict have been stalled, but we are working hard to find a way to bridge gaps and resume critical, meaningful, and substantive discussions between the parties. We remain committed to reaching a negotiated solution that establishes a viable and contiguous state of Palestine alongside a secure Israel with recognized borders, a vital step toward our goal of a comprehensive peace between Israel and all its neighbors. Achieving this outcome could have particularly important effects on the region in the context of popular movements calling for democratic change.

Our diplomatic efforts aim not just at promoting peace, but also at countering grave threats from antagonistic states and non-state actors. Iran's refusal to meet its international obligations, particularly regarding its nuclear program, is dangerous and unacceptable. Our diplomatic missions in the region, in various multilateral forums, and around the world have built and maintained momentum on behalf of an unprecedented sanctions regime against Iran's leaders.

The Government of Iran's denial of rights to its own people, including resorting to brute force against protestors, has greatly eroded its legitimacy at home as well as abroad. Iran's hypocrisy was clear when it applauded the rights of Egyptian protestors seeking political reforms and accountability while violently preventing its own citizens from exercising the same rights. We are working with a broad group of countries to create a UN Special Rapporteur on the human rights situation in Iran to draw attention to ongoing abuses and bolster the international response. There can be no mistaking the message of the international community: Tehran has a choice, embrace and live up to its international obligations and reap the benefits of reintegrating into the global order, or else face only mounting isolation and pressure.

Beyond Iran and the Arab-Israeli conflict, certain states act as flashpoints and sources of instability. One such source is Yemen, where terrorist violence from al-Qa'ida in the Arabian Peninsula (AQAP) has been directed inside and outside of Yemen, threatening the security and well-being of the Yemeni people, the broader Arabian Peninsula, and the United States, our friends, and allies. Yemen also faces an array of other challenges, including a fractured political system that many Yemenis no longer trust, as evidenced by the increasing number of protests calling for change from the entire political establishment. Declining water and petroleum resources exacerbate the Government of Yemen's struggles to provide good governance, delivery of services, and basic security.

Given the interlinked nature of Yemen's challenges, and the implications for U.S. interests, we are adopting a comprehensive and sustained approach that takes into account political, cultural, socio-economic, and security factors. But our principles remain, as in all of these transformations in the region: we support universal human rights, including the freedom of expression and peaceful assembly; reforms that are lasting and answer legitimate aspirations; and we strongly condemn violent responses to peaceful protestors. Our strategy has two main prongs – helping the government confront the immediate security threat from AQAP, and mitigating the serious political, economic, and governance issues that the country faces over the long term. To help meet immediate security concerns, we will continue to train and equip particular units of the Yemeni security forces with counterterrorist and border control responsibilities through a combination of Foreign Military Financing (FMF), International Military Education and Training (IMET), and Non Proliferation, Anti-Terrorism, and Demining (NADR) assistance, complemented by the Department of Defense's investments to train and equip Yemeni security forces. Our strategy marshals U.S. assistance resources – through Economic Support Funds and Development and Humanitarian assistance funds – to improve Yemen's macroeconomic stability, increase the sustainable and equitable delivery of services, and improve local governance and civic participation. Over time, as the Government of Yemen grows more transparent and responsive to the needs of its citizens, the seeds of extremism and violence will find less fertile ground and a more positive and productive dynamic will begin to prevail.

Lebanon has also been a historical flashpoint. We are closely following the government formation process there, and have let Prime Minister-designate Mikati know that we expect the next government to live up all of to Lebanon's international obligations, including UNSCRs 1559, 1680, and 1701, as well as uphold Lebanon's commitment to the Special Tribunal for Lebanon. We believe it is important to stay engaged with Lebanon in our efforts to support its people and its armed forces in order to strengthen its sovereignty and independence. Without sustained U.S. support, moderate voices that support democratic principles and stability could be

weakened and the Government of Lebanon could choose to look to other sources for support that are inimical to U.S. interests.

Platforms and People that Make the Above Possible

The FY 2012 budget request allows us to sustain diplomatic relations with every country in the Middle East, except Iran, and with the Palestinians. In the Near Eastern Affairs Bureau, we oversee 22 posts, including the largest U.S. Embassy in the world in Embassy Baghdad. We provide support services for over 50 other U.S. government agencies and Defense Department elements that have a presence at our posts.

Several of you have asked the State Department about the safety of your constituents in the Middle East. Well, the overall State Department budget also helps fund the consular officers who evacuated over 2,600 people from Egypt and Libya. They serve as our first line of defense against would-be terrorists seeking visas to enter our country.

Conclusion

As Secretary Clinton testified before the full Committee on March 1:

> The world has never been in greater need of the qualities that distinguish us – 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 it is an achievement, not a birthright. It requires resolve—and it requires resources.

This statement applies nowhere more clearly than America's engagement with the Middle East. I look forward to continuing to work with this Committee and the Congress to ensure that America maintains the leadership role in the region that will be critical to securing our nation, today and for future generations.

Mr. CHABOT. Thank you very much, Ambassador.

Mr. Laudato, you are recognized for 5 minutes.

STATEMENT OF MR. GEORGE A. LAUDATO, ADMINISTRATOR'S SPECIAL ASSISTANT FOR THE MIDDLE EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LAUDATO. Thank you, Chairman Chabot, Ranking Member Ackerman, distinguished members of the committee. It is a pleasure to be here today to testify alongside my colleague, Ambassador Feltman, on assessing U.S. foreign policy priorities and needs in the Middle East.

I appreciate the opportunity to address the critical points you raised in your request for this hearing, notably how our budget request advances U.S. interests in the region. USAID will focus on ways to help the people of the Middle East move toward democracy and improve their economic circumstance. We are doing so with regard to immediate needs and to long-term development challenges.

As you know, Mr. Chairman, USAID operates in seven countries and two regional programs in the Middle East and North Africa. These programs are tailored to the needs of each country, yet they share a common structure: Promoting economic growth and good governance while strengthening education and health care.

The Middle East is beset by complex problems, many of which have fed the current situation: A youth bulge, a rapidly growing population, unemployment, rising food and oil prices, and violent extremism. These factors contribute to the historic events of recent months, with people loudly demanding basic rights that have long been absent.

The current Fiscal Year 2010 USAID budget provides $1.7 billion in assistance across the Middle East and North Africa, including Iraq. USAID's Fiscal Year 2012 request for the Middle East is nearly $1.6 billion. While this budget reflects conditions from an earlier time, we are confident that we can adopt ongoing programs to meet the extraordinary opportunity that the transition represents.

Given this historic situation, we plan to draw upon the skills and resources across the U.S. Government. We will respond to the immediate needs of the people of the Middle East, and we will keep our sights on what is needed to sustain progress in the long term.

Right now we are dealing with the immediate transition situation. In the aftermath of the protests in Tunisia, USAID mobilized immediate humanitarian assistance to meet the urgent needs of those most impacted by the violence and dislocation. U.S. humanitarian assistance teams are currently on the Libyan borders in both Egypt and Tunisia addressing urgent needs and assessing future requirements.

With regard to the economic conditions in the region, we are continuing to plan for the long term. At this remarkable moment in history, USAID recognizes that economic issues have an impact on future regional stability, and our Fiscal Year 2012 budget request reflects this.

For instance, in Yemen, which suffers from soaring unemployment and a population of disenchanted youth, as part of the $68.5 million request we are expanding vocational education for these

youth, establishing apprenticeship programs, and helping provide business development services to the small- and medium-scale industrial sector.

Egypt has received significant economic assistance since 1975, which helped it to grow from a low-income country to one of the most improved and diversified economies in the Middle East. USAID's assistance directly and fundamentally contributed to improving the quality of life for Egyptian citizens.

As a first step to ensure that Egypt's gains continue, it is vital that the economy remain stable. USAID is planning to use reprogrammed funds to launch a $150 million package to assist with immediate transition needs in economic growth and good governance. These reprogrammed funds will complement the $250 million in the Fiscal Year 2010 request level, which focuses on longer-term goals by adopting ongoing programs to respond to new opportunities.

Moving toward democracy: We recognize the impact of the protests on political reform and citizens' participation. As democratic forces of change are sweeping the region, we are now entering a new phase. USAID's programs will remain flexible enough to adopt to the rapid changes in the region. The opportunity for political reform is unprecedented, and we are ready to support this historic shift.

Mr. Chairman, with all of these changes, it is appropriate to ask, where do we go from here? We are reviewing country programs to identify opportunities to support transportational change——

Mr. CHABOT. If the gentleman could wrap up. You are over the time now.

Mr. LAUDATO. Sure.

In conclusion, Mr. Chairman, let me just say that I appreciate the opportunity to share what USAID is doing to advance prosperity, democracy, and security in the Middle East. And I am eager to hear your advice and counsel and welcome any questions you may have.

Thank you.

[The prepared statement of Mr. Laudato follows:]

Statement of George Laudato
Special Assistant to the Administrator for the Middle East
U.S. Agency for International Development
House Committee on Foreign Affairs
Sub-Committee on Middle East and South Asia

Assessing U.S. Foreign Policy Priorities and Needs Amidst Economic Challenges in the Middle East

March 10, 2011

Chairman Chabot, Ranking Member Ackerman, distinguished members of the Committee:

Thank you for inviting me to testify today on the U.S. Agency for International Development (USAID) role in assessing and responding to the unique economic challenges in the Middle East. I appreciate the thoughtful guidance provided by the Subcommittee in the letter inviting me to this hearing. In my testimony today, I will address the key points you raise on how the budget request serves to advance U.S. interests in the region, as well as the future of U.S. policy in the wider region, including our strategy for helping the people of the Middle East move towards democracy and improve their economic circumstances.

In describing how the challenges facing the region impact U.S. foreign assistance programs, I will also highlight how USAID programs will continue to contribute to the achievement of U.S. foreign policy goals in the region.

Challenges
Mr. Chairman, if I may begin by providing brief background on USAID in the Middle East and North Africa: We operate seven country programs and two regional programs, with common themes to promote economic and political stability. Our longstanding relationships in each of these countries have enabled the USG to make significant progress on economic growth and development.

At the same time, the Middle East is also beset by complex problems, many of which have fed the current situation: a youth bulge – nearly 65% of the population in the Middle East is under the age of 30, a rapidly growing population, unemployment, rising food and oil prices, political marginalization, corruption, weak state institutions, and violent extremism.

These factors contributed to the historic events of recent months as the people are loudly demanding basic rights that have long been absent and expressing their deepest concerns about their circumstances. They expect – and deserve - more from their leaders. Their courage and determination have been extraordinary and inspiring.

The United States has been a strong voice for people demanding basic freedoms. For over a decade, USAID has had robust programs in the Middle East and North Africa to strengthen civil society and independent media, improve the rule of law, enhance political participation and consensus-building, and promote effective and efficient governance that delivers for citizens. People of the Middle East are now clamoring for good governance and free and fair elections and the United States supports them in these aspirations. They are also seeking employment, food to feed their families, and education for their children – the United States through USAID supports these aims, as well.

Contributions to date

USAID currently manages $1.7 billion (FY10 budget) in U.S. assistance across the Middle East and North Africa, including Iraq. Our programs produce five outcomes. First, they generate economic opportunities through trade facilitation, infrastructure improvements, and business development. Second, they cultivate effective and transparent strong local, regional, and national institutions that will be able to provide reliable services to citizens. Third, they expand the horizons of Middle Eastern youth by making quality education available to more students. Fourth, they help to raise living standards through health programs, particularly for vulnerable groups such as women and children. And fifth, they promote more inclusive democracy and governance throughout the region.

USAID's FY 2012 request for the Middle East is nearly $1.6 billion. This budget was prepared before the protests began in Tunisia. Given this historic situation, however, we are drawing on all the resources and expertise that we have across the U.S. Government to respond effectively and efficiently to the needs of the people of the Middle East. We are assessing priorities and will need sufficient and flexible funding so we can respond to new opportunities. This includes adapting ongoing programs to the current political, social, and economic context and mobilizing funds to immediately support civil society and the economic impact of the transition processes.

At the same time, other USAID development programs are proceeding without interruption, and we plan to intensify efforts so that progress made to date will not be lost and programs will continue to realize significant, long-term results in economic growth, democracy, education, health, water, and sanitation. We continue to need requested funding to address ongoing strategic interests.

USAID is part of the effort to transition U.S. engagement in Iraq from military to civilian leadership. Additionally, the U.S. Government has robustly supported international and non-governmental organizations to meet humanitarian needs – for instance, U.S. humanitarian assistance teams are currently in Egypt and Tunisia, working with partners to address the urgent needs of those who are fleeing as well as those remaining inside Libya. In the immediate aftermath of the protests in Tunisia that ousted President Ben Ali, USAID mobilized humanitarian assistance to meet the urgent needs of those most impacted by violence and dislocation. And for the past several years, we have provided food aid and humanitarian assistance in response to the fluid and ongoing situations in Yemen and the West Bank and Gaza.

Improving economic circumstances
At this remarkable moment in history in the Middle East, USAID recognizes that economic issues have an impact on future regional stability. Because the benefits of significant economic growth have not been shared equitably, high unemployment rates persist in the region, ranging from 20-25% for youth depending on the country. Unemployment rates are even more acute for women and for university graduates. The region has long suffered from anti-competitive policies, an education system that does not meet the demands of a modern economy, and an emerging private sector. In addition, rising fuel and food prices continue to pose serious challenges for the population.

Our FY 2012 request provides critical assistance for economic opportunity programs throughout the region. We have job creation programs; education programs focused on building the skills of youth to prepare them for employment; and programs that provide small businesses with access to finance, business development services, and trade association and cooperative support.

For instance, in Yemen, our primary goal is to support a more stable society by targeting programs to the drivers of instability in highly vulnerable areas. Right now the Yemeni economy is unable to create a sufficient number of jobs for a rapidly expanding, young workforce, resulting in soaring unemployment and a population of disenchanted youth, particularly in restive rural areas. As part of the $68.5 million request, our community livelihoods program will expand youth education and focus vocational training programs on skill sets needed to meet Yemeni economic development needs. We are working with the private sector to set up apprenticeships and are also providing business development services, agricultural extension support, and policy reform assistance.

In Egypt, USAID has provided $25.9 billion in support since 1975. During the past 35 years, USAID has made significant contributions to improve the quality of life for Egyptian citizens. It's important to keep in mind that 35 years ago, Egypt was a low income country with a stagnant economy, crumbling infrastructure, and a growing, impoverished population. Per capita income was $260 in constant 2000 USD, exports totaled only $2 billion, Foreign Direct Investment amounted to a meager $800 million and the economy was dominated by the public sector. Today, Egypt has one of the most improved and diversified economies in the Middle East. Per capita income has reached $2070 in constant 2000 USD and Egypt is recognized as a lower middle income country by the World Bank. Exports have increased to $23.9 billion and FDI inflows are now $6.7 billion.

USAID's program in Egypt has directly and fundamentally supported the gains described above. Economic policy dialogue and technical assistance promoted reforms that liberalized the economy and opened it to foreign trade and investment, enhanced the scope of the private sector, and made it vastly easier to do business in Egypt. USAID played a key role in modernizing and streamlining Egypt's tax system, helping the country to mobilize more of the resources needed to meet Egypt's pressing infrastructure

needs and improve the delivery of health and education services. USAID worked with the government and the private sector to reduce unnecessary regulation, promote competition, and strengthen and deepen the financial sector.

To ensure that Egypt's gains continue in the future and are more broadly shared, it is vital that the Egyptian economy remains stable. With reprogrammed funds, USAID is launching a $150 million package to assist with immediate transition needs. In addition to support for political processes, this package will also address the underlying economic and social challenges that led to the recent unrest by scaling up our efforts to improve labor skills productivity, particularly for youth who will continue to play a vital role in the transition. This may include job creation and small and medium enterprise loans, but the parameters of this support must remain flexible so that USAID can respond quickly and with agility to requests from Egyptians directly and within a rapidly changing environment. This reprogrammed amount will complement the $250 million FY 2010 request level which aims to adapt ongoing programs to respond to new opportunities.

In the West Bank and Gaza, Jordan, Morocco, and Lebanon, USAID provides assistance that generates employment, increases the competitiveness of key enterprises, and increases growth and economic opportunities across the region. For instance, in the West Bank and Gaza, USAID has provided on-the-job and formal training on lending for small- and medium-sized enterprises to nine partner banks, facilitating over $44 million in lending to small-and medium-sized Palestinian enterprises. We have trained more than 500 youth in information technology programs and provided more than 120 paid internship opportunities in the Youth Development Resource Centers and other local organizations. Further, over the past three years, our Emergency Jobs Program has generated more than 350,000 person-days of employment benefiting approximately 1.5 million Palestinians. USAID aims to build on programs such as these to respond to the economic issues confronting the region today, recognizing that the next evolution in our programs must be increasingly oriented to better support democratic and economic reforms that are taking place.

USAID helps to build a better future for Lebanese citizens through microfinance and education programs for youth and women. Earlier this week the U.S. Ambassador to Lebanon inaugurated a five-year program funded by USAID that will help establish hydroponic production of high-value fruit, vegetables, and flowers with the long-term goal of improving earnings and livelihoods of rural Lebanese producers. Additionally, she announced in February that in 2011, USAID will provide 52 full, 4-year undergraduate scholarships at the American University in Beirut.

Additionally throughout the Middle East, USAID is establishing a network of Water Centers of Excellence, helping fulfill a commitment made by President Obama to strengthen science and technology in Muslim-majority countries. This Network will link technical institutions across the Middle East and North Africa region with each other and with counterpart U.S., European, and other global institutions to address water challenges confronting the region. The Network will help build and exchange regional science and

technology capacity to improve water planning and management, expand water supply, manage demand, and dramatically increase its efficient and productive use.

In Iraq, USAID is continuing its economic growth and agriculture programs which promote the expansion of the non-oil private sector while furthering Iraq's integration into the global economy. Diverse economic growth driven by an emerging private sector is vital to generating jobs, alleviating poverty, and promoting stability. As part of our $325 million request, USAID will continue to support microfinance institutions which have distributed more than 211,900 loans worth $488 million. Iraqis at the new microfinance institutions are learning financial and management skills and building the foundation for a sustainable credit industry in Iraq. USAID established and supports small business development centers that provide business and financial services and training to promote Iraqi entrepreneurship and business expansion. The centers also focus on the underserved youth population.

Moving towards democracy

Given recent events, USAID recognizes that it is necessary to reorient our assistance in order to be responsive to the current issues confronting the region. We recognize the impact of the protests on political reform and citizen participation and intend to maximize the capabilities of citizens and institutions to foster and adapt to immediate political changes, as well as to longer-term democratic reform.

The newly designed programs must be flexible enough to adapt to rapid changes in the region. Over the years, the USAID programs in the Middle East and North Africa have evolved in response both to political and development priorities and to existing socio-political environments. As democratic forces of change are sweeping the region, we are now entering a new phase. The opportunity for political reform is unprecedented, and USAID stands ready to support it.

Mr. Chairman, with all these changes, it's appropriate to ask: Where do we go from here? In February, when USAID Middle East mission directors met with Administrator Shah in Doha, we discussed how our assistance programs could shift to reflect the significant changes in the region. There was agreement at the meeting that good governance is fundamental to all activities throughout the region.

We are currently reviewing country programs to identify short- and medium-term opportunities to support transformational change in the region. We recognize that all USG assistance needs to reflect long-term democracy and governance goals as the foundation of overall strategy and operational approach, and that political reform is necessary for our assistance programs and development goals to be sustained. USAID is planning a meeting this spring to discuss new strategies for advancing democracy, human rights, and sound governance across the region.

Building on over a decade of democracy and governance programming in the Middle East, the USG supports the people of the Middle East as they progress toward more democratic societies. USAID assistance will play a vital role as new courses are charted.

We are working with our partners on the ground to assess each country's situation and to see how we can most effectively support democratic efforts in the region.

Since the beginning of the protests in the Middle East, USAID began redirecting ongoing programs and quickly put in place new programs that are responding to the rapidly unfolding situation and meeting needs as they emerge. For instance, in Egypt we have been in contact with a wide range of critical actors, including current Egyptian partners and new actors mobilized by recent events, to demonstrate USG support for a peaceful transition, listen to their assistance priorities, and redirect significant components of their activities in support of a democratic transition.

In an effort to help make the aspirations for reform into a reality, USAID will also work through public sector institutions at all levels to improve systems of governance and help governance institutions better respond to needs of citizens. If appropriate, USAID will work with relevant government-related institutions in conducting democratic elections. These initiatives demonstrate our responsiveness to the people of Egypt in their desire for free and fair elections, accountable government, and respect for universal human rights.

In Yemen, almost a quarter of our assistance is focused on democratic reforms by working to strengthen government institutions and improve the delivery of public services while encouraging more citizen participation in the political process. Additionally, USAID is poised to support the elections process in Yemen. As you know, President Saleh has stated that he will not run in the 2013 elections, and parliamentary elections will be held in 2011. Yemen has held presidential and parliamentary elections with the opposition's full participation in the past decade. It is important that we continue advocating for free, fair, and inclusive elections that the Yemeni people will view as legitimate.

In Lebanon, we will review the new government's composition, policies, and behavior to determine the extent of Hezbollah's political influence over it and its alignment with US policies and the goals of our assistance. Since the new Lebanese government has not yet been formed, it is premature to judge it and make any determinations about the future of U.S. assistance to Lebanon at this time. We will continue to work with the interagency, however, to closely monitor developments in Lebanon as they unfold. Nonetheless, it is important that we continue to plan for the requested $100 million of ongoing assistance through FY 2012. USAID engagement is critical to fostering stability and democracy in Lebanon as we enhance economic and social opportunity to the Lebanese people living in areas at risk to extremism and strengthen the government's ability to provide quality services to its citizens.

The Iraqis moved forward from dictatorship through an arduous and difficult transition to a democratically elected government answerable to its people. For seven years, USAID efforts have supported the political, economic, and security conditions necessary for a stable and prosperous Iraq. USAID will continue to play a major role in Iraq as U.S. engagement transitions from military to civilian leadership. Our current programs work with Iraqi government institutions at all levels to improve their effectiveness in delivering essential services, while also working with the newly-elected Iraqi parliament to improve

its ability to conduct institutional oversight of government operations, legislative development, and constituency representation. USAID will also continue its community development and civil society programs that work directly with the Iraqi people at the grassroots level to mobilize their own resources to solve community priorities and local development needs. Despite Iraq's status as an oil producing country, our assistance remains important to support Iraq's political and economic development, and to encourage the reforms necessary to bring Iraqi governance up to international standards.

Conclusion

As USAID Administrator Rajiv Shah has stated, "our assistance is not just *from* the American people. It's also *for* the American people. Our assistance develops the markets of the future. Our nation's economic future will be in part determined by the countries in which USAID currently has a strong presence," as developing countries represent our country's fastest-growing export markets. U.S. goods exports to the MENA countries in 2008 were $66.8 billion, up 20 percent from 2007 and the MENA countries combined would rank as the 4th largest export market for the United States in 2008.

But also, development plays a "critical role in our nation's efforts to stabilize countries and build responsive, viable local governance." Our efforts in the Middle East are indicative of this role – even now, our staff and partners are meeting with civil society and government leaders to strengthen governance and assist with transitions throughout the region. And, as President Obama, Secretary Clinton, and Administrator Shah believe, "together, we have the power to create the world we seek if we have the courage to embrace the opportunity and the willingness to do things differently." Our emerging strategy in the Middle East takes us one step closer to that goal.

I appreciate the opportunity to share what USAID is doing to advance prosperity, democracy, and security in the Middle East and I am eager to hear your advice and counsel. I welcome any questions you may have.

Mr. CHABOT. Thank you very much. I am sorry to interrupt you, but I am trying to follow the chairwoman's lead, in which she is being very strict about that, both with people testifying as well as members here, to keep us all on track.

So I will recognize myself for 5 minutes, and I will keep within the 5 minutes.

Ambassador Feltman, I want to ask you about the status of our policy toward the Israeli-Palestinian conflict. From where I sit, it appears that the administration has mishandled this issue from day one.

The initial call for a full settlement freeze, something we could have anticipated would have failed, hurt our relations with both Israelis and Palestinians concurrently. Israelis, both government officials and the broader population, lost trust in us; and Palestinians viewed this as evidence that we can't deliver.

This administration prides itself on the use of effective diplomacy, and yet it appears that this is exactly what was missing.

The recent episode at the U.N. Only further illustrates this end. After vetoing, rightfully, a Security Council resolution targeting Israel, Ambassador Rice's vote explanation effectively undid any positive impact his veto could have had. Instead of being a steadfast defender of Israel, we appeared to be a reluctant acquaintance. The decision to issue such a statement is, at best, diplomatic malpractice and, at worst, abandoning our friend and ally to fend off the wolves alone.

Moreover, I believe that, had we made clear to the Palestinians from the start that there was no way this resolution or anything like it would pass, they might not have proposed it. Weeks of hemming and hawing about a negotiated resolution, however, left the issue ineffectively addressed. Either we were diplomaticallyineffective or we have lost so much of our influence that nothing we said mattered.

Both of these episodes and the negative repercussions that accompanied them could have been avoided, had our diplomacy been less inept from the start.

This brings us to today. Months of attempts to coax the Palestinians back to the negotiating table have failed. And the absence of effective U.S. Leadership has left a void, which is quickly being filled by the threat of Palestinian unilateralism.

As all this is happening, it is unclear what our policy is or even who is in charge of implementing it. George Mitchell, the special envoy for Middle East peace, has virtually disappeared.

So my question is, what is our policy, and who is in charge of it? Additionally, what did the administration hope to achieve with Ambassador Rice's vote explanation?

Ambassador FELTMAN. Mr. Chairman, thanks.

I think there are four main pillars to our policy toward the Israeli-Palestinian conflict.

The first is an absolute commitment to Israel's security. And the more than $3 billion that will go toward FMF for Israel, we hope, in the Fiscal Year 2012 budget is part of that commitment. Congress' appropriation of $205 million for Iron Dome, a short-range rocket defense system from this fiscal year, Fiscal Year 2011, are examples of the absolute commitment to Israel's security that this

administration, like other administrations, like this Congress, have followed for years. That is the first pillar.

The second pillar is, you are right, political negotiations. We need to get negotiations started, without conditions, with momentum behind them, to get to a two-state solution. We are not there yet. This is hard. We need to get there.

The third part is the Palestinian institution-building, which is part of the whole two-state solution objective. The Palestinians need to be able to have a responsible state, not a failed state, a state that has law and order for its own citizens. The institution-building that we are doing with the Palestinian Authority, with the generous support of this Congress, is also in partnership with Israel.

The fourth part is a comprehensive peace, so that we are talking about Israel living at peace with all of its neighbors. That includes the Syria track and the Lebanon track.

Those are the four main pillars of working toward a comprehensive peace in the Middle East and protection of Israel's security. And, you know, this policy is led from the President on down.

Mr. CHABOT. Okay. Thank you.

In keeping with what I just said, I wouldn't have time to ask my second question here, so I am going to yield to the gentleman. And if members have, in a second round, questions, we may well go to a second round, if folks want to stick around.

The gentleman is recognized for 5 minutes.

Mr. ACKERMAN. Thank you, Mr. Chairman.

A lot of people, not just Americans and Israelis, are very concerned about whether or not Egypt is going to continue to adhere to its international obligations. It has, up to this point, served as a bulwark against radicalism and has done a lot of very, very important things.

The army, which, under almost everybody's scenario, will continue to somehow play a very important role in Egypt, is being looked at very carefully.

And the question is, do we expect or have a concern that Egypt will turn to a more populist direction and a less cooperative one on these and other important issues as they examine foreign policy? And are we going to have a foreign policy there that looks more like Turkey's Erdogan than Egypt's Mubarak?

Ambassador FELTMAN. Congressman Ackerman, I mean, the short answer is that none of us know for sure, you know, how the events in Egypt are going do develop. But what we can say is that we saw certain aspects of what I will call the "spirit of Tahrir Square" that are encouraging. We saw Muslims and Christians protecting each other in prayer. We saw people asking for a say in how they are governed. We saw people asking for an end to corruption.

The sorts of things that people were asking for in Tahrir Square are things that could inherently make Egypt a more stable partner going forward, where the leadership is ruling by consent, not ruling by——

Mr. ACKERMAN. Yeah. We are greatly—we are more than encouraged—we are thrilled to have seen that, and it is very, very encouraging. But, in the move to a democracy, all voices somehow get

heard. And there will be competitive voices in the streets as frustration sets in, because—I won't beat you over the head with the point—a lousy $75 million or $150 million is not going to pull them out of the doldrums that they have been experiencing. I made that point.

But there will be the Muslim Brotherhood that is going to be out there with an "I told you so" any minute now, playing on the frustrations of people who would like to see, as everybody else, instant gratification for their very good motives and expectations.

What is going to happen then, and what are we doing about it?

Ambassador FELTMAN. Well, first of all, the $150 million that you referred to, Mr. Chairman, is a quick response using existing resources——

Mr. ACKERMAN. I understand. I am more interested in the second half of my question.

Ambassador FELTMAN [continuing]. But it is not the only thing that we are looking at. We are looking at what would truly help the transition, what would truly help the economic dislocations that, as you say, are severe.

Mr. ACKERMAN. Three billion in debt forgiveness. But work on the other half of the question.

Ambassador FELTMAN. What we are doing is, we are maintaining our partnerships with the military, with the Egyptian institutions. Those partnerships proved quite valuable over the past few weeks; they will prove valuable going forward.

The statements that the military has made about understanding Egypt's international obligations, upholding Egypt's international obligations, are encouraging. We think that there is a basic understanding of the importance to Egypt of its international obligations, including the peace treaty with Israel.

We are building stronger relations with civil society so that they have a better understanding of us. You know, part of the $150 million was a tool to open the door to engagement with a broader part of Egyptian society. We are sharing our experiences with the Egyptians about what it means to have elections that aren't just one-time elections, that are truly democratic elections that lead to greater accountability and responsibility.

This is going to be a continuing story. There is not one, sort of, instant way to address your question. Ultimately, the Egyptians themselves are going to be determining what is best for Egypt——

Mr. ACKERMAN. I got a quick question that I want to get in on Lebanon. The Secretary, when she was here, said that it was important that we continue our aid to the military because of their great importance in protecting the border and their relations with their neighbors.

She noticed that the new government hasn't been formed yet and said that "Once it does, we will review its composition, its policies, its behavior, the extent of Hezbollah's political influence," et cetera. That takes a long time.

Is there a chance that the new government is going to be able to pursue their own foreign policy?

Ambassador FELTMAN. All I would say, Mr. Chairman, is actions speak louder than words. I don't know what they are going to say, but it is what they do that is going to matter.

Mr. CHABOT. I thank the gentleman for his time.

I will now recognize the gentleman from California, Mr. Rohrabacher, who is the chairman of the Subcommittee on Oversight and Investigations of the Foreign Affairs Committee.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

We are supposed to be learning things here at these hearings, so maybe you could educate us. If the debt of a country is forgiven, who is left holding the bag?

Ambassador FELTMAN. I believe that Congress has certain rules for what the administration would have to do, including a formula for making the budget whole for that debt, based on the risk factors——

Mr. ROHRABACHER. The money that has actually been transferred, does that come from the Federal Treasury? Does it come from banks to which we give guarantees? So if the debt is forgiven from a bank, is this not, then, a gift to large bankers somewhere?

Ambassador FELTMAN. Congressman, in general, if you talk about a country—I am not a financial expert, so forgive me if I am not getting this exactly right. But, in general, when you talk about a country's debt rescheduling——

Mr. ROHRABACHER. Yes.

Ambassador FELTMAN [continuing]. One talks about official debt in one category, government-to-government debt in one category, and commercial debt in another category.

Mr. ROHRABACHER. Now, the government-to-government debt, does that come from our Treasury, or does it go through private banks?

Ambassador FELTMAN. I believe it comes from our Treasury.

Mr. ROHRABACHER. All right. I think we both need to bone up on that issue, right? We need to figure out what the real details are.

And, Mr. Chairman, I am going to be studying exactly how that debt works. I think we should know that.

Has the National Endowment for Democracy been mobilized and have they sent more people over to Egypt and to these other countries that are now going through this turmoil?

Ambassador FELTMAN. Particularly the groups that receive funding from AID, from MEPI, as well as from NED, like IRI and NDI, are active in these countries. They are active across the region——

Mr. ROHRABACHER. Have they been beefed up? I know they are very active.

Ambassador FELTMAN. Yes. Yes.

Mr. ROHRABACHER. Okay. Let me just note that that is what they are supposed to do, that is what we expect them to do. We don't want to send in troops, but we would love to send in people to help them organize democracy, so that elements don't think they have to fight, but they can rely on ballots rather than the bullets.

Have there been sizable street demonstrations in Iran during this time period, over these last 3 months?

Ambassador FELTMAN. It is a good question, Congressman, because these events really show the hypocrisy of the Iranian regime, that Iran is trying to celebrate what happens in Egypt while shooting and repressing its own people. There have been demonstrations in Iran. They have been put down violently.

Mr. ROHRABACHER. All right. And that is very important for us to note here, that—and anything that we do that would in any way encourage the Iranian regime would also be contrary to what we are supposedly standing for in the rest of this area, volatile area.

I would suggest that we take note of the people here who are drawing our attention to the plight of the people of Camp Ashraf. And let us just note that, if for any reason the thousands of people in that camp, who are all opposition—they are opponents of the mullah regime in Iran, who were actively engaged in fighting the mullah regime—that that would be a huge disservice to those of us who are trying to say that we are behind the cause of democracy in Iran.

You don't have to answer that, but let's just note that there will be a number of Congressmen who will be, in the next few months, visiting Camp Ashraf to make sure that we underscore that point.

The people who are fighting the mullah regime are our friends. The people who are struggling for democracy throughout the Middle East, whatever streets they are on right now, if they really want democratic government, they are our friends. And we should be backing them up in Iran, and we should be backing them up elsewhere, whether it is with the National Endowment for Democracy or perhaps—and one last issue. We have 40 seconds left.

The dictatorship in Libya over the years—which we know now, Qadhafi, himself, ordered the downing of an American airliner, responsible for the deaths of hundreds of Americans. His regime is using weapons, meant to fight military operations, against his own people.

Do we plan in any way to help balance that off so that this type of dictator can't use those kinds of weapons to secure his reign in that country?

Ambassador FELTMAN. Do I have permission to——

Mr. CHABOT. If you can answer the question in 20 seconds or so, we will give you that leeway.

Ambassador FELTMAN. Congressman, we are working with—we are looking at this question with the U.N., with NATO, with the Arab League, with the African Union, with the Gulf Cooperative Council, so that there is an international approach to ending the bloodshed and the violence that Qadhafi is inflicting on his own people, so that it is not unilateral, that there is a general international/regional approach.

Mr. ROHRABACHER. Well, if we stand there when people are being slaughtered right in front of us, that is a message, too. It is a message to every dictator in the world that they can slaughter their own people, and while we can talk about it, we won't do anything about it.

Mr. CHABOT. The gentleman's time has expired.

Mr. ROHRABACHER. Thank you very much.

Mr. CHABOT. I thank the gentleman.

I would like to recognize the ranking member of the full Foreign Affairs Committee, Mr. Berman from California. If he would like to ask questions, we would certainly welcome that at this time. Or he could wait, whatever is his preference.

Mr. BERMAN. I am not going to be able to wait. I really appreciate this. I apologize to my colleagues who have been here. And

I will avoid comments and just ask you very quickly a couple of questions.

One, is the administration going to change the restrictions that USAID follows on providing democracy and governance support to NGOs in Egypt who are not registered under the Egyptian NGO law? That is question one.

You know what I am referring to here, right? I thought so.

Secondly, Bahrain. I am curious, is there a Sunni component to the Bahraini opposition, or is it strictly a Sunni-Shia conflict?

And, third, if you could just tell us a little bit about who makes up the Libyan National Council. What do we know about them, the anti-Qadhafi forces based in Benghazi? Who are their leaders?

Thank you.

Thank you, Mr. Chairman.

Mr. LAUDATO. Thank you, Congressman Berman.

Yes, we have changed our policy on NGOs. And we have recently requested proposals from NGOs, and we will review all of them equally. And registered, nonregistered, U.S., Egyptian, there will be no difference.

Ambassador FELTMAN. Mr. Chairman, on Bahrain, I was there three times over the past couple of weeks. I go back again out there this weekend.

While there are some Sunnis who are down in the roundabout, there are certainly some Sunni grievances about house and government services, feeling like second-class citizens. In large measure, it is a concessional battle between Sunni and Shia, but not exclusively so.

And where the potential is to resolve this is a shared sense on both sides of Bahrain's citizenry about the need for better government services, about the need for some real political reform. It is not easy, but the Crown Prince's call for a national dialogue to lead to real political reform is, in our view, an opportunity. And we would hope that people from across Bahrain's political spectrum would seize this opportunity, exercise leadership, enter into a dialogue that then has to show results.

On Libya, you are asking a question that we are asking ourselves all the time. Ambassador Gene Cretz, our Ambassador to Libya, has, in fact, traveled to the region and traveled to Europe to meet with representatives of the provisional council. He has been in contact with people from the provisional council by phone.

It is made up of some people who were formerly part of Qadhafi's regime. It is made up of people who have long opposed Qadhafi's regime. It is made up of a number of people. The question is, how deep is their political representation in the east?

But I will tell you, we are, at this point, in contact with them, talking to them, as well as talking to people in the diplomatic corps who have left the Qadhafi regime in favor of claiming to represent the council.

Mr. CHABOT. The gentleman's time—does he yield back?

Mr. BERMAN. Yes.

Mr. CHABOT. The gentleman's time has expired. Okay, thank you.

Mr. McCaul of Texas is recognized next for 5 minutes.

Mr. MCCAUL. Thank you, Mr. Chairman.

I want to follow up the question from my colleague and friend from California. I asked Secretary Clinton the other day—you know, we are very vocal, very supportive of the resistance movement in Egypt and in Libya.

But when you look at Iran—and what is happening there right now, I think, is very important. The former Iranian President lost his position just recently as head of the state clerical body, on Tuesday, after hardliners criticized him for trying to reach out to the reformers in opposition.

Then recently, Reuters came out with a report, and also the Washington Institute for Near East Policy, that the IAEA report refers to "new information recently received, as well as concerns about the possible existence in Iran of activities related to the development of a nuclear payload for a missile." And, you know, our sanctions, our diplomacy, in my judgment, are becoming a bit of a failed policy. And, at some point, they are going to achieve that nuclear state.

Now, I guess that is a two-part question. But, you know, it seems to me, we have a great opportunity here, a golden opportunity, to be standing up behind this Green Movement, the resistance in Iran, to finally do away with the ayatollah and the mullahs, who have been oppressing their people for so long. And yet, when it comes to this administration's policy, we are really not seeing anything.

Can you tell me what we are doing to support—we are supporting in Egypt and Libya. What are we doing in Iran to support the resistance?

Ambassador FELTMAN. Congressman, we support the right of peaceful assembly, wherever it is, including in Iran. What is happening in Iran is appalling. As I said, it shows the hypocrisy, it shows the outrageous behavior of this regime, the way that you have peaceful demonstrators being fired on by their own Government. And we have spoken out forcefully and strongly against that.

Where I think you are going with your question is, how can we best support the Green Movement, beyond simply highlighting what is happening to them, highlighting the hypocrisy of the Iranian Government, the brutality of the Iranian Government? And there, it is more difficult. Because the Green Movement is proud of being an Iranian movement. They have said that they do not want any outside financial or technical support. They don't want to be tainted, in the views of some, by looking to be agents of foreign government.

So what we are trying to do is use some appropriations from this Congress to help create political space for them to operate via the Internet, to try to help provide some civil society training where people's voices can get heard, provide them information that they would not otherwise get available, provide broadcasting into Iran that gives them other sources of news and information that is less tainted. We are trying to help create the political space for them to operate.

But that is not the same as saying that we can go out and, say, give a bag of money to the Green Movement because, frankly, they don't want it. They prefer to work in their own way, as Iranians, inside of Iran. So we are doing what we can on that.

I agree with you very much that we have to be concerned about Iran's pursuit of illicit nuclear activities. I would argue that the sanctions that are in place internationally, and particularly some of the national measures the countries have taken in response to the six Security Council resolutions, four of which have sanctions, have been significant. When you have countries like, you know, Australia, Japan, Norway, Switzerland, the European Union imposing national sanctions, this starts to have an impact.

We have to watch the clock. Is the Iranian clock ticking faster than our sanctions clock? And——

Mr. MCCAUL. Can I just say one more thing? Because I think—and I admire the Secretary. She is a brilliant person. But this President, in appearances—and I could be wrong about this, but the appearance is, because he thinks he can win in diplomacy with President Ahmadinejad, which I think is a naive foreign policy, that, because of that, he is very timid and almost afraid to come out very vocally and strongly in support of any opposition movement. And that is the appearance that I think a lot of us in the Congress see.

What are your thoughts?

Ambassador FELTMAN. Well, I don't think that is the position. I think the position is to stand strongly on the side of the universal rights that the Iranian protestors have.

Mr. MCCAUL. Well, why doesn't the President—I would love to see him come out—I have not seen him come out—and state that very clearly on television. I have seen him on TV a lot. I have never seen him come out and say, "I strongly support the resistance movement in Iran." Because it is imperative for our national security, as well, for this regime, the ayatollah and the mullahs, to go.

Mr. CHABOT. The gentleman's time has expired.

The gentleman from New York, Mr. Higgins, is recognized.

Mr. HIGGINS. Thank you, Mr. Chairman.

Ambassador Feltman, you outlined in your opening statement the unique characteristics of what is going on in the Middle East and North Africa. It is clearly not anti-American; it is not anti-Western. The President isn't being burned in effigy. They are not burning the American flag.

And, you know, the two most powerful forces in these movements throughout that region seems to be technology and youth. These places are relatively very, very young. They are Web-enabled. They are very sophisticated in their use of this. It provides both organizational advantages but also aspirational advantages as well. For the first time, a lot of these people are seeing what is going on in the rest of the world, and they want to be treated like citizens, not subjects. So these are extraordinary times, perhaps unprecedented.

My sense is, you know, what is the model that we look to? You know, do we want a place like Egypt? We want Egypt, I suppose, to become what it wants to become. But, ultimately, we have a strategic interest in that area, and there are several models to follow.

Egypt could follow, I guess, an Iranian model, which would not be viewed favorably by us. But it could also follow Turkey, which has demonstrated, I think, an extraordinarily unique, pluralistic,

strong economy. Twenty years ago, the exports in Turkey were, like, $3 billion. Today, they are, like, $140 billion. They are importing raw material and exporting finished product.

So I would like to get your thoughts, both of you gentlemen, on, you know, what it is we would like to see emerge in the Middle East and North Africa as these new governments begin to take shape.

Ambassador FELTMAN. We have done a lot of thinking about the models, Congressman. And you can go beyond the ones that you mentioned. You can talk about the Philippines, Indonesia, Eastern Europe at the end of the 1980s. There are a lot of models. Ultimately, you have put your finger right on it, which is that, in Egypt, there will be a made-in-Egypt solution to Egypt. And we will try to work with the Egyptians to help shape that solution in a way that meets their aspirations.

I think you also put your finger on something that is essential. I mentioned that each situation is unique according to the circumstances of each country, but there is something shared. And that is, people are looking at how they are governed in a different way. The relationship between the governor and the governed is now far different in the Middle East than it has been in a very long time, if ever. And that is going to change going forward.

So I would hope, again, that that spirit of Tahrir Square, the sorts of things that the Egyptians were asking for, things that we would see as universal rights or natural rights we take for granted, are what is going to govern a democratic Egypt going forward. Anyone that is going to win the presidency or Parliament in Egypt now is going to know that those people in the square could go there again. They are going to have to meet some of the aspirations of the people.

And I will let George make some comments before I use up all the time.

Mr. LAUDATO. I will just add that, as Congressman Ackerman has noted earlier, there could be a huge popular, populist reaction to what needs to be done in all of these economies as they move forward.

I guess, in the face of that, we would like to see these economies move as private-sector economies and growths come from the private sector, so that we really do see the job creation that robust private-sector growth will entail. I mean, Turkey is a good model for this.

And, actually, if we look back at Egypt over the longer term, Egypt actually has produced has significant numbers of jobs. It hasn't kept up with the population growth rate, but it has created jobs probably faster than almost anybody else in the Middle East. That growth is based on private-sector-led economic growth, and we would like to continue to support that.

Mr. HIGGINS. And then, finally, on Iran, which poses all kinds of challenges for us, but I think what we have learned with Egypt and the other countries in the Middle East and North Africa is that there is often a very, very different view of us from the regime to the people themselves.

And Iran is a country of some 70 million people. Two-thirds of the population is under the age of 32. And they are very pro-West-

ern. And I think that the basis for the Green Revolution in Iran is, again, what young Iranians see going on in places like America and in the West.

So I don't think we can paint that country with too broad a brush, and I don't think that that serves our geopolitical interests.

Mr. CHABOT. I thank the gentleman. The gentleman's time has expired.

The gentleman from Florida, Mr. Bilirakis, is recognized for 5 minutes.

Mr. BILIRAKIS. Thank you, sir. Appreciate it very much.

Gentlemen, thank you for your testimony here today, and thank you for your public service. It is very timely, of course, the hearing, because of events that are going on in the Middle East and here at home.

Yesterday, I was stunned to see a news report that unveiled, as far as I am concerned, the gross mismanagement of U.S. taxpayer dollars. The story's focus was the government's deficit-reduction report which revealed that hundreds of millions of taxpayer dollars are being funneled through the State Department in an effort to "fight Islamic extremism and build relationships with the Muslim world by enhancing mosques oversees in places like Egypt and the Turkish-occupied territory of Northern Cyprus," which is particularly offensive to me since the Turkish Army has been on a 36-year crusade to destroy and desecrate the religious heritage of Cyprus.

American taxpayers are providing dollars to put computers in mosques and giving imams Internet service—that is what has been reported, anyway—to run jihadist Web sites that seek to radicalize not only their local populations but also American Muslims.

Furthermore, we know that from past testimony before this committee from the Broadcasting Board of Governors that there is a real problem perpetrated by the Arab networks that are funded by the State Department. Some of these networks, such as al-Hurra TV, broadcast anti-propaganda to the Middle East. In other words, Americans are paying for broadcasts that actually fan the flames of hate and terrorism.

So my question is, to what extent are taxpayers' dollars being sent overseas to support extremists and terrorist behavior? And that is for the panel.

Thank you.

Ambassador FELTMAN. Congressman, we will have to look into the specific examples raised in the report, because, certainly, that is contrary to the entire intention of everything that we are doing overseas. And I don't know the specific examples. You know, we will have to look into specific examples.

But what I will tell you is how seriously we take our responsibility to combat terrorism and extremism and to use the money that is allocated to State Department programs wisely and to guard against benefiting extremism and terrorism.

You know, I have worked—I was Ambassador in Lebanon. And I will tell you, the vetting process that we had for every dollar in Lebanon, to make sure it did not end up in the hands of Hezbollah or benefit Hezbollah in some way, was extreme. And I know that it is the same throughout the region that falls in the bureau that I have the honor to lead, that we are fighting against extremism.

We are looking to provide tools for moderate voices. We want the moderate voices to be able to be heard, to have access to modern media, to be able to have access to information. So any examples that you have that are contrary to that are simply wrong. We will have to look into that.

Mr. BILIRAKIS. Yes, please get back to me as soon as possible on that. I would appreciate that. I would like the details.

Thank you.

Mr. CHABOT. Does the gentleman yield his time back?

Mr. BILIRAKIS. I yield back my time. Thank you, Mr. Chairman. I appreciate it.

Mr. CHABOT. I thank the gentleman very much.

I think the gentlelady from Pennsylvania, Ms. Schwartz, is next. And she is recognized for 5 minutes.

Ms. SCHWARTZ. Thank you, Mr. Chairman. I appreciate that.

And I appreciate your being here.

And I wanted to follow—a little different, but follow up on what my colleague, Mr. Higgins, was talking about. He presented, I think, a real hopefulness, if not uncertainty, but a real hopefulness about what is going in North Africa and the Middle East, I mean, Tunisia, Egypt. I hear it in your voice, as well. As, I would say, I think it should be. I think we are appropriately anxious about where we are going here and how it is going to go. But there is just a sense of hope and optimism coming from the ground. And you are pointing out that it is not anti-U.S., it is not anti-Israel, it is not anti-West. It is a hopefulness, both economically and politically.

So I wondered if you could tell us a bit more about what is obviously a more troubling situation in Libya. And there has been a conversation in some of the press about the use of some military action. Obviously, I think there has been real—I am not going to ask you about that; I am going to set that aside—no-fly zones, something like that, that would require us to really choose a military option, whether that is for humanitarian reasons or not. But that puts us down a whole different road.

So my question for you is, how much can you tell us about what the elements that you are using, all the capacity that we have within State to reach out and really try and resolve this situation and reduce the violence? Not just the humanitarian action, although that would be interesting for you to talk about, but I am really talking about diplomatic, economic, both unilateral and multilateral, efforts that are being made to resolve this situation in a nonviolent way.

How much can you tell us about that? I assume some of it is being done quietly. But if you could share with us what is happening, it would give us some sense of resolution and hope for that also being resolved in a way that gives Libyans a chance for self-expression and rule of law and, of course, right now also make sure that additional harm does not come to hundreds or potentially thousands of our fellow citizens around the world.

Ambassador FELTMAN. Congresswoman Schwartz, thank you.

I mean, it is appalling to watch what is happening in Libya. It truly is. And, as the President and the Secretary have said, Qa-

dhafi has lost the legitimacy to rule when he turns his forces against his own people.

One thing to watch is how much Qadhafi and his circle have talked about us. There is a lot of focus on the United States. And that reinforces one of the principles that we are going forth in trying to address the problems that you raised, which is to work with the region, to work with the international community.

This is not about the United States versus Libya. This is about the world being appalled by what Qadhafi is doing to his own people. And so we have been working to build a coalition. At the U.N., it resulted in a Security Council resolution. In Geneva, it resulted in Libya being tossed out of the Human Rights Council. The Arab League suspended Libya's membership.

We are in touch with the African Union, the GCC—the Gulf Cooperation Council—the Arab League, the U.N., the EU, a number of people bilaterally, a number of countries bilaterally, about how to isolate Qadhafi and his circle, how to hold him and his circle accountable, how to protect the citizenry as best we can, how to provide humanitarian assistance, how to reach out to Libyans across the political spectrum, which is why we have had such an outreach to the people associated with the provisional council.

Humanitarian assistance is both about how you get things into Benghazi, assess the needs, get things in, as well as how do you address the problem of the displaced. More than 100,000 people have crossed the border into Tunisia.

But the main thing is, we are doing this in an international and regional context. This is not something that is the responsibility of the United States alone, nor should it be, to solve. We are working on it with partners.

Ms. SCHWARTZ. Uh-huh. All right. Well, I appreciate that.

I was involved a bit in a situation—and I will try to ask this really quickly—where the Department was very helpful. And it was the Office of the Coordinator for Reconstruction and Stabilization. They were very helpful with Georgia, when Russia invaded Georgia. And just wanted to know that they have also been involved? They were very helpful in that situation, and I assume you are using every tool in the toolbox. This would be one that was really helpful, both in reaching out and in terms of information, but also in stabilizing and humanitarian efforts.

Ambassador FELTMAN. Yeah, I was Ambassador to Lebanon in 2006 with the war, and they were also—that same office was very helpful to me, as Ambassador, in how we responded to the needs after the end of that war. And so we are looking across the State Department at how best to use all the resources we have.

Ms. SCHWARTZ. All right. Well, thank you.

Mr. CHABOT. Does the gentlelady yield back?

Ms. SCHWARTZ. Yes, Mr. Chairman.

Mr. CHABOT. Okay. I thank the gentlelady.

The gentleman from Pennsylvania, Mr. Marino, is recognized for 5 minutes.

Mr. MARINO. Thank you, Mr. Chairman.

Good afternoon, gentlemen. It is a pleasure to be here with you. Thank you for your service.

Mr. Ambassador, I know how serious you are about your responsibilities, both of you. And I understand the awesome responsibility you have at State. But could you answer this question for me in outline form, because it is a very detailed question, but very short.

We have a situation where we are over $14 trillion in debt. And when I go back to my constituents, they are used to reading, you know, one-liners in the newspaper, hearing one-liners on television about how much money we send overseas—billions of dollars overseas. Some of it, I may agree with it; some of it, I don't. And we are even sending money to countries that just hate us.

Can you give me a rundown of how you account for that money? Now, you said you have meticulously—I don't think you used the word "meticulously," but you supervise it well. Could you give me an outline of how you do that and how you are certain that money is used for what it was intended? And how do you come to the conclusion on how it is intended?

Ambassador FELTMAN. First of all, just talking about the budget for the bureau that I oversee, for the foreign assistance part, we are asking for, for 2012, $6.84 billion for the core and enduring activities that we would like to see across the Near East region.

Of that, 85 percent is part of the comprehensive peace, securing Israel and the region—85 percent. That is assistance to Egypt, Israel, Jordan, West Bank, and Gaza. So that is the bulk of it right there, of the $6.84 billion that we are asking for, is part of the, sort of, core of the comprehensive peace we would like to see.

Now——

Mr. MARINO. Could I interrupt for just a minute?

Ambassador FELTMAN. Yeah.

Mr. MARINO. Eighty-five percent of it. Now, how do you follow that? Or do we not follow it, the expenditure of that 85 percent?

Ambassador FELTMAN. It depends on the parts we are talking about. For example, all military assistance that would go toward training of units or individuals, that has to be accounted for in terms of Leahy Amendment. You know, are units or individuals involved in human rights violations?

In terms of military equipment that goes out through sales or through assistance, that has to go through end-use monitoring. Each program has a discrete way of monitoring to make sure that it goes for the intended recipient, that it goes for the intended use.

And, of course, we also have various checks that come in, the inspector generals, what have you, that will check us to make sure that we are checking things appropriately.

So we are very aware of the need to account for what the taxpayers are giving us for what we see as our core and enduring activities in our region.

Mr. MARINO. Could we get down in the weeds just briefly on the accounting? Let's take the number of $10 billion. We send $10 billion to a country. And out of that $10 billion, $3 billion or $4 billion are accounted for humanitarian needs and some of it for military needs.

How far down in the weeds do you get, other than someone saying, "Well, we used $3 billion for humanitarian needs and $2 billion for military equipment"?

Ambassador FELTMAN. It would have to be a lot deeper than that, Congressman. It has to be a lot deeper than that, because there are anti-terrorism controls we have to put on. You can't simply provide a bunch of assistance and not see where it goes.

For the most part, we are not giving cash anyway. For the most part, we are providing contracts. We are providing some grants; we are providing some equipment. But we are not turning over, you know, money that is fungible. We are funding activities that we argue would be in the interest of the U.S. People, the U.S. National security interests.

I mean, George, do you want to give an example of an accounting on an AID part?

Mr. LAUDATO. Sure.

We do fairly detailed accounting, both in terms of how the money is spent but also what we get for the money that we are spending. So if we are looking at—if we provide X million dollars to build a water system in the West Bank, we contract for that. We monitor the contract to make sure that we are getting what we are paying for. And then we monitor the impact of that water system, that it has on the community once it is completed.

And if you look at a program like Egypt, which we have provided more than almost $30 billion since 1975, there are pages of accomplishments that have been achieved: The Cairo water system, the——

Mr. MARINO. All right. My time has expired. Thank you.

Mr. CHABOT. Yeah. The gentleman's time has expired.

The gentleman from Florida, Mr. Deutch, is recognized for 5 minutes.

Mr. DEUTCH. Thank you, Mr. Chairman.

Secretary Feltman, in light of the speech that Robert Einhorn gave yesterday, suggesting that Iran is moving toward the threshold of making nuclear weapons and we have no choice but to increase the costs on Iran by tightening implementation of existing penalties and existing sanctions, can you give us an update, where we stand on the current sanctions investigations with respect to those companies doing business in Iran and when we might see the next round of determinations?

Ambassador FELTMAN. Congressman, I know the investigations are ongoing in the State Department's Bureau of Economic Affairs. But what is, I think, as important to keep in mind is the number of companies who have pulled out or curtailed operations, ceased operations in Iran, companies like Shell, Statoil, ENI. These sorts of companies have ceased operations because of the Comprehensive Iran Sanctions and Divestment Act.

So it is not simply the investigations which are ongoing. It is not simply the fact that Secretary Clinton was the first Secretary of State to actually sanction a company under the Iran Sanctions Act and then CISADA, the subsequent act. It is that we are using this effectively to be able to dissuade companies from going in, from increasing investments, and also to convince them, in some cases, to pull out.

Mr. DEUTCH. Secretary Feltman, if you can get back to us after you learn when we can expect the next determinations.

And then, finally, I just have one further question, Secretary Feltman. Last week, a report surfaced that one of my constituents, Robert Levinson, missing from Iran since 2007, might still be alive.

Can you give us any update on the progress of the case? And can you speak specifically to whether the Iranians have been cooperating in any way, either directly with us or with any of our allies?

Ambassador FELTMAN. Well, we would welcome Iranian cooperation in finding out the whereabouts of Mr. Levinson. As you know, it has been 4 years since he has seen his family. He has had a grandchild who has been born since he has seen him. It has been too long since Bob Levinson has been away from his family, and we want to see him reunited.

I can't say much about the investigation. It is an ongoing investigation, and information is protected. But I will say that we would welcome any information that Iran has that would help us locate the whereabouts of Mr. Levinson and return him to his family.

Mr. DEUTCH. Thanks, Secretary Feltman.

I yield back.

Mr. CHABOT. I thank the gentleman for yielding back.

The distinguished gentleman from Kentucky, Mr. Chandler, is recognized for 5 minutes.

Mr. CHANDLER. Thank you, Mr. Chairman. Appreciate that.

Mr. CHABOT. Not that everyone else on this committee isn't distinguished, but Kentucky being right next to Ohio——

Mr. CHANDLER. Very much appreciate you especially giving me that appellation. Thank you.

Ambassador, first of all, I notice on your resume that you speak Hungarian. Is that true?

Ambassador FELTMAN. It was true. I don't know if it is still true. It has been a long time since I practiced.

Mr. CHANDLER. Well, I must tell you, I am very impressed with anyone who can speak Hungarian who is not a native Hungarian speaker. And I assume you are not, so congratulations.

Ambassador FELTMAN. I had the good fortune to be posted in Budapest from the late 1980s to the early 1990s. That was an historic period in Hungary. I was thrilled; I dived into the language. But I am very thrilled to be now looking at another historic period, which is the transformation of the Middle East.

Mr. CHANDLER. That is right. Well, not an easy thing, no matter how long you are in the country.

In any event, two questions. And I will try to be quick so you can answer.

First of all, Tunisia. Obviously, a critical time in the history of Tunisia. Yet our Government is proposing to cut aid to Tunisia pretty dramatically at a very, very critical juncture.

Could you please address that, tell me why we are doing that? And isn't that a little bit of a dangerous thing for our Government to do at this particular point in time, particularly given that Tunisia is one of the more Western-leaning Arab countries and has been a very friendly country to us?

Second question, Syria. If you could address, to the extent that you can—you know, there are two schools of thoughts about Syria and the intentions of the Assad regime. You spent some time in

Lebanon, so you are probably very familiar with the Government of Syria.

There is one school of thought that holds that Assad may actually want to try to get a peace arrangement, some kind of peace deal. And, of course, if that were true, it would be good for everybody in the region and, I think, would be a major breakthrough.

On the other hand, I think the greater school of thought is that the Assad regime views peace as inimical to their interests of regime maintenance, given that they are an Alawite minority in charge of that government there, that they actually need to have a conflict with the United States and, in particular, Israel, in order to maintain their regime.

What is your viewpoint on that particular subject?

Thank you. And I will listen to your answer.

Ambassador FELTMAN. On Tunisia, of course, the budget was prepared last April. You know, the budget documents were prepared at a much different time in Tunisia's history. At that time, Tunisia was cutting off security cooperation with us. They were no longer working hand-in-hand with us on a lot of issues that were of interest to us. It explains why you see the numbers you do in the budget.

However, you may have heard the Secretary mention today to the appropriators that she is going to Tunisia next week. And we will be sending you some information shortly that I think will answer some of your questions about Tunisia.

Because, you know, we agree 100 percent that we need to be responsive to the transition in Tunisia. Tunisia was a leader in the region in changing how the governed look at their governors, and they can be a leader in the region in this transition.

I served in Tunisia. I very much understand the opportunities that are there. But we will be sending you something to the Congress on this very issue shortly.

On Syria, you mentioned that I am probably familiar with the Government of Syria. I think they are familiar with me, too, from my time when I served as Ambassador in Lebanon. I was seen as kind of anti-Syrian, I think, from their perspective, when I wanted to be seen as pro-American. That is what guides me when I am serving overseas.

President Assad has said repeatedly that he wants to see a comprehensive peace in the Middle East. He has entered into negotiations with the Israelis directly, indirectly before, most recently through, you know, Turkish mediation.

But it is like what I said with the Lebanese earlier: Actions speak louder than words. To have a comprehensive peace in the Middle East, which is good for our interests, it helps protect Israel, Syria has to be part of the game, Syria has to be there. And we want to see whether or not Syria is sincere in its words on wanting peace. And that remains to be tested.

But I will say that——

Mr. CHANDLER. About the regime maintenance issue and the minority being in charge, how much weight do you give that?

Ambassador FELTMAN. Syria is a multiethnic society, as you point out. And Syria has so far not encountered the sort of concessional problems that you see in Iraq and in Lebanon. And so

there is an argument that what you say is why that is, how they have been able to avoid those problems.

But, again, Iran has said Israel must be wiped off the face of the earth, essentially. Syria has said we want peace with Israel. We would like to pursue that and see if we can get to that peace.

Mr. CHABOT. The gentleman's time has expired.

Without objection, our Foreign Affairs Committee colleague, Mr. Poe, is welcome to participate in today's hearing since most of the subcommittee members have already asked their questions.

We will get to Mr. Connolly in just a moment. We have had two Democrats in a row, so, if you don't mind, we will go to Mr. Poe now, if Mr. Poe would have some questions.

Mr. POE. Thank you, Mr. Chairman. And thank you for not calling me "distinguished." I have been called a lot of things in my life, but "distinguished" is not one of them.

Mr. Feltman, I want to follow up on some questions. You and I talked on November the 18th—I was sitting on that side; things have changed; I am over here now—about, specifically, Camp Ashraf. We discussed the issues and the problems and the people that are there. And I want to go back to our conversation. I have your testimony before me.

And I ask unanimous consent, Mr. Chairman, to submit it for the record.

Mr. CHABOT. Without objection.

Mr. POE. Thank you.

We specifically discussed the issue of the loudspeakers around Camp Ashraf that are bringing in propaganda from Iraq, other individuals, saying all kinds of horrible things to the residents of Iraq. And our discussion was, what are we going to do about it.

And so, here we are 4 months later, and I am asking you, what has happened to that situation and that intolerable noise and propaganda that is being brought into Camp Ashraf?

Ambassador FELTMAN. Congressman, this is a really tough question. It is a really tough issue. Iraq——

Mr. POE. But what are we doing?

Ambassador FELTMAN [continuing]. Is sovereign on Iraqi territory. The Iraqis are now sovereign. There are provocations that go back and forth. The Camp Ashraf——

Mr. POE. Excuse me, Mr. Ambassador. I only have 5 minutes. I just want you to tell me what we are doing and what has happened in the last 4 months regarding those loudspeakers.

Ambassador FELTMAN. Okay. We are working with the Government of Iraq, we are working with UNAMI, and we are working with Camp Ashraf to stop the provocations that go back and forth.

There are provocations that go in both directions: From the Camp Ashraf residents to the Iraqis, who are now sovereign in their own country; and from the Iraqis to Camp Ashraf. There are provocations on both sides. These are dangerous provocations. You don't know where this is going to lead. We want to see these provocations end.

Mr. POE. But what has happened? Let's just talk about one side at a time. What about the speakers on the outside blaring in? Has anything been——

Ambassador FELTMAN. A lot of those are parents of Camp Ashraf residents from Iran, saying, "Please come back." You know, a lot of these is Iraqi propaganda; a lot of it is simply parents looking for their kids. We don't want to see provocations from either side on Camp Ashraf.

Mr. POE. I want to show you a poster—and I will furnish you a copy that is smaller, so you don't have to carry this around with you—recently taken from Camp Ashraf to the outside. And when you and I talked in November, there were 110 loudspeakers—here is a pole with a bunch of speakers on it—all blaring to the inside of Camp Ashraf. And now today, 4 months later, there are 212 of these loudspeakers. So it seems to me, if I do the math right, it has increased by 100 loudspeakers blaring into the residents of Camp Ashraf.

The residents of Camp Ashraf tell us that these are all propaganda, saying awful things about the women in Camp Ashraf, inciting, I think, violence to occur. People live in fear. And it is constant. And, you know, I don't know anybody, any American that would like to have outside their house a speaker going 24 hours a day saying anything, even if it is playing Willie Nelson music. Nobody wants to have that. But this is propaganda. And it concerns me because it concerns residents in Camp Ashraf, many of whom are Iranian Americans now, who have come to this country.

What are we doing besides talking? It just seems to me, when all is said and done, more is said than done. So what specifically is being done, if anything, by our Government to take the speakers down?

Ambassador FELTMAN. Iraqis are sovereign in Iraq. What we have to do is work with the Iraqis, work with the United Nations, to reduce the provocations, reduce the danger.

But this is Iraqi territory. It is not U.S. Government territory, Congressman. And what we have to do is use our diplomacy, use our U.N. Partners, talk to other members of the international community, but we are not in control of——

Mr. POE. Reclaiming my time, Mr. Ambassador. So far, nothing we have done has helped to bring these speakers down—all the talk, all the encouragement. And it seems to me, if we have this conversation again in 4 months, there probably are going to be a whole lot more speakers.

And I sincerely just hope that the United States is able to use its prestige to encourage Iraq to let these people live in peace instead of breaking the peace with—one way is the propaganda that is coming through these loudspeakers. That is my goal, and I hope the State Department figures out a way to make it happen.

And I yield back my time.

Mr. CHABOT. Thank you. The gentleman's time has expired.

The gentleman from the great State of Virginia is recognized, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman. And congratulations on your reelection and selection as chairman of our subcommittee.

Mr. CHABOT. Thank you.

Mr. CONNOLLY. And I am reminded of the fact, listening to our colleague understandably concerned about the use of loudspeakers, that when the United States, through the Government of General

Noriega in Panama, the American military used exactly this technique in front of the Vatican Embassy in Panama City. So I am sure we have some experience in that regard and understand how irritating it can be when used as a tool for propaganda.

Let me ask—and now the vote has been called. But the title of this hearing is, "Assessing U.S. Foreign Policy Priorities and Needs Amidst Economic Challenges in the Middle East."

How important, at this time in history, given the upheaval in the Maghreb and Egypt and perhaps other places, as well, how important is our foreign assistance program as a tool or a policy priority as we face those challenges?

Ambassador FELTMAN. I would say it is essential to us being able to realize our goals.

Mr. CONNOLLY. Essential.

Ambassador FELTMAN. Essential. It is part of our overall development, diplomacy, and defense approach to the region. We need to have all three.

And if you look at, say, the military assistance to the Egyptian Army, the Egyptian Army, by and large, has reacted to the events in Egypt in a very professional manner. I think that we can take some credit for that, for the years of training and work that we have had with the Egyptian Army.

If you look at Iraq, going forward in Iraq, the diplomacy and development side of our work in Iraq will help make Iraq that sovereign, stable, self-reliant partner that is in our interests——

Mr. CONNOLLY. So, Mr. Ambassador, what you are saying is, if you look back over the years of investment since the Camp David Peace Accords were signed, with respect to Egypt, for example, it paid off in this transition; in terms of helping build a force that respected demonstrators and their human rights, and is a force for stability in this transition. And, moving forward, we need to be making like investments in the region that will pay off sometime down the road. Is that your argument?

Ambassador FELTMAN. Yes, that is my argument, Congressman. And that is the logic behind what I said for my region is a $6.84 billion request for the core and enduring activities we have for the region. It is to advance U.S. Interests, U.S. National security and diplomatic interests, in this region during a changing time.

Mr. CONNOLLY. Ambassador, I am struck by the fact that, just a few weeks ago, here in the House of Representatives, the United States Congress, sadly, from my point of view, significantly slashed the 150 Function of the budget. We cut funding for precisely what you just said we should be doing more of, not less of.

Has the State Department even assessed yet what the potential ramifications in this region might be in terms of curtailing our diplomatic efforts and our foreign assistance efforts?

Ambassador FELTMAN. I mean, yes, we have. And cutting $2 billion out, which is what this would be, would be cutting out a lot of the democracy programs that we need most right now.

We also need, frankly, since you raised the question, we need a 2011 budget. Particularly when I look at how are we going to do the civilian transition in Iraq, we need to know what our money is, we need to know what our budget is.

So we not only hope that we will be able to get fully funded for 2012, we also hope we are going to get a 2011 budget.

Mr. CONNOLLY. Mr. Laudato, I see you shaking your head.

Mr. LAUDATO. No, I couldn't agree more.

Mr. CONNOLLY. No, I saw you shaking your head in agreement.

Mr. LAUDATO. Oh, absolutely. Absolutely.

I have dealt with, for example, Egypt since 1976. I was in Egypt when President Sadat came back from Jerusalem. And I saw the impact that our foreign assistance has had on cementing the solidarity in the region on our foreign policy. And as we cut it, we cut the capacity to involve ourselves with these governments for the purposes that we deem are in our own interest and in the interests of our friends and allies. And so I think it is critical.

Mr. CONNOLLY. Mr. Chairman, in the 16 seconds I have left, let me just say, I would hope that, upon reflection, Members of Congress here in the House would reconsider the cuts that we made to the continuing resolution in the 150 Function, especially in light of the profound changes going on in this region.

And, with that, I yield back.

Mr. CHABOT. Thank you. The gentleman yields back.

And some real quick comments here.

First, without objection, the witnesses' full prepared statements will be made part of the record. And members may have 5 calendar days to insert statements and questions for the record, subject to the length limitations in the rules.

Secondly, I need to correct myself. My crack staff has drawn to my attention the fact that I inaccurately recognized the gentleman by saying "the great State of Virginia," when, in fact, it is a commonwealth. But it is certainly still great. Having been a graduate of the College of William and Mary, I should know that.

We, the ranking member and myself, have a couple of quick questions that your response you can give back to us in writing. I will go through them very quickly. The reason we are doing this quickly is because we have votes on the floor, and we have to be over there and vote within 10 minutes. So we are going to do very quickly.

As Egypt works steadily toward political reform, many people are calling attention to the economic situation on the ground, which is dire by any measure. Some of these measures are not just simple aid programs, many of which have been shown to be quite ineffective over time.

The question comes down to a free-trade agreement between the United States and Egypt. Arguably, doing such would be good for Egypt and good for the United States. I would love to have the administration's view on that.

The other question, Ambassador Feltman: I had the privilege of asking Secretary of State Clinton about our Iran policy when she testified before the full committee last week. I specifically asked Secretary Clinton about our policy toward an indigenous Iranian enrichment capability. And I would like to ask you the same question today. Of course, you can respond in writing.

At the recent meeting in Istanbul, the Iranians once again asserted their right to enrich on their own soil. A recent bipartisan Senate letter reflects the overwhelming concern in Congress about

Iranian domestic enrichment. Last week, however, I was surprised to hear Secretary Clinton say that, if Iran were to live up to its international obligations, it would be allowed to enrich within its borders.

I would like to be clear: Is this indeed the policy of the United States? Would we actually allow this regime in Tehran, a regime that openly calls for wiping Israel off the map, to enrich on its own soil? I would add that our record of detecting covert nuclear programs is not stellar.

Additionally, recent reports suggest that Iran may be allowed to continue enriching in the interim during negotiations. The rumored Einhorn plan, for example, would supposedly allow Iran to maintain and operate 4,000 centrifuges on its territory. Is this an actual proposed interim measure?

And I will now yield to the gentleman from New York, the ranking member.

Mr. ACKERMAN. I thank the chairman.

I actually think that I have what I think is an answer to a question that was raised by a colleague, rather than a question myself.

Mr. CHABOT. Okay.

Mr. ACKERMAN. The gentleman from California wanted to know who was going to be left holding the bag if we did debt forgiveness toward Egypt, whether it would be the big banks or us. The answer to the question, no matter who you ask it of, is us. It is not the banks. This was not money that the banks gave that we gave a guarantee. It wasn't actually even money we gave to Egypt. What we did provide was food credit, in the tune of $3 billion, to feed the Egyptian people, who were adhering to policies that we greatly supported and wanted to be helpful and useful to them, as they were being very helpful to us. And the $3 billion in food credits was spent here in the United States. So all of that money benefited our farmers and our people here, as well as helping to feed the people over there.

The question isn't who is going to be left holding the bag, but whose bag you would prefer holding. If we have debt forgiveness, I am sure that there would be a great deal of gratitude on behalf of an emerging, hopefully, emerging democracy in Egypt. If we don't have debt forgiveness, we are competing with the Muslim Brotherhood. If they win the battle of the street in the time to come and are going to be in charge of a new Egypt, God forbid, I am sure they are not going to be paying back that $3 billion any time soon and will not be grateful to us.

So it is a contest between whose side are we on in the fight for these emerging democracies. And we are, indeed, the same people who are left holding the bag in all of the efforts. My friend advocated and supported, whether we helped the people in Iran, the cost of that, we will be holding the bag, and I don't think that is a bad thing. And if we help the people in Libya, enforcing a no-fly zone, the cost of that, we will be holding the bag. And he advocates, and I don't necessarily disagree at the moment. And when we helped liberate Iraq, which he supported and I supported.

This is a big responsibility, being the superpower in the world. And if we want to see good things, we have to be willing to pony

up, step up to the bar. Otherwise, the bad guys are going to take over all over the world.

And as far as the speakers, we are talking about Iran. And the chairman and I have worked out an agreement that we heard a rumor that there are "speakers of mass destruction," and we are going to go in and see if we can eradicate that.

Mr. CHABOT. The gentleman yields back. I thank the gentleman.

And we thank the witnesses for their very good testimony here this afternoon.

The committee is adjourned.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Subcommittee on the Middle East and South Asia
Steve Chabot (R-OH), Chairman

March 3, 2011

You are respectfully requested to attend an OPEN hearing of the Subcommittee on the Middle East and South Asia, **to be held in Room 2172 of the Rayburn House Office:**

DATE: Thursday, March 10, 2011

TIME: 2:00 p.m.

SUBJECT: Assessing U.S. Foreign Policy Priorities and Needs Amidst Economic Challenges in the Middle East

WITNESSES: The Honorable Jeffrey D. Feltman
Assistant Secretary of State for Near Eastern Affairs
U.S. Department of State

Mr. George A. Laudato
Administrator's Special Assistant for the Middle East
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON MESA HEARING

Day THU Date 3/10 Room 2172

Starting Time 2 PM Ending Time 3:40

Recesses [ ] ( ) to ( ) ( ) to ( ) ( ) to ( ) ( ) to ( ) ( ) to ( ) ( ) to ( )

Presiding Member(s)

CHABOT

Check all of the following that apply:

Open Session [X]
Executive (closed) Session [ ]
Televised [X]

Electronically Recorded (taped) [ ]
Stenographic Record [X]

TITLE OF HEARING:

Assessing US Foreign Policy Priorities Amidst Economic Challenges in the Middle East

SUBCOMMITTEE MEMBERS PRESENT:

Chabot, Ackerman, Burton, Chandler, Conaway, Deutch, Higgins, Manzo, McCaul, Rohrabacher, Schakowsky

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

Berman, Poe

HEARING WITNESSES: Same as meeting notice attached? Yes [ ] No [ ]
(if "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED 3:40

Subcommittee Staff Director

○