THE BROOKINGS INSTITUTION

PREVIEWING THE OBAMA ADMINISTRATION'S NATIONAL SECURITY STRATEGY

A CONVERSATION WITH SECRETARY OF STATE HILLARY CLINTON

Washington, D.C.

Thursday, May 27, 2010

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Introduction:

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P R O C E E D I N G S

MR. TALBOTT: Good afternoon to all of you. I'm Strobe Talbott of the Brookings Institution. It's a great pleasure to welcome you all and, of course, to welcome back to the Brookings Institution Secretary Clinton.

I should also say, Madam Secretary, welcome home.

SECRETARY CLINTON: Thank you.

MR. TALBOTT: You all probably know that sometime last night -- she's not even sure exactly when -- she flew back into Washington after an important trip that took her to Tokyo, Beijing, and Seoul. In addition to being the senior member of the Cabinet, she also has the job that incurs the most jet lag.

She's here today to talk to us about an extraordinarily important document, the 2010 National Security Strategy, the NSS. Now, while this document comes out on a periodic basis, precisely because it is periodic, it doesn't always get the attention that it deserves. In fact, I would say that it rarely gets the attention it deserves. We'll see whether the 2010 National Security Strategy generates the kind of careful attention by the press and by the American people and the international community that I think it requires. My guess is that the chances are pretty good that it will, not least because of what you're about to hear from this podium and also

because of whom you're going to be hearing it from.

Now, this document is, I think, especially significant. It is, to those of us who've had a chance to quickly peruse it, the most comprehensive national security strategy ever. It's also, I think, quite remarkable for its emphasis on the geopolitical importance of geoeconomics, and also on the emphasis for the need to strengthen old alliances while building new partnerships with emerging powers, and on the need for engagement with countries like Iran and Syria, not despite the incompatibilities of interest and perception of interest; not despite the difficulties and the dangers that those countries represent, but precisely because of them. And also, it's distinctive because of its emphasis on the need for a more robust and conscious integration of three functions that are too often treated as though they were separate. And I'm referring to defense, diplomacy and development.

It's no accident that those three words have been virtually a single phrase, a constant theme in the way that Secretary Clinton has explained and stewarded American foreign policy. For the past year and a half, she has been a forceful and effective advocate for American interests abroad and for support of U.S. foreign policy here at home. We are honored that she would come here to explain the strategy behind that policy.

Madam Secretary, we're all ears.

SECRETARY CLINTON: Thank you so much, Strobe.

(Applause)

Well, thank you very much for giving us this opportunity to come here to Brookings to talk about the National Security Strategy. I appreciate Strobe's very kind words about this strategy because, certainly, an enormous amount of attention has been paid at the highest levels of the Obama Administration over the last 15 months, and it is our attempt to try to integrate many of the various aspects of national security.

One of our goals coming into the administration was to do exactly what Strobe said: To begin to make the case that defense, diplomacy and development were not separate entities, either in substance or process, but that indeed they had to be viewed as part of an integrated whole and that the whole of government then had to be enlisted in their pursuit. So I am very pleased that I have this opportunity. There are so many old friends and important thinkers and talkers about American foreign policy who are here today along with members of the diplomatic community, and we're very pleased to see all of you.

This is a comprehensive national security strategy that integrates our strength here at home, our commitment to Homeland Security, our national defense, and our foreign policy. In a nutshell, this strategy is about strengthening and applying American leadership to

advance our national interests and to solve shared problems. We do this against the backdrop of a changed and always changing global landscape and a difficult inheritance toward a struggling economy, reduced credibility abroad, international institutions buckling under the weight of systemic changes, and so much more. Our approach is to build the diverse sources of American power at home and to shape the global system so that it is more conducive to meeting our overriding objectives: security, prosperity, the explanation and spread of our values, and a just and sustainable international order.

Now, obviously, the world that we confront today has changed. This is a comprehensive national security strategy because we believe that we have to look at the world in a much more comprehensive way. The pace and nature of interconnections, economic interdependence, new technologies, all of those have in some ways brought the world, I would say, superficially closer together, but in other ways demonstrated the intensity of the demands on the United States to be able to respond and lead.

The type and number of actors with influence, emerging powers, non-state actors -- we saw this in a very clear way in Copenhagen, when President Obama and I worked to create a mechanism of some sort that would justify the gravity of the challenge we face, and the extraordinary effort that so many nationals and non-state actors had put into the lead-up to

Copenhagen.

We see a world in which great power is exercised by primarily one nation, but there are many other existing and emerging powers. And yet it is not so much about the conflicts between powers, but the new and complicated threats that underscore and drive much of the interaction between powers in the world today: terrorism, proliferation, climate change, cybersecurity, energy security, and many other forces at work in our world. But there are also huge opportunities, new modes of cooperation, new capacities to improve lives, some tangible efforts to bridge great gaps in understanding both through the media and through diplomacy.

We are in a race between the forces of integration and the forces of disintegration, and we see that every day. And part of our challenge is to define American leadership in relevant terms to the world of today and tomorrow, and not merely looking in the rear-view mirror, which makes it very hard to drive forward. So in a world like this, American leadership isn't needed less, it's actually needed more. And the simple fact is that no significant global challenge can be met without us.

I often say that we are standing alone when it comes to military and economic strength that is unmatched. But there is so much more to what we are attempting to both manage and direct and even in some cases solve in the long list of problems that we encounter.

Meeting the challenges call for innovation, adaptability, the power to project values, the capacity to convene and connect broad coalitions of actors. This is actually a very important American comparative advantage. So, we are no less powerful, but we need to apply our power in different ways. We are shifting from mostly direct exercise and application of power to a more sophisticated and difficult mix of indirect power and influence.

So, smart power is not just a slogan. It actually means something. It certainly meant something to me when I started using it, and I think it is gradually being picked up as a fair descriptor of what we are undertaking. We have to balance and integrate all of the elements of our power starting with the so-called three Ds -- defense, diplomacy, and development -- but also including our economic power and the power of our example. We need to have strategic patience and persistence because indirect applications of power and influence take time.

Now, every diplomat of any historical experience knows that, but the kind of slow, patient diplomacy that is necessary for the vast majority of problems that have been faced in diplomacy going back in history is so much more difficult today. I mean, think about some of those critical moments that we look back at with admiration when breakthroughs occurred. How hard is it now to imagine doing that with Twitter, with blogs,

with 24/7 media coverage so that the necessary ingredients of building some level of trust to understand opposing points of view, to have the luxury of time even if it's just days and weeks, to think through approaches, that has all been telescoped?

I've told a number of friends and colleagues that the intensity of the diplomatic enterprise is so much greater than it was even when I observed it and, to some extent, participated in it back in the '90s. It's just a constantly accelerating mechanism that requires people to act often more quickly than the problem deserves. Yet that is the world in which we find ourselves, and so, therefore, we have to adapt to it and we have to understand what it will take to meet the requirements of the times in which we find ourselves. And we need partners. We need partners to help us tackle these shared problems.

I said at the Council on Foreign Relations last year that two inescapable facts define our world: first, that no nation can meet the world's challenges alone; and, second, that we face very real obstacles that stand in the way of turning commonality of interest into common action. Thus, leadership means overcoming those obstacles by building the coalitions that can produce results against those shared challenges. It means providing incentives for states who are part of the solution whether they recognize it or not, enabling them and encouraging them to live up to responsibilities that

even a decade ago they would never have thought were theirs, and disincentives for those who do not.

We have a systematic strategy for cultivating partners that can be called upon to help us address global challenges. First, energizing and updating our alliances. I came from two of our strongest allies -- Japan and South Korea -- over the last several days, and my very first step as Secretary of State was to Asia, to those countries, as a way of energizing those alliances. And we've done much on that since, building robust strategic dialogues with emerging centers of influence.

You know, there's too often kind of a dismissal of dialogue or of creating some ongoing diplomatic framework in which to discuss a whole range of issues. I happen to be a big believer. I think that deepening our engagement with key countries like Russia, China, India, and others gives us a better understanding. And also, to our counterparts it also puts the relationship on a broader framework than just the usual hotspot crisis emergency that then marshals everybody's attention. And we have seen how just in this last year using those dialogues has helped to address some serious common problems, but it has also helped to keep the relationship on an even keel going forward.

We have, as you know, built on the work of prior administrations with respect to China and now have probably the biggest

exchange of government officials and sharing of insights that we have ever had not only with China, but probably with any country. We took over 200 American government officials to Beijing for this second round of the strategic and economic dialogue, and a lot of the work that was done is never going to get into a headline, but it is significant.

Two quick examples. We signed the first-ever agreement where American experts will work with their Chinese counterparts in developing the natural gas industry in China, which holds promise. Why is that important? Well, for China, having indigenous, independent energy sources is good news for them. For us, having China have indigenous, independent energy sources is good news for us because we see then a shift away from energy dependence in parts of the world that obviously influence their foreign policy. You have to keep your factories running and the lights on, and there are certain places in the world that provide that, then that's going to influence, you know, how you treat your engagements with those countries.

Secondly, we did a lot of talking about development. You know, China is present very heavily in Africa and Latin America and other parts of Asia doing development work, much of it tied to economic interests, but not exclusively. And we actually began to have a conversation for the first time about how we can better understand what they're doing, be more

transparent with what we're doing, and look for ways to work together.

With India, which starts next week, it is the first time ever we've had a ministerial strategic dialogue. There have been interactions, of course, at many levels. Strobe famously was our point person in the Clinton Administration. But we want to develop connections not only between high-ranking diplomats, as Strobe was, but also between people working on higher education, people working on clean water, people working on women's empowerment, and that is exactly what we intend to do. We are investing in developing countries that we believe are reaching the tipping point, such as Ghana and Tanzania, to help create new capable partners. The President's speech in Ghana last year was a real clarion call to countries in Africa to think about their potential differently and build institutions to move from the rule of men to the rule of law. And so we want to work to create more success stories.

We're reaching beyond states to build partnerships with the private sector, NGOs, academia, and I've spoken quite a bit about 21st century statecraft. So, we're building partnerships between technology and citizen empowerment in places like the Democratic Republic of Congo. We're looking to bring in our private sector to be a partner in solving problems, so that our recently announced initiative, Feed the Future, is picking out certain countries that we will invest heavily in to try to, you know,

make their agricultural sectors more productive so that they are then better able to feed themselves. And we're looking to private sector partners to assist us on that.

I also was in Shanghai on this past trip at the Shanghai Expo and certainly seeing, in many respects, the extraordinary historical moment that China is enjoying. And China interacts with us not just government to government, but private sector to private sector, and we want to enhance more of those interactions. So, one of my announcements was sending 100,000 more students under the Obama Administration's outreach to China in the next 4 years. So, we're looking for ways that create those person-to-person connections.

We're building strategies to strengthen our engagement with regional institutions, NATO, ASEAN, OAS, and to reform global institutions. The G-20 is the principle example of that in this last year, and we are working on the regional architecture in Asia.

I gave a speech a few months ago in Hawaii, talking about what that regional architecture with the United States firmly embedded in it will look like, and we're working to make sure that our administrations in our country, obviously, change over time. But we believe that there are certain commitments, as we saw in a bipartisan basis to NATO, that need to be embedded in the DNA of American foreign policy and not sort of beginning

and ending in fits and starts. The engagement has to remain constant.

There was a feeling that the United States had turned away from Asia, and none of our friends wanted that to be the fact. So, we can't allow this very big complex world that is so demanding to have the United States absent anywhere. We're giving adversarial nations a clear choice through dual-track approaches, and we are looking to turn a multi-polar world into a multi-partner world.

I know there is a critique among some that somehow talking this way undercuts American strength, power, and leadership. I could not disagree more. I think that we are seeking to gain partners in pursuing American interests. We happen to think a lot of those interests coincide with universal interests and, certainly, our interest in effectuating better outcomes for people around the world, and my view is that we are trying to use every single tool in our toolkit.

Because universal values lie at the core of who we are, so, they must lie at the core of what we do. We seek to solve problems because we're committed to global progress that promotes dignity and the opportunity for everyone to live up to their God-given potentials. Values matter to our national security. That should go without saying, but it needs to be not only repeated, but perhaps emblazoned as a set of principles that are guiding us. Democracy, human rights, development are mutually

enforcing, and they are deeply connected to our national interests.

Now, there are, however, different approaches to how we act on those human, universal values. Sometimes, there's a clarion call -- which I attempted to do in the speech I gave about Internet freedom, to put that on the agenda of the world, not just of the State Department -- and sometimes it's discreet diplomacy. Because we're not interested in just scoring points and getting headlines. We're actually interested in changing conditions, changing attitudes, changing laws, changing people's lives for the better.

Now, development in women's rights are two examples of where results and values can verge. It's the right thing to do and it's the smart thing to do. And we see that everywhere. You know, even in my own staff, I sometimes see a few of my young, male staff members' eyes roll when I go into women's rights for the 967th time. But I do that not only because I believe it passionately, but because I know from every bit of evidence we've ever done about the connection between development and democracy that women are the key to both; that changing conditions that enable women to attain more influence, more empowerment through education, through health care, through jobs, through access to credit literally changes the map of how people think about themselves, what they expect from their governments. And we are going to continue to promote that as a very core interest of the United States.

Now, this is a strategy about results. We ask ourselves all the time have we contributed in a tangible way to global progress that improves security, widens the circle of prosperity, advances universal values, and helps to build a just and sustainable international order? Or, on a more specific basis, have we secured nuclear materials?

Now, President Obama's Nuclear Security Summit was an extraordinarily important historic event because, for the first time, nations came together to talk about what every leader says is the overriding threat to humanity, but which we have honored more in the breach than in actions taken.

Have we improved the material conditions of people's lives through effective development? As we are coming into the final lap of our first-ever quadrennial diplomacy and development review and the President's PSD on development, we want to be held accountable. We believe that if we're going to be committed to development, if we're going to ask the American taxpayers to help pay for sending somebody else's child to school or providing somebody else's mother maternal health care, we better be able to show results.

Because that really brings me to the final point. I appreciated Strobe's really strong endorsement of our process, and I hope as you study the product as well and some of the sort of headlines coming out of it. But

perhaps the most important takeaway is that the United States must be strong at home in order to be strong abroad. We have to lead with confidence. We have to have the conditions in effect in our country, where we are able to project both power and influence.

And I don't think it is a surprise to anyone to be told that when President Obama came into office last year, in the midst of such a very dangerous economic crisis with America's economy in precarious position, there was a big question mark. What does this mean? What are other countries going to do as America is economically in a very difficult situation? And I'm happy to report that, a year later, thanks to the economic policies that were pursued by the President and endorsed by the Congress, despite all the political to and fro about them, we are in a much stronger economic position than we were, and that matters. That matters when we go to China. That matters when we try to influence Russia. That matters when we talk to our allies in Europe. That matters when we deal with our own hemisphere or when we think about what we can do to help influence events for the better in Africa. And, so, a lot of this national security strategy for the first time talks about the challenges we face here at home: our own deficit, our debt, and the counterterrorism strategies.

John Brennan gave a speech about that aspect of the national security strategy, talking about some of the changes that have been made in

this administration. So, we are very committed to pursuing this strategy in all of its many component parts, but we think that the sum of the parts adds up to a whole that is a strong endorsement of American leadership and America's defining role in the 21st century. We recognize completely the difficulties in today's world of pursuing and achieving that kind of position, but we believe that we have the strongest possible hand to play because we represent the United States of America and the people of this country, their resilience, their entrepreneurial spirit, their patriotism, and their core fundamental values, and that, more than anything, is what we bring to our work in the world today.

Thank you very much. (Applause)

MR. TALBOTT: I want everybody to note that the Secretary of State mics herself. She's had so much practice in this. (Laughter) I'm not allowed to touch any of the technology around here.

Madam Secretary, in a just a second, I'm going to ask Ambassador Martin Indyk to lead off the questions from the floor. But I would like to just pick up on the ugly D, deficit, alongside the robust Ds of diplomacy, defense, and development. You went a long way towards certainly anticipating and even answering this question, but the prospects for the burgeoning of the deficit are not a pretty sight.

And I would be -- and we've had discussions here in this building and

elsewhere around Think Tank Row even in the last week where senior military figures have said that the deficit is at least potentially, if not actually, the single biggest threat to the national security of the United States.

When you are with countries with whom we are allied and who are dependent upon us, do they express concern about this? And when you're with a country, let's say China, that holds a lot of our debt, do you get indications that in order to have real smart power, we're going to have to have fiscally sustainable power?

SECRETARY CLINTON: I do, Strobe, and I think the concerns that you and others are hearing from our military leaders are certainly matched by our civilian leaders. I think the President is very well aware of the long-term threat that our deficit and debt situation pose to our strength at home and abroad. And other nations, certainly during the last year, put that concern on a back burner while everybody tried to stimulate themselves out of the deep recession that we were facing.

But now the conversation has returned to talking about long-term sustainable growth. And sustainable is not just about the environment, it is about our fiscal standing.

This is a very personally painful issue for me because it won't surprise any of you to hear that I was very proud of the fact that when my husband ended his eight years, we had a balanced budget and a surplus.

And that was not just an exercise in, you know, budgeteering. It was linked to a very clear understanding of what the United States needed to do to get positioned to lead for the foreseeable future, far into the 21st century.

And when President Obama came into office, he inherited a very different situation. And I watched this as a senator from New York. I voted against tax cuts that were never sustainable, wars that were never paid for, and now we're paying the piper. And, you know, it's unfortunate that this President has to take the necessary and difficult steps, which he clearly is committed to doing, that are not politically easy, you know. I mean, I remember very well how hard it was, you know, there's something called the 1994 election, which, in part, had to do with some very tough votes that members of Congress took to lower the deficit. And there is a very difficult political train. I mean, it's this old sort of unproductive argument between, you know, taxes and spending.

At the end of the day, you should only tax to the extent you need to meet America's needs at home and abroad, and you should only spend what you need to meet America's needs at home and abroad. But we cannot sustain this level of deficit financing and debt without losing our influence, without being constrained in the tough decisions we have to make about the three Ds, so this is a high priority for this administration. You'll see it reflected in its national security strategy. And we want to try to begin, with

the publication of this strategy, to make the national security case about reducing the deficit and getting the debt under control, recognizing that it is going to be very, very politically challenging.

MR. TALBOTT: Thank you.

Martin? While we're waiting for a mic, please identify yourselves, stand, wait for a mic, keep your questions short so we can have plenty of time for the answers.

MR. INDYK: Martin Indyk, the director of the Foreign Policy Program at Brookings. Madame Secretary, welcome back. We're delighted to have you here today, in particular because, in a fit of brilliant timing, our Managing Global Insecurity Project, which we did with Stanford University and New York University, happens to be meeting today to discuss the national security strategy.

You'll be pleased to know that it got very good reviews in our opening discussion. But there were several questions that came up. I'll just put one to you, which is about the question of who defines responsibility in this emerging international order that you're trying to shape with this strategy.

And this is presumably something you've come into contact with in your dialogues with the emerging powers, that is the point that they may be prepared to take on responsibilities, but they are often unwilling to have us

tell them what their responsibilities are. So I wonder if you can tell us from your experience, how do you actually shape those responsibilities when there's a kind of resistance to accepting that we should be telling them what to do?

SECRETARY CLINTON: Well, Martin, that's a really important key question. First of all, we come to any discussion with our counterparts around the world with our own definition of responsibility, which is not always self-evident, what are the responsible positions to take, how do we prioritize among our various responsibilities.

You know, when we started this administration, I think we had an overriding responsibility to do everything we could to get out of the economic recession, to do nothing diplomatically or in any other way that would worsen America's efforts to emerge from the recession. So that meant that, you know, we did a lot of discussing -- not just the State Department, Treasury, and many others -- with counterparts about how we defined responsible action.

You know, we urged nations to do stimulus, which for some nations was not immediately apparent to them as to why that would make things better. And there was a lot of work done to try to engage and persuade. So even when we come to a dialogue or a diplomatic engagement with our own definition of responsibility, that's only after we

have had to prioritize among what we see as many of our responsibilities, and then we have to figure out the best ways to work with our counterparts and to try to find some common ground. And there's no cookie-cutter formula that you can impose on all of these different situations, but let's take a few examples.

You know, when we began on the so-called resetting of the relationship with Russia, we had to take responsibility for the fact that our relationship had really gone off the rails. I mean, there was a lot of mistrust, there was a very big gap in how we were seeing the world. We had the impact of the Georgia situation, there was just a lot going on, and we believed that we had to engage in a very straightforward discussion about responsibility as we began to reengage at a very high level with Russia.

Now, we're not going to see the world the same way, we're not going to agree on definitions, but talking about what is the responsible approach toward Iran, for example, you know, talking to Russia, you have had a different history, you have a different experience, we see this as very threatening, let's be as transparent and open in sharing our views and our information and determine what is a responsible way forward. With China, we started this discussion about development because we think there are more responsible ways to engage in development than less responsible ones, and that will have a longer term impact. Now, why would the Chinese

care about that? Because they make long-term investments, particularly in the natural resources sector.

So conflict, any kind of unrest is a threat to their investment. So while they're doing development, thinking responsibly about how their development programs cannot just secure contracts and concessions for mining, but can create, you know, more jobs for the people in the host country, can create a sense of investment, not just in the material sense, in the well-being of their future.

So there are many, many examples like that, but it is only through dialogue. You cannot begin a conversation with somebody and say, well, here are the 10 things we think you should do to be a responsible stakeholder. But you can say, let's talk about what you're doing in development, what you're doing as we have many hours of discussions with the Chinese and North Korea. You know, what kind of responsibility could you exercise if you so chose that would actually be good for you? Because ultimately, if nations do not believe that what the United States is trying to ask them to do or making the case for them to do is in their interests, that's a non-starter. You know, some nations have expanded the definition of what's in their interests. I think the United States and, you know, European countries, we have a much more -- a much broader -- but we have to some extent the luxury of being able to define it in that way. Other countries are

much more focused, and okay, is this going to be good for me today and maybe tomorrow? And I'm not so sure about next month.

And that's what all of this engagement is designed to do. It is not meeting for the sake of meeting. It is attempting to have meetings of the mind about very difficult issues to make the case of why these things are in people's interests.

And as a final example, Martin, because you're so familiar with this, is, you know, I gave a speech to APAC about why the two-state solution is in Israel's interest. Forget the Palestinians and the Arabs. Why is it in Israel's interests? And, you know, just very briefly there's three big reasons: demography, ideology, and technology. You know, if Israel is to remain a democratic Jewish state, then they have to come to grips with their own Arab citizens as well. And if they're going to remain a secure, democratic Jewish state, they've got to come to grips with the technology that is advancing as we speak that will make every part of Israel less secure unless they have some kind of resolution. And if they have any long-term view about how to live with their neighbors, then they've got to deal with the ideology that is rejectionist, that is bred and exacerbated by the failure to come to grips with the two-state solution. So, you know, that may not be the way the Israeli government sees it, but it's only through those kinds of in-depth conversations, really centered around core issues like responsibility,

that can be tied into a nation's self interest that you can actually make any progress.

MR. TALBOTT: Bob Abernethy.

MR. ABERNETHY: Madame Secretary, thank you for being here with us today.

SECRETARY CLINTON: Thank you.

MR. ABERNETHY: How do you see the reshaping of NATO as it moves forward, fitting in particularly to the economic aspects that you're emphasizing as the new national security strategy?

MR. TALBOTT: You should know also that Secretary Albright was just here a couple of days ago talking about the future of NATO, so a lot of people have this very much in mind.

SECRETARY CLINTON: Well, and Secretary Albright did her usual exemplary job in leading the group of very high level advisors to shape the suggested NATO strategic concept. So I'm glad she's had a chance to brief you.

We have to do a better job of reforming NATO institutions and requiring them to be more cost-conscience and effective in order to maximize the impact of every dollar that every taxpayer of any NATO country -- led by, of course, the United States -- has in terms of a return on investment for their investment in NATO. NATO has gotten sprawling,

hundreds and hundreds of committees, too many staff. There's just a lot that can be done to literally save money and focus the mission of NATO. At the same time, countries have to recognize that as we try to streamline the operations of NATO, their contributions to their collective defense have to be more than they are today.

You know, NATO has given a big umbrella to European countries to permit them to grow and develop, and it was an important mission for the United States to do that. And it created an era in Europe that is unprecedented in history in terms of the unity and the common purpose that both the EU and NATO represent.

But we do have to expect more from NATO and we have to expect more from the member nations. But I don't want to go just hat in hand and say, you know, you've got to do more Country X or Country Y for the collective defense without also moving very robustly on the reform agenda. Because you cannot keep feeding the existing institution and expect to get a different result in terms of cost effectiveness.

MR. TALBOTT: Mauricio and then Tom Pickering.

MR. CARDENAS: Thank you, Madame Secretary. I am director of the Latin America Initiative here at Brookings. Speaking about responsibility, global issues like Iran, have your thoughts and reflections on Brazil changed during your tenure as Secretary of State? I have the

impression at the beginning of the administration, Brazil was seen as part of the solution to deal with divisions in Latin America to global issues like trade, climate change, but is now more part of the problem. What are your thoughts about the role that Brazil can play?

MR. TALBOTT: Particularly in the context of the last two weeks I would think.

SECRETARY CLINTON: Well, I see Brazil as part of the solution. I see Brazil as having extraordinary resources and capacity to be put up against problems in our hemisphere and increasingly beyond. That doesn't mean we're always going to agree with the Brazilian government's policy, but Brazil -- I mean, we want a relationship with Brazil that stands the test of time no matter who our president is or no matter what the political constellation in Brazil is.

And I feel very strongly that on so many important matters, Brazil is a very responsible and effective partner. We could not have stabilized the situation post-earthquake in Haiti without Brazil. I mean, Brazil was there already leading MINUSTAH, the U.N. peacekeeping force. They lost people, both on the civilian and military side, but they immediately regrouped and came forward and are, you know, one of the lead nations in the rebuilding of Haiti.

Brazil played a role in the small group that the President and I

crashed into in Copenhagen in coming up with an accord out of the Copenhagen Conference and signed onto its own commitments on climate change. We have a really robust investment and business relationship with Brazil. So, there's a very, very long list of areas of common interest and a partnership that we will work on and expand.

But I don't know that we agree with any nation on every issue. And certainly we have very serious disagreements with Brazil's diplomacy vis-à-vis Iran. And we have told President Lula, I've told my counterpart, the foreign minister, that we think buying time for Iran, enabling Iran to avoid international unity with respect to their nuclear program makes the world more dangerous, not less. They have a different perspective on what they see they're doing. So we just kind of go at it.

It goes back to Martin's point, what's the responsible position to take? I mean, if President Lula or Foreign Minister Amorim were sitting here, they'd say, we believe strongly that what we're doing will avoid conflict. It will avoid serious consequences inside Iran. Sanctions are not a good tool. I mean, they have a theory of the case. They're not just, you know, acting out of, you know, impulse. We disagree with it, so we go at it. You know, we say, well, we don't agree with that. We think the Iranians are using you. And we think it's time to go to the Security Council, and that it's only after the Security Council acts that the Iranians will engage effectively

on their nuclear program. But our disagreement doesn't in any way undermine our commitment to see Brazil as a friend and a partner in this hemisphere and beyond.

MR. TALBOTT: Tom Pickering.

MR. PICKERING: Thank you, Madame Secretary. Tom Pickering. I spent a little time in my life in your department.

SECRETARY CLINTON: I know you did, with great distinction.

MR. PICKERING: Thank you for being here and thank you for your remarks. You just answered a question from Strobe about debt, and we all know and understand the problem with the deficit. Over the past years, both Secretary Gates and you and most of your living predecessors have talked about the need for diplomacy and, indeed, the need to make our diplomacy and development a more robust feature on the landscape. That takes funding. You've been in the Senate. You know the attitude. In light of the deficit issue and the President's priorities on national security, what can we expect? Where will your leadership in the department take us over the next two or three years in terms of meeting the goals that I know you have set, which are very, very ambitious for strengthening our diplomacy development.

SECRETARY CLINTON: Thank you, Tom. Well, as you

probably know, we had a very good year last year with the Congress in obtaining the resources we needed to build our diplomacy and development base, particularly on personnel. This year is a harder year, but we still are being treated very well by the Congress. And, obviously, we make several cases.

Number one, we have no choice, we have to be present everywhere. It's not like we can look at the map and say, you know, I think the United States just won't go there. You know, that is just untenable. So we have to have a robust diplomatic and development presence, and that takes people and that takes the infrastructure needed to support those people.

Secondly, we have some very specific challenges, namely in Iraq, Afghanistan, and Pakistan. And we are assuming responsibilities with the full-throated endorsement of both Secretary Gates and Admiral Mullen for functions that had been folded into the military's role in Iraq and Afghanistan. It is really expensive for the United States civilian personnel to pick up those tasks. You don't think about it, but, you know, when young captains or colonels went out in Iraq to meet with tribal leaders or to survey a dam the United States had repaired or a school we had built, you know, they went in mine-resistant armored vehicles or they flew on helicopters. Our civilians don't have those resources.

So in order for us to pick up the responsibilities and to fulfill our obligations of the security of our diplomats and our development experts, it costs money. We have to fortify the places they work and live. You know, a lot of fun has been made of the embassy in Baghdad, but, you know, it -- during my time, it's gotten rocket fire probably a dozen times. And so in order for us to meet the obligations that are now being asked of our civilian personnel, it costs money. We can't, in good faith, send people into harm's way without the physical security being taken into account.

But we would also argue -- and we do -- that we save money. You know, as we draw down our troops in Iraq, even as we ramp up our civilian presence, we will save the American government $15 billion because it's a lot more expensive to keep our troops in Iraq than it is to keep our civilians, even with hardened facilities and transportation.

So I think that you can look at this from a kind of budget need and a budget tradeoff and a savings perspective, but you then also have to put it into the broader context. One of the mistakes that the military itself believed had been made in the prior administration is that we militarized America's presence in these difficult conflict areas. And there are a lot of good reasons why that had to be done in the first instance. But we cannot have a militarized model of diplomacy and development and expect to be successful in making our case on all these other issues that we engage with

governments on.

So I think if you look at all the aspects that go into the budget requests that we're making, I was very pleased that both Secretary Gates and Admiral Mullen wrote really strong letters to the House and Senate leadership and the appropriators and the budgeteers to make the case that we have to start looking at a national security budget. You cannot look at a defense budget, a State Department budget, and a USAID budget without defense overwhelming the combined efforts of the other two and without us falling back into the old stovepipes that I think are no longer relevant for the challenges of today. So we want to begin to talk about a national security budget, and then you can see the tradeoffs and the savings. And it's not us going and making our case to our appropriators and DOD going and making their case to their appropriators.

Now, there is resistance, and I'll just be honest. There's resistance in our government and there is resistance in the larger communities that care about defense and security and diplomacy and foreign relations and development and foreign assistance. They are afraid of the idea that we're actually going to be better integrated. I think that is an incredibly shortsighted view. It's shortsighted because in tough budget years you've got to make the case, since most members of Congress feel their highest duty is to the security of the United States, how diplomacy and

development support security. And in order to do that, you have to have better coordination among the three.

You know, some of you know Jack Lew, who I was very fortunate to bring in as the second deputy in the State Department for resources and management. And part of the reason I did that is because I knew when Jack headed OMB in the Clinton Administration, State would come in with their budget and AID would come with their budget, and the OMB always played them off each other. It was the easiest thing in the world to get money out of the 150 Account, you know, because they would all come in and they'd say, oh, no, diplomats; oh, no, development. And so then people go, great, take it, give it to somewhere else. We are trying to avoid that, to have a unified approach that will gain the credibility of our government and our Congress and our people; that will present a united front supported by DOD for our development and diplomacy efforts. And it's just a smarter way to get the resources we desperately need.

MR. TALBOTT: Kemal Derviş will have the last question, and he's the director of our Global Economy and Development Program.

MR. DERVIŞ: Madam Secretary, in the spirit of the synthetic strategic approach you presented to us today, I'm going to come back to the deficit and economic issue a little bit. But one of the things I think around the world people expected and are expecting and were so enthusiastic about

the election of President Obama and of your administration is more stress on the average family, on the median income, unemployment, and on fighting poverty. And in this balance -- and I'm an ex-secretary of the Treasury in my own country, but in the balance between fiscal austerity, but also attention to employment, to poverty reduction, in the U.S. itself the unemployment rate remains close to 10 percent. In Southern Europe now there's a major new social problem emerging. In the U.S., in the first 8 years of this century, two-thirds of the income gains accrued to 1 percent of the population.

So in terms of this synthetic approach, both for the U.S. being strong at home, but also worldwide, how do you see the balance or how do you think we can manage the balance between fiscal responsibility, which is, of course, very necessary, but also attention to the most vulnerable, the poorest segments of both American population and worldwide population, and the need still to strengthen this recovery, to strengthen the employment which remains a key issue?

SECRETARY CLINTON: Well, that's a very important and complex question, and I'll answer it in this way because I think you have posed a very stark choice. It's the choice that President Obama and other leaders have had to be making every day, you know: how much stimulus; how much restraint; how much to stimulate employment directly; how much

to try to invest in, you know, larger kinds of job creation entities, such as the stimulus and high-speed rail or whatever it might be. It's a -- getting it right is not easy. And the fact that Ben Bernanke, the chairman of the Federal Reserve, specialized in the Depression came in very handy because you can understand how you can get the balance wrong even with the best of intentions. So I'll just make a few comments.

One, I think it is really important for countries to be focused on stimulating long-term, sustainable employment. And in the Recovery Act which was passed last year, there are some very big investments in clean energy technology, high-speed rail, and the like that will not bear fruit for a long time probably, but are absolutely necessary to be made. You know, if the United States does not once again become the leading innovation nation, it's hard to know where we're going to find the jobs that we have to produce for people. And yet if we do it wrong or we do it artificially -- as some countries are, in my view, doing -- that will lead to protectionism.

We had a very frank conversation led by Secretary Geithner with our Chinese friends in Beijing. You know, they see a very stark problem. They have tens of millions of people there still trying to get out of absolute poverty, so they want to have an innovation agenda that would, in effect, capture companies, intellectual property, and require companies to operate inside China in a way that could undermine the long-term success of

those companies. So we say, no, that's not a good way to do it. But the debate about how to do this is going to be front and center of international economic dialogue.

I also believe you put your finger on one of the biggest international problems we have, and I'll just -- you know, this is my opinion; I'm not speaking for the administration, so I will preface that with a very clear caveat. The rich are not paying their fair share in any nation that is facing the kind of employment issues, whether it's individual, corporate, whatever the taxation forms are. And I go back to the question about Brazil. Brazil has the highest tax-to-GDP rate in the Western Hemisphere. And guess what, it's growing like crazy. And the rich are getting richer, but they're pulling people out of poverty. There is a certain formula there that used to work for us until we abandoned it, to our regret in my opinion.

So, my view is that you have to get many countries to increase their public revenue collections in order to make investments that will make them richer over the long run. You have to work hard on the innovation, new technology agenda to try to create new forms of jobs. You have to strike the right balance, which is not easy, and different countries probably require different approaches between stimulus and restraint. I think you have to, even during crisis periods, you know, look at big works projects in order to employ people. But it's difficult to do that in some of the advanced countries

because the kinds of jobs that those works projects produce are not always the jobs that people are willing to take.

And one of the things that benefited the United States dramatically in the '90s and the first decade of this century was immigration. I mean, you know, we filled a lot of jobs that really fueled the economy as a lot of our population aged. And so immigration has to be somehow in the mix, but it is becoming an increasingly volatile subject, not just here, but everywhere.

So there is no, like, one perfect formula, but we know the elements that are necessary. And trying to get that right balance is very challenging.

And I think that we have to also work on changing attitudes, and that requires leadership. We need a robust market economy that is truly as free as possible everywhere, but with appropriate and effective regulation everywhere. And we need rich people everywhere to understand that many of them benefited greatly by the investments of prior generations and their own families or their own countries, and that they have to be part of helping to keep that growth rate and that economic progress going for future generations. And we have to change attitudes among individuals.

You know, Nick Kristof wrote a column last week sometime talking about how a lot of really poor people around the world have money,

but they don't choose to spend it on educating their children. And he talked about one family in a poor African village that had enough money to pay the $10 a month cell phone bill for the husband and the wife, but not enough money to keep their son in school.

So we have to have leaders in countries and companies and religions who focus on the needs of children, the next generation. Because educating kids, keeping them healthy, family planning, these are all part of dealing with the long-term economic imbalance in the world.

And then, obviously, there are specific issues on currency and the like, but on a sort of broad stroke I think leaders are trying to balance all of these competing considerations. And, you know, I think that our country is pulling out, but we're still going to face a large unemployment figure for a long time. And what we're doing now has to help whittle that down for the future.

MR. TALBOTT: Madam Secretary, before we adjourn the meeting and I thank you formally, on behalf of the gender-challenged people here today who do not roll their eyes at the idea of women's empowerment -- (Laughter) -- or leave you alone to raise the issue, I'm going to come back to it by sharing with you and with our friends out here something that Secretary Albright said from that chair two days ago. She was recounting a conversation with her eight-year-old granddaughter, who basically said,

Grandma, what's the big deal about you having been Secretary of State? I thought women were always Secretary of State. (Laughter)

SECRETARY CLINTON: In her lifetime that was true, isn't it?

MR. TALBOTT: Well, there's poor Colin, but never mind.

In any event, please join me in thanking the Secretary for being with us. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

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Expires: November 30, 2012