

**NOMINATIONS OF THE 110TH  
CONGRESS—FIRST SESSION**

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**HEARINGS**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

—  
JANUARY 30 THROUGH DECEMBER 19, 2007  
—

Printed for the use of the Committee on Foreign Relations



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S. HRG. 110-777

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110TH CONGRESS—FIRST SESSION

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KENNETH A. MYERS, Jr., *Republican Staff Director*

\*Note: Reassigned to Committee on Finance January 24, 2008.

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110TH CONGRESS—SECOND SESSION

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\*Note: Appointed February 12, 2008.

**NOMINATION OF HON. REUBEN JEFFERY III  
TO BE UNDER SECRETARY OF STATE FOR  
ECONOMIC, ENERGY, AND AGRICULTURAL  
AFFAIRS**

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TUESDAY, JUNE 12, 2007

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

Jeffery, Reuben, III, to be Under Secretary of State for Economic,  
Energy, and Agricultural Affairs

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The committee met, pursuant to notice, at 4:25 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez presiding.

Present: Senators Menendez and Lugar.

**STATEMENT OF HON. ROBERT MENENDEZ,  
U.S. SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Today, the committee meets to consider the nomination of Mr. Reuben Jeffery. The President has nominated Mr. Jeffery to be the Under Secretary of State for Economic, Energy and Agricultural Affairs.

We want—as he approaches the witness table, we want to congratulate you on your nomination. We look forward to hearing from you this afternoon. I know we're, shortly, going to welcome our colleague Senator Chambliss, who has joined us, to—who will be joining us, was here a few minutes ago, and is wrapping up, in the Intelligence Committee, some questions that he has in that venue—to introduce Mr. Jeffery.

And, as we wait for him to come back, since I know we have a busy agenda, let me recognize myself for an opening statement, then I'll recognize Senator Lugar, and, by then, we should have Senator Chambliss here.

Mr. Jeffery, you've been nominated to serve as the Under Secretary for Economics, Energy and Agricultural Affairs. If confirmed, you would be the senior economic official at the State Department, and you will have the challenge of helping to lead the Department on a wide range of issues, including investment, finance, agriculture, trade, energy, telecommunications, aviation, and transportation. This broad portfolio requires you to work with Secretary Rice and others to analyze how our current policies and

our relationships with other countries can best serve our common goals in the areas I've just mentioned.

This position as Under Secretary would give you jurisdiction over many important issues facing the Congress and the country today. And so, I'd like to take a moment to touch on a few of these matters.

In this era of globalization, the stability of our economy is intrinsically linked with our trade practices. As transnational business continues to expand, the Congress and this administration must work to establish trade policies that not only support our economic interests, but also ensure that vital labor and environmental protections are secured. It's my hope that, if you are confirmed, you will use your position in the State Department to help achieve these goals.

As an economic powerhouse, the United States must use its economic weight wisely. The position that you have been nominated for would include work with our sanctions program in dealing with countries like Iran and Sudan. I am a strong supporter of economic sanctions as a tool of diplomacy, and I would expect the next Under Secretary to be actively engaged in this crucial issue as you work with your colleagues at the Treasury Department.

Over the next 2 weeks, the Senate plans to examine new ways to increase our energy self-reliance and promote the development of alternative energy sources. As the Under Secretary who has jurisdiction over that area, you would have the responsibility of addressing the economic and political challenges facing our energy security. During this era of record gas prices and conflict in the Middle East, the complexity and importance of this task cannot be overstated. I know that the distinguished Senator, full member of—ranking member of the full committee, Senator Lugar, has been very involved in this issue, and I know that he shares my concern that the United States must do more to promote our energy security.

And, finally, earlier today this subcommittee examined the issue of U.S. foreign assistance and the challenges facing the current reform process, referred to as the "F" process. If confirmed, you would work in collaboration with other State officials on matters such as developing the annual foreign assistance budget, setting America's development agenda, and advising Secretary Rice on the Millennium Challenge Corporation issues. The issue of U.S. foreign assistance is of importance to many members of this committee, certainly to me, and I am hoping that greater leadership will be taken on this issue in the future than we have seen in the past.

Important—it's very important to reduce poverty as part of the work of Multilateral Development Banks, such as the World Bank and the IMF. These institutions face many challenges, and I plan to take a critical look at the role of these and other multilateral institutions in the near future.

The issues that my subcommittee handles overlap greatly with the work of the Under Secretary for Economics, Energy and Agricultural Affairs, and, should you be confirmed, I hope that we would have a fine working relationship so as to address some of the issues I've just discussed.

And, finally, Mr. Jeffery, I know that you've had a successful career in the private sector. You've spent the past few years in the public sector, and I want to thank you for your service. This hearing will provide an opportunity to not only examine your past work, but to learn more about your goals and vision for the position which you have been nominated. I appreciate having had the opportunity to speak with you in the past about your nomination to this post, and I look forward to exploring more of the issues that we previously discussed.

With that, let me turn to Senator Lugar for whatever statements he may have.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,  
U.S. SENATOR FROM INDIANA**

Senator LUGAR. Well, thank you very much, Mr. Chairman.

I join you in welcoming Reuben Jeffery to the Senate Foreign Relations Committee. As a member, and former chairman, of the Agriculture Committee, and as a farmer, I've had an intense interest in the performance of the agency he currently heads, the Commodity Future Trading Commission. I applaud the work Chairman Jeffery has done on that post, and I am encouraged that President Bush has nominated a candidate with such diverse experience to be Under Secretary of State for Economics, Energy and Agricultural Affairs.

The State Department post requires a range of managerial and substantive experience that very few candidates possess. The nominee would be the principal advisor to the Secretary of State on matters of economic energy, business, and agricultural policy, and would coordinate and supervise implementation of that policy. I've often spoken of the need to draw talented individuals from the private sector into public service, and, given the potential loss of privacy, the reduction in pay, the financial restrictions, the other complications, government service often holds little attraction for men and women who have built thriving careers in the private sector. As you pointed out, Mr. Chairman, the nominee before us is one who has made personal and financial sacrifices to pursue difficult assignments in the service of our Nation, including time spent in Iraq.

Chairman Jeffery entered Government service from the partnership of Goldman Sachs, where his achievements included managing the London and Paris offices. He served as special advisor to the president for Lower Manhattan Development, then went to work for the Coalition Provisional Authority in Iraq, before returning to Washington as the senior director for International Economic Affairs on the National Security Council.

Chairman Jeffery's impressive experience in the private sector, and the versatilities he demonstrated in his public service, led the President to nominate him for this position. In my conversations with Chairman Jeffery, he has demonstrated a facility for the broad range of topics related to international economic policy. In my judgment, United States strategic objectives in the world are unlikely to be achieved if progress is not made on the policy issues that Chairman Jeffery would oversee. We need progress on expanding trade relationships, improving the performance of the multilat-

eral development banks, and bolstering international agricultural cooperation. These are areas where the United States should be leading the world to new accomplishments that strengthen global economy.

Of particular importance is the energy component of the job. During the past 2 years, this committee has examined rigorously the national security threats associated with the U.S. dependence on foreign energy sources, and testimony from 13 hearings in the 109th Congress pointed to the inescapable conclusion that our energy vulnerability threatens a broad range of United States foreign policy goals, including preventing weapons proliferation, overcoming terrorism, promoting international development. Governments control as much as 79 percent of the world's oil reserves, and production-and-supply decisions are often made for political reasons. Meanwhile, high oil prices are emboldening hostile governments. This Congress continues to debate our future role in the Middle East, yet our options are limited by the fact that our economy is dependent on steady supplies of oil from that region.

Despite the centrality of energy to our diplomacy, State Department capacity in this area has often suffered from inattention and split authorities across the Department. Yet, there is reason for optimism. I'm encouraged that the full Senate is now set to consider legislation I introduced in March 2006, the Energy Diplomacy and Security Act, which aims to reinvigorate U.S. energy diplomacy and strengthen our security. Already, Secretary Rice has taken the initiative to implement a new international energy coordinator position contained in my legislation, and has embarked on valuable initiatives with Europe and Brazil. The next Under Secretary for Economic, Energy and Agricultural Affairs must play a major role in addressing the risks and opportunities presented by the energy challenges that confront us.

I appreciate Chairman Jeffery's enthusiasm for this part of the portfolio, and his eagerness to work with our committee. I'll look forward to an excellent partnership that advances United States energy security and diplomacy.

Thank you, Mr. Chairman.

Senator MENENDEZ. I'm pleased to welcome Senator Chambliss to the committee, and recognize him now for his introduction of Mr. Jeffery.

**STATEMENT OF HON. SAXBY CHAMBLISS,  
U.S. SENATOR FROM SOUTH CAROLINA**

Senator CHAMBLISS. Thank you very much, Chairman Menendez and Senator Lugar. I appreciate the opportunity to come here today to introduce Reuben Jeffery III, nominee for Under Secretary of State for Economic, Energy and Agricultural Affairs.

I've known Reuben for several years now, and I cannot think of an individual who is more prepared for this position than is Reuben Jeffery.

He has—as both of you have alluded to, has had many positions in this administration, both in very high-profile positions, as well as just getting out there and getting work done, as he did with Ambassador Bremer in Iraq. And what a terrific job he's done everywhere he's been asked to serve.

He was nominated to the chairmanship of the Commodities Futures Trading Commission by President Bush on May 17, 2005. This nomination was considered by the Senate Agriculture Committee, which I chaired at that time. I'm very pleased to say that Mr. Jeffery's nomination sailed through the committee, and he was confirmed by the Senate June 30, 2005. Senator Lugar, obviously, as a member of that committee, supported his nomination there. I'm certain this committee will also find every reason to move forward expeditiously to confirm this nomination.

In addition to the issue—to the background that you have both alluded to, Mr. Jeffery also spent 18 years working for Goldman Sachs, where—and he was managing partner of Goldman Sachs in Paris.

Now let me tell you about Mr. Jeffery, what he did, and the way he approached his chairmanship at CFTC.

He had a background in the financial community, but CFTC operates in a very unusual way because of the commodities and the issues that come before the CFTC. What this guy did was to do his homework like no other public servant I've ever seen. CFTC is extremely complex, and—it doesn't deal with buying and selling stocks and bonds, it deals with commodities, and commodities, some of which Senator Lugar grows, and he knows how complex this—these issues of commodity trades can be. And not only did he have responsibility for regulating the commodity markets, but also to make sure that the folks who operated on those markets did so in a way that was fair to consumers, because consumers are the ultimate beneficiaries of the regulatory process. And this regulatory process at CFTC is just so complex. But Reuben Jeffery really delved into it immediately. He and I had numerous conversations early on, even prior to his confirmation, and he was already doing his homework then, to be prepared to take over the chairmanship of the CFTC. And I was just extremely pleased of the hard work that I saw going into place before he became chairman.

As we had the opportunity to work together over the past few years, he's always had the best interest of the CFTC at heart, as well as the industry, when considering hearings, rulings, as well as other business. It's been a pleasure working with him, and he'll be missed at CFTC. I'll have to tell you, when he called me a couple of months ago, and told me this was in the works, I wasn't particularly excited about it at that time, because we're in the midst of trying to get CFTC reauthorized, and he has played such an integral role in helping negotiate and move that process through the—through both the House and the Senate.

But to this position he's going to bring a broad-based, fair-minded perspective, serving as the Under Secretary of State for Economic, Energy and Agriculture. I recommend him highly to this committee, and I'm just very pleased that you're moving his nomination forward today. And I thank you for the opportunity to say something about a guy who's become a dear friend.

Thank you very much, Mr. Chairman.

Senator MENENDEZ. Thank you, Senator Chambliss. That was a very strong recommendation.

Unfortunately, Senator Schumer wanted to be here today, but is not able to be here to give his introduction, as well, of Mr. Jeffery,

so I'd like to ask unanimous consent to add Senator Schumer's remarks into the record. Without objection, it will so be entered into the record.

[The information previously referred to appears in the Additional Material Submitted for the Record section at the end of this hearing.]

Senator MENENDEZ. So, it's now time to turn to the nominee.

Chairman Jeffery, you have an opportunity to proceed with your opening statement. If you have family members here, we'd love to have you introduce them to the committee. And, in the interest of time, we'd ask you to keep your testimony to about 7 minutes. We'll include your entire statement, for the record. And the time is now yours.

**STATEMENT OF HON. REUBEN JEFFERY III, NOMINEE TO BE UNDER SECRETARY OF STATE FOR ECONOMIC, ENERGY AND AGRICULTURAL AFFAIRS**

Mr. JEFFERY. Perhaps I could—should begin, Mr. Chairman—Mr. Chairman and Senator Lugar, members of the committee, let me begin by introducing my family members who are here, and recognizing a couple of other people.

I'm not sure where they are, but somewhere in here is my wife, Robin, my son, Ben, and my father, also Reuben, and I thank him for being here. That's three of us here, Reubens.

In any event—and I'd also—I'm also particularly touched to have with me my two fellow commissioners at the CFTC, Commissioner Mike Dunn and Commissioner Walt Lukken, with whom I've worked extensively over the past couple of years, in the context of our ongoing work at the Commission.

With that, I'll begin my statement.

Mr. Chairman, Senator Lugar, members of the committee, thank you for holding this hearing and inviting me to appear before you today. It's an honor and a privilege to be here as the President's nominee to be Under Secretary of State for Economic, Energy and Agricultural Affairs.

I'd like to begin by thanking President Bush and Secretary Rice for the honor and privilege of being nominated and for the opportunity to serve the American people in this important position. And thank you also, Senator Chambliss and Senator Schumer, for your remarks and your friendship over the years.

As the committee is well aware, national security and economic well-being are inextricably linked. Helping to develop and promote the conditions for economic opportunity internationally is critical to the creation of stable, peaceful, and prosperous communities around the world. Programs that help the world's most vulnerable and encourage economic and self-reliance must be a core component of U.S. foreign policy. This is especially crucial in vulnerable areas, such as Africa and Latin America, where our strong engagement can help break the cycle of poverty and despair.

Prior to 9/11, I had spent my career in the private sector, including a decade living and working outside of the United States. From that experience, I came to appreciate the transformative power of open and competitive markets and the relationship between good government and economic opportunity. I also learned something

about how to see our country through the eyes of others. Whether resented or respected, awed or envied, the economic well-being of the United States is a standard to which most others aspire. We are a great country, but—to which much has been given, but from which much is expected. As such, we have an obligation not only to advance our own economic interests overseas, but also to support the growth and development of others. Pursued strategically, these two objectives can be mutually reinforcing.

For the past 5 years, I've had the privilege of working in the U.S. Government in a variety of capacities, several of which were referred to by Senator Lugar and Senator Chambliss in their very kind opening remarks. If confirmed as Under Secretary, I will draw upon these various experiences in the private sector and in Government in working with my State Department colleagues to focus on three principal objectives:

- First, leverage the resources of the U.S. Government and the private sector to encourage pro-growth economic policies and create the conditions for economic opportunity and poverty reduction around the world.
- Second, promote prosperity and competitiveness through market-expanding trade, investment, aviation, and telecommunications agreements that seek to level the playing field for American workers while enhancing conditions for economic development in the economics of our trading partners.
- And, finally, advance U.S. and global energy security by working with partner countries and the private sector to diversify energy sources, manage energy demand, and promote the development and use of innovative, cost-efficient, and environmentally respectful technologies.

I am acutely aware that time is running short, and my job tenure, if confirmed, will be commensurately brief, but these broad policy objectives, to approve the quality of life and economic standing for Americans and people around the world, transcend party lines and administrations.

Mr. Chairman, Senator Lugar, the job of Under Secretary for Economic, Energy and Agricultural Affairs carries important and exciting responsibilities. If confirmed, I look forward to working with Secretary Rice, the State—my State Department, and other U.S. Government colleagues, and with members of this committee. I can assure you that I will need, and welcome, this committee's ongoing support and counsel.

I'm honored to be here before you today. Thank you, again, Mr. Chairman and members of the committee, for giving me this opportunity to be here.

[The prepared statement of Mr. Jeffery follows:]

PREPARED STATEMENT OF HON. REUBEN JEFFERY III, NOMINEE TO BE UNDER SECRETARY OF STATE FOR ECONOMIC, ENERGY AND AGRICULTURAL AFFAIRS

Mr. Chairman and members of the committee, thank you for holding this hearing and inviting me to appear before you today. It is an honor to be here as the President's nominee to be the Under Secretary of State for Economic, Energy and Agricultural Affairs.

I would like to begin by thanking President Bush and Secretary Rice for the honor and privilege of being nominated and for the opportunity to serve the American people in this important position.

Thank you also to Senator Chambliss for that very kind introduction.

I would like to introduce my wife, Robin, and our son, Ben. Our daughter Jocelyn just started a new job in New York and could not be here today. Similarly, our son, Bob, is away on a long anticipated post-high school graduation outing. I would be remiss in not thanking them all, and Robin in particular, for their inspiration, love, and support over these many years.

As the committee is well aware, national security and economic well-being are inextricably linked. Our children's future depends both on ensuring prosperity at home and encouraging prosperous and growing societies overseas.

Helping to develop and promote the conditions for economic opportunity internationally is critical to the creation of stable, peaceful, and prosperous communities around the world. Programs that help the world's most vulnerable and encourage economic self-reliance must be a core component of U.S. foreign policy. This is especially crucial in Africa and Latin America where our strong engagement and support can help break the cycle of poverty and despair.

Prior to 9/11, I spent my career in the private sector, including a decade living and working outside of the United States. Through that experience, I came to appreciate the transformative power of open and competitive markets and the relationship between good government and economic opportunity.

I also learned how to see our country through the eyes of others. Whether resented or respected, admired or envied, the economic well-being of the United States is the standard to which others aspire. We are a great country to which much has been given, but from which much is expected. As such, we have an obligation not only to advance our own economic interests overseas, but also to support the growth and development of others. Pursued strategically, these two objectives are mutually reinforcing.

For the past 5 years, I have had the privilege of working for the U.S. Government in a variety of capacities. This included helping with the economic recovery of lower Manhattan post-9/11 as a special advisor to the President, working in Iraq and at the Pentagon in support of the Coalition Provisional Authority, providing leadership at the NSC on trade and development issues, and heading the Commodity Futures Trading Commission as it deals with financial market regulatory matters.

In so doing, I have had the opportunity to work alongside an exceptional group of dedicated public servants, both civilian and military. These years have been the most personally and professionally rewarding of my career.

If confirmed as Under Secretary for Economic, Energy and Agricultural Affairs, I would draw upon these varied experiences and perspectives to energize and lead the State Department's team of Foreign Service and civil service officers who are all committed to the core mission of building prosperity and economic security at home and overseas.

If confirmed, I will work with my colleagues to focus on four main objectives.

- First—Leverage the resources of the United States and international business communities to encourage pro-growth economic policies and create the conditions for economic opportunity and poverty reduction in support of U.S. and international assistance programs.
- Second—Promote prosperity and competitiveness through market-expanding trade, aviation, telecommunications, and investment agreements that seek to level the playing field for American workers, businesses, farmers, and consumers while enhancing conditions for economic development at home and in the economies of our trading partners.
- Third—Advance United States and global energy security by working with partner countries and the private sector to diversify energy sources, manage energy demand, and promote the development and use of innovative, energy efficient, and environmentally respectful technologies.
- Finally—Maintain and enhance a stable financial system by working with other major economies and international financial institutions to implement responsible growth-oriented economic policies.

While much progress has been made in these areas under the excellent leadership of Secretary Rice, former Under Secretary, Josette Sheeran, and Assistant Secretary for Economic, Energy and Business Affairs, Dan Sullivan, we have the opportunity to build on those successes in the coming months and years.

I am acutely aware that time is running short and my job tenure, if confirmed, will be commensurately brief. But these broad policy objectives—to improve the quality of life and economic standing for Americans and people around the world—transcend party lines and administrations.

While I look at the next 19 months as a sprint, I would hope to pass the baton to the next runner having covered some significant ground.

I appreciate too that this is a team effort, requiring not just the Department to work as one, but also necessitating constructive collaboration among many agencies and branches of Government. No one individual, department, or branch has a monopoly on good ideas, nor the resources to take them from conception to successful implementation.

Mr. Chairman, the job of Under Secretary for Economic, Energy and Agricultural Affairs carries important and exciting responsibilities. If confirmed, I look forward to working with Secretary Rice, my State Department, and other U.S. Government colleagues, and with the members of this committee. I can assure you that I will need and welcome this committee's ongoing support and counsel.

I am honored to be here before you today. Thank you again Mr. Chairman and members of the committee for giving me this opportunity to be here this afternoon.

Senator MENENDEZ. Thank you, Chairman Jeffery. And we welcome your family here, as well. I know it's a great day.

And, moving forward, let me start off with some questions, and then I'll turn to Senator Lugar and any other committee member who may appear later.

For the record, I think it's important that, before we get to a final vote—and I—you and I had this discussion when you visited me, and I appreciate that, and I would like to get your responses on the record on some of these things. With reference to the time in which you were the head of the Coalition Provisional Authority, in—here in Washington, DC, you held a great deal of responsibility, and you were involved early, under Ambassador Bremer's tenure, in Iraq. And I'm wondering, in—having gone through that experience, looking back, what would you have done differently during those first critical months of the CPA's existence?

Mr. JEFFERY. Senator, thank you for that question.

There are many things, and many lessons learned here, but, within the confines of my lane, so to speak, which primarily involved working at the CPA's so-called Reachback Office at the Pentagon from the period of August 2003 through the duration of the existence of the Coalition Provisional Authority, I'd say there are two particular lessons that—and challenges—that we bumped into, really, on a regular basis.

One, it's critically important—and—that this country have some kind of database or ability to access competent professional individuals who would be available to act in post-conflict reconstruction situations. Thankfully, to many Americans, largely those already within the U.S. Government, and some volunteers from the outside, the effort in Iraq was staffed, but it was staffed pretty much as we were doing—over the course of the endeavor. The legislation that has been passed in the operation of the Department, within the State Department, related to post-conflict stability operations and reconstruction is a very strong initiative in this regard, which I—based on my experience, would wholeheartedly support.

A second issue that we bumped into—and it's a very complex issue for which I have no ready answers, but needs to be studied at length, and that is our contracting procedures in wartime situations. This Congress actively enacted, on a very prompt basis, the supplemental, the 18.1 billion Iraq supplemental in, I believe, September of 2003. It was well into 2004 between—before the funding and the contracting mechanisms under that supplemental could flow. All that was done pursuant to U.S. rules, pursuant to the FAR, the Inspector General who's looked at this situation, has opined on it, generally favorably, but the speed and flexibility of

the contracting mechanism from time to time did pose problems in the field.

But those are the two areas—personnel reserve and contracting—as to which I think we could learn a lot from the Iraq experience.

Senator MENENDEZ. I appreciate that.

Talking about personnel, one of the criticisms that was leveled against the CPA was hiring people on their political affiliations rather than on their relevant experience. And in that regard, could you tell the committee, what was your role in the hiring of staff? And did you think that hiring process was carried out fairly and effectively? And knowing what you know now, is there anything that you would have done differently?

Mr. JEFFERY. Senator, keep in mind that I—my involvement, again, in the Reachback Office, began in August of 2003, after which many of the CPA staff was long since in place. Our office was tasked at the time with, among many other responsibilities, helping with other Departments within—other operations within the Pentagon with organizing and structuring and scaling up and accelerating the CPA deployment process.

Let me put that challenge in context. One fact, which I think is important to keep in mind, is that—is the one I mentioned in the— in responding to your prior question, Mr. Chairman, that there was no ready reserve to call on, there was no preexisting government department and agency that had people ready to do the—act in these sort of situations, or outside—outside source.

Second, in terms of the numbers of—involved, CPA staffing, as best I can recall, total head count was something in the area of 500 people, plus or minus, in the summer, early fall of 2003. That number peaked at something in the area of 1,300 in the early part—the winter of 2004. In the interim, due to a variety of factors, including generally short duty tours and changing—ever changing mission requirements, there was relatively frequent turnover. So, the numbers of people that had to be deployed from their then-existing professional responsibilities, either in government or without, were significant.

I would be remiss, however, in not taking this opportunity to say that, thankfully, there were many competent, professional—in many cases, extremely highly qualified individuals, largely from within the United States Government, but also outside, who volunteered to serve in Iraq during that difficult period.

Senator MENENDEZ. I appreciate your comment about the database, but certainly—the job of reorganizing Baghdad's stock exchange, which had not reopened, was given to a 24-year-old, who sought a job at the White House. That certainly is not the database that we needed, to achieve that goal; and certainly, in pursuit of competency and expertise, without a database even, one can do much better than that. We would agree on that, would we not?

Mr. JEFFERY. Senator, I—it's hard to argue with—

Senator MENENDEZ. Yeah.

Mr. JEFFERY [continuing]. That comment. Thank you.

Senator LUGAR. Let me ask you the last question here on a different topic.

Should you be confirmed, you will have a relatively short time to set and achieve the goals before the administration comes to an end. As the Under Secretary—we've talked about a lot of the spectrum, you're going to have a very big portfolio—what would be your top priorities in the post? And how would you envision your priorities differing from your predecessor?

Mr. JEFFERY. Mr. Chairman, in terms of my priorities, I tried to articulate them in the broadest terms in my statement; but, specifically, development as it relates to working with our in-place foreign assistance process, to work on programs that create economic opportunity and the prospect for economic growth in countries and allies that are important to the United States, where poverty is an issue, where there's a significant need, is a high priority—would be a high priority for me, if confirmed to this position, and with respect to which I would plan on working very closely with those involved directly in the foreign assistance department at—the foreign assistance process—at the State Department, USAID, and elsewhere in the Government, and, in particular, with the members of this committee.

Second—and I'll only comment on two priorities for purposes of answering this question—the notion of energy security, which is front-burner right now on the consciousness of every American, and, I could tell you, every Foreign Service officer with whom I have spoken, is a very important part of the mission of the Under Secretary of State for Energy and Agricultural Affairs. And, in that area, I would plan to play an active leadership role in coalescing the effort in a variety of fronts.

Senator MENENDEZ. I appreciate those answers.

Senator Lugar

Senator LUGAR. Thank you very much, Mr. Chairman.

In the category of your responsibilities for agricultural affairs, would you comment on the impact in the ability of poorer nations to improve their economic conditions that our current agricultural subsidies have? And what impact would phasing out our subsidies have on the economics of those nations and our own international trade relations?

Mr. JEFFERY. Senator, I—talking with a Senator from the farm economy who knows this subject cold is an—daunting prospect, but I would say, Senator, that our agricultural programs, which are rooted in history, are designed to benefit American consumers, farmers, and ranchers. This administration, early in the year, served up a—made a proposal for the—an agricultural farm bill this year, which I know is under consideration in the Senate the committee level, and in the House.

With respect to our international trade policies, the basic principles to which I would try to adhere, if confirmed in this position, working with USTR, working with the Congress, working with our trading counterparties, is to develop free and open and competitive markets on the broadest basis possible, whether it's bilaterally or regionally or ideally in the context of a Doha round, but to do so in a way that preserves, maintains a so-called level playing field for American farmers and workers, but equally so for our trading counterparties, and that firm, specific, understandable, and enforceable rules and sanctions are built in to those agreements.

Senator LUGAR. Well, I don't want to jeopardize your nomination by getting you embroiled in the 2007 farm bill. [Laughter.]

Mr. JEFFERY. Thank you, Senator.

Senator LUGAR. However, the dilemma, in terms of the State Department, is that the Doha round has been in some difficulty. If the Doha round collapses, it could have some tragic consequences. Central to the debate is not only our farm subsidies, but those of European-community friends and, for that matter, other countries in the world. So, I am hopeful that you and your colleagues involved in these multilateral negotiations, will have success, and perhaps our own reforms could be helpful in that respect.

On energy, currently there has been great interest by Secretary Rice in the international aspects of energy. As Secretary Rice and out diplomats visits with substantial international actors—such as President Putin, of Russia, or Hugo Chavez, or others—they witness the use of energy for political purposes. The Department of Energy also has some persons who are engaged in international energy issues. But, recently, my encouragement and that of many members, has been that the State Department really needs to step up to this. And your role, obviously, will be to do that. Currently, there are persons who the Secretary has appointed to work on energy issues, but their duties have always seemed vague. Have you conferred with Secretary Rice, or do you have any idea as to how your activities, or those of your associates, can be reorganized in the Department so that there is a diplomatic impact, particularly vis-a-vis those who have very, sometimes, concrete energy objectives in those negotiations?

Mr. JEFFERY. Senator, the—as you know—and this is, in many respects, thanks to your initiation—the Secretary has established an international energy coordinator who is an overall coordinator for State Department activities in the area of energy and energy security. That coordinator reports to the Secretary through the Under Secretary for Economic, Energy and Agricultural Affairs. Importantly, as you correctly note in your statement, the State Department has to work, and should work, closely with our colleagues at the Department of Energy who have the technological and scientific expertise to deal with and understand some of the complexities of the energy security issues that this country faces.

If confirmed as Under Secretary, I would work closely with the energy coordinator, with the relevant ambassadors around the world, with the interagency community, particularly the Department of Energy, and interested Members of Congress, on three broad fronts:

- No. 1, assuring the ongoing security of traditional sources of energy supply, ongoing bilateral relations with major producing nations, as well as diversifying routes and sources of that supply.
- Second, working with others in the interagency community—again, principally Department of Energy—on energy efficiency-enhancing technologies that help us manage more effectively our energy demand. The President has cited a goal of a 20 percent reduction in gasoline consumption in 10 years. The more we can do on the demand management side, from my personal

perspective and professional perspective, were I confirmed in this position, the better.

- And, third, working through our diplomatic—the diplomatic community at the State Department and elsewhere in the Government in developing alternative sources of energy supply, such as, for example, the innovative United States/Brazil biofuels cooperation, which I won't get into here, but offers a template for Brazil and the United States and other countries to adapt, to reduce their dependence on traditional fossil fuels, produce energy to satisfy their own domestic needs.

Senator LUGAR. I applaud the Brazil initiative, and what that could mean to the entire hemisphere. Likewise, I appreciate the beginnings of work with NATO and the European Union to provide at least some provisions of security for our friends abroad in Europe with regard to energy supplies. These are new areas for the State Department and for our Government, but extremely timely.

So, I appreciate your taking this leadership, because I think you have a very large portfolio ahead, and I wish you every success.

Thank you, Mr. Chairman.

Senator MENENDEZ. Thank you, Senator Lugar.

You've obviously done your homework. As you know, Senator Lugar is the leader in this regard, and has legislation on this. So, I was—it's—sure it's music to his ears.

Let me thank you, Mr. Jeffery, for being here today, for your forthrightness in your answers to the questions, for your willingness to serve our country in this most important position.

The record will remain open for 1 day so that committee members may submit additional questions to the nominee. And, of course, we ask the nominee to be expeditious in response to those questions, should there be any.

Senator MENENDEZ. We look forward to a full-committee vote soon thereafter.

And if no one has additional comments, the hearing is adjourned. [Whereupon, at 5:00 p.m., the hearing was adjourned.]

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#### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. CHARLES E. SCHUMER,  
U.S. SENATOR FROM NEW YORK

Good morning Mr. Chairman and Ranking Member Hagel. I would like to welcome my friend, CFTC Chairman Reuben Jeffery. I am proud to have an opportunity today to support his nomination. President Bush has nominated Reuben Jeffery to be the next Under Secretary of State for Economic, Energy and Agricultural Affairs. I think he is the right choice.

Reuben Jeffery was sworn in as the 10th Chairman of the Commodity Futures Trading Commission. He has done a good job protecting market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options. He has also been instrumental in creating policies to foster open, competitive, and financially sound futures and option markets.

I have known Reuben for many years—our daughters even attended nursery school together many, many years ago in Brooklyn. He is a smart, thoughtful, and committed person willing to give up his private sector career to serve his country time and time again.

In addition to knowing him personally, I have had an opportunity as a member of the Senate Banking Committee to work closely with the chairman on capital market and futures issues and market competitiveness issues. And while we will miss

him greatly in the financial services regulatory community, we know he will do an excellent job at the State Department.

Reuben is highly qualified to lead the State Department efforts to formulate sound policies on economic, energy, and agricultural matters. His diverse experience has prepared him well. As you all know, prior to joining the CFTC Reuben was the Special Assistant to the President and Senior Director for International Economic Affairs at the National Security Council. He was previously the representative and Executive Director of the Coalition Provisional Authority Office (CPA) at the Pentagon, after having served as an advisor to Ambassador Bremer in Iraq. Prior to joining the CPA in May of 2003, Mr. Jeffery served as Special Advisor to the President for Lower Manhattan Development. In this capacity he helped coordinate ongoing Federal efforts in support of the longer term recovery and redevelopment of Lower Manhattan in the aftermath of September 11, 2001.

He spent many years working on and off in New York, spending 18 years at Goldman, Sachs & Co. At Goldman Sachs he was managing partner of Goldman Sachs in Paris (1997–2001) and of the firm's European Financial Institutions Group (1992–1997) based in London. Mr. Jeffery has a broad range of international capital markets, corporate finance, and merger and acquisition experience. And, prior to joining Goldman Sachs, Mr. Jeffery was a lawyer with the New York firm of Davis Polk and Wardwell.

It is without question that Mr. Jeffery is a tremendously accomplished man and for that reason it is no surprise that he has once again been selected to serve the country in such an important role.

His significant finance experience as an investment banker, and regulatory and Government experience at the CFTC and the White House, will prove invaluable to the State Department as attempts to create sound economic, energy, and agriculture policies. These experiences will make him a strong and competent Alternate Governor at the various multilateral development banks and as a member of the board of directors of the Overseas Private Investment Corporation (OPIC).

He knows unequivocally that in order to remain competitive globally, the United States must continue to foster their relationships with its trading partners, encourage greater cooperation in the global agriculture and energy community, and improve the functioning of the world's regional development banks.

For this reason I support his nomination. I congratulate him, wish him well, and believe he will be an outstanding Under Secretary of State for Economic, Energy and Agricultural Affairs.

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RESPONSES OF REUBEN JEFFERY III TO QUESTIONS SUBMITTED  
BY SENATOR JOSEPH R. BIDEN, JR.

*Question.* Development Policy Coordinating Committee (PCC): The Under Secretary chairs this high-level interagency group and has used it in the past as a vehicle for shaping U.S. development policy. This is an important tool for providing senior-level guidance and direction on critical development issues. How do you plan to use the Development PCC going forward? Do you expect to raise any specific development issues? What is your view of incorporating environmental concerns into U.S. development policy? What will be your priorities for this committee?

*Answer.* The Development PCC should provide guidance and ensure coordinated U.S. Government follow-up on critical development issues among State, USAID, and other U.S. Government agencies that handle development issues. Key issues that the Development PCC should maintain as a focus are encouraging trade capacity building, investment and innovation, and addressing anticorruption, transparency, and aid effectiveness. These are core cross-cutting themes for our efforts to promote sustainable economic growth in developing economies. Promoting public-private partnerships and business climate reforms, strengthening sustainable health systems, and advancing agricultural reform and food security are also important concerns that the Development PCC should address.

Going forward, development strategy for rebuilding countries, including economic engagement in strategic regions, should be a new focus for the Development PCC. In this context, if confirmed, I would like to see how we can use our total economic engagement approach—private sector trade and investment and public sector assistance and policy dialog—to promote development in these areas.

As for incorporating environmental concerns into U.S. development policy, we are doing this in a number of ways, and I expect the Development PCC, which includes senior representation from State's environment bureau (the Bureau of Oceans and International Environmental and Scientific Affairs (OES)), to do so on an ongoing basis. U.S. assistance agencies as a matter of policy adhere to international best

practices in ensuring environmental and social concerns are incorporated into U.S. development efforts. Certainly, any development efforts we undertake must be sustainable.

*Question.* U.N. Issues: Under Secretary Sheeran took a strong interest in issues related to the United Nations, not only serving on a high-level reform panel but ultimately being named as the new Executive Director of the U.N. World Food Program. Do you intend to maintain a similar focus on U.N. issues? Would you continue to support and champion similar U.N. reform issues, especially those highlighted in the 2006 Report of the High-Level Panel on Systemwide Coherence?

*Answer.* U.N. reform is a high priority for the administration. Therefore there are many elements of the Department of State working on this issue. If confirmed, I will be working closely with my colleagues to advance this process. Former Under Secretary Sheeran served as a member of the High-Level Panel on Systemwide Coherence in her personal capacity. As part of the State Department's work on development issues, if confirmed I will continue to focus on assuring that aid is cost effective and goes to the people to whom it is targeted. The Bureau of International Organization Affairs (IO) has the lead on following up the High-Level Panel Report, and the Secretary General is consulting with member states on next steps. If confirmed, I will be working closely with all my colleagues to continue to ensure that our participation in multilateral development assistance through the U.N. system is effective, accountable, and consistent with our transformational diplomacy goals.

*Question.* Millennium Challenge Corporation (MCC): The Under Secretary is the Secretary's alternate on the MCC Board and traditionally attends all board meetings. Under Secretary Sheeran became the principal liaison between the MCC and State Department. Do you plan to maintain that role? What are some areas in which you would like to see MCC focus more attention or put in place policy changes? Are you concerned about the focus of the MCC's compacts? What do you see as the relationship between MCC and USAID?

*Answer.* If confirmed, I plan to maintain the role that the previous Under Secretary played with respect to the Millennium Challenge Corporation. As you know, the MCC is run by a CEO, who reports to a Board of Directors, chaired by the Secretary of State. Board meetings are usually held quarterly, with each board member accompanied and advised by a "plus one" who follows MCC matters closely. If confirmed, I will be the "plus one" for the State Department.

In terms of focus areas, I hope to work with MCC to deepen coordination and collaboration with respect to our dialog with all eligible and Compact partner countries about their policy performance. The MCC board highlighted that MCC should continue to stress that eligibility for MCC funding and ongoing engagement are conditional on countries' maintaining and improving performance.

As to the focus of MCC Compacts, it is important that MCC stand by its core principle of country ownership. MCC should pursue work in areas targeted by host governments in meaningful and comprehensive consultation with their civil societies, while also ensuring that country-initiated proposals stand up to rigorous due diligence, economic rates of return analysis, environmental and social impact assessments, and—above all—are focused on reducing poverty through economic growth. Based on decades of development experience, we have learned that country ownership is critical to effective, sustainable development.

MCC and USAID have worked well together. In the case of Threshold programs, USAID is currently the lead implementing agency for 13 of MCC's 20 Threshold programs and leading the design of all but one of the others. In the case of Compacts, targeted State Department and USAID assistance programs complement and help to augment the impact of MCC's sizable investments. The strategic budget allocation process led by the Director of Foreign Assistance is working to better integrate development principles in, and promote coherence of, U.S. foreign assistance. The Director of Foreign Assistance and his or her staff review MCC programs and plans to ensure they complement and/or support our other foreign assistance objectives to achieve our transformational diplomacy goals.

*Question.* The Extractive Industries Transparency Initiative (EITI) was formed to ensure that the necessary preconditions are in place to translate large revenues from extractive industries into economic growth and poverty reduction. EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas, and mining; 26 of 53 resource-rich countries have either committed to or are actively implementing EITI in Africa, Asia, Europe, and South America. Today, however, the initiative is at a critical point to advance to the next stage of implementation and U.S. Government support is crucial to ensure the continued growth and success of

EITI. If confirmed, what diplomatic and bilateral measures would you take to promote and strengthen EITI? What additional steps would you take to ensure transparency in the oil and gas sectors, a critical component of U.S. energy security?

Answer. If confirmed, I will continue to promote active U.S. Government participation in the Extractive Industries Transparency Initiative (EITI) as part of our comprehensive efforts to fight corruption, promote transparency, and enhance international energy security. The U.S. Government also supports bilateral anticorruption efforts, many of them carried out by USAID; multilateral efforts, including through the World Bank and INIF; and international advocacy, such as through the annual G-8 summits. At the recent G-8 summit in Heiligendamm, G-8 leaders committed to provide continuous assistance to strengthen EITI, invited all stakeholders to provide support for the implementation of the EITI, and encouraged further countries to participate in EITI.

Through its seat on the EITI Board, the U.S. Government is working to assist those countries pledging to implement EITI to meet their commitments, and to encourage nations with prominent international hydrocarbon activities, like China and Brazil, to join EITI as supporters.

With respect to additional steps to ensure transparency in the oil and gas sectors, if confirmed, I will work to further strengthen the coordination among our efforts to foster international energy security, our active support for oil revenue transparency through EITI, and the comprehensive work by the U.S. Government to combat corruption and promote good governance.