



S. HRG. 113-319

NOMINATIONS OF THE 113TH CONGRESS—FIRST SESSION

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

—
MAY 7 THROUGH DECEMBER 17, 2013
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Printed for the use of the Committee on Foreign Relations



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**NOMINATIONS OF DANIEL YOHANNES AND
ANTHONY GARDNER**

THURSDAY, OCTOBER 31, 2013

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

Daniel W. Yohannes, of Colorado, to be Representative of the
United States of America to the Organization for Economic Co-
operation and Development
Anthony L. Gardner, of New York, to be Representative of the
United States of America to the European Union

The committee met, pursuant to notice, at 2:22 p.m., in room
SD-419, Dirksen Senate Office Building, Hon. Christopher Murphy
presiding.

Present: Senators Murphy, Kaine, and Johnson.

**OPENING STATEMENT OF HON. CHRISTOPHER MURPHY,
U.S. SENATOR FROM CONNECTICUT**

Senator MURPHY. Good afternoon, everyone. This hearing of the
Senate Foreign Relations Committee will now come to order. Today
we are here to consider two nominations: Daniel Yohannes to be
Ambassador to the Organization for Economic Cooperation and De-
velopment, and Anthony Gardner, to be the Ambassador to the Eu-
ropean Union. Congratulations to both of you on your nominations.
We have had the chance to talk privately, appreciate the time that
you have afforded me and the committee. If confirmed, you are
both going to be called upon to serve and advance the interests of
the American people at a very critical time in Europe.

We are going to flip our normal order here because Senator Ben-
net has other engagements. So we are going to do introductions
first, then opening statements from the panel, then your testimony
and questions. So first let me welcome Senator Bennet here to in-
troduce Mr. Yohannes.

**STATEMENT OF HON. MICHAEL F. BENNET,
U.S. SENATOR FROM COLORADO**

Senator BENNET. Thank you, Mr. Chairman, and I want to thank
you and Senator Johnson. The engagements that I have are trick
or treating with my little girl. So let the record reflect that, and
if I can make this plane I will be able to do it. So Happy Hal-
loween.

It is a great privilege for me to have the honor to introduce Daniel Yohannes, the President's nominee to represent our country at the Organization for Economic Cooperation and Development. Daniel is one of Colorado's best and brightest, and his story exemplifies much of what makes America unique.

He immigrated to the United States from his native country, Ethiopia, at the age of 17. When he got here he had about \$150 in his pocket and that was about it. He got his first job as a stock clerk and started earning about \$1.75 an hour. But he worked hard and he studied hard. He financed his own education, earning a B.A. and an M.B.A. He delved into the fields of economics and finance and he clearly learned those subjects well because he soon excelled in the banking industry.

As CEO of Colorado National Bank, he helped grow this Colorado franchise from \$2 billion to \$9 billion in assets. Daniel also became a pillar in the community in Colorado. As a member of Colorado Concerned, he fought to promote business growth in our State. He supported Project Cure's mission to provide medical supplies to people in need, and he and his wife helped establish the Denver Art Museum's first African gallery.

In 2009 the President nominated Daniel to be the CEO of the Millennium Challenge Corporation, the MCC. The Senate swiftly and unanimously confirmed him. In this role Daniel has fought global poverty with carefully targeted foreign aid dollars awarded through a rigorous selection process. With Daniel's leadership, developing nations have successfully used MCC funding to improve infrastructure, increase access to schools, and help farmers obtain credit. This in turn has helped attract overseas investment, creating a climate in which American companies can thrive.

As this country's new Ambassador to the OECD, I know Daniel will continue to be an effective advocate for the United States, championing economic growth and good governance.

Mr. Chairman, Daniel's story is an American story. It reminds us that we are a nation of immigrants. It showcases the importance of hard work and the value of an education. It demonstrates that entrepreneurs who play by the rules thrive in America and can have a long-lasting positive influence on our communities. It shows how much American leadership on the world stage still matters.

It is a real pleasure and honor to introduce Daniel Yohannes. I recommend him enthusiastically and unconditionally, and I hope this committee and this body will swiftly confirm him in his new role.

Thank you, Mr. Chairman.

Senator MURPHY. Thank you, Senator Bennet. Happy trick or treating.

Senator BENNET. Thank you.

Senator MURPHY. Let me now introduce—

Senator BENNET. There's nothing more scary than being dressed as a Senator.

Senator MURPHY. I know. Unfortunately, that is all too true.

I am now pleased to introduce our second witness today and that is Anthony Gardner, who is the nominee to be the United States Ambassador to the European Union. Mr. Gardner is currently the managing director of Structured Finance at Palamon Capital Part-

ners and previously served as executive director of European Leveraged Finance at Bank of America, also spent 5 years at one of Connecticut's great companies, General Electric, working on transactions all across Europe.

He has lived most of his adult life in Europe. Mr. Gardner served as Director of European Affairs at the National Security Council as well during the Clinton administration, where he played a key role in launching the new Trans-Atlantic Business Dialogue. He has written in both his public and private sector life extensively on EU issues, including a book on transatlantic relations and an article published in Foreign Affairs that he coauthored with Ambassador Stuart Eizenstat, who we know very well on this committee.

He holds a B.A. from Harvard College, which I will not hold against you, and a number of master's degrees as well. I will note for the record that a number of our colleagues, more than normal, called in support of your nomination, given your great work as a member of the administration with this committee and with others in the Senate.

Welcome to both of you. We look forward to your testimony.

Let me just say by way of opening statement and then I will turn it over to Senator Johnson, that this hearing obviously happens in context. Recent events and headlines have brought an enormous amount of attention to the United States relationship with Europe. Senator Johnson and I have had a number of meetings just this week with visiting delegations who have raised legitimate concerns about U.S. spying on world leaders and subsequent accusations of foreign intelligence agencies spying on the United States.

You are both going to be nominated to serve in organizations based in Europe and you are likely going to be confronted with these issues the moment that you arrive in Paris or Brussels. I hope that you will not hesitate, first, to push back on the misinformation that is already hardening into perceived facts amongst the American public when it comes to a lot of these programs.

Europeans and Americans have raised legitimate concerns about the scope of U.S. intelligence programs and I am sure that many of my colleagues will agree that at times these programs have not been conducted with the appropriate restraint and security. But while we have discussions here in the United States to ensure that we are not doing anything more than necessary to protect Europe and the United States from terrorism, we also have to acknowledge that we are not the only ones who have been collecting data across the world over the last few decades. And while there may be one set of activities that are indefensible, there are other programs that are crucial to our mutual security, the United States and Europe, and it is important for that work to continue even while possibly amended.

Now, although this is going to be the topic that will dominate the headlines as you arrive in Europe, we are going to expect you to get right to work on a host of other issues. Mr. Gardner, you are going to represent the United States during the beginnings of a potentially transformational negotiation surrounding TTIP, and we know that you will be trying to move those efforts forward for an agreement that has enormous economic and geopolitical ramifications for the United States.

At the same time, you will also be talking about really important energy concerns that Europe has. One of the greatest gifts we can give to our European partners today is to give them some of the benefit that we have achieved through our movement toward energy independence.

Mr. Yohannes, in your new role you are going to be tasked with improving global business standards, coordinating anticorruption efforts, and advancing democracy. The OECD has been a critical player in leveling the playing field in international markets for U.S. businesses, and as we seek to achieve the President's challenge to double U.S. exports over the next several years it is going to be a lot of your work that will help our businesses rise to that challenge.

So we are excited that you are here at a really important moment to be talking about our relationship with Europe. WT that, let me turn it over to the ranking member, Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman. As usual in these situations, you have done a pretty good job of laying out the issues and pretty well framing what we want to be discussing today.

Normally my main point in these nomination hearings is first of all to welcome the nominees, thank you for your willingness to serve, and just also point out the dual role that I believe any Ambassador, whether it is to a different nation or to an organization, really has to play. First and foremost, it is representing America to those nations, to those organizations, and doing it with pride, recognizing really what a phenomenal force for good America is in the world, and never apologizing for this Nation, recognizing we are not perfect, but again we are a phenomenal force for good.

But then the second part of that role is representing those nations and those organizations back to us. As the chairman was pointing out, we have heard repeatedly about the concerns of the recent revelations. We should be pushing back. What America is trying to do is we are trying to not only preserve our freedoms, prevent terrorist attacks not only in our homeland, but really throughout the world. We were trying to, as much as possible, preserve world peace. I think that is an important point to be making.

But also, we need to be fully understanding of how our allies, how our friends, how the nations that you are going to be representing us to, how they perceive what is happening here. So again it is a very important dual role, and I am sure that, based on your qualifications, you will be able to fill that quite well.

But again, thank you for your willingness to serve and welcome to the committee.

Senator MURPHY. Now we will hear from our nominees, first Mr. Gardner and then Mr. Yohannes.

STATEMENT OF ANTHONY L. GARDNER, OF NEW YORK, TO BE REPRESENTATIVE OF THE UNITED STATES OF AMERICA TO THE EUROPEAN UNION

Mr. GARDNER. Mr. Chairman, Senator Johnson, Senator Kaine, it is an honor to appear before you today as the President's nominee to be the next United States Ambassador to the European Union. I would like to express my gratitude to the President and

to Secretary Kerry for the trust and the confidence they have placed in me with this nomination.

If confirmed, I would be accompanied to the post by my wife of 16 years, Sandra Mac-Crohon, who managed the American Embassy residence when we met. Accompanying me today are my father and my sister. My father served this country, with great distinction, in Italy and in Spain. As an indirect result of his service, I married a Spaniard and my sister, Nina, now a corporate sustainability advisor and an adjunct professor, married a distinguished former Italian diplomat.

Unfortunately, my mother, Danielle Luzzatto, did not live to see this day. But soon after her untimely death in 2008 I adopted her last name as my middle name to recognize and remember her and her remarkable family. Although her ancestors had lived in Italy for over 500 years, my maternal grandfather, Bruno Luzzato, had to lead his family out of Italy in 1939 after the enactment of Mussolini's racial laws. He and his family were fortunate to start a new life in this country and to become proud Americans.

Serving as U.S. Ambassador to the European Union would put me at the center of many of the issues I have cared about deeply and have been involved in for 23 years, first as a lawyer, then as a government official, and more recently as a banker and investor living and working in Europe.

My journey to this moment began during my study of EU economic and legal affairs as a graduate student at Oxford and then at Columbia Law School. These experiences led me to work in the antitrust department of the European Commission in 1991. It was a fascinating time to be in Brussels due to the completion of the single market and the opening up to new members in the East.

That experience in turn led me to take what was an unusual decision for an American-trained lawyer, to start my legal career practicing EU antitrust and trade law in Brussels.

All those decisions led me to work as Director for European Affairs, responsible specifically for EU issues, in the National Security Council in 1994–1995. I was extremely fortunate to have the opportunity to collaborate closely with the U.S.-EU mission under the able leadership of Ambassador Stuart Eizenstat on the launching of the new Transatlantic Agenda and the TransAtlantic Business Dialogue, initiatives that remain relevant today.

My experience from that period and confirmed by subsequent observation is that we should never underestimate the political will of the European Union to survive, to adapt, and move forward, even under periods of extreme economic and financial stress.

Even when I returned to law practice in Brussels, Paris, and then London, I remained involved in EU trade issues and subsequently in many regulatory issues that affect corporate and private equity investments in many European countries. As a banker and as a private equity professional over the past decade, I have been deeply involved in negotiating financial and legal transactions across the European Union.

As you know, the U.S.-EU economic relationship is the deepest and most balanced in the world. Together we account for almost half of global output of goods and services and almost a third of global trade, and there is over \$3.5 trillion in two-way foreign di-

rect investment. But these statistics only tell part of the story. We are a community of shared values.

I cannot think of a more interesting time and a more challenging time in U.S.-EU relations. Due in part to the institutional improvements brought about by the Lisbon Treaty, the EU has become a more effective global partner of the United States in addressing an increasing variety of transnational challenges that cannot be solved by any one country acting alone. There are many examples, from global crime and terrorism, proliferation of weapons of mass destruction, economic and financial stability, and so forth.

The United States and the European Union must continue to collaborate closely to address such challenges in the future. In doing so, we need to interact effectively with all the institutions of the European Union, including the European Parliament. The U.S. mission to the EU is at the center of these efforts. It is staffed by a highly professional and dedicated group of people. It would be an honor for me to lead them.

One of the most important objectives of the mission is to help conclude an ambitious trade and investment partnership agreement that will significantly reduce obstacles to market access relating to tariffs, services, investment, and procurement, but also by tackling the critically important area of regulations and standards. Just as significantly, this negotiation offers an opportunity to advance multilateral trade liberalization and set globally relevant rules and standards, and concluding an agreement would have major geopolitical significance. It would reinforce the vitality, attractiveness, and relevance of our shared model of governance.

Thank you for your time. I look forward to your questions.

[The prepared statement of Mr. Gardner follows:]

PREPARED STATEMENT OF ANTHONY LUZZATTO GARDNER

Mr. Chairman and distinguished members of the Senate Foreign Relations Committee, it is an honor to appear before you today as the President's nominee to be the next United States Ambassador to the European Union. I would like to express my gratitude to President Obama and Secretary Kerry for the trust and confidence they have placed in me with this nomination.

If confirmed, I would be accompanied during my service in Brussels by my wife of 16 years, Sandra Mac-Crohon, who managed the American Embassy residence in Madrid when we met. Accompanying me today are my father, my sister, and my brother in law. My father served this country with distinction as Ambassador in Italy and Spain. As an indirect result of his service, I married a Spaniard, and my sister, Nina, now an adjunct professor and consultant in Washington, married Francesco Olivieri, a distinguished former Italian diplomat.

Unfortunately, my mother, Danielle Luzzatto, did not live to see this day; but soon after her untimely death in 2008 I adopted her last name as my middle name to remember her and her remarkable family. Although his ancestors had lived in Italy for over 500 years, my maternal grandfather, Bruno Luzzatto, had to lead his family out of Italy in 1939 after the enactment of Mussolini's racial laws. He and his family were fortunate to start a new life in this country and to become proud Americans.

Serving as U.S. Ambassador to the EU would put me at the center of many of the issues I have cared about and have been involved in for 23 years—first as a lawyer, then as a government official, and more recently as a banker and investor living and working in Europe.

My journey to this moment began during my study of EU economic and legal affairs as a graduate student at Oxford and Columbia Law School. These experiences led me to work in the antitrust department of the European Commission in 1991; it was a fascinating time to be in Brussels due to the completion of the single market and the beginning of the opening toward new members from Central Europe. That experience, in turn, led me to take what was an unusual decision for

a U.S. trained lawyer: to start my legal career practicing EU antitrust and trade law in Brussels.

All those decisions led me to work as a Director for European Affairs, responsible specifically for EU issues, in the National Security Council in 1994–95. I was extremely fortunate to have the opportunity to collaborate closely with the U.S. mission to the EU, under the able leadership of Ambassador Stuart Eizenstat, on the launching of the New Transatlantic Agenda and the Transatlantic Business Dialogue—initiatives whose institutional impact reverberates today. My experience from that period, and confirmed by subsequent observation, is that we should never underestimate the political will of the European Union to survive, adapt and move forward—even under periods of extreme economic and financial stress. I also saw the powerful connections across the Atlantic, between our citizens, and between businesses large and small. I am convinced that those connections are continuing to grow stronger and deeper despite economic shocks and political challenges, and that when we work closely together, citizens on both sides of the Atlantic prosper.

Even when I returned to practice law in Brussels, Paris, and then London, I remained involved in EU trade issues and subsequently in many regulatory issues that affect corporate and private equity investments in many European countries. As a banker and as a private equity professional over the past decade, I have been deeply involved in negotiating financial and legal transactions across the EU, and I understand both the benefits and the regulatory and market challenges investors face in operating on both sides of the Atlantic.

As you know, the U.S.-EU economic relationship is the deepest and most balanced in the world: together we account for almost half of global output of goods and services and almost a third of global trade; and there is over \$3.5 trillion in two-way foreign direct investment. Looking beyond these impressive figures, free transatlantic flows of data, intellectual property, knowledge and innovation—including collaboration among our best scientific and business minds—are incalculably important to our economic growth. But these statistics tell only part of the story: we are a community of shared values, including democracy, free speech, respect for human rights, and the rule of law.

I cannot think of a more interesting, and challenging time in U.S.-EU relations. Due in part to the institutional improvements brought about in the Lisbon Treaty, the EU has become a highly effective partner of the United States in adding its voice, and its weight as a leading source of development and humanitarian aid, to efforts to address key international challenges. We work in close partnership with the EU in efforts to persuade Iran to address the international community's grave concerns about its nuclear program. EU member states, collectively, have been the largest source of humanitarian assistance to those affected by the crisis in Syria. In Asia, the EU, along with the U.S., has been a strong and unceasing voice promoting democratic change in Burma. With support from NATO, the EU is building the framework to provide for enduring peace in the Balkans. In Africa, the EU played a key role in bringing Mali back to the path of democracy. The United States has worked closely, in concert with the EU's Eastern Partnership program, to promote political, social, and economic reform among the EU's eastern neighbours in Ukraine, Moldova, Belarus, Georgia, Armenia, and Azerbaijan, although these countries have chosen different levels of engagement with the process.

In addition, the EU is a critical partner in addressing an ever wider range of transnational challenges. In our interdependent world, many challenges—such as global crime and terrorism, the proliferation of weapons of mass destruction, economic and financial instability, humanitarian crises, supporting the aspirations of people in new and emerging democracies, climate change and infectious diseases to name a few—cannot be solved by any one country acting alone. The United States and the European Union must continue to collaborate closely to address such challenges in the future. In doing so we need to interact effectively with all of the institutions of the European Union, including the European Parliament, whose legislative authorities have significantly expanded with respect to the conclusion of new EU treaties. The U.S. mission to the EU is at the center of these efforts. It is staffed by a highly dedicated and experienced group of professionals. If confirmed, it would be an honor for me to lead them and I would seek to advance our country's interest on behalf of all businesses and citizens.

One of the most important objectives of the mission is to help conclude an ambitious Transatlantic Trade and Investment Partnership, or TTIP, that will position our economies for success in the 21st century. The United States and the EU will do this through significantly reducing obstacles to market access relating to tariffs, services, investment, and procurement, but also by tackling the critically important area of regulation and standards. If the efforts are successful, we can boost job creation and investment on both sides of the Atlantic. A transatlantic marketplace will

be especially critical for the small and medium-sized companies who remain the foundation of our economies and a key to transatlantic economic growth. TTIP seeks to bridge the differences between our two systems, and to do so in a way that maintains our shared high levels of protection for safety and the environment, to the benefit of consumers and businesses alike.

Just as significantly, pursuing TTIP also demonstrates our shared commitment to rules-based trade and to strengthening the rules-based trading system around the world. Concluding an agreement would have major geopolitical significance; it would reinforce the vitality, attractiveness and relevance of our shared model of governance. Free-market democracies remain the most promising engines of growth, innovation and wealth creation, especially when they exploit the benefits of free trade in an open and rules-based international economic regime.

Finally, the United States and the EU need to continue to work together to address the challenges and promises of the emerging digital society, including reconciling the ways in which we protect personal data. I recognize that our partners in the European Union have questions about alleged U.S. intelligence activities. It is worth noting that the President has called for a review of the way that we gather intelligence so that we can ensure we properly balance the legitimate security concerns of our citizens and allies with the privacy concerns that all people share. We should also work to ensure that EU concerns about alleged U.S. intelligence activities do not undermine the cross-border data flows that underpin transatlantic trade and investment. One of my most important challenges if confirmed will be to help EU stakeholders understand how U.S. consumer protection regulators use their robust powers to protect individual privacy, and ensure that our approaches to achieving this important goal remain compatible. We should work together to preserve existing mechanisms and develop new ways to protect privacy while facilitating the flow of data across borders.

Senator MURPHY. Thank you.
Mr. Yohannes.

**STATEMENT OF HON. DANIEL W. YOHANNES, OF COLORADO,
TO BE REPRESENTATIVE OF THE UNITED STATES OF AMERICA
TO THE ORGANIZATION FOR ECONOMIC COOPERATION
AND DEVELOPMENT**

Mr. YOHANNES. Mr. Chairman, Ranking Member Johnson, and Senator Kaine, thank you for the privilege to appear before you today. Also I want to thank Senator Bennet for his kind words supporting my nomination.

I deeply appreciate the trust and confidence placed in me by President Obama and Secretary Kerry in nominating me to serve as the Ambassador representing the United States at the Organization for Economic Cooperation and Development, the OECD. I sit before you today as a testament to the remarkable promise of the American dream. I came to the United States at the age of 17 from one of the poorest countries on Earth, determined to overcome any challenges. After graduating from Claremont McKenna College and Pepperdine University, I built a 30-year career in the banking industry, ultimately serving as the Vice Chairman of U.S. Bank, the sixth-largest bank in the country.

It was my greatest honor when in 2009 President Obama asked me to serve my country as the Chief Executive Officer of the Millennium Challenge Corporation. At MCC I provided leadership to an outstanding 300-person workforce and managed a \$9.4 billion portfolio. Since taking over MCC, I have signed \$2.48 billion in development grants to developing countries. I am very proud to share with you, Mr. Chairman, that just last week MCC was ranked the No. 1 development agency in the world for its open data and transparency efforts, as measured by the 2013 Aid Transparency Index.

I have had the great honor of traveling to 19 MCC partner countries around the world, visiting our embassies and meeting with heads of state to deliver sometimes difficult messages about the importance of good governance, sound economic policies, and democratic rights.

Mr. Chairman, I believe that my life experience, prior to and including my time serving in the Federal Government, has prepared me to be the U.S. Ambassador to the OECD. My time in both the private sector and at MCC has given me a great appreciation for consistently applied policies and standards that promote a level playing field for all business.

I believe the OECD's value is found in its role as the advocate for a liberal, market-based economic system based on shared democratic values and as a source of support for members and non-member countries that seek its assistance in abiding to OECD standards and best practices.

If confirmed, I will press OECD to continue its core work of improving the functioning of markets and of governments, resisting protectionism, encouraging fair and efficient systems of taxation and investment, creating good jobs, fighting against corruption, and promoting the openness, integrity, and transparency of business and governments.

If confirmed, I will work with other nations through the OECD's Development Assistance Committee to advance U.S. development priorities, especially supporting the Millennium Development goals. I am passionate about this work because I have seen firsthand the meaningful and measurable impact U.S. foreign assistance can have on the lives of people around the world.

Over the past 50 years, the OECD has expanded its membership from the original 20 countries to 34. I will advance U.S. efforts to encourage the OECD to expand its work with key emerging economies, to promote OECD standards, values, and best practices. I will work vigorously to advance our strategic priority to encourage the OECD to move beyond a European focus, to extend its influence to important emerging economies, including Brazil, China, India, Indonesia, and South Africa. This enhanced engagement to these countries is a powerful tool for reengineering the OECD for the 21st century and complements the U.S.'s bilateral relationships with these nations.

I firmly believe that the work of the OECD and our efforts to ensure the OECD supports U.S. priorities are fundamental to enhancing our collective security and common humanity for a more prosperous, peaceful world.

Mr. Chairman, if confirmed I look forward to continuing consultation with this committee and its staff, both here in Washington and during the visits of congressional delegations to Paris.

Mr. Chairman, I thank you and members of the committee for this opportunity to address you. I am humbled to be nominated to be the U.S. Ambassador to the OECD. If confirmed, I will do all I can to ensure a modern and relevant OECD for the 21st century.

I would be very happy to answer your questions.

Thank you.

[The prepared statement of Mr. Yohannes follows:]

PREPARED STATEMENT OF DANIEL W. YOHANNES

Mr. Chairman, Ranking Member Johnson, and distinguished members of the Senate Committee on Foreign Relations, I thank you for the privilege to appear before you today. I also want to specifically thank Senator Bennet for his kind words in support of my nomination. I am deeply appreciative for the trust and confidence placed in me by President Obama and Secretary Kerry for nominating me to serve as the Ambassador representing the United States at the Organization for Economic Cooperation and Development, the OECD.

I sit before you today as a testament to the remarkable promise of the American dream. I came to the United States at the age of 17 from one of the poorest countries on Earth, determined to persevere against all challenges. After graduating from Claremont McKenna College and Pepperdine University, I built a 30-year career in the banking industry, ultimately serving as the Vice Chairman of U.S. Bank and as a member of its Management Committee. The poverty I left behind in Ethiopia has left an indelible mark on me—and through my work with community-based charities and international aid organizations I've done my best to give back to my community and my country, the United States of America.

It was my greatest honor when, in 2009, President Obama asked me to serve my country as the Chief Executive Officer of the Millennium Challenge Corporation. As you know, MCC's mission is to eliminate poverty through economic growth—using a competitive selection process, country-led solutions to eliminating barriers to growth, and promoting country-led implementation. At MCC, I provide leadership to an outstanding 300-person workforce, and manage a \$9.4 billion portfolio. I have had the great pleasure of visiting 19 of MCC's partner countries around the world, visiting our embassies and meeting with our head of state partners to deliver sometimes difficult messages about the importance of good governance, sound economic policies, and democratic rights. Since taking over the MCC, I've signed \$2.44 billion to developing countries. More importantly, in consultation with our Board of Directors, we've not been afraid to make the tough decision about which investments not to make because of a country's poor performance.

Mr. Chairman, I believe that my life experience—prior to and including my time serving in the Federal Government—has uniquely prepared me to be the U.S. Ambassador to the OECD.

My time in both the private sector and at MCC has given me a great appreciation for consistently applied policies and standards that promote a level playing field for all business. And I believe the OECD's value is found in its role as the advocate of a liberal, market-based economic system based on shared democratic values, and as a source of support for members and nonmember countries that seek its assistance in adhering to OECD standards and best practices.

The OECD plays a pivotal role in developing consensus on the economic rules of the road that are key to sustainable, global economic growth and broad-based prosperity. The Organization's core strengths are in producing well-regarded economic and statistical analysis—allowing countries to benchmark against each other and learn from best practices—and in serving as the venue where networks of regulators and government officials agree on market-enhancing rules on export credits, antibribery, sovereign wealth funds, international investment and competition policy.

If confirmed, I will press the OECD to continue its core work of improving the functioning of markets and of governments, resisting protectionism, encouraging fair and efficient systems of taxation and investment, creating good jobs, fighting against corruption and promoting the openness, propriety, integrity, and transparency of business and governments. If confirmed, I will work with other nations through the OECD's Development Assistance Committee, to advance U.S. development priorities, especially supporting the Millennium Development Goals, and the critical work on making aid more effective by better aligning donor and partner priorities, empowering developing countries to build capacity and assume greater ownership for their own futures, and strengthening mutual accountability. I am passionate about this work because I have seen firsthand the meaningful and measurable impact every dollar the United States spends on foreign assistance can have on the lives of people around the world. These are the values I worked for while at the MCC, and if confirmed, I will continue this work as the U.S. Ambassador to the OECD.

I will work vigorously to advance our strategic priority to press the OECD to move beyond a European focus to extend its influence to important emerging economies. Over the past 50 years, the OECD has expanded its membership from the original 20 countries to 34, is currently in accession discussions with the Russian Federation, Colombia, and Latvia, and will consider granting roadmaps to Costa Rica and

Lithuania in 2015. I will advance U.S. efforts to encourage the OECD to expand its efforts to work with key emerging economies to spread OECD standards, values and best practices. The United States has been a key supporter of the OECD's "key partner" initiative, which has formalized and expanded cooperation with Brazil, China, India, Indonesia, and South Africa. The OECD's Enhanced Engagement outreach to these countries is a powerful tool for reengineering the OECD for the 21st century and complements the dialogues the United States is having with these nations bilaterally and in other venues. If confirmed, I will work to enhance the Organization's engagement with Southeast Asia in order to spread OECD standards to that critical region.

If confirmed, I will focus on ensuring the OECD embodies best management practices. I will push to accelerate OECD's efforts to reform its governance in order to improve its efficiency and effectiveness.

I firmly believe that the work of the OECD—and our efforts to ensure OECD supports U.S. priorities—is fundamental to enhancing our collective security and common humanity for a more prosperous, peaceful world.

Mr. Chairman, if confirmed, I look forward to continued consultations with this committee and its staff, both here in Washington and during the visits of congressional delegations to Paris.

Mr. Chairman, I thank you and members of the committee for this opportunity to address you. I am humbled to be nominated to be the U.S. Ambassador to the OECD. If confirmed, I will do all that I can to ensure a modern and relevant OECD for the 21st century.

Senator MURPHY. Thank you to both of you for your time for being here today and your willingness to serve.

Mr. Gardner, let us jump right into the issue of the moment. This is not just about answering questions that the Europeans have regarding our programs. This is about real decisions that they may make that will have national security implications for us and for them. As you know, the European Union right now is debating whether or not to recommend at least that Europe or European nations pull out of some of the most important data-sharing programs that we currently run with the European Union and with European nations, such as our terrorist financing program, the sharing of passenger lists.

So you are likely, within days, going to be sitting down with either members of the commission or with MEPs or with heads of state, making the case for why they should continue to invest in those partnerships.

Senator Johnson and I met with a visiting delegation with the Foreign Affairs Committee, and it is difficult because there is a range of things to talk about. You can talk about the very clear cases where we have crossed the line. You can talk about the need to continue cooperation on the programs that still make a lot of sense. Or you can, frankly, call the Europeans out for what is a double standard, in the press at least as of late, and I would argue a failure to acknowledge a lot of their historic surveillance that has been done over the years.

So just give a little preview as to what your case will be to our European allies as they are on the verge of making decisions that could make their lives and our lives a lot harder when it comes to finding bad guys throughout the world?

Mr. GARDNER. Thank you. That is a very topical and very sensitive question clearly. But I want to give this committee comfort that I do not shrink from a challenge. As the head of financing for Palamon Capital Partners, the private equity fund that I have been working with, I was faced with dealing with some very difficult situations during the depth of the financial crisis in 2008 in par-

ticular. That meant negotiating with banks who did not want to finance anyone and trying to save some key portfolio companies for our business and to serve the interests of our investors. Those discussions were very difficult and involved both toughness in negotiation, credibility, and perseverance.

In terms of the message that I will impart to our European allies, it will be this. Let us focus on the future. Let us focus on the importance of the agreements that we have in place, that by the way serve not only our interests, but serve European interests. You mentioned a few of them, Senator: The TFTP, Terrorist Finance Tracking Program; the Safe Harbor Agreement that has allowed thousands of American companies to share data that is collected in the European Union with the United States; and of course there is TTIP, an agreement that we need to continue to negotiate. It serves both of our interests. It is too important for us to scale back, to terminate the agreements we have in place, or to stop negotiating an agreement that could add jobs and promote growth on both sides of the Atlantic. That will be my message.

The second part of the message will be: Let us act deliberately, calmly, rationally, and with the benefit of all of the facts. You mentioned how important that is. We have not yet had the benefit of all of the facts. A number of reviews are being undertaken now at the White House and by the Senate. We need to give time for those reviews to arrive at conclusions.

We need to continue to answer questions that are posed to us by our European allies as fully and as frankly as we can. But the message will be: Let us focus on the future, let us try to be positive, too much is at stake.

Senator MURPHY. Thank you, Mr. Gardner. It is perplexing as to why Europeans would put the TTIP talks at risk. I think that probably comes from elements of the Parliament that did not want those talks to succeed in the first place, because it does not make any sense for the Europeans to hurt their own economy because of a pique, legitimate as it may be, over these latest revelations.

Mr. YOHANNES, I hope that you might talk a little bit about Russia and their ascension possibilities. I know you are not there yet and you have had a different portfolio in your current job that you will be leaving. But clearly they are on their own timetable and it is not even clear whether that is a timetable that has any end date on it.

So what do you see for the prospects of Russian ascension to the organization and, frankly, what will your role be in trying to prod them along or simply let them go at their own pace?

Mr. YOHANNES. Thank you, Mr. Chairman. The United States supports Russia's accession to the OECD. Russia has been on the accession list since 2007, but they only have passed 7 out of the 20 requirements to become a member. I know there have been a lot of discussions with the Russian Federation from us, as well as from the OECD. But at the end of the day it is going to depend on the Russians themselves. If they are serious and they want to be a part of the organization, they're going to have to reform many of the policies that are required.

So the pace has been very slow and there is been a lot of frustrations from every part. But nevertheless I think that it is going to

be up to the Russians. I do not think we should lower the standards or raise the bar, but nevertheless at the end of the day they must want to be a part of the OECD group. If they do what is required, that is going to help the economy, it is going to help the global economy, it is going to help our economy as well. So we encourage them to reform and hopefully be a part of the organization.

Senator MURPHY. In my remaining time I will maybe ask a question that is too broad for this session, Mr. Gardner. But as we look at the debate that we have had with Europe and with the European nations over Libya and Syria, there has been a lot of legitimate questions raised as to what the future of NATO is.

But I think it also brings into question a larger conversation about who we are really talking to in Europe when it comes to large questions with global implications. We started out talking to individual European nations within the confines of our bilateral relationships. We then over the last 60 years convened NATO, which became for a period of time the place in which those conversations happened. In the wake of the fall of the Soviet Union, there is less of a sort of value-based foundation to that organization.

Now the latest entry into this mix is the foreign affairs operation within the European Union itself and Catherine Ashton, who has done really impressive work over the last several years both with respect to Iran and in her work in the Balkans. So you have another player here to talk to.

So this is probably an unfairly broad question, but who are we talking to when we are talking to Europe today, and what do you see the trendlines being? Are we going to be spending a lot more time with the European Union speaking to Lady Ashton or her successor? Is part of your role going to try to be to figure out a new way forward for NATO? What do you see as the trendlines in terms of how the foreign relations power structure within Europe plays out and how that affects U.S. communications?

Mr. GARDNER. It is an evolving situation. The Lisbon Treaty did change the institutional framework of the European Union in a significant way, but it is too early to tell just how significant it will be. As I mentioned in one of the articles I cowrote with Ambassador Eizenstat, the implications will be evolutionary, not revolutionary.

What it means is that the European External Action Service, the foreign ministry that you mentioned, has been built up from scratch over the last few years. It is taking on more responsibility. You mentioned a few ways that Catherine Ashton is doing that. As a representative in the Quartet, she has done good work in the Balkans, and they are assuming more responsibility.

But it is not the only entity with which we will have to deal. We will have to continue to deal with the president of the commission, the president of the European Council, and there are other emerging players, such as the European Parliament that has assumed more and more responsibilities with every revision of the EU treaties.

It is important to note that because of TTIP it will have the right to vote up or down. And by the way, to make it even more complicated, it is likely, just as in the case of the Canada-European Union treaty that has been penned although not finalized, that a

TTIP will have to be submitted to all of the Parliaments of the member states, the 28.

So unfortunately it is still multidimensional chess, which makes this mission so fascinating. But the short answer to your question is that, yes, Catherine Ashton and her successor will be important and more power will be assumed by that institution.

So specifically, in many parts of the world that institution, the delegations of the European Union, will essentially be the voice of the European Union. I believe that will be the case in Africa and Asia and perhaps in Latin America. In certain countries, specifically the United States, it will not be the case that the EU mission to Washington will be the sole voice. On some subjects it will be, but some countries, most countries, will continue to have their own interests and their own representation.

Senator MURPHY. I have gone well over my time. Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

Mr. Gardner, in your testimony you did mention the European Union's eastern partnership program. Can you just speak a little bit in terms of what you think your involvement would be in terms of trying to encourage those nations to join the European Union, start moving more toward the West, resist I guess Russia's—I am not quite sure what word I would call it, but just resist Russia might be good enough.

Mr. GARDNER. Well, what we should do is to continue what we have been doing, and that is to welcome the European aspirations of the partnership countries. As you know, at the end of November there will be a summit called by the Lithuanian presidency of the EU in Vilnius, where there may be a decision as to whether to sign partnership agreements with Ukraine, Moldova, and Georgia.

What we have said is that we welcome their European aspirations, we think that it is a historic opportunity that should not be missed, and that we should continue to say that those countries should be free to adopt the orientation, the economic orientation, that they wish, free from outside interference or intimidation.

Now, it is up to the European Union and those countries to decide which way to go, but we think, as I said, it is a historic opportunity which they should seize.

Senator JOHNSON. Do you have a real clear sense of what your top priority or priorities are going to be in your role?

Mr. GARDNER. Absolutely. One of the challenges for me will be to focus, because we have so many issues at the U.S.-EU mission. It covers not only trade issues, but a variety of other issues. But for me I think TTIP will be my No. 1 issue. Why? Because of the importance that a successful negotiation would have for the creation of jobs and trade and investment on both sides of the Atlantic. Also it is a good fit with my professional background as a former lawyer and as an investor and as a banker. I look forward to getting involved in the details of the negotiation.

Also, can I say I look forward to doing so because I have had a longstanding relationship with our U.S. Trade Representative and have met with the staff, and I think that the mission can play a significant role, not just in public diplomacy, in explaining U.S. positions to the Europeans, not only in collecting information about

what the Europeans think about different issues and feeding it back to Washington, but giving strategic advice about the kinds of deals that we can strike.

So of all the issues on our plate, it is TTIP on which I will be focusing.

Senator JOHNSON. Do you have a pretty strong sense in your mind of what are the primary challenges in terms of achieving a successful conclusion of those negotiations?

Mr. GARDNER. There are many challenges. The biggest area of promise is, unfortunately, the biggest area of challenge, and that is the standards and regulatory issues. It is not about deregulation. It is about eliminating unnecessary, costly, duplicative, or divergent standards that increase costs while not contributing to citizens' welfare, but instead decreasing the competitiveness.

For businesses, the costs that they make in building duplicative testing or multiple inspections or separate manufacturing lines is money that is not being spent on investment and on growth. So that will be the area where we need to focus.

And by the way, the significant goal for us, Senator, is for the United States to enhance stakeholder participation and transparency and accountability in the EU regulatory system. So we are going to have to approach this issue from many different ways. In some areas, in some sectors, it is already the case that United States and European businesses already look to a set of uniform standards that have been set by certain international accounting standard-setting bodies. In some cases it may be mutual recognition agreements that may be important. And in some case it will be crosscutting principles, such as transparency and accountability and participation in the regulatory process.

So that will be the area of greatest promise and greatest challenge.

Senator JOHNSON. Mr. Yohannes, the United States contributes about 22 percent to the OECD's budget. Do you think that is an appropriate level, and are you aware of anything within that organization that really needs to be looked at from the standpoint of needed reforms?

Mr. YOHANNES. Thank you, Senator. The number was 25 percent until 2008 and the number is expected to go down to about 20 percent in the next 2 or 3 years.

If confirmed, Senator, my job is to make sure that we provide the best oversight, to make sure that American tax funds are spent effectively and efficiently. In the last few years, also the number of countries have increased from 20 to about 34. There are more countries that are pending to be members, assuming they meet all the qualifications. I think we are going to have to look at the governance structure of the organization to make sure that it continues to be relevant, efficient, and effective, and this is a process that is taking place right now, which should be reported to members some time next year.

Again, if confirmed I would like to bring the same rigor and discipline that I brought to the Millennium Challenge Corporation to make sure that we are getting the best out of our contribution.

Senator JOHNSON. Both these positions really are going to be dealing with multiple nations. Do you have a game plan or a con-

cept of how you are going to be dealing with the other ambassadors to the United States within those institutions? I will start with you, Mr. Yohannes.

Mr. YOHANNES. Having spent 30 years in the private sector and having spent the last 4 years, at the end of the day, Senator, it is about people's business. When you work with so many different countries, I think, No. 1, you have to be able to understand the cultures, the history, the views, both social and economic views, global views. You have to understand what influences the decisionmakers, what made them to make those decisions, and to work with members to make sure that we advance U.S. priorities.

So at the end of the day it is how we use the people skills and also the experiences that I have gathered from MCC. If confirmed, again, I plan to use it to make sure that we advance our priorities. But I think the key is to make sure that you understand who the decisionmakers are, the influencers are, and to work with them to make sure that we are advancing our priorities.

Senator JOHNSON. Mr. Gardner, do you have a concept of how you are going to work with other U.S. ambassadors? Is there some sort of coordination of effort there?

Mr. GARDNER. There certainly is and it is a very important part of the job, Senator. On TTIP, we will have to coordinate closely on our positions, not only because there is still a rotating EU presidency, which will include Greece and Italy and Latvia, I believe, but more important there are a number of key countries—Germany, Spain, Poland, United Kingdom, France, and numerous others—and we will need to stay very closely in touch with the ambassadors in those countries to make sure that we are enunciating the same number of messages to the populations and the government officials of those countries, and also for them to be lobbying appropriately at their government level and to help also for them to lobby the European parliamentarians that represent those countries.

There are regular calls on TTIP that are organized by the USTR and in which our mission is going to be involved to ensure we keep one consistent message across all of those countries.

Senator JOHNSON. Thank you.

Thank you, Mr. Chairman.

Senator Kaine. Thank you to the witnesses and the chairman.

Mr. Yohannes, first really just an observation, but I would love your comment. I am kind of a data freak and I love the OECD because it produces a lot of good data. I developed this passion as a mayor and governor when I was always trying to benchmark my city or State against other cities and States. I think the OECD data about higher educational attainment, infant mortality, health outcomes, tax policies, debt and deficit issues, this is very helpful data for us because we rightfully are very, very proud of the country and yet we can never be complacent and assume that we cannot improve. I hope we have not stopped improving in anything we are doing.

So one of the things that I would just really like to commend to you in your role is to continue to press OECD to be very rigorous about the production of reports and data and ranking the OECD nations on all these criteria, because at least this policymaker, and

I suspect many others, find that data to be helpful to us in orienting us toward, well, hmm, we rank real high on a lot of these categories, but here we are low; maybe we should be spending more time over there.

So I will just open that and if there is anything you want to say about that aspect of the OECD mission I give you that opportunity.

Mr. YOHANNES. Senator, OECD has done an outstanding job throughout the years by providing data that have been used by universities and think tanks here, and also very comprehensive analysis to others who do not have the same facilities like we do. And that has been extremely valuable.

In fact, today they are looking in terms of what happened in the 2008 economic crisis, what do we need to change. When they are looking in terms of the model, is it working, does it need to be complemented with a new process? So with their new approach, new challenges to new economic—new approaches to new economic challenges, they are looking to see what needs to be changed, and then all the member countries are waiting eagerly about the outcome so they could continue to spur the economic growth and deal with the new economic challenges that exist in the world.

In addition, they are doing a lot of work in terms of education. The biggest concern today is unemployment among youth. They are looking to see the educational standards that are being used in the testing of young kids so that they could provide them with the best skills so that they are able to meet the future employment opportunities.

So there is a lot of work that is going on at OECD, and we just need to make sure that we continue to support it, at the same time to make sure that those that are not relevant today are discontinued and that OECD continues to concentrate on issues that are very important to member countries.

Senator KAINE. Thank you.

Mr. Gardner, you and I talked a little bit the other day about the NSA issues, which are troubling. One of the aspects, frankly, that is troubling is—and I agree with some of the comments that Senator Murphy made. The Europeans are doing all kinds of things. There may be a little bit of a double standard. But when the President says he does not know certain things are going on, that hardly gives confidence to those nations that, well, OK, I guess they will fix them. If the President does not know they are going on, how will they know to fix the things that are going on?

So I think some of even the messaging around are these intentional programs that we are going to stand behind and justify or are they things that were happening that we did not know were going on—you are going to have a challenge there. But you have already addressed that to some degree with Senator Murphy.

The issue I wanted to ask you about really—and this is also given your private background—the European Union and the eurozone are not coterminous, but the euro has got all kinds of challenges of its own. You have been in the financial industry. I would like to just kind of hear your thoughts on the current challenge in the euro and how you see it playing out over the next few years and how the likely actions that will be taken by euro coun-

tries either pose problems for us or maybe pose some opportunities for us?

Mr. GARDNER. Thank you, Senator, for that question. There have been critics that have said that the euro was not born in ideal circumstances because of vastly divergent economies, there was not an economic or fiscal union, and imperfect labor mobility. But that is the past.

The euro, however, has now weathered a very serious storm and is over its period of existential crisis. A number of my colleagues in London in hedge funds took big bets against the euro and took big hits. I would have never made those bets because the people who did make those bets lost sight of one fundamental fact, and that is that the euro has always been as much a political project as it has been an economic project. And as I mentioned in my opening testimony, one should never underestimate the political will that there is in the European Union to defend the euro and defend the European project.

Confidence has now returned. I have seen it. I have been involved in fundraising for our fund. Flows are coming back into the euro, euro-denominated assets. Growth has returned. Although anemic, it has returned in most countries of Europe. Importantly, bond yields, a very important barometer of investor confidence, have declined significantly. Even a short while ago, bond yields in Italy and in Spain and Portugal and other countries were extremely high, almost unsustainable. They have now come down.

Following the Troika rescues, the European Central Bank and the Commission and the IMF, and the imposition of reform packages and the important interventions of the European Central Bank, a lot has been done. And importantly also, perhaps the most important, unit labor costs have declined significantly in the so-called periphery countries. You may recall that a couple of those countries, many of them, had allowed their competitiveness vis-à-vis Germany to go out of whack 10 years after the founding of the euro. In some cases, particularly in Spain, dramatically those unit labor costs divergences have been recovered, not entirely but significantly.

So a lot has been done, and I am cautiously optimistic. A lot of work still needs to be done clearly in terms of pension reform, labor market reform, privatizations, and, importantly, tax collections, and very important, flow of credit to the private sector needs to be increased. And unemployment remains stubbornly high in some countries. In Spain it is 25 percent. The youth unemployment rate is well over that, in the 40 percent range.

Many countries are going to be facing a legacy of very high debt-to-GDP. But I am—the reason I was saying I am cautiously confident is that the steps are being taken. The first bricks, so to speak, have now been laid for banking union. As you may have seen in the press, now the European Bank will have supervisory authority to supervise the largest financial institutions of the European Union, the top 140. And there are discussions under way to look at deposit insurance, a eurobond, and a resolution mechanism to wind up banks. That is very controversial, but it is underway.

Initial discussions are also being undertaken with regard to fiscal and economic union, again very controversial. But I am confident

over time the institutions of the European Union, not only the Central Bank, will do whatever it takes. Those were the words that were used by the governor of the Central Bank: "We will do whatever it takes. Believe me, it will be enough." And the markets took him at his word.

Senator KAINE. Thank you very much, Mr. Chair.

Senator MURPHY. Thank you, Senator Kaine.

If Senators have a second round of questions, we will do them now. I just have two maybe for you, Mr. Gardner. You will also be taking on this post in the midst of very important negotiations with Iran. Can you just assess—there is constantly conversation here about the difference between the imposition of U.S. sanctions and sanctions through the European Union. Can you maybe assess the itchiness of Europe's trigger finger to maybe ease sanctions that might come at a little different pace than our desired sanctions as we go forward to the beginning of these talks? And then maybe second, talk about what the reaction in Europe may be to a new round of sanctions legislation coming from the

United States Congress, which is something that we are contemplating and some have talked openly about in the last few weeks or months.

Mr. GARDNER. Thank you, Senator. Very important question, very topical question, a very sensitive question.

I do not detect any itchiness of the European Union to relax its sanctions. In fact, they have the toughest sanctions, along with the United States, ever imposed on any country, that include sanctions on the export of oil products, oil derivative products, petrochemicals, and also a ban on financial transactions. Very tough.

So I think it is not a question of the itchiness of the EU institutions. The problem is different, but it is equally serious. The problem we are facing is that a number of recent terrorist designations on individuals and associations have been struck down by the European Court of Justice for lack of due process. And that is because there is no mechanism in the European Court of Justice for the introduction of confidential information that is not shared with the target of those designations.

So the court has struck down a number of those designations, and there is a risk, and it is a serious risk, that after these recent court judgments there will be a flow of new court cases that will say that there was also a lack of due process. We need to act quickly and we are calling upon the European Union to protect the terrorist designations and to make sure that those decisions are not reversed. So that will be one of the key areas for me when I—if confirmed, if I land in Brussels.

Senator MURPHY. My second question: Do you have any sense of what their reaction will be or what you will communicate to them about a discussion in the Senate and the House on a new round of U.S. sanctions coming in the middle of these negotiations?

Mr. GARDNER. Too early to tell. I have not been involved in those discussions, Senator. But I look forward to working with you on that topic.

Mr. COUNTRYMAN. One last question. And if you have not seen this article I will not ask it. But did you happen to see an article in the New York Times about a week or so ago on the lack of trans-

parency in EU lobbying? Is there a U.S. interest in the EU adopting more stringent lobbying requirements for companies, whether they be U.S.-based or coming from other places, appearing before the European Union? Do you think we'll have any role to play in that discussion?

Mr. GARDNER. To be honest with you, Senator, I have not thought about that topic, but I do not think it would be appropriate for us to dictate to the European Union the kinds of standards they should have regarding lobbying. I think that they will consider this issue because lobbying is still a fairly recent phenomenon in the European Union, or at least it is grown exponentially in the last 10 years, certainly from the time I was working in the European institutions back in 1994 or earlier in 1991 and 1992.

So I do not think that we will be pressing them to adopt our system, for example, of registering as lobbyists before they can do business with the European institutions.

Senator MURPHY. I do not particularly have a dog in the fight here. I just know that it may be something that U.S. companies will be talking to you and perhaps to us about if there are some new proposals being made.

Senator Johnson.

Senator JOHNSON. Just real quick. I want to piggyback a little bit on the question that Senator Kaine talked about in terms of the euro itself. Certainly we have seen disruption in particularly Greece, not being the world's reserve currency, actually having to pay the price for their high debt-to-GDP ratio. I am always concerned at what point does the U.S. dollar cease to be the world's reserve currency.

If you want to express an opinion in terms of your knowledge of what you think the prospects are, what kind of movement you are seeing throughout the world in terms of finance, of people denominating trade in other currencies other than the U.S. dollar?

Mr. GARDNER. I think probably that is a question best directed to the U.S. Treasury. But all I can say is that, being involved in a private equity fund and talking to investors from all over the world, there clearly has been concern about what has happened here recently. On the other hand, investors tell us that the United States clearly is the most liquid capital market in the world. There is no obvious alternative at this stage. But clearly countries in the world look to the United States to exercise leadership responsibly as the world's leading economy and leading currency.

I do not see any change to that situation immediately, but our position demands acting responsibly in the future, because over time investors do have a choice and we have seen the Chinese and other Asian investors exercising that choice.

Senator JOHNSON. That is kind of what I wanted to know in terms of your experience. Have you started to see that shift?

Mr. GARDNER. I have just seen anecdotal evidence of it, Senator, just from my small patch of ground in London, a private equity fund. But I cannot comment on the larger data.

Senator JOHNSON. OK, thank you very much.

Senator MURPHY. Thank you to both of our witnesses. We are going to keep the record open for questions just until noon on Friday, and if there are any questions that come in we hope that you

will respond as quickly as possible so that we can move your nomination to the committee and then to the floor.

With that, thank you for your time. Thank you for the time of the committee members, and this hearing is adjourned.

[Whereupon, at 3:16 p.m., the hearing was adjourned.]

ADDITIONAL QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

RESPONSES OF DANIEL W. YOHANNES TO QUESTIONS SUBMITTED
BY SENATOR ROBERT MENEZES

Question. Given China's growing provision of export financing, how will you work with other OECD members to ensure that the OECD Arrangement on Export Credits continues to maintain a level playing field for U.S. exporters? What changes do you believe should be made to the Arrangement in order to better compete with the non-OECD compliant financing methods of China and other nations? How will you work with other OECD members to form a modernized agreement on export credits with China and other major exporters?

Answer. If confirmed by the Senate, I will support the continuing efforts within the OECD of the Export Credits Group (ECG) and the Participants to the Arrangement to engage with China, Russia, and other emerging market providers of official export credits in order to promote a level playing field for U.S. exporters. These groups remain the leading world forums for exchanging information on export credit practices and seeking international cooperation and policy convergence.

Outside of the OECD framework, in 2012, the United States and China agreed to establish an international working group of major providers of export financing "to make concrete progress toward a set of international guidelines on the provision of official export financing that, taking into account varying national interests and situations, are consistent with international best practices, with the goal of concluding an agreement by 2014." This working group, the International Working Group on Export Credits (IWG), held its inaugural meeting in November 2012, as well as three subsequent meetings in 2013, and involves all major providers of official export credits. For the USG and its OECD counterparts, the goal of the IWG is to help ensure a level playing field by bringing all major export credit providers under a common set of official export credit guidelines, which will allow our exporters to compete on the basis of the quality and price of their products, rather than on the generosity of officially supported export financing.

Question. Critics of free trade and open markets often contend that the pursuit of free market economics of the type advocated by the OECD worsens income disparity between the richest and poorest countries. Given your experience as chief executive officer for the Millennium Challenge Corporation (MCC), what policies will you advance to decrease the gap between the richest and poorest countries? Additionally, how will your experience at MCC inform your work in international tax policy and corporate governance?

Answer. OECD policies and best practices do not create income disparity. To the contrary, the OECD has been on the forefront of analyzing this complex issue, through both its seminal 2011 report "Divided We Stand" and its creation of a database to track trends and generally seeking to create policies to reverse this growing disparity.

The OECD promotes effective, transparent, accountable, and democratic institutions; institutions that recognize the critical role of a universal, rules-based, open, nondiscriminatory and equitable multilateral trading system; and meaningful trade liberalization. These goals can stimulate economic growth and development worldwide and benefit countries at all stages of development.

The guiding principles of the Millennium Challenge Corporation (MCC)—the importance of good governance and the rule of law at both the national and international levels, and economic freedom—create an enabling environment for sustained and inclusive economic growth, social development, and the eradication of extreme poverty and hunger.

Similarly, policies of transparency and good governance support the OECD's work on international taxation policy and corporate governance which perform a key function in enabling global development underpinning cross-border economic activity as well as domestic resource mobilization and good financial governance. If confirmed by the Senate, I would support work of the OECD that promotes these policies and principles. One of my priorities in international tax policy would be to support

OECD work that helps developing countries to raise more of their own tax revenue, including supporting OECD tax reviews for developing countries. This work is particularly important for most of the low-income countries of Africa and South Asia and is critical to meet the need for adequate financing of their needs for current government services (especially health services) and public infrastructure (a key to future economic growth) and to reduce dependency on donor financial assistance in the future.

The U.S. Government is active in the OECD Corporate Governance Committee and will fully support the 2014 update of the OECD Principles of Corporate Governance, including by inviting more developing economies in the process to create a greater sense of ownership and to promote their widespread adoption. The Principles are used as the benchmark for international assessments, including by the World Bank and International Monetary Fund, to assist countries in increasing the transparency and independence of board functions and ensuring the equitable treatment of shareholders, as well as inclusion of broader stakeholders.

As chief executive officer of MCC, I learned that promoting the economic growth and self-sufficiency of developing countries, including the building of sound public institutions, is critical to their economic progress. To further those goals I would similarly continue to support OECD investment and public governance reviews of developing countries. OECD investment reviews identify policies to improve the country's investment climate that can lead to greater foreign direct investment and economic growth, while OECD public governance reviews promote the development of policies that strengthen public institutions.

RESPONSES OF ANTHONY L. GARDNER TO QUESTIONS SUBMITTED
BY SENATOR ROBERT MENENDEZ

Question. The Transatlantic Trade and Investment Partnership (TTIP)—a proposed free trade agreement (FTA) being negotiated between the United States and the European Union (EU)—has the potential to yield significant economic gains. According to some estimates, the benefits from a tariff-only agreement could be as much as \$4.5 billion for the United States and many economists view tariffs as the “low-hanging fruit” in the negotiations. In your view, what are the potential benefits of the TTIP and in what areas can the United States achieve the greatest gains? To what extent is the EU committed to tackling some of the most likely sticking points—for example, in the agricultural sector? As U.S. Representative to the EU, how will you help to ensure the United States realizes the greatest gains?

Answer. The Transatlantic Trade and Investment Partnership (TTIP) offers a historic opportunity to expand what is already the world's largest economic partnership—a partnership upon which more than 13 million jobs on both sides of the Atlantic already depend. TTIP gives us the opportunity to take this dynamic partnership to the next level, generating more jobs, more investment, and more opportunities for companies small and large, while maintaining the high health, safety, and environmental standards our citizens expect and deserve.

The greatest opportunity—and the greatest challenge—of TTIP are in the area of regulation and standards. In TTIP, we will seek to eliminate, reduce, or prevent unnecessary “behind-the-border” nontariff barriers resulting from regulatory divergences that damage our collective competitiveness in an increasingly integrated global economy. We can achieve this objective without reducing health, safety, and environmental protections by, for example, reducing redundant and burdensome testing, increasing transparency and openness, and ensuring that U.S. bodies are permitted to test and certify products sold in Europe. In addition, we will seek to identify ways to reduce costs associated with regulatory differences by promoting greater compatibility between our systems. Achieving an outcome that results in greater transparency and accountability in regulatory processes is also critical to addressing and preventing nontariff barriers, and we have made it a centerpiece of our approach to TTIP.

The United States and the European Commission have already agreed to pursue a comprehensive agreement, and we have made it clear that any comprehensive agreement would have to address tariff and nontariff barriers facing our agricultural exports. As the “Final Report of the High Level Working Group on Jobs and Growth” noted, an ambitious comprehensive agreement offers the most significant mutual benefit, compared with less ambitious options. The EU has assured us they are prepared to work hard toward a very ambitious outcome.

We are encouraged by successes this year in tackling longstanding issues in agricultural trade, namely sanitary and phytosanitary (SPS) measures. On February 4, the EU approved final regulations to allow the use of lactic acid as a pathogen

reduction treatment (PRT) on beef. This is the first PRT to be allowed in the EU, and it is an important step forward. And on November 1, the USDA Animal and Plant Health and Inspection Service announced a final rule that will modernize import regulations for BSE "mad cow" allowing for the safe trade of beef and beef products from countries with a history of BSE, a priority for the EU. We know negotiations will be difficult in some areas, but it can be done.

If confirmed, I plan to highlight the ways a successfully negotiated TTIP agreement could strengthen the contribution of trade and investment to jobs, growth, and competitiveness in our economies, and set the standard for future regional and multilateral trade agreements.

Question. Given the recent revelations of NSA surveillance activities in Europe, are you concerned about the future of U.S.-EU information-sharing agreements such as SWIFT and PNR, or the ongoing talks on a U.S.-EU Data Privacy and Protection Agreement (DPPA)? Given that many economists regard the potential gains from market access reform as a fraction of what could be achieved through regulatory and trade-related rules reform, how would greater data protections in the EU affect the potential gains from TTIP?

Answer. As a nominee for this position, I have not yet been a part of the discussions on these issues and therefore, am not in a position to comment extensively on the impact of recent allegations of NSA surveillance in Europe on the U.S.-EU SWIFT and PNR Agreements and ongoing U.S.-EU negotiations on the DPPA. I recognize, however, that the allegations of NSA surveillance activities have generated challenges in our relationship with the EU. In that regard, I would like to reiterate several commitments the President has made in the wake of these allegations.

The President has committed to a full review of the way we gather intelligence so that we can ensure we are properly balancing the legitimate security concerns of our citizens and allies with the privacy concerns all people share. The President has asked his national security team, as well as outside experts to review how, in light of changing technologies, the United States can best use its technical collection activities to optimally protect U.S. national security and foreign policy interests while respecting U.S. commitments to privacy and civil liberties. In the meantime, it is clear we need to continue to consult with our allies and partners on issues of mutual concern. If confirmed, I look forward to working with them on such issues.

On the more general issue of data transfers, the United States continues to work with the EU to enhance cross-border data flows to help build our world-leading e-commerce sectors. The Terrorism Finance Tracking Program and Passenger Name Record agreements have served U.S. and EU interests and should be maintained. The TTIP negotiations should reflect our mutually agreed Trade Principles for Information and Communication Technology Services on cross-border information flows while respecting our different regulatory regimes, both of which include a deep commitment to privacy protections.

Question. Some member countries support further political and economic integration of the EU and the eurozone. In your opinion, would this shift be beneficial to U.S.-EU relations? What challenges and/or benefits would integration present as EU membership continues to increase?

Answer. The United States has a profound interest in Europe's stability and growth. Europe remains our largest economic partner, and we are closely linked in many ways. We look forward toward continued partnership and strong U.S.-EU relations.

The U.S. and global economy face headwinds as deleveraging in the banking and business sectors, among other factors, slows Europe's economic recovery and job growth. We are pleased to see the EU's progress toward a banking union, and note the recent EU approval of the European Central Bank's direct supervision of some 130 of the eurozone's largest banks, starting November 2014.

The United States fully supports moves toward a full banking union in Europe, including not only a single supervisory mechanism, but also resolution authority, recapitalization capacity, credible deposit insurance, and some degree of risk-sharing among members. Beyond the banking union, European Commission officials and others have said that forging a deeper fiscal or political union would likely require a treaty change. Those are decisions for EU member states to make.