



**LUNCHEON KEYNOTE ADDRESS:
THE HONORABLE RICHARD LUGAR,
UNITED STATES SENATOR, INDIANA;
CHAIRMAN, SENATE FOREIGN RELATIONS COMMITTEE**

***Luncheon Keynote Address:
The Honorable Richard Lugar,
United States Senator, Indiana;
Chairman, Senate Foreign Relations Committee***

MS. SMITH: I would just like to briefly re-introduce a friend and colleague, Senator Daschle, who will be introducing our luncheon speaker.

SEN. DASCHLE: Before I make the introduction, let me simply congratulate all of the panelists this morning. I thought we had some outstanding discussion and I appreciate everyone's contribution. The questions were excellent and the answers were every bit as good, so congratulations and thank you for your participation this morning.

In my time in public life, I've had the opportunity to meet and work with some fascinating leaders. One of those leaders in my early days in the House of Representatives was a man by the name of Claude Pepper, who some of you may recall from your recent history. He served in the Senate and then was defeated, then came back to serve in the House and had a very distinguished career as the chairman of the Rules Committee and worked extensively on issues that I cared a lot about. I had the opportunity to commiserate with him on many occasions and one time as we were sitting across the desk from one another, we both remarked that we were strong Democrats and proud of it, but then he said at one point, "It isn't really whether you're an R or a D that matters as much as whether you're a C or a D. And I, of course, was not as quick to the mark as he might have expected me to do, so he had to explain and he said it isn't whether you're a Democrat or a Republican necessarily that matters as much as whether you're a constructive or a destructive in the political and legislative process."

He said, "I hope you'll always remember that being a constructive person in that political and legislative process is far more important than your political label." I think of that lesson in politics with Claude Pepper as I've been called upon to make an introduction this afternoon.

I've had the good fortune to work with a lot of people in the Senate that I think could be recognized as constructive leaders, but I know of no one who has been more of a constructive leader than our luncheon speaker and guest. Not only is he constructive, but Barack Obama recently returned from a trip traveling with him to Azerbaijan and the Ukraine and Russia, and he said everywhere they went he was also viewed as a rock star. (Laughter.) Dick Lugar is the longest serving United States senator from the state of Indiana. In the course of his many years in the Senate, he's not only become chairman of the Agriculture Committee during the time when I had the good fortune to work with him but he is now, of course, the chairman of the Senate Foreign Relations Committee and one of America's premier statesmen.

Over the years, we've worked on a number of issues together. I think one of the most important was the one that we talked about this morning, The Renewable Fuel

Standard. As I was looking for a legislative partner, the very first person who came to mind was Dick Lugar and the very first person to say, “Yes, I want to work on this with you,” was none other than Dick Lugar. We introduced it in 1999 and ultimately, as everyone in this room knows now, it passed and is now law. I will tell you it would not have passed were it not for the advocacy and the credibility that the issue was given when Dick Lugar became a cosponsor. Whether it’s energy or agriculture or comprehensive threat reduction, Dick Lugar has been a constructive statesman, legislator and leader.

Perhaps one of the most significant pieces of legislation having to do with comprehensive threat reduction bears his name, the Nunn-Lugar program, and I asked him before the program started today just how well it was going and enthusiastically he said it’s moving right along. Well, whatever has happened in nuclear threat reduction in recent years in large measure can be attributed to efforts and the leadership of Dick Lugar. I am proud to call him my friend. I am proud to have served with him in the United States Senate. Will you welcome with me now the chairman of the Senate Foreign Relations Committee, Dick Lugar.

(Applause.)

SENATOR RICHARD LUGAR: Thank you. Thank you very much. I appreciate very much this invitation to visit with you today and it’s been enhanced immeasurably by my opportunity to visit with Tom Daschle and his very generous introduction. Tom Daschle has been a leader in the Senate but a very good teammate. As he mentioned, our collaboration on the whole ethanol project that has taken off in the course of time that we kept offering the bill, again offering; another Congress would come, rebound again, but finally this idea has happened in great extent because of the advocacy of Tom Daschle and constructive Republicans and Democrats working together. And I thank him for the definition of C and D, and the idea that all of us in this room hopefully land in the C category and are moving ahead.

Let me just say that it could very well be because of this meeting today that the *Washington Post* had such extraordinary advertisements this morning. Those of you who have been immersed in the conference may not have had the chance to read the *Post*, but the British BP – British Petroleum had a three-page ad in the *Washington Post*, which is not inexpensive, and they – this time with only a few words on the first page. It says “Cleaner electricity will rise,” and then you move on to the inner pages and there is nothing in text on the next one, and it says “365-days-a-year alternative energy powered by BP.” A fascinating way to spend advertising dollars, but nevertheless merited by their interest, as I will cite in a moment. And then further down in the *Post* today: energy for the 21st century: coal. Today’s technologies can convert coal into, quote, “clean electricity,” the power of growing cities; transportation fuels to keep our economy moving; natural gas to warm homes and families in winter; hydrogen to energize fuel cells, and, yay, coal can do it, and so forth.

Well, all of the goods and but likewise different, and this has not come about by chance. The advocacy that each of you have been involved in as well as some

calculations, as are pointed out by, at least, the friends that all of us have in these companies, have led to some very significant gains.

I clipped from *Business Week* an article really now several weeks ago. They formed a panel in which they tried to at least award some recognition to companies that had made a significant difference, and the first prize went to DuPont. Now, there are lots of aggregate statistics there, but essentially DuPont as a company is using 7 percent less energy total with 30 percent more production, and they have done so through some of the ways in which we would want to foster this to alternative energy sources.

BP comes in second, interestingly enough, in the advertisement today – a very significant advocacy. In a much smaller way in my home state, the Cinergy energy company that also operates in other states has come forward with ideas about clean coal technology. But even more, a quote in a *Business Week* article by the president of Cinergy indicates that they are not doing it entirely out of altruism or a sudden green movement within the company, but simply because they anticipate that the requirements of city, states, and maybe finally the federal government will mandate certain changes as people come to a greater recognition, whether it's a problem of carbon or problem of climate change generally with or without carbon, or however people come to this recognition that is likely to lead to firms that do not have this forward vision rather abrupt and expensive changes that could be existential for the firms' continuation.

Without drawing farther and farther afield from where you have headed already or maybe want to head today, let me just say that the failure to make these kinds of changes, whether it be Cinergy or BP or Peabody Coal or what have you, could very well lead as our friends have pointed out in the industries that are making the changes, to the sort of abrupt recognition of reality faced in my state and some others by the Delphi company in the automotive industry or perhaps by General Motors itself, formerly Delphi being a part of that, now separate.

This is the type of issue in which Republicans, Democrats, liberals, conservatives may have extraordinary differences of opinion in terms of economic justice and how people ought to handle things, but let me just outline the problems that faced the workers in Indiana with Delphi. There are at least 10,000 of them remaining; maybe a quarter to a fifth of the workforce of the company. That company is headed into Chapter 11 bankruptcy. It has also headed into a situation in which the courts or the management or the UAW have identified that a Delphi worker generally through wages, through healthcare, through pensions, through other perks that may come with that job may have grossed as much as \$65 an hour.

Now, the suggestion coming out of the bankruptcy court is that that amount of money per hour is going to turn out to be something like \$25 to \$30. Well, that is huge. And this calls probably for the entire problem of healthcare to be changed abruptly in terms of employees assuming most of those burdens, the pensions, probably being put off on the PBGC – the public arena – paid for by other corporations, but eventually by all of us as taxpayers. And now, some would say, “Well, the UAW will never stand for that.

There'll be a strike." And there might be. At which point the Delphi people point out they're in bankruptcy in any event and they will just go into bankruptcy totally. The whole thing will be wiped out – that the continuation of the firm perhaps is not the issue, but whether in fact the firm can exist at all.

Now, whether such abrupt changes are made in the lives of that many Americans plus the communities in which they are involved and so forth still remains problematical, but looking down the trail toward union negotiation 2007, the General Motors people think it's pretty real and as a matter of fact similar negotiations might go on. I don't advocate using Chapter 11 as a way of working out labor contracts. The dilemma for both General Motors and Delphi is that they have costs that are substantially greater than their competition. And beyond that some would say, in a value judgment, they have also tried to produce products that did not meet the competition or the expectations of modern Americans either in terms of style or energy or conservation or whatever may be the premium currently.

Coincidentally, in all – once again parochially in my state, I had word from the Toyota company yesterday that they will commence a substantial new production in West Lafayette, Indiana; hiring several hundred and eventually and perhaps thousands of additional workers to supplement the several thousand that are already in Southern Indiana producing vehicles there. And I mention this because clearly in terms of auto workers, in terms of jobs and so forth, there's maybe no net change by the time we finish. But in terms of firms having advocacy for the future, there's a big difference. And this is why each one of us in our own way need to work with our constituent firms, with people in labor and management and those who may advise any of them, to indicate that the quest for energy independence, energy efficiency, clean coal, the movement, hopefully, toward biomass and cellulosic fiber, these are all no longer simply niche situations of a few persons who have sort of a bee in their bonnet and are confident they know how the world is working, but this is sort of mainstream. And we all had better be thinking in those ways because essentially the world does not owe us a living.

I saw a delegation, as I told Tom Daschle, from India today. Members of their parliament, likewise those who've been visibly involved in the summer conference between India and United States over nuclear issues, and those are serious, but a whole gamut of health issues, of food issues, of trade issues which are going to be very important given the size of India, its market, its dynamic growth, its demands upon the rest of the world.

I told the Indians that when I was in Libya, unexpectedly on a mission I had not really sought, I was in a hotel in Tripoli and it was heavily populated by people from India and China. Why in the world would they be visiting Tripoli at this particular time of year? Well, they were busy trying to pin down every last square mile of Libya in terms of options that might pertain to the drilling for oil; not that they are going to drill now, but looking ahead to the future. The Indian delegation admitted, not under heavy cross-examination, they have a very disturbing relationship with Iran for natural gas that may inhibit some of their ability to work with the United States and we're pressing them

very hard to work with us and the IAEA to try to control the Iranian nuclear situation. And they're admitting that they're going to have to have some other ways of handling energy in India other than coal, which is dirty, Iranian oil or natural gas, which has political liabilities, and ditto it could be said for us and for every other country.

Each of these areas is worthy of considerable discussion and examination and I will not try to burden you with all of my thoughts or entertain yours today. I will just say in a broad brush stroke, we're talking about the future as constituents of our industries and our jobs and the way we make a living in America now. We're talking about our future in terms of international relations and our security, and recognition of the security of other countries.

Now, there are two basic areas in which at least the Congress and people in public life have been at work, sometimes with great deal of headway and sometimes not. One of these areas has been one that Tom Daschle has touched upon: our collaboration that more ethanol ought to be produced. I admit that I come into this issue as a corn farmer. I don't have a lot of corn – 200 acres – but nevertheless by Indiana standards that's a good bit, and 200 acres of soy beans, and the other 200 acres of my farm is now populated by largely black walnut trees, some other hardwood trees, most of which I and my son, Bob, have planted over the last 25 years in rows – plantation style with all the controversies as to whether this is the way agriculture works best. Now, so we have 600 acres. These are 600 acres unusually positioned. When my dad purchased this farm in 1931, it was clearly in the country. As I go out to prune my trees now in 2005, it is clearly within the city.

As mayor of Indianapolis, when we brought together the inner city and the suburbs into something called Unigov, the farm came into the city. It is now surrounded by city folk. There is an elementary school at the north farm gate and it's a very beautiful place. So here we have 600 acres serving almost like a state park for the residence of Decatur Township in Indianapolis, but still we're in farming operation. Now, my dad passed away in 1956, almost 50 years ago, sadly, and I've been in charge since and we have made money on the farm every year in the last 49. Sometimes not much, but even to point out to have made money is disturbing to most of my farm friends (laughter) who point out that that surely could not be, and therefore I lack compassion for the family farmer who doesn't make money every year.

I would just say, throughout this period of time that the amount of money made in agriculture on our farm or any other that some may be better managed than ours is roughly 3 to 4 percent on invested income. Now, one would say, why, then, are so many people still engaged in farming when you could have done this on Treasury bonds even at the low interest rates now quite apart from some other years in the last 50? And obviously there are all sorts of emotional reasons. Why do I still have the farm at this particular point surrounded by all these people? It's a sense of family heritage. It's a sense of something that is ours and that we have opportunities to do things on, and for me right now it's an opportunity to experiment and to bring other people to help us.

Specifically, for example, I had word in the last few days that my walnut trees have an immeasurable amount of carbon sink – carbon sequestration attached to them. The idea is that 100 of those walnuts, and we probably have 10,000 in the course of the farm – I’m going out to count them after all of this, but a 100 of these may sequester three tons of carbon a year.

Now there is – Tom will recall from our Ag Committee experience – the Commodity Futures Trading Corporation, CFTC, and recently they have gotten into some type of trading. And now it’s not as active as a European trader would be in this sort of thing. For example, if you have a cap and trade situation in Europe as the countries try and meet the Kyoto treaty, why, a ton of carbon a year might be worth \$50. And now in the United States where trading is not nearly so active, I’m advised it’s closer to \$2. The market is inhabited by people I spoke about like BP or others I cited today who for a variety of reasons see the future, they are trying to put together some type of cap and trade situation of a modest variety. So in any event, I don’t have a fortune yet in carbon trading, but I’m interested in this.

And so I ask: can I as a farmer deal with the Chicago (market?)? Well, not exactly. Usually, this has been set forward by the Iowa Farm Bureau. They have a – it’s really an aggregated trading position. But on the other hand, the fact is that people sort of curious as to how all these things work might someday let me trade there and see whether I can keep sequestering tons of carbon each year. Better still, at least indicate to the farmers all around me that there’s something to all of this; that in fact the planting of trees and the cultivation of these trees, both for their beauty as well as a practical matter. Those of you who are into black walnut culture know that for the – for an 18 to 24 inch stem – for a harvestable tree that has veneer quality, that’s probably a 60, 70, 80-year procedure. This is not just a grandfather type project. This is a great-great-great grandfather type project and some would say, “How do you know that those trees will ever be there at the end of 60, 70 or 80 years?” Well, in the old days you really didn’t, but in fact – I don’t want to jump the gun, I’m going to get \$50 a ton out of a hundred walnuts each year, but if in fact there is even value, it comes from virtue in these situations.

And that’s, I think, the point that we’re trying to make to many farmers around the state of Indiana. We now have a situation prior to the Daschle initiative on ethanol coming into force now with the energy bill we just passed, in which about 11 percent of our corn crop this year will be involved in ethanol. And some would say, “Well, if you count, really, the crop coming in and so the transition may be 14 percent.” That’s a lot. That begins to approach – when you then double the amount of ethanol that now we’re going to be having – we’ve sort of moved from, say, the four billion gallons a year to 7.5, say, and get over 20 percent maybe; at least 19 by many calculations. And some would say, “Well, that’s about what has been our total export of corn abroad in trade markets.” It’s a big figure. It’s affected the price of corn, the livelihood of corn farmers.

Now, what if you had that export market plus the ethanol and the (eight?) figure is by no means the end of the trail, but it has produced some extraordinary figures all by

itself. I saw an analysis, and I'll not go into all of the details of that, the other day, but just for the sake of argument that just enacting this law itself this year will bring about \$6 billion of new investment into the United States building the additional ethanol plants that will be built. We've moved from roughly 93 to 125 and who's sort of counting upward and that's a lot of construction in America. There are tens of thousands of new jobs involved not only in the construction, but also in the plants.

Now, at the end of the day the skeptic will say, "Okay. You have corn ethanol here, but corn is after all a fairly expensive base." It was easier to sell ethanol because you had a constituency of corn farmers, of agricultural people who saw some income coming in from the sort of thing and wanted to do good. But nevertheless, already I see in my office people who feed corn to poultry and they're saying, "Why aren't you thinking of us? You're going to make a great deal for the corn farmer with all this demand for ethanol and if you ever got the Doha round going or even through Hong Kong now or so forth, you may in fact be exporting a lot more American corn and that means the price goes up and corn farmers do well but how about poultry farmers? What do they do in the process?" We are going to be plagued with these issues all the way through and I don't demean them for a moment.

Tom Daschle and I served together on the Agricultural Committee for eons and we know many other persons – certainly not the two of us, but many sitting around the table are very constituent-oriented to a fault; in fact, to a very narrow constituency. They are not farmers. I think Chuck Grassley of Iowa still has a legitimate claim to be a family farmer. He gets up on a tractor when he goes out to Iowa and he has some sons running the place. And even more remotely, I claim to be a family farmer roaming around my place and managing it for the family, but that's about it. (Laughter.) The others I wouldn't say are fronting for somebody else but nevertheless they do the best job they can. (Laughter.)

This leads to some unusual legislation and some cross-hatching here, which may not be the most statesmanlike thing, but this is democracy in action: people are heard. I wonder frequently how in the world these bills ever pass given the efficacy of what is involved in them. For example, we've gone through – without going back into old history – an exercise now in our reconciliation bill in front of the Congress, which may or may not happen, but we shall see. This is an attempt to cut spending at least on the Senate side by \$35 billion. Agriculture was assigned a goal of about \$3.5 billion of this; a fairly modest amount all things considered. And (inaudible) staff that shall remain nameless, maybe on both sides of the aisle, aimed for food stamps. Well, that caught the attention of the Associated Press and so it became a no-no, and food stamps are restored in a more humanitarian way, but while we were at that the dairy people said, "Now, listen, our program seems to wind up faster than some others and we want it restored." Now, we want to add a billion or two, more or less, for dairy. I said, "Well, listen, this is supposed to be a cutting bill, not an adding bill." (Laughter.) And they said, "Well, if you need our votes, you add, you don't subtract when it comes to dairy." Well, this is almost too much for some.

I raised an objection, and some of you have mentioned this, we've been visiting a little bit today, that somehow or other creeping into this cutting was also a little clause that said all these programs continue on to 2011, not to 2007 when the current farm bill comes to an end. I said, "How could this be?"

And they said, "Well, it's baseline. Baseline." You know, as if I understand all of these things. (Laughter.) But the point was that in the event that no action was taken for some reason, Congress just hogtied, why, somehow all of this just trundles along like the book until 2011. This led our chairman, Saxby Chambliss of Georgia, to assure us that there will be at least a discussion of a farm bill in 2007, and even Saxby can't promise if there'll be such a bill coming from all this, but there'll be some chance of examining all of these situations.

Well, they are not inconsequential and I cite these because even as we're thinking about energy conservation and ethanol and alternative fuels and so forth, we're also trying to think about the rest of the world. For instance, the Indian statesmen I talked to today have come to the conclusion that they're probably never going to get as they try to progress to 8 percent real growth a year, and that's a big figure on top of about a billion people. And begin to get 600 million people – they admitted they're not doing very well in the country now in villages. Add very subnormal wages into picture, and that's why this becomes even more trying, so of course they want to do a lot more to nuclear energy and that's ostensibly the reason we're engaged in that debate. But they also would like to trade signals with regards to renewable fuels and agriculture and how you gain energy through those sources. They would like for this not to be just a pact about nuclear situations and how to stop proliferation but, in fact, how to share trade and conservation and some things in which we have done well and some things in which they might be able to teach us. I think that's a very important consideration, but it is also – in the same way we have trouble with farm bills – hogtied by the fact that trade agreements even on a bilateral basis are very hard to come by right now in the Congress.

Now, in part this is because there are considerations that are valid on the part of many Americans as to how we can free trade with countries that have very poor labor standards, have very poor environmental records. For example, take my Delphi workers out there. They would say, "Listen, we're trying to provide at Delphi healthcare for people. We're trying to provide good wages. We're trying to conform to all the environmental standards already set up by the United States government that are very expensive." In essence, we already have expensive labor contracts, but after all this is free, collective bargaining. It's part of democracy, of everybody moving in a democratic way towards some equilibrium of compensation. And why – why in the world should we be involved in other countries who do not have even rudiments of this sort of thing, or at least very, very modest that are likely to dilute our standards and our prospects?

In fact, this has been a topic that has led to a polarization on many trade treaties recently. As you will recall, the fairly modest Central America Free Trade Agreement had all kinds of dilemmas. Here, as I think Tom will recall, the Central American presidents came to the Lyndon Johnson Room in the Senate one day unexpectedly and

then they said, "We have pretty well settled our age old agreements in which we have gone to war with each other. Quite apart from the fact we couldn't trade, we're going to trade with one another – there's going to be free trade within Central America, modest as that may be. We would like to extend that to Mexico, and because Mexico, the United States, and Canada are now involved in the North American Free Trade Agreement – like to bring it up to that standard."

Well, it seemed like a no-brainer to those sitting there but not so fast: the people said right away, "What about labor standards in Costa Rica? And what about the problems in Nicaragua, which now it seems that the edging back toward a government that's much less friendly?" And furthermore sugar people said very specifically, "Well, what about sugar? What about us?" And they said, "We want compensation for about every pound of sugar coming out of Central America. Even if there are not many pounds, we want to be compensated for every single one." And textile people are always there. They said, "Modest as it may be, it's going to hit us even further and we've all been badly hit by China already this year and the WTO and so forth."

So by the time we're finished, you're looking around the room and wonder who is left. Now you could say, "Well, fair enough. Wasn't much trade to begin with. Not really clear the advantages to the United States if the trade changes were that modest." The big advantage of the United States was potentially stabilizing some very, very tough political situations in Central American countries that may need some attention and stabilization right now. You make the same case for the Miami meeting and the South Americans and so forth who are really off the reservation altogether for the moment as we deal with the Andean Treaty.

So, frequently, we come down to very bilateral arrangements. Bahrain may make it across the finish line – a bilateral with Bahrain because largely there does not appear to be quite so much labor and environmental interests and no one really knows exactly why anyone should object to Bahrain, and so it may happen.

I mention this simply because the Europeans and United States have been cited very specifically on the agricultural subsidy issues starting with the disastrous meeting in Cancun, which was to lead up to a WTO success at the end of the trail, and in essence the so-called developing countries came in, probably aided and abetted substantially by Brazil and maybe even by China, and they said those agricultural subsidies in the European zone and the United States are intolerable. They make it impossible for us to get involved in agricultural free trade and we're not going to take it anymore and there will not be any agreement until somehow you've resolved these things much more in our favor.

And I suppose initially we said rather patronizingly, along with the Europeans, "Now, we're the people that sort of run this thing. We are the people that have the wealth, the trade, the emoluments that you want." You know, sort of, how dare you sort of step all over our toes here? But the developing countries were not mollified and so then came negotiations. And what has occurred essentially now is that the Europeans

have gone a little ways, but not nearly far enough. We have suggested that the United States, through Rob Portman, our trade representative, that we would make some changes but as some sort of wags on the Hill would point out, not really sure Rob or Bob Zoellick who preceded him really told the chairman of the House Ag Committee or the chairman of the Senate Ag Committee quite apart from their cohorts, in essence back at the ranch members of Congress are saying, "These trade representatives may be way out there promising reform, but we haven't OK'ed that at all. As a matter of fact, we're still extending our bill to 2011." (Laughter.) And quite apart from all of this ruckus going on.

I mention this because in the international community, the going will not be easy with regard to the trade issues, nor with regard to the sharing of any of these other issues. And I mention this very specifically on the energy issue because we probably will come down to some (heartbeats?) that are not very good when suddenly it appears that as we get heavily into alternative energy other countries want to export some of their alternative energy to the United States. And we say, "Now, come on here. We're busy developing. We're busy reforming here. We don't need too many intrusions coming in from abroad." It will not be quite as blatant, perhaps, as President Chavez of Venezuela furnishing heating oil assistance to the people of Massachusetts presently. (Laughter.) Some people would say, well, this just shows how audacious a Latin American authoritarian government can be, but the beneficiaries in Massachusetts are indicating we wished the Congress has passed more low-income heating assistance, as a matter of fact. (Laughter.) It's going to be a cold winter and we got some real problems.

It all depends, once again, on sort of where you sit and stand on these issues. And I'm suggesting at the same time that we are making real progress in trying to think through alternative energy situations that we need to cast a worldwide vision of this because at the end of the day, as we heard some strategic thinkers – my friend, Jim Woolsey appeared before the Foreign Relations Committee the other day along with some others that I thought were right on target, and they said the potential causes of worldwide conflict in the future could very well come because of the lack of the ability of countries to furnish energy supplies to their people. Before they allow massive unemployment or houses that are not heated or all the rest to happen, they will aggressively seek those situations.

Now, much of it may be obtained diplomatically and strong-arming others and recognizing bad governments and all sorts of things which occur in a way now in the quest maybe by the Chinese, and particularly in Africa. But worse still would be if countries decided they wanted military conflict to settle who in fact is going to have the energy to keep their countries alive. And long before we came to that kind of predicament, I would hope that those that are far-sighted begin to resolve it by finding ways, in fact, that through renewable resources in the agriculture of our own countries, wherever they may be, or through the sharing of them or even the exporting and importing of them, we find much better solutions.

In my own farm situation, I'm happy that corn is going to do better and I'm sure it will because of ethanol and we're just on the crest of that occurring. I saw an article in

Fortune magazine and they were speculating down the trail on what will happen to energy and they said, you know, come the year 2040, oil is found, as a matter of fact, to be virtually redundant. It is an interesting idea, but no longer relevant. And by 2030 they predicted in the state of Iowa – and could have chosen Indiana or the Dakotas or wherever, they suggested by 2030 that entrepreneurial types, the big business types and what have you, will have invaded Iowa and they will be producing the energy for the country using all sorts of means in growth types of industries that could not be contemplated even as we look at the fledgling ethanol industry coming up presently. Well, maybe so, maybe not. That's not too many years down the trail.

My point is simply that in our Ag Committee hearings, and Tom will remember this well, we had a number of hearings of farsighted people about cellulosic fiber, about switch grass, ethanol from twigs and from about everything else. In addition to the corn on my farm, we've got a lot of other stuff. And in fact it doesn't have a market. It wouldn't offend the poultry growers that were using it for ethanol as opposed to feed for the chickens and the turkeys and so forth. We have in fact the possibilities for renewable energy in this country which are almost boundless.

Now, whenever you begin to make statements like that, let me try to quantify it about this way. Some analysis that I've gotten from think tanks and I like the sound of it is that about 67 percent of our needs for oil, for instance, now come from abroad. We import two-thirds roughly. The enactment of this new 7.5 billion standard of ethanol that we're going to get will reduce that 67 to somewhere around 62. Well, the skeptics will say, "Well, hurrah. You've come from 67 to 62, but by golly the demand in our country may rise in the meanwhile and take up all that gain – not a big factor." But not to worry. Let's say that you take a look, generally, at surveys of how much cellulosic fiber is out there in our country that can be harvested each year. Well, this comes ultimately to a figure in terms of tonnage and the amount of ethanol that comes from it that is 20 times the amount that we are now getting from corn ethanol at the current rates.

Well, at this point, you will say, what's the cost of doing that? Surely, if you can get that much and you have all this utopian solution, you would have done it before now. Well, you don't understand politics in this country or the Congress or even the Ag Committee. The fact is the possibilities for cellulosic fiber have been out there for quite a while. It's not a new idea, but the infrastructure for harvesting it, for transporting it, the ways in which you finally get the stuff from the fiber in some sort of a plant, the distribution of all of this – this is daunting.

Furthermore, if you have a large number of Americans who are skeptical that it's even worth doing; namely, they sort of like the automobiles they have. They like the way they're fuelled. In the event that gasoline goes up, you can always find a scapegoat from some other country or some other catastrophe that caused all this, if not windfall profits of the oil companies themselves, and find some other problem that's involved in all of this. There is not going to be an impelling need for the groundswell. And some would say it really hasn't come now. After all, Katrina is over. The price of gas out here at the pumps in D.C. is approaching \$2 again, maybe even dipping below that in some places in

the hinterland. You know, what was the problem? Well, thank goodness not everybody has dismissed it that rapidly. Thank goodness you have not. That's why you are conferring.

I'm suggesting that at least on one side of the energy equation, and that is just the transportation side or the oil side, that there are visible solutions available and I believe that they are economical and I believe they will also require government subsidies of various sorts, as corn ethanol has required for some years, although I think that is likely to diminish given the state of the arts as it continues and certainly the difference now between petroleum-based and the ethanol-based.

Finally, I just conclude by saying on the other side of the energy equation we talked about clean coal at the beginning and I think that's terribly important to consider, too. It may not come from farms. My state – once again in a parochial way – does have a lot of coal. That is dirty coal. We import a lot of coal from Wyoming which is slightly cleaner, but the fact is that the Cinergy company I mentioned earlier down near Vincennes in Southwestern Indiana is finally at work on a clean coal technology for a very substantial plant employing 1,000 people. That really is the forerunner of what I hope will occur in our state. Our state legislature and our governor passed legislation which offers considerable inducement to make the arithmetic work out right. The federal legislation has, likewise, a component. So this is not necessarily market-based at this point, but it's based upon the thought that we have the coal in this country. We have the corn. We have the switch grass, or whatever we're going to use the cellulosic fiber right here in America. Now you say, "Why is that so important?" Well, because all the calls for energy independence are simply rhetoric without there being some basis in fact of what might bring it to pass.

And I would just say simply that if you visit a country – and Tom referenced Barack Obama and my wandering through Russia, Ukraine and Azerbaijan in early September. Well, visiting Ukraine was happy in one respect of, surely, the democracy that is there, the freedom of speech, the outburst in parliament, and all the rest of it. For any lover of democracy, this is great stuff. But when you get behind closed doors, what the president, Mr. Yushchenko, or the former prime minister, Ms. Tymoshenko or the Speaker Litvin, and all of them have but one message. You go to a map and they're drawing lines as to how natural gas or oil might come to the Ukraine from some other place – any other place than Russia.

Now, why would that be of a bother to them? Well, essentially, in the old Soviet system a lot of subsidies, some of them were obtained by Ukraine, some of them have been retained by Ukraine. But over this winter, some people who were involved in the Orange Revolution and noting some Russian hostility to their new government have a fright that the price is going to be raised, and if so, it will come at a time of almost zero growth in the economy of Ukraine. And furthermore, under the worst-case scenario that some of the spigots might just be turned off someday.

If you ever had a feeling that energy independence is unimportant, you ought to visit with people who have the stake of their country there and responsibility for continuity of life and understand it can be stopped. And we used to have conferences with Chancellor Schroder of Germany as to why he was so benign in his relations with Vladimir Putin, and he would say, “Forty percent of our natural gas comes from Russia – 40 percent for a country the size of Germany with all of its demands. We are going to have a very benign relationship under those circumstances. There isn’t much alternative in terms of foreign policy.”

All I’m suggesting is this is finally not just a question of economics, of farm prosperity, of a question of balance of payments improving, which it would, I think, under some circumstances – even international comity. It comes down to an existential question of the continuity of life as we know it in our country, and that’s why it’s extremely important to all of you and to me.

I deeply appreciate your giving me this forum and this chance to share these thoughts with you today. Thank you very much.

(Applause.)

MS. SMITH: The senator has graciously agreed to take some questions. I don’t know if you had the same glare up there I did earlier, so if I can help you identify people I will, and we have microphones around the room. So, please, if you have questions if you’d just go ahead and raise your hand.

SEN. LUGAR: I can’t. You know, if you could identify.

Q: Senator, I’m Reid Detchon with the Energy Future Coalition and we’re a great fan of all the hard work you’ve done on biofuels. The Energy Policy Act gave the president quite powerful new authorities to advance the state of the art. I was wondering if you might encourage him to make a budget request that would make that happen.

SEN. LUGAR: I will encourage him. (Laughter.) But it’s an important issue and it arises in other fora. I think of No Child Left Behind in education and this is an important quest by our government. But frequently those of us who are excited about what we might be doing here are disappointed by the follow-up in terms of the money, and that will have to be the case with this and so we will be alert.

Q: Hi. My name is (Kris) Shultz, a volunteer for the ONE Campaign and I know you support the Millennium Development Goals and I wonder what do you see as the prospects for helping end poverty in Africa in the issues you discussed.

SEN. LUGAR: Well, the prospects have to be good ones because not only the future of the African countries and individual persons depend upon that, but so does our own foreign policy objectives and they’re sincere. The dilemmas are well known to you as a person actually dealing with those issues, whether it’s the HIV/AIDS problem

combined with hunger, the work of the World Food Program as well as our humanitarian aid or the Gates Foundation working on tuberculosis or various ways of immunizing people. These are sort of fundamentals so that there will be people around allowed to enjoy this prosperity that might come given the decimation of populations in so many countries.

But beyond that, why, this is going to require very great thoughtfulness by not only ourselves, but the Europeans – Tony Blair in Great Britain and others who tried to initiate this at the G8 meeting – this conversation more meaningfully – made some headway perhaps, but most of us feel not nearly enough in large part because when we got into our own activities, the United States – this attempt with the African Growth and Opportunity Act, AGOA, we have made some headway there in terms of African exports and the ability to move beyond grants, but it's been very small and in part once again opposition of not only of our textile industry but the textiles around the world or agriculture people – the things that come out of African countries are by and large in that area to begin with as they try to become self-sustaining. And so in each of these areas we – it's a tedious business sort of day by day, but I think that at least in our committee I've offered (this encouragement to?) each of the ambassadorial nominees for an African country. We asked in a very concerted way, "What do you know about AGOA? About hunger? About AIDS? About whatever the country is doing now in terms of its development?" And then usually they're much better informed than they used to be because they know those questions are going to come. They come on the scene with much greater sensitivity, more program, more liaison with other levels of government that may be helpful to them.

I wished I could be more informative or optimistic, but essentially this is the way I see it at the present time even while we have these goals ahead of us.

Q: Nick Berry for Foreign Policy Forum. Resources for Global Growth – a number of people think that nuclear power will make a comeback. What is your estimate on that resource?

SEN. LUGAR: Well, I don't know if it makes a comeback. I think it will be utilized by many nations much more extensively. You know, just having listened to this group of Indians this morning, I understand that's going to be the case in India – very substantial growth of these nuclear power for energy in the country. And others are suggesting the reasons why – and, you know, whether there may be specious reasoning by Iran, who has after all some fossil fuel resources there, but various other countries are saying, "We understand the impending problems of energy in the world and therefore we need to have a boost in our nuclear energy."

And the question for the IAEA and for all us that might be suppliers is under what conditions? What kinds of inspections and constraints? How well equipped are they to deal with the problems of a Chernobyl or some other accidental situation that comes if you are not thoughtful about the use of that sort of power.

And Ukraine itself I've already touched upon. Clearly, they are headed much more toward nuclear power and they have – at least the resources have come ironically, or maybe not ironically, but it's an unusual set of circumstances through the warheads taken off of missiles in the former Soviet Union. As the warheads are taken off, as you know, and the deconstruction occurs, why, the nuclear fuel is a part of that. The question from the beginning in our negotiations was what's going to happen to that? A lot of it has been sold by the Russians to the United States, in some cases to Ukraine or other countries who have downgraded the material so it's low enriched uranium or something even more benign, and it's utilized in nuclear industry and recycled in that way.

So those things, I think, are going to occur in much greater profusion provided there is the capital to bring about the proper reactors to begin with and the inspections, the treaties, the international agreements that surround them.

MS. SMITH: I think we have time for one more question if we're going to honor our obligations to you, sir.

Q: Hi. Thank you, Senator, for your comments. Joe Pure (ph) from RAND Corporation. How can we best help secure more reasonable funding for alternate energy research, including solar, geothermal, biofuels?

SEN. LUGAR: I think it's a quest each year by active legislators who see what needs to be done and ask for it who frame programs and try be persuasive in their committees or with their colleagues on both sides of the aisle. And then, hopefully, are persuasive with whichever administration happens to be in office at that time. Sometimes that's easier than others. I have a feeling we're at a time where those arguments are likely to be better received, better understood, and so I'm optimistic about the course of this, while being realistic about year by year how the job physically gets done through the committees, through the floor debates, through all the endless amendments that are non-involved and that it come in extraneously through the conferences, through negotiations with the White House.

But the research effort I think has paid off. I think the payoff that we're now seeing, for instance – and some would say, "Well, this is the very modest thing: the ethanol business, the corn plants that are going up in the Midwest and elsewhere. You know, the substitution that's occurring." You know, it just shows how far away we are from everybody understanding this, whether it's the administration, the Congress, or the public. And just last July I went to a dedication of the first E85 pump in Indiana. It is a pump for 85 percent ethanol, 15 petroleum fuel for some of the cars. There are no more than four million of these in our whole vehicle fleet, I am advised, that can use E85 and many of those people don't know about it and have to be advised their car will do that. But in any event, this is the very first one of these. And the mayor of Terra Haute is there and members of the establishment. There was a Ford dealer there and he said, "I'm going to have cars on my lot next January that for sure will be able to use this." And I said, "Well, please come over to the microphone and say that louder," which he did and the people were surprised that physically in America this kind of thing can happen.

Now, this may be old hat for everybody involved in the debate, but we're a long way from sort of understanding the dimension. Now, since that time, there are 15 more of these, but that's just 15 pumps in a state of six million people that can use the E85 situation. I was heartened that Mr. Ford in one of the Ford magazine advertisements pledged that next year Ford will produce 250,000 cars that can use the E85 mixture – explicitly sort of pledging that.

I've introduced legislation, again with my cohort Barack Obama and some others, that will mandate that 10 percent of the cars in America that are produced by the year 2012 must use E85. Now, that doesn't get to your question exactly of research money, but I mention these things just to say that for the research advocates to be successful legislatively there has to be much more of a constituent base and understanding, of people that demand this, that really believe this is very important to do – more important than a lot of other things – and we'll finally prevail.

Well, thank you very much. I appreciate it. Thank you.

(Applause.)

MS. SMITH: And if you would like to take just a few minutes for, yes, even more coffee, we will shortly begin our final panel. Thank you all very much.