

TESTIMONY
OF
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BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE

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Mr. Chairman, Senator Lugar, and Members of the Committee:

It is an honor to appear before you today to provide my assessment of political, economic and diplomatic developments in Iraq. When General Petraeus and I reported to you in September, I gave my considered judgment as to whether our goals in Iraq were attainable – can Iraq develop into a united, stable country with a democratically-elected government operating under the rule of law?

Last September, I said that the cumulative trajectory of political, economic and diplomatic developments in Iraq was upwards, although the slope of that line was not steep. Developments over the last seven months have strengthened my sense of a positive trend. Immense challenges remain and progress is uneven and often frustratingly slow; but there is progress. Sustaining that progress will require continuing U.S. resolve and commitment. What has been achieved is substantial, but it is also reversible. Five years ago, the statue of Saddam Hussein was toppled in Baghdad. The euphoria of that moment evaporated long ago. But as Iraq emerges from the shattering violence of 2006 and the early part of 2007, there is reason to sustain that commitment and the enormous investments we have made both in the lives of our young brave men and women and our resources. Let me describe the developments upon which I base such a judgment.

Reconciliation: National and Provincial Politics

The first is at the national level in the form of legislation and the development of Iraq's parliament. In September, we were disappointed that Iraq had not yet enacted some key pieces of legislation. In the last several months, however, Iraq's parliament has

formulated, debated vigorously, and in many cases passed legislation dealing with vital issues of reconciliation and nation building. A pension law extended benefits to individuals who had previously been denied them because of their service under the former regime. The Accountability and Justice Law (de-Ba'athification reform), passed after lengthy and often contentious debate, reflects a strengthened spirit of reconciliation, as does a far-reaching Amnesty Law.

The Provincial Powers Law is a major step forward in defining the relationship between the federal and provincial governments. Passage of this legislation required debate about the fundamental nature of the state, similar in its complexity to our own lengthy and difficult debate over states' rights. The Provincial Powers Law also called for provincial elections by October 1, 2008, and an Electoral Law is now under discussion that will set the parameters for elections. All major parties have announced their support for these elections, which will be a major step forward in Iraq's political development and will set the stage for national elections in late 2009.

In January, a vote by the Council of Representatives to change the design of the Iraqi flag means the flag now flies in all parts of the country for the first time in years. The passage of the 2008 budget, with record amounts for capital expenditures, insures that the federal and provincial governments will have the resources for public spending. All of this has been done since September. These laws are not perfect and much depends on their implementation, but they are important steps.

Also important has been the development of Iraq's Council of Representatives (CoR) as a national institution. Last summer, the CoR suffered from persistent and often paralyzing disputes over leadership and procedure. Now, it is successfully grappling with complex issues and producing viable tradeoffs and compromise packages. As debates in Iraq's parliament became more about how to resolve tough problems in a practical way, Iraqi politics have become more fluid. While politics still have a sectarian bent and basis, cross-sectarian coalitions have formed around issues, and sectarian political groupings which often were barriers to progress have become more flexible.

Let me also talk about the intangibles: attitudes among the population and the conversations that are occurring among Iraqi leaders. In 2006 and 2007, many people understandably questioned whether hatred between Iraqis of different sectarian backgrounds was so deep that a civil war was inevitable. The Sunni Awakening movement in al-Anbar, which so courageously confronted al-Qa'ida, continues to keep the peace in the area and keep al-Qa'ida out. Fallujah, once a symbol for violence and terror, is now one of Iraq's safest cities. The Shi'a holy cities of an-Najaf and Karbala' are enjoying security and growing prosperity in the wake of popular rejection of extremist militia activity. The Shi'a clerical leadership – the Marja'iyah – based in an-Najaf – has played a quiet but important role in support of moderation and reconciliation. In Baghdad, we can see that Iraqis are not pitted against each other purely on the basis of sectarian affiliation. The security improvements of the past months have diminished the atmosphere of suspicion and allowed for acts of humanity that transcend sectarian identities.

When I arrived in Baghdad a year ago, my first visit to a city district was to the predominantly Sunni area of Dora. Surge forces were just moving into the neighborhoods still gripped by al-Qa'ida. Residents also were being terrorized by extremist Shi'a militias. Less than a year later, at the end of February, tens of thousands of Shi'a pilgrims walked through those streets on their way to Karbala' to commemorate the martyrdom of Imam Hussein. Sunni residents offered food and water as they passed through, and some joined the pilgrimage.

News from Iraq in recent weeks has been dominated by the situation in Basrah. Taken as a snapshot, with scenes of increasing violence, and masked gunmen in the streets, it is hard to see how this situation supports a narrative of progress in Iraq. There is still very much to be done to bring full government control to the streets of Basrah and eliminate entrenched extremist, criminal, and militia groups.

When viewed with a broader lens, the Iraqi decision to combat these groups in Basrah has major significance. First, a Shi'a majority government, led by Prime Minister Maliki, has demonstrated its commitment to taking on criminals and extremists regardless of sectarian identity. Second, Iraqi Security Forces led these operations, in Basrah, and in towns and cities throughout the south. British and U.S. elements played important roles, but these were supporting roles, as they should be.

The operation in Basrah has also shaken up Iraqi politics. The Prime Minister returned to Baghdad from Basrah shortly before I left for Washington – and he is confident in his

decision and determined to press the fight against illegal groups, but also determined to take a hard look at lessons learned. The efforts of the government against extremist militia elements have broad political support as a statement April 5 by virtually all of Iraq's main political leaders – Sunni, Shi'a, and Kurd – made clear.

A wildcard remains the Sadrist Trend – and whether the Iraqis can continue to drive a wedge between other elements of the Trend and Iranian-supported Special Groups. A dangerous development in the immediate wake of the Basrah operation was what appeared to be a reunification between Special Groups and the mainline Jaysh al-Mahdi (JAM). We also saw a potential collapse of the JAM “freeze” in military operations. As the situation unfolded however, Muqtada as-Sadr issued a statement that disavowed anyone possessing “heavy weapons” – which would include the signature weapons of the Special Groups. This statement can further sharpen the distinction between members of the Sadrist Trend, who should not pose a threat to the Iraqi state, and members of Special Groups, who very much do.

One conclusion I draw from these signs of progress is that the strategy that began with the Surge is working. This does not mean, however, that U.S. support should be open-ended or that the level and nature of our engagement should not diminish over time. It is in this context that we have begun negotiating a bilateral relationship between Iraq and the United States. In August, Iraq's five principal leaders requested a long-term relationship with the United States, to include economic, political, diplomatic, and security cooperation. The heart of this relationship will be a legal framework for the

presence of American troops similar to that which exists in nearly 80 countries around the world.

The Iraqis view the negotiation of this framework as a strong affirmation of Iraqi sovereignty – placing Iraq on par with other U.S. allies and removing the stigma of Chapter VII status under the U.N. Charter, pursuant to which Coalition forces presently operate. Such an agreement is in Iraq’s interest – and ours. U.S. forces will remain in Iraq beyond December 31, 2008, when the U.N. resolution presently governing their presence expires. Our troops will need basic authorizations and protections to continue operations – and this agreement will provide those authorizations and protections.

The agreement will not establish permanent bases in Iraq, and we anticipate that it will expressly fore swear them. The agreement will not specify troop levels, and it will not tie the hands of the next Administration. Our aim is to ensure that the next President arrives in office with a stable foundation upon which to base policy decisions, and that is precisely what this agreement will do. Congress will remain fully informed as these negotiations proceed in the coming weeks and months.

Mr. Chairman, significant challenges remain in Iraq. A reinvigorated cabinet is necessary both for political balance and to improve the delivery of services to Iraq’s people. Challenges to the rule of law, especially corruption, are enormous. Disputed internal boundaries – the Article 140 process – must be resolved. The return of refugees and the internally displaced must be managed. The rights of women and minorities must

be better protected. Iraqis are aware of the challenges they face, and are working on them.

Iraq's political progress will not be linear. Developments which are on the whole positive can still have unanticipated or destabilizing consequences. The decision to hold provincial elections – vital for Iraq's democratic development and long-term stability – will also produce new strains. Some of the violence we have seen recently in southern Iraq reflects changing dynamics within the Shi'a community as the political and security context changes. Such inflection points underscore the fragility of the situation in Iraq, but it would be wrong to conclude that any eruption of violence marks the beginning of an inevitable backslide.

Economics and Capacity Building

In September, I reported to you that there had been some gains in Iraq's economy and in the country's efforts to build capacity to translate these gains into more effective governance and services. Iraqis have built on these gains over the past months, as is most evident in the revival of marketplaces across Iraq and the reopening of long-shuttered businesses. According to a Center for International Private Enterprise poll last month, 78 percent of Iraqi business owners surveyed expect the Iraqi economy to grow significantly in the next two years.

With the improving security and rising government expenditures, the IMF projects that Iraq's GDP will grow 7 percent in real terms this year, and inflation has been tamed. The Iraqi Dinar remains strong and the Central Bank has begun to bring down interest rates.

Iraq's 2008 budget has allocated \$13 billion for reconstruction, and a \$5 billion supplemental budget this summer will invest export revenues in building the infrastructure and providing the services that Iraq so badly needs. This spending also benefits the United States – Iraq recently announced its decision to purchase 40 commercial aircraft from the U.S at an estimated cost of \$5 billion.

As Iraq is now earning the financial resources it needs for bricks and mortar construction through oil production and export, our primary focus has shifted to capacity development and an emphasis on local and post-kinetic development through our network of Provincial Reconstruction Teams (PRTs) and ministerial advisors. The era of U.S. funded major infrastructure projects is over. We are seeking to ensure that our assistance, in partnership with the Iraqis, leverages Iraq's own resources. Our 25 PRTs throughout Iraq have been working to improve provincial and local governance capabilities, particularly in budget design and execution. They are also helping to establish critical linkages between provincial and federal governments. Our PRTs are great enablers, and we are working to insure their continued viability as our forces redeploy. The relatively small amounts they disburse through Quick Response Funds (QRF) have major impacts in local communities, and congressional support is important, as it is for other vital programs in the FY-08 Global War on Terror Supplemental request.

Iraq increasingly is using its own resources to support projects and programs that we have developed. It has committed nearly \$200 million in support of a program to provide vocational training for concerned local citizens who stood up with us in the Awakening. Our technical assistance advisers have helped design new procurement procedures for Iraq's Oil Ministry. We developed the technical specifications from which Iraq's state-owned oil company will build new oil export platforms and underwater pipelines worth over a billion dollars. And in Baghdad, in the last three months the municipality has stepped up to take over labor contracts worth \$100 million that we had been covering under the Community Stabilization Program.

Like so much else, Iraq's economy is fragile, the gains reversible and the challenges ahead substantial. Iraq will need to continue to improve governmental capacity, pass national-level hydrocarbon legislation, improve electrical production and distribution, improve the climate for foreign and domestic investment, create short- and long-term jobs and tackle the structural and economic problems of the vital agricultural sector. We will be helping the Iraqis as they tackle this challenging agenda, along with other international partners including the United Nations and the World Bank.

Regional and International Dynamics

Along with the security surge last year, we also launched a diplomatic surge – focused on enhancing UN engagement in Iraq, anchoring the International Compact with Iraq, and

establishing an expanded neighbors process, which serves as a contact group in support of Iraq.

The United Nations has taken advantages of an expanded mandate granted to the United Nations Assistance Mission in Iraq (UNAMI) to increase the scope of its activities and the size of its staff. Under dynamic new leadership, UNAMI is playing a key role in preparing for provincial elections and in providing technical assistance to resolve disputed internal boundaries. UNHCR has returned international staff to Iraq to assist with the return of internally displaced persons and refugees. The International Compact with Iraq provides a five-year framework for Iraq to reform its economy and achieve economic self-sufficiency in exchange for long-overdue Saddam era debt relief. Preparations are underway for a ministerial level Compact meeting in Sweden next month; 74 nations were represented at last year's gathering in Egypt.

Iraq's neighbors also understand they have a major interest in Iraq's future. Turkey hosted the second ministerial meeting of Iraq's neighbors in November, and Kuwait will host the third meeting later this month. In addition to all of Iraq's neighbors, these expanded neighbors conferences also include the Permanent Five members of the Security Council, the Arab League, and the G-8.

Support from Arab capitals has not been strong – and must improve, for the sake of Iraq and the sake of the region. Bahrain's recent announcement that it will return an ambassador to Baghdad is welcome, and other Arab states should follow suit. Iraq is a

multi-ethnic state, but it is also a founding member of the Arab League and an integral part of the Arab world. Last month, Iraq hosted a meeting of the Arab Parliamentary Union, bringing the leaders of Arab parliaments and consultative councils to Iraq for the first major inter-Arab gathering since 1990. It is noteworthy that the meeting was held in the Kurdish city of Irbil, under the recently redesigned Iraqi flag, highlighting both the remarkable prosperity and stability of Iraq's Kurdish Region and the presence of the Iraqi federal state. We hope that this event will encourage more active Arab engagement with Iraq, and we expect that Prime Minister Maliki's effort against Shi'a extremist militias in Basrah will receive Arab support.

The presence of the PKK terrorist organization in the remote mountains of Iraq along the Turkish border has produced tension between Turkey and Iraq, and led to a Turkish cross-border operation in February, including movement of Turkish ground forces into Iraq. At the same time, both governments are working to strengthen their ties, and Iraqi President Talabani made a successful visit to Turkey in March.

Syria plays an ambivalent role. We have seen evidence of efforts to interdict some foreign fighters seeking to transit Syria to Iraq, but others continue to cross the boarder. Syria also harbors individuals who finance and support the Iraqi insurgency.

Iran continues to undermine the efforts of the Iraqi government to establish a stable, secure state through the authority and training of criminal militia elements engaged in violence against Iraqi security forces, coalition forces and Iraqi civilians. The extent of

Iran's malign influence was dramatically demonstrated when militia elements armed and trained by Iran clashed with Iraqi government forces in Basrah and Baghdad. When the President announced the Surge, he pledged to seek out and destroy Iranian-supported lethal networks inside Iraq. We know more about these networks and their Quds Force sponsors than ever before – and we will continue to aggressively uproot and destroy them. At the same time, we support constructive relations between Iran and Iraq and are participating in a tripartite process to discuss the security situation in Iraq. Iran has a choice to make.

Looking Ahead

Mr. Chairman, almost everything about Iraq is difficult. It will continue to be difficult as Iraqis struggle with the damage and trauma inflicted by 35 years of totalitarian Ba'athist rule. But hard does not mean hopeless, and the political and economic process of the past few months is significant. I must underscore, however, that these gains are fragile, and they are reversible. Americans have invested a great deal in Iraq, in blood as well as treasure, and they have the right to ask whether this is worth it, whether it is now time to walk away and let the Iraqis fend for themselves. Iraq has the potential to develop into a stable, secure multi-ethnic, multi-sectarian democracy under the rule of law. Whether it realizes that potential is ultimately up to the Iraqi people. Our support, however, will continue to be critical. I said in September that I cannot guarantee success in Iraq. That is still the case, although I think we are now closer. I remain convinced that a major departure from our current engagement would bring failure, and we have to be clear with ourselves about what failure would mean.

Al-Qa'ida is in retreat in Iraq, but it is not yet defeated. Al-Qa'ida's leaders are looking for every opportunity they can to hang on. Osama bin Ladin has called Iraq "the perfect base," and it reminds us that a fundamental aim of Al-Qa'ida is to establish itself in the Arab world. It almost succeeded in Iraq; we cannot allow it a second chance.

And it is not only Al-Qa'ida that would benefit -- Iran has said publicly it will fill any vacuum in Iraq, and extremist Shi'a militias would reassert themselves. We saw them try in Basrah and Baghdad two weeks ago. And in all of this, the Iraqi people would suffer on a scale far beyond what we have already seen. Spiraling conflict could draw in neighbors with devastating consequences for the region and the world.

Mr. Chairman, as monumental as the events of the last five years have been in Iraq, Iraqis, Americans and the world ultimately will judge us far more on the basis of what will happen than what has happened. In the end, how we leave and what we leave behind will be more important than how we came. Our current course is hard, but it is working. Progress is real although still fragile. We need to stay with it.

In the months ahead, we will continue to assist Iraq as it pursues further steps toward reconciliation and economic development. Over time, this will become increasingly an Iraqi process, as it should be. Our efforts will focus on increasing Iraq's integration regionally and internationally; assisting Iraqi institutions locally and nationally to strengthen the political process and promote economic activity; and supporting United

Nations' efforts as Iraq carries out local elections toward the end of the year. These efforts will require an enhanced civilian commitment and continued support from the Congress and the American people.

In closing, Mr. Chairman, I want to recognize and thank all those who serve our country in Iraq, military and civilian. Their courage and commitment, at great sacrifice, has earned the admiration of all Americans. They certainly have mine, and it is an honor to be with them.