

# Report to Congress on the Situation in Iraq: Ambassador Crocker

## Ryan C. Crocker, U.S. Ambassador to the Republic of Iraq

Joint Hearing of the U.S. House of Representatives Committee on Foreign Affairs and the Committee on Armed Services

Washington, DC

September 10, 2007

Mr. Chairman,

Thank you for the opportunity to address Congress this week. I have considered it a privilege and an honor to serve in Iraq at a time when so much is at stake for our country and the people of the region - and when so many Americans of the highest caliber in our military and civilian services are doing the same. I know that a heavy responsibility weighs on my shoulders to provide the country with my best, most honest assessment of the situation in Iraq and the implications for the United States.

Americans, in this chamber and beyond, are looking for more than an update on the latest events. They want to know the answers to some key questions. Are our objectives realistic? Is it possible that Iraq will become a united, stable country with a democratic government operating under the rule of law? What is the trajectory - is Iraq, on the whole, moving in the right direction? Can we expect more and under what time frame? Are there alternative courses of action for our country which are superior?

These are sensible questions to be asked by a nation investing in and sacrificing for another country and people. In asking these questions, however, we must not lose sight of the vital interests the United States has in a successful outcome in Iraq.

My intention today is to give you an assessment of political, economic, and diplomatic developments in Iraq. In doing so, I will not minimize the enormity of the challenges faced by Iraqis, nor the complexity of the situation. Yet at the same time, I intend to demonstrate that it is possible for the United States to see its goals realized in Iraq and that Iraqis are capable of tackling and addressing the problems confronting them today. A secure, stable democratic Iraq at peace with its neighbors is attainable. In my judgment, the cumulative trajectory of political, economic, and diplomatic developments in Iraq is upwards, although the slope of that line is not steep. The process will not be quick, it will be uneven, punctuated by setbacks as well as achievements, and it will require substantial U.S. resolve and commitment. There will be no single moment at which we can claim victory; any turning point will likely only be recognized in retrospect.

This is a sober assessment, but it should not be a disheartening one. I have found it helpful, during my time in Iraq to reflect on our own history. At many points in the early years, our survival as a nation was questionable. Our efforts to build the institutions of government were not always successful in the first instance. And tough issues - such as slavery, universal suffrage, civil rights, and state rights - were resolved only after acrimonious debate and sometimes violence.

Iraq is experiencing a revolution - not just regime change. It is only by understanding this that we can appreciate what is happening in Iraq and what Iraqis have achieved, as well as maintain a sense of realism about the challenges that remain.

## Context

Evaluating where Iraqis are today only makes sense in the context of where they have been. Any Iraqi under 40 years old - and that is the overwhelming majority of the population - would have known nothing but the rule of the Ba'ath party before liberation four and a half years ago. Those 35 years were filled with crimes against humanity on every scale. Saddam Hussein ruled without any mercy, not hesitating to use lethal force and torture against even those in his inner circle. His genocidal campaign against the Kurds and savagery toward southern Shi'a are well known. But he also used violence and intimidation as tools in the complete

deconstruction of Iraqi society. No organization or institution survived that was not linked in some way to regime protection. He created a pervasive climate of fear in which even family members were afraid to talk to one another.

This is the legacy that Iraqis had as their history when Saddam's statue came down on April 9, 2003. No Nelson Mandela existed to emerge on the national political scene; anyone with his leadership talents would have not survived. A new Iraq had to be built almost literally from scratch, and the builders in most cases were themselves reduced to their most basic identity, ethnic or sectarian.

Much progress has been made, particularly in building an institutional framework where there was none before. But rather than being a period in which old animosities and suspicions were overcome, the past 18 months in particular have further strained Iraqi society. The sectarian violence of 2006 and early 2007 had its seeds in Saddam's social deconstruction and it had dire consequences for the people of Iraq as well as its politics. Extensive displacement and widespread sectarian killings by al-Qa'ida and other extremist groups have gnawed away at the already frayed fabric of Iraqi society and politics. It is no exaggeration to say that Iraq is - and will remain for some time - a traumatized society.

## **National Politics**

It is against this backdrop that developments in Iraq must be seen. Iraqis are facing some of the most profound political, economic, and security challenges imaginable. They are not simply grappling with the issue of who rules Iraq – but they are asking what kind of country Iraq will be, how it will be governed, and how Iraqis will share power and resources among each other. The constitution approved in a referendum in 2005 answered some of these questions in theory, but much remains uncertain in both law and practice.

Some of the more promising political developments at the national level are neither measured in benchmarks nor visible to those far from Baghdad. For instance, there is a budding debate about federalism among Iraq's leaders and, importantly, within the Sunni community. Those living in place like al-Anbar and Salahaddin are beginning to realize how localities having more of a say in daily decision making will empower their communities. No longer is an all-powerful Baghdad seen as the panacea to Iraq's problems. This thinking is nascent, but it is ultimately critical to the evolution of a common vision among all Iraqi leaders.

Similarly, there is a palpable frustration in Baghdad over the sectarian system that was used to divide the spoils of the state in the last few years. Leaders from all communities openly acknowledge that a focus on sectarian gains has led to poor governance and served Iraqis badly. And many claim to be ready to make the sacrifices that will be needed to put government performance ahead of sectarian and ethnic concerns. Such ideas are no longer controversial, although their application will be.

Finally, we are seeing Iraqis come to terms with complex issues not by first providing a national framework, but instead by tackling immediate problems. One such example is how the central government has accepted over 1700 young men from the Abu Ghurayb area west of Baghdad, including former members of insurgent groups, to be part of the Iraqi security forces. Another is how the government, without much public fanfare, has contacted thousands of members of the former Iraqi army, offering them retirement, return to the military, or public sector employment. So without the proclamation of a general amnesty, we see amnesty being granted, and de-ba'athification reform in advance of national legislation. In both instances, the seeds of reconciliation are being planted.

Our country, however, has come to associate progress on national reconciliation as meaning the passage of key pieces of legislation. There is logic to this, as the legislation we are urging the Iraqis to produce does - in one way or another – have to do with the question of how to share power and resources among Iraq's many communities. This legislation also has to do with the vision of the future Iraqi state. The oil and revenues sharing laws, for instance, deal with deeper issues than simply whether Iraqis in oil producing areas are willing to share their wealth with other Iraqis. What is difficult about the oil laws is that they take Iraq another step down the road toward a federal system that all Iraqis have not yet embraced. But once again, we see that even in the absence of legislation there is practical action as the central government shares oil revenues through budget allocations on an equitable basis with Iraq's provinces.

In many respects, the debates currently occurring in Iraq are akin to those surrounding our civil rights movement or struggle over states rights. With de-ba'athification,

Iraqis are struggling to come to terms with a vicious past. They are trying to balance fear that the Ba'ath party would one day return to power with the recognition that many former members of the party are guilty of no crime and joined the organization not to repress others but for personal survival. With provincial powers, they are grappling with very serious questions about what the right balance between the center and the periphery is for Iraq. Some see the devolution of power to regions and provinces as being the best insurance against the rise of a future tyrannical figure in Baghdad. Others see Iraq, with its complex demographics, as in need of a strong central authority.

In short, we should not be surprised or dismayed that Iraqis have not fully resolved such issues. Rather, we should ask whether the way in which they are approaching such issues gives us a sense of their seriousness and ultimate capability to resolve Iraq's fundamental problems. Is the collective national leadership of Iraq ready to prioritize Iraq over sectarian and community interests? Can and will they come to agreement about what sort of Iraq they want?

I do believe that Iraq's leaders have the will to tackle the country's pressing problems, although it will take longer than we originally anticipated because of the environment and the gravity of the issues before them. Prime Minister al-Maliki and the other Iraqi leaders face enormous obstacles in their efforts to govern effectively. They approach the task with a deep sense of commitment and patriotism. An important part of this positive judgment was the effort made by the leaders this past summer. After weeks of preparatory work and many days of intensive meetings, Iraq's five most prominent national leaders from the three major communities issued a communiqué on August 26 that noted agreement on draft legislation dealing with de-ba'athification and provincial powers. This agreement by no means solves all of Iraq's problems. But the commitment of its leaders to work together on hard issues is encouraging.

Perhaps most significantly, these five Iraqi leaders together decided to publicly express their joint desire to develop a long term relationship with the United States. Despite their many differences in perspectives and experiences, they all agreed on language acknowledging the need for a continue presence by the multinational forces in Iraq and expressing gratitude for the sacrifices these forces have made for Iraqis.

## **Provincial and Local Politics**

At the provincial level, political gains have been more pronounced, particularly in the north and west of Iraq where the security improvements have been in some places dramatic. In these areas, there is abundant evidence that the security gains have opened the door for meaningful politics.

In al-Anbar, the progress on the security side has been extraordinary. Six months ago, violence was rampant, our forces were under daily attack, and Iraqis were cowering from the intimidation of al-Qa'ida. But al-Qa'ida overplayed its hand in al-Anbar and Anbaris began to reject its excesses - be they beheading school children or cutting off peoples' fingers as punishment for smoking. Recognizing the Coalition could help eject al-Qa'ida, the tribes began to fight with us, not against us, and the landscape in al-Anbar is dramatically different as a result.

Tribal representatives are on the provincial council, which is now meeting regularly to find ways of restoring services, developing the economy, and executing a provincial budget. These leaders are looking for help to rebuild their cities and talking of attracting investment. Such scenes are also unfolding in parts of Diyala and Ninewa, where Iraqis have mobilized with the help of the Coalition and Iraqi security forces to evict al-Qa'ida from their communities. The world should note that when al-Qa'ida began implementing its twisted vision of the Caliphate in Iraq, Iraqis, from al-Anbar to Baghdad to Diyala', have overwhelmingly rejected it.

Shi'a extremists are also facing rejection. Recent attacks by elements of the

Iranian backed Jaysh al-Mahdi on worshipers in the holy city of Karbala have provoked a backlash and triggered a call by Muqtada as-Sadr for Jaysh al-Mahdi to cease attacks against Iraqis and coalition forces.

A key challenge for Iraqis now is to link these positive developments in the provinces to the central government in Baghdad. Unlike our states, Iraqi provinces have little ability to generate funds through taxation, making them dependent on the central government for resources. The growing ability of the provinces to design and execute budgets and the readiness of the central government to resource them are success stories. On September 5, Iraq's senior federal leadership traveled to al-Anbar where they announced a 70% increase in the 2007 provincial capital budget as well as \$50 million to compensate losses in the fight against al-Qa'ida. The support of the central government is also needed to maintain hard-won security in areas like al-Anbar through the rapid expansion of locally-generated police. The Government of Iraq has placed some 21,000 Anbaris on police roles.

## **Economics and Capacity Building**

Iraq is starting to make some gains in the economy. Improving security is stimulating revival of markets, with the active participation of local communities. War damage is being cleared and buildings repaired, roads and sewers built and commerce energized.

The IMF estimates that economic growth will exceed six percent for 2007. Iraqi ministries and provincial councils have made substantial progress this year in utilizing Iraq's oil revenue for investment. The 2007 governmental budget allocated \$10 billion (nearly one-third Iraq's expected oil export revenue) to capital investment. Over \$3 billion was allocated to the provinces and the Kurdish Region for spending. The latest data show that spending units (national ministries and provincial councils) have proceeded to commit these funds at more than twice the rate of last year. Doing the best are the provincial authorities, in the process gaining experience with making plans and decisions, and running fair tenders. In so doing, they are stimulating local business development and providing employment. Over time we expect the experience with more responsive local authorities will change Iraqi attitudes towards their elected leaders, and of the provinces towards Baghdad.

At two conferences in Dubai in the last two weeks, hundreds of Iraqi businessmen met an equal number of foreign investors newly interested in acquiring shares of businesses in Iraq. An auction of cell phone spectrum conducted by Pricewaterhouse Coopers netted the Government a better-than-expected sum of \$3.75 billion. The Minister of Finance plans to use the funds, along with all the country's oil revenue, to apply to its pressing investment and current expenditure needs.

Overall, however, the Iraqi economy is performing significantly under potential. Insecurity in the countryside raises transport costs and especially affects manufacturing and agriculture. Electricity supply has improved in many parts of the country, but is woefully inadequate in Baghdad. Many neighborhoods in the city receive two hours a day or less from the national grid, although power supplies for essential services such as water pumping stations or hospitals are much better. The Minister of Electricity said last week that it would take \$25 billion through 2016 to meet demand requirements, but that by investing the \$2 billion a year the Ministry is now receiving from the government's budget, as well as private investment in power generation, that goal could be met.

We are deploying our assistance funds to make a difference to ordinary Iraqis and to support our political objectives. Military units are using Commanders Emergency Response (CERP) funds to ensure that residents see a difference when neighborhood violence declines. USAID Community Stabilization Funds provide tens of thousands of jobs. With the recent apportionment of 2007 Supplemental funds, we are putting "Quick Response Funds" in the hands of our Provincial Reconstruction Team leaders to build communities and institutions in post-kinetic environments. Vocational training and microfinance programs are supporting nascent private businesses. And in Baghdad, we are increasing our engagement and capacity building efforts with ministries.

## **Regional and International Dynamics**

There is expanding international and regional engagement with Iraq. In August, the UN Security Council, at Iraq's invitation, provided the United Nations Assistance Mission in Iraq (UNAMI) with an expanded mandate through UNSCR 1770. The work of the International Compact with Iraq moves forward, jointly chaired by Iraq and the UN. Seventy-four countries pledged support for Iraq's economic reform efforts at a Ministerial Conference in May. The UN has reported progress in 75% of the 400 areas Iraq has identified for action. Later this month, the Iraqi Prime Minister and the UN Secretary General will chair a ministerial level meeting

in New York to discuss further progress under the Compact and how UNSCR 1770 can be most effectively implemented.

Many of Iraq's neighbors recognize that they have a stake in the outcome of the current conflict in Iraq, and are engaging with Iraq in a constructive way. A neighbors' ministerial in May, also attended by the P-5 and the G-8, has been followed by meetings of working groups on security, border issues, and energy. An ambassadorial level meeting just took place in Baghdad, and another neighbors' ministerial will be held in Istanbul in October.

Against the backdrop of these new mechanisms, the business of being neighbors is quietly unfolding. For the first time in years, Iraq is exporting oil through its neighbor, Turkey, as well as through the Gulf. Iraq and Kuwait are nearing conclusion on a commercial deal for Kuwait to supply its northern neighbor with critically needed diesel. Jordan recently issued a statement welcoming the recent leaders' communiqué and supporting Iraqi efforts at reconciliation. And Saudi Arabia is planning on opening an Embassy in Baghdad - its first since the fall of Saddam.

Syria's role has been more problematic. On one hand, Syria has hosted a meeting of the border security working group and interdicted some foreign terrorists in transit to Iraq. On the other hand, suicide-bombers continue to cross the border from Syria to murder Iraqi civilians.

Iran plays a harmful role in Iraq. While claiming to support Iraq in its transition, Iran has actively undermined it by providing lethal capabilities to the enemies of the Iraqi state. In doing so, the Iranian government seems to ignore the risks that an unstable Iraq carries for its own interests.

## Looking Ahead

2006 was a bad year in Iraq. The country came close to unraveling politically, economically, and in security terms. 2007 has brought improvement. Enormous challenges remain. Iraqis still struggle with fundamental questions about how to share power, accept their differences and overcome their past. The changes to our strategy last January -the surge - have helped change the dynamics in Iraq for the better. Our increased presence made besieged communities feel that they could defeat al-Qa'ida by working with us. Our population security measures have made it much harder for terrorists to conduct attacks. We have given Iraqis the time and space to reflect on what sort of country they want. Most Iraqis genuinely accept Iraq as a multi-ethnic, multi-sectarian society - it is the balance of power that has yet to be sorted out.

Whether Iraq reaches its potential is of course ultimately the product of Iraqi decisions. But the involvement and support of the United States will be hugely important in shaping a positive outcome. Our country has given a great deal in blood and treasure to stabilize the situation in Iraq and help Iraqis build institutions for a united, democratic country governed under the rule of law. Realizing this vision will take more time and patience on the part of the United States.

I cannot guarantee success in Iraq. I do believe, as I have described, that it is attainable. I am certain that abandoning or drastically curtailing our efforts will bring failure, and the consequences of such a failure must be clearly understood. An Iraq that falls into chaos or civil war will mean massive human suffering - well beyond what has already occurred within Iraq's borders. It could well invite the intervention of regional states, all of which see their future connected to Iraq's in some fundamental way. Undoubtedly, Iran would be a winner in this scenario, consolidating its influence over Iraqi resources and possibly territory. The Iranian President has already announced that Iran will fill any vacuum in Iraq. In such an environment, the gains made against al-Qa'ida and other extremists groups could easily evaporate and they could establish strongholds to be used as safe havens for regional and international operations. Our current course is hard. The alternatives are far worse.

Every strategy requires recalibration as time goes on. This is particularly true in an environment like Iraq where change is a daily or hourly occurrence. As chief of mission in Iraq, I am constantly assessing our efforts and seeking to ensure that they are coordinated with and complementary to the efforts of our military. I believe that, thanks to the support of Congress, we have an appropriate civilian posture in Iraq. Over the coming year, we will continue to increase our civilian efforts outside of Baghdad and the international zone. This presence has allowed us to focus on capacity building, especially in the provinces - units which are likely to grow in influence as more power devolves from Baghdad. The number of Provincial Reconstruction

Teams has grown from ten to 25 this year. In support of these goals, we will be asking Congress for additional economic assistance including additional quick response funds for capacity building. We will also seek support for two significant proposals that hold the prospect of creating permanent jobs for thousands of Iraqis. One would be the establishment of an "Iraqi-American Enterprise Fund," modeled on our successful funds in Poland and elsewhere in Central Europe. Such a fund could make equity investments in new and revamped firms based in Iraq. The second would be a large-scale operations and maintenance facility based on our Highway Trust Fund. On a cost-sharing basis, such a fund would train Iraqis to budget for and maintain important public sector infrastructure (power plants, dams, roads). Over time, the cost-sharing would phase down and out, leaving behind well-trained professionals and instilling the habits of preventative maintenance.

We will continue our efforts to assist Iraqis in the pursuit of national reconciliation, while recognizing that progress on this front may come in many forms and must ultimately be done by Iraqis themselves. We will seek additional ways to neutralize regional interference and enhance regional and international support. And we will help Iraqis consolidate the positive developments at local levels and connect them with the national government. Finally, I expect we will invest much effort in developing the strategic partnership between the United States and Iraq, which is an investment in the future of both countries.