

**Statement by  
Ambassador Christopher R. Hill  
Senate Foreign Relations Committee  
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Chairman Kerry, Senator Lugar, Members of the Committee, thank you for the opportunity to speak today about our historic opportunity in Iraq as we transition from a military to civilian-led mission, and about our efforts to develop a strong, long-term normalized relationship with Iraq. Such a relationship could serve as a model for how we approach the aftermath of other conflicts, based on the strategic interests of both states.

We have huge interests in capitalizing on this opportunity. Iraq is at the center of the Middle East, bordering key countries like Saudi Arabia, Iran and our NATO ally, Turkey. For the first time in decades, Iraq has a chance to become an engine for regional stability and regional economic growth rather than a source of regional tension and dispute.

A convergence of events presents the possibility of genuine advancement. Our military is in the process of drawing down combat forces and transitioning to a predominantly advise and assist role. Our civilian effort, under my direction, will help foster security through active diplomacy to contain and begin to resolve internal disputes and to foster longer term stability by assisting the Iraqis in building a market-oriented economy and a genuinely representative and accountable government. Over time, as our programs make progress on these economic and

political goals, we will significantly reduce in our civilian presence both in the provinces and at the Embassy in Baghdad.

### Reality on the Ground

Iraq has suffered a series of attacks over the past several weeks, including several on minority communities. Particularly horrifying were the attacks on the Iraqi Foreign and Finance ministries on August 19. The reality, however, is that the Iraqi people have stood firm and rejected retribution and a new cycle of violence such as the one that brought Iraq to the brink in 2006.

This does not mean we don't take the attacks seriously. We do. Our civilian and military personnel have been cooperating extensively with Iraqi counterparts on investigations, security and medical treatment.

There has been some good news. Iraq staged two rounds of successful elections this year – the provincial council elections in 14 of Iraq's 18 provinces in January, and elections for the Kurdistan Regional Government in July. Today, new provincial councils operate, aware that voters will have an opportunity to judge their performance in the next elections. Preparations have begun for the national elections scheduled for January 2010 – the Council of Representatives is working on an elections law to govern the conduct of the elections, Iraq's High Electoral Commission has begun to register voters, and political parties are

negotiating coalitions-several of which are likely to be cross-sectarian.

We will continue to work with the Iraqi leadership to ensure that this process is completed.

Iraq's economy remains a work in progress, beset by drought, inadequate reforms and falling oil prices earlier this year, which hurt the budget. As production and export levels have increased and oil prices recovered in recent months, Iraq's budget situation has improved somewhat. Nevertheless, we have concerns about near-term fiscal stability in Iraq. The Iraqi government must continue to pursue a responsible fiscal policy, which includes negotiating another Stand-By Arrangement with the International Monetary Fund. It also needs to undertake the economic reforms necessary to join the World Trade Organization and integrate into the global trading system. We stand ready to broaden our economic cooperation, and toward this end, we look forward to the Iraqi government's ratification of several pending bilateral cooperation agreements. We can be helpful, but on the economy, the time has come for the Iraqis to step up to the plate.

The Iraqi government has the resources to become stable and successful but it needs to better mobilize those resources, starting with oil. On June 30, the Iraqi Ministry of Oil held a bid round with 32 international oil companies competing for six oil fields and two gas fields, one field was awarded. It is Iraq's largest producing oil field, one

that could boost considerably Iraq's oil production. A second bid round, planned for December, will include larger fields that have been minimally developed. In the run-up to the next bid round, we are urging the Iraqis to recognize the opportunity it presents. This round needs to be a success, and we have discussed intensively with the Iraqi government how it can make its investment climate in the sector more attractive. Provided the Iraqis can also reach consensus on hydrocarbons legislation, and on revenue sharing, it could be a real game-changer for the country.

Nonetheless, long-term growth and stability will require a more diversified economy with greater foreign direct investment. The Prime Minister says that his government will take measures to address legal and regulatory hurdles to investment. There are many hurdles, the legacy of Baghdad's adherence to socialist ideology for decades lingers in the minds of many Iraqi's, who remain suspicious of free trade, foreign investment, and other reforms needed to open the economy and spur employment. We review these issues in detail with the Iraqis, ranging from the aviation sector to agriculture. We will keep urging progress on market reforms. During his July visit to the United States, Prime Minister Maliki announced plans for the first U.S.-Iraq Business and Investment Conference to be held October 20 and 21 here in Washington. About 200 representatives from Iraq will attend the conference, led by a delegation of senior government officials. Preceding the conference, on

October 19, we will host several high-level Iraqi officials for the Dialogue on Economic Cooperation, a bilateral economic policy discussion where we will highlight steps the Iraqis can and should take to spur investment. These events will be significant steps as we help Iraq attract foreign investors and stand up a market economy. A market economy generating sustained economic growth and increased employment opportunities will weaken insurgent and extremist networks. Were Iraq to rebuild its infrastructure and economy on the scale that its neighbors in Saudi Arabia and the Gulf did in the 1970s and 1980s, it would be an engine that would help the regional economy and indeed that of the world.

Beyond bilateral and economic issues, I want to stress that Iraq issues do not exist in a vacuum. A look at a map shows clearly that Iraq is located at the center of a complex neighborhood. Iran's influence is a reality. We recognize that elements of Iran's influence, such as trade and religious tourism, can have a positive impact on Iraq's economy. Too often, however, Iran has played a negative role, meddling in internal politics or arming and training violent militias. With Syria, tensions persist between Baghdad and Damascus. Iraq's history with Kuwait is difficult – and the problems reach back beyond 1990. Against this backdrop, there is a fundamental question: is the Sunni-Arab world prepared to make room for an Arab state that will be led – by a

government in which Shia play a leading role? How Iraq deals with its neighbors will define what kind of region emerges in the coming years.

We need to help Iraq find solutions to longstanding regional disputes.

We want to see an Iraq that is at peace with its neighbors, one that can be an anchor of stability and prosperity, where the chances of having to put our excellent service members back at risk are small.

Iraq still faces internal threats to its stability. The extreme Sunni-Shi'a violence of 2006-2007 has abated, thanks in part to some of our efforts, such as enlisting the help of the Sons of Iraq. In the bombings we have seen in recent months we detect an effort by al-Qaeda in Iraq to rekindle that violence, but to the great credit of the Iraqi people, they have not risen to the bait. At the same time, there is a risk of escalation in tensions between Arabs and Kurds around the disputed areas in northern Iraq. And we are working with Iraq to address the return of refugees and internally displaced persons in ways that will help avoid instability and contribute to Iraq's development.

Our diplomacy has a vital role to play. I have expanded our effort to facilitate first containing, and then beginning to resolve, disputes in northern Iraq between the Kurds and the Arabs. I was just in Iraqi Kurdistan discussing how we can move forward on issues like developing the vital oil sector in a way that benefits all Iraqis and also how to address the thorny dispute in Kirkuk. We need to begin the process of getting

various ethnic and sectarian communities engaged in settling their disputes through discussion. The UN has an important role here. All of us want to ease tensions and cool the emotional temperature so individuals and families can start to build stable lives -- and develop the economy. In this context, our diplomatic track is designed to fully complement our military's effort to foster cooperation between Kurdistan regional security forces and those of the central government in Baghdad.

### Changing Role in Iraq

A major visible sign of how the times are changing was the drawdown of combat troops from cities and villages on June 30. The President has made clear our intention to drawdown all combat troops by August 31, 2010, and drawdown all U.S. forces from Iraq by the end of 2011. As the military draws down and the role of the State Department increases, we are working with General Odierno and the rest of the military and other civilian agencies to make the transition from a military-led effort to one led by civilians as seamless as possible.

In general, we are not seeking to replicate the programs of the military but instead to transition to a more normalized relationship. This is what I believe we want as a country and this is what the Iraqis tell us they want as well.

Helping Iraqis make their country secure will require that we continue to partner closely with Iraqi military and police. The military has had the lead role in supporting the development of a capable and non-sectarian Iraqi Security Forces and we have seen huge gains in terms of Iraqi forces' capabilities and cohesion, although the Iraqi police in particular still have far to go in terms of establishing a fully professional and self-sustaining force. As the military prepares to drawdown all its forces in a little over two years, it is our intent that the State Department take over the lead on police training. Our programs will focus more selectively on the higher order skills that the Iraqi police now need.

All of these issues have a political dimension; solutions that focus on security alone can only go so far. Through the strong civilian effort that President Obama has committed to, we will step up when our Iraqi counterparts ask for our help on issues that are important to us. Our assistance will be useful in settling disputes, supporting the national elections, building more transparent and professional state institutions, and creating conditions that minimize the likelihood of conflict. For example, Secretary Clinton announced \$100 million in new assistance to support the return and reintegration of displaced Iraqis after her July 24 meeting with Prime Minister Maliki.

The transition to a civilian-led mission presents other challenges for us as well. Some have already become apparent. To make sure our



diplomats and other staff are active beyond the Embassy walls, we are moving our civilians around Iraq more than ever. Our civilians in Baghdad and in the provinces are slowly but noticeably making progress helping Iraqis better manage Iraqi affairs and Iraqi projects in areas like education, economic issues, energy, and transportation.

For example, international airlines like Gulf Air are starting service to the new airport in Najaf - a project we didn't pay for but for which we provided expert advice through our mission staff in Baghdad and the PRT. That is the model of how we will operate in the years ahead. Najaf, one of the most important cities for Shia Muslims, was once wracked by violence and terrorism at the hands of Sunni extremists and Shia militias. Now it is generating many investment projects in religious tourism and education, with the airport a major factor. This is the kind of growth and stability that we want to see elsewhere in Iraq.

### Strategic Framework Agreement

As our relationship with Iraq transitions, the SFA will become the framework for our bilateral relationship. The SFA outlines areas of cooperation and allows us to continue our civilian programs that address the concerns of the GOI and the U.S. goal of a sovereign, stable and self-reliant Iraq. Under the SFA, we are stepping up our work in areas ranging from educational exchanges, to the environment, to economic

development and trade promotion; all to capitalize on this opportunity to make Iraq genuinely stable and secure. Najaf's airport is but one small example of how we do this. The broad plan is detailed in our *Strategic Framework Agreement for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq* that lays the basis for a long-term partnership.

Our Iraqi colleagues are keen partners in implementing the agreement and this was a focus of Prime Minister Maliki's recent visit. On July 24, Secretary Clinton and Prime Minister Maliki convened the second meeting of the Higher Coordinating Committee under the Agreement to review the progress made since it entered into force in January.

The Agreement calls for the establishment of Joint Coordination Committees, as necessary, to execute and oversee implementation. To date, four such working groups have convened.

The Committee on Services and Information Technology provides a structure for cooperation on capacity development and institution building, an area where improvement would yield great benefits for Iraqi society. Our programs work with Iraqi ministries and executive offices to develop civil service skills and ministry leadership. For example, we have helped our Iraqi counterparts improve electricity service delivery

and have provided intensive training on specialized medical treatment for Iraqi doctors.

The Committee on Economic and Energy Cooperation has overseen technical assistance and training for the Ministry of Oil on contracting, licensing, the tender process, and dispute mitigation. The U.S. Commercial Service has made it possible for eight delegations of Iraqi businessmen to attend trade shows in the United States. And we are working with the Government of Iraq and the World Bank to develop a regulatory framework for, and to invest in, microfinance institutions currently operating in Iraq.

The Committee on Law Enforcement and Judicial Cooperation focuses on strengthening the judicial and corrections systems. There are courts operating now in parts of Iraq where there used to be none, such as the new one in Ramadi that we helped build in once violence-wracked Anbar. International human rights organizations such as Human Rights Watch have acknowledged that the treatment of detainees in Justice Ministry prisons – whose guards we train – has improved. Meanwhile, legal clinics and judicial training we provide has reduced the time prisoners wait to get trials. Better detention conditions and faster resolution of cases takes some of the edge off of sectarian divisions and ultimately reinforces stability in Iraq.

Finally, the Committee on Education, Cultural, and Scientific Cooperation provides an umbrella for our many Fulbright and International Visitors Programs, which bring scholars and experts to the United States for long and short-term study. Iraq recently committed \$2.5 million to the Fulbright program, making it the largest Fulbright contributor in the Middle East. We are also partnering with Prime Minister Maliki in his ambitious program to send 10,000 young Iraqis for university studies abroad. I mentioned the problems that hinder Iraq's economy because of discredited socialist ideologies and practices. Iraqis – both the people and the government –hunger for better education and, in the end, only better educated graduates can ensure that Iraq is prosperous and stable in decades to come.

We are not alone. United National Assistance Mission for Iraq or UNAMI has ambitious plans. Our NATO allies are helping with training programs. The World Bank and International Monetary Fund are contributing as well to our shared objectives in Iraq. But all of them need to do more.

### Elections and Government Formation

Under the Strategic Framework Agreement we have agreed to work with the Government of Iraq to support and strengthen Iraq's democracy and democratic institutions on a purely nonpartisan basis.

A legitimate national elections process and subsequent government formation is key to improving stability. The successful conduct of the provincial council elections in 14 of Iraq's 18 provinces in January was encouraging, and we hope to help the Iraqis build on that success.

The national elections and subsequent government formation carry high stakes for many political actors, successful election and a smooth transition to the new government are critical for Iraq's developing democracy and its people. What is happening now is that various politicians are reaching into other communities in an effort to put together a coalition they think could win in January. This is heartening. But politicking and jockeying for position will also continue following the elections, when Iraq's elected leaders will have to work together to create a government. This may be a long process, but it is imperative that we show our continuing support for Iraq's democracy. Our focus is on building a long-term relationship with Iraq that can survive the uncertainty surrounding elections.

#### Our Continuing Presence and Activities on the Ground

As the U.S.-Iraq relationship continues to change, our civilian presence and programs will necessarily shift along with it. In Baghdad as the relationship between the U.S. Mission and the Iraqi Government continues to normalize, the embassy will be rightsizing its presence

down from the extraordinary staff levels that were required to support the interim government a few years ago. In provinces, as our military presence draws down, the number of PRTs will decrease too, but we want to maintain significant engagement in important provinces. Consistent focus on key provinces could help prevent violence and instability that may spread to other areas. We are currently engaged in a deliberative process within the administration on the future footprint of the U.S. mission in the provinces and we will be happy to update you as we move forward.

The intrepid men and women serving in our PRTs have amassed a record of achievement that all of us can be proud of. They have contributed significantly to the decline in violence in most parts of Iraq; helped prepare for provincial and now national elections; provided capacity building assistance for provincial officials; spurred good governance and reconciliation; strengthened civil society and much more. More importantly, it is a record of achievement that local Iraqi communities are eager to build on.

The transition from a military to civilian-led mission will involve significant programmatic and management challenges. We are planning for the civilian-led programs to follow on from military ones that have yielded successes and will need to be continued, such as police training. An effective transition from a military-led presence to a civilian-led

presence will require strong civilian leadership in Baghdad and the provinces. Part of the transition will involve making necessary, sometimes tough, decisions about the types and degrees of programs that will be critical for us to continue in order to secure and build on the achievements made to date. As the State Department takes the lead from the Defense Department, we will be developing a resource plan that enables us to carry out the mission in Iraq.

We will align our assistance efforts, both in Baghdad and in the provinces, towards the goals most important to achieving economic growth, stability and ultimately a secure Iraq. Ambassador Pat Haslach is coordinating our foreign assistance programs in Iraq, as well as the transitions those programs will undergo as the military presence draws down. Helping develop capacity in Iraq's government institutions, assisting women and widows who have suffered disproportionately from the violence, and aiding returning refugees and internally displaced persons seeking to reintegrate into Iraqi society are some of the important aspects of our activities on the ground in Iraq. Our programs also support the President's Cairo initiatives – improving economic development and access to opportunities, education exchanges, and so on – and make it possible for Iraqis to participate in American programs with citizens of other countries in the region.

Looking out longer term, we can see where our civilian effort reaches its objectives. We will have finished training programs and helped the Iraqis establish sustainable economic growth, and stable governance and management systems. We can then continue to ramp down our effort. Already the embassy is planning for a gradual reduction in the number of agencies and American personnel both in the provinces and at the Embassy starting in 2010.

### Conclusion

We are at a new stage in our relationship with Iraq. We must maintain strong engagement to prevent backsliding and build close and constructive ties. Such ties are squarely in our interests, in Iraq's interests, and in the interests of the region.

An Iraq focused on economic development will want stable, predictable relations with its neighbors.

An Iraq where different ethnic and sectarian groups work together to solve common problems will improve security – and free people to get down to building businesses, not bombs.

An Iraq where people go safely to the polls and have a say in the decisions that affect their lives will make for a better future. To paraphrase a former mayor of New York, issues-based politics will help



drive home the point that there is no Shia or Sunni way to clean the streets.

The Strategic Framework Agreement provides a solid foundation for civilian engagement and cooperation. We hope this will help us develop that relationship. As we transition responsibilities from military to civilian agencies, we will need your support to make sure that our men and women on the ground – military and civilian – have the resources they need to do their jobs and cement the new phase of our relationship with Iraq.

Our help is still essential on these fronts. Iraq's successful transformation will be the ultimate justification for the sacrifice of the American people, especially our service members.

The August 19 bombings and other recent attacks were awful. But they have not discouraged the Iraqi people and government from working toward a better future, and they should not discourage us from assisting them, where appropriate, in that endeavor.

In closing, I want to thank all the men and women who have served in Iraq, both military and civilian. They have done a truly brilliant job in a very different type of war. My thoughts are with those we have lost, those who have suffered serious injuries, and their families. We will continue to be indebted to them for their service, we will never forget their sacrifices, and we thank them all for their service.