

From the Iraq Communication Desk ([icd@osd.mil](mailto:icd@osd.mil) / 703-697-7323 / DSN 312-227-7323)

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Edition #1

## Initial Transcript

### STATUS OF THE WAR AND POLITICAL DEVELOPMENTS IN IRAQ

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**SUBJECT:** GENERAL DAVID H. PETRAEUS, U.S. ARMY, COMMANDING GENERAL, MULTINATIONAL FORCE IRAQ; AMBASSADOR RYAN CROCKER, U.S. AMBASSADOR TO IRAQ

**LOCATION:** HEARING OF THE HOUSE ARMED SERVICES COMMITTEE



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SUBJECT: STATUS OF THE WAR AND POLITICAL DEVELOPMENTS IN IRAQ

CHAIRIED BY: REPRESENTATIVE IKE SKELTON (D-MO)

WITNESSES: GENERAL DAVID H. PETRAEUS, U.S. ARMY, COMMANDING GENERAL, MULTINATIONAL FORCE IRAQ; AMBASSADOR RYAN CROCKER, U.S. AMBASSADOR TO IRAQ

LOCATION: 2118 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C.

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REP. SKELTON: (Sounds gavel.) Would the gentlemen of the press please take their seats. (Pause.)

(Sounds gavel.) Ladies and gentlemen, before we start, General, Ambassador, I have a quick housekeeping announcement. The ranking member and I have agreed that for our second hearing today, which begins at 1:00, we'll deviate from the regular process for questioning, and for this afternoon's hearing we'll start the questioning with members who are here for this hearing but did not get to ask a question and are present at the gavel for the second hearing. And we will then proceed in the usual order beginning with them.

We also want to announce we will take a very short break this morning at 11:00. And if you have any questions regarding this, ask the staff.

Today the House Armed Services Committee meets in open session to hear an update on Iraq from two of America's finest -- General David Petraeus and Ambassador Ryan Crocker. Gentlemen, we thank you for appearing. I'm glad to see you both and believe that our nation is well-served by your leadership.

This committee does not forget all the personnel who serve valiantly under General Petraeus and Ambassador Crocker and who work day and night on our behalf. They and their families have sacrificed tremendously in an effort to carry out a most challenging mission.

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Where there's been progress, it's due to their efforts, and we thank them.

We should not begin this hearing without recalling how we got here. Iraq was invaded on incorrect information. The turbulent aftermath following the initial military victory was not considered despite warnings of the aftermath, including two such warnings from me. Now we are in our sixth year of attempting to quell this horrendous aftermath.

Preparing for this hearing, I went back and read my opening statement from our last hearing with you in September, and I think I could have delivered the same statement today as I did then, which means I either repeat myself or things haven't changed that much in Iraq.

One thing I do think is worth repeating here is to remind members and everyone watching the hearing that all of us -- everyone -- desires to bring the war in Iraq to a close in a way that will best preserve our national security in this country.

We must approach Iraq by considering our overall national security. Iraq is clearly an important piece of that puzzle, but only one piece. Admiral Mullen, the chairman of the Joint Chiefs, and General Hayden, the director of the CIA have both said publicly that the next attack on our homeland will likely come from the Afghanistan-Pakistan border, where Osama bin Laden is hiding. Troops in Iraq or those in units recovering from being in Iraq cannot be sent to Afghanistan to hunt down bin Laden. Protecting this nation from direct attack is job number one, yet our allocation of forces does not match this imperative.

Yesterday, Senator Warner asked whether our efforts in Iraq are making this nation safer. When looking at the needs in Afghanistan, the effort in Iraq, however important, is putting at risk our ability to decisively defeat those most likely to attack us. Iraq is also preventing us from effectively preparing for the next conflict.

We've had 12 military contingencies in the last 31 years, some of them major and most of them unexpected. The army would face a steep climb in trying to respond to another contingency. Readiness for most non-deployed units has fallen to unprecedented levels. Nearly all training is focused on counterinsurgency operations. Those contingencies have come, on average, about every five years. We're due for another, and in my view we're not doing what we must to prepare.

Turning back to Iraq itself, we should all recall that the surge is just the latest in a line of plans. And we're in our sixth year of war in Iraq. We've seen just about everything, from Secretary Rumsfeld's denial that there was an insurgency, to Ambassador Bremer's throwing fuel on the fire by firing every Ba'athist and member of the Iraqi army. We tried assaulting Fallujah twice. We tried rushing the Iraqi army into combat only to watch it fail. We tried pretty much

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everything before we got to trying counterinsurgency doctrine backed by increased forces that worked tactically.

Our forces have helped reduce violence, but in my view we cannot call the surge a strategic success without political reconciliation. The objective of the surge was to create the political space for the Iraqis to reconcile. Our troops have created that space, but the Iraqis have yet to step up. There have been some local gains and some legislative accomplishments but those mostly haven't been implemented. So we don't know if those will really help or not. And reconciliation based on a sharing of resources, a guarantee of political participation, equal treatment under the law and protection from violence regardless of sect simply hasn't happened.

The United States has poured billions of dollars into Iraqi reconstruction, and yet our senior military leadership considers an Iraqi commitment of a mere \$300 million for the reconstruction as a big deal.

This nation's facing record deficits, and the Iraqis have translated their oil revenues into budget surpluses, rather than effective services.

Under these circumstances and with the strategic risk to our nation and our military readiness, we and the American people must ask: Why should we stay in Iraq in large numbers?

Some of our witnesses want to argue for keeping large numbers in Iraq. I hope you can also explain the next strategy. The counterinsurgency strategy worked tactically, but the surge forces are going home. Political reconciliation hasn't happened, and violence has leveled off and may be creeping back.

So how can we encourage and not force the intransigent political leaders of Iraq to forge a real nation out of the base sectarian instincts? So what is the new strategy?

Last time you were here, General, you spoke of speeding up the Baghdad clock while putting more time on the Washington clock. You've succeeded in putting more time on the Washington clock, but the strategic failure is that the Iraqi politicians don't seem to have picked up a sense of urgency. In my view, that sense of urgency will only come when we take the training wheels off and let the Iraqis begin to stand on their own two feet. While we hold them up, there's no real incentive from them -- for them to find their balance.

In closing my comments in the September hearing, I quoted Tom Friedman, the journalist, saying that he would be convinced of progress in Iraq by the various sectarian leaders stepping forward, declaring their willingness to work out their differences on a set timeline and asking us to stay until they do. They hadn't done that by last September, and I don't see a lot of change on that front.

So, ladies and gentlemen, I now turn to my good friend and

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ranking member, Mr. Duncan Hunter, for any comments that he might have.

REP. DUNCAN HUNTER (R-CA): Thank you, Mr. Chairman, for holding this hearing.

And gentlemen, I think, when I see this team of leaders together appearing before us, as they did last year, I think of the words "duty," "honor," and "country," because you represent, I think, great models for young Americans who would go into public service, either on the State Department side or on the military side.

And behind you are lots and lots of family members, representing all of the thousands of people in the military and in the Foreign Service, thousands of family members who haven't seen their loved one for a long time. And I know you've endured some big separations, as have your personnel. We want to thank you for your service to this country.

You know, Mr. Chairman, it was 15 months ago when the president announced the surge, and even before -- even a few days after it had been announced, some members of Congress were declaring the failure of this increase in American forces going into country.

And yet I think by all metrics, it's been a success. And I'm reminded that in Anbar Province, where you had by some accounts, and by some statistics, the most dangerous of situations, the situation is extremely benign. In fact, I've seen -- I have seen Marines coming back in large numbers from Anbar Province without combat action ribbons for a simple reason: they didn't make contact with the enemy, because there isn't contact and contention to be had in most parts of that province now. And generally, the violence level has dropped throughout Iraq as a result of the surge operation.

Now, you know, we've looked at this initial foray of the Iraqi army undertaken under the leadership of the -- this newly formed Iraqi government in Basra, and that's been described by some critics as a failure because they didn't complete all the objectives that they undertook. Mr. Chairman, I see it exactly the opposite. I see this as inevitable and necessary for the engagement on the field of combat by the Iraqi military undertaking their own operations. And as I understand it, and I'd hope you'd elaborate today and explain today the -- your evaluation of the performance of the Iraqi army, but only with a few enablers being contributed by the United States. They undertook their own operations, meaning they had to stand on the field of battle, they had to face bullets, they had to have a -- utilize their own chain of command, their own logistics capability and their own battlefield effectiveness in this operation.

And General, I remember when we had the first battle of Fallujah and green Iraqi troops were rushed to that battle to participate with the Marines in that operation, and the next day those troops did not show up. They weren't trained, they didn't have discipline, and they moved out of that battle area very quickly and very abruptly. And

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today we see Iraqi forces which are standing and fighting, which are exercising that chain of command and that logistical capability. And I would hope that today, you could give us your unvarnished opinion on the stand up of the Iraqi military, because in my estimation, a reliable Iraqi military is the key to the United States leaving Iraq in victory.

So I would hope that we would have some detail devoted to your evaluation of how they're doing. They've now stood up 134 battalions. A number of them have been engaged in some fairly heavy warfare. Others are located in more benign regions of the country and haven't been engaged in extensive operations, but I would you could give us today your testimony and your description and your evaluation of how well the Iraqi army is standing up.

Also I hope, General, that you'll go into the issue of desertions. I've seen that one figure was that there was 4 percent desertions in the Basra operations. I would hope you could tell us to what extent those were members of the military police, to what extent those were members of the Iraqi army, so we can get an understanding of, in your estimation, what that's attributable to and what kind of a grade you'd give them on that particular operation.

Mr. Chairman, there's a lot of dissent as to whether or not the Iraqi government has utilized this space that has been given to them by the surge operation and this quelling of violence, whether they've utilized that to their best advantage in terms of political reforms that will move this country down the road.

I would hope also, Ambassador Crocker, you can give us your best evaluation as to how far down the road they've moved, whether you think they've made reasonable progress, inadequate progress and what you expect them to do in the future and the extent of engagement that you think we should undertake to ensure that they continue to improve. Also I would hope both gentlemen could comment today on the extent of Iranian participation in the Iraqi situation.

And particularly General Petraeus with respect to Iran's training and equipping of the anti-government forces in Basra, to what extent you think that will now shape the security situation, whether Iran is backing off or going in full force with their special operations and their intel in trying to train and equip and affect the military situation inside Iraq. So if you could touch on that, I think that's very important to us.

Mr. Chairman, I think we have before us today two outstanding leaders who really represent the best in a model of service to this great country. I think they've made enormous advances and improvements since the last, this last hearing that we held. And I look forward to the hearing today and to learning especially your unvarnished take on the standup of the Iraqi military apparatus.

Thank you very much. Thank you, Mr. Chairman.

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REP. SKELTON: Mr. Hunter, thank you.

Gentlemen, again I'm very, very pleased that you're here today, and look forward to your testimony.

General.

GEN. PETRAEUS: Mr. Chairman, Congressman Hunter, members of the committee, thank you for the opportunity to provide an update on the situation in Iraq and to discuss the recommendations I recently provided to my chain of command. Since Ambassador Crocker and I appeared before you seven months ago, there has been significant but uneven security progress in Iraq.

Levels of violence and civilian deaths have been reduced substantially. Al Qaeda Iraq and a number of other extremist elements have been dealt serious blows. The capabilities of Iraqi security force elements have grown. And there has been noteworthy involvement of local Iraqis in local security.

Nonetheless the situation in certain areas is still unsatisfactory and innumerable challenges remain. Moreover as events in the past two weeks have reminded us, the progress made since last spring is still fragile and reversible.

Nonetheless security in Iraq is better than it was when we reported to you last September. And it is significantly better than it was 15 months ago, when Iraq was on the brink of civil war and the decision was made to deploy additional U.S. forces to Iraq.

A number of factors have contributed to the progress. First has been the impact of increased numbers of coalition and Iraqi forces. You're well aware of the U.S. surge. Less recognized is that Iraq has also conducted a surge, adding well over 100,000 additional soldiers and police to its security force ranks in 2007 and slowly increasing its capability to deploy and employ these forces.

A second factor has been the employment of coalition and Iraqi forces and the conduct of counterinsurgency operations, deployed together to safeguard the Iraqi people, to pursue al Qaeda Iraq, to combat criminal elements and militia extremists, to foster local reconciliation and to enable political and economic progress.

Another important factor has been the attitudinal shift among certain elements of the Iraqi population. Since the first Sunni awakening in late 2006, Sunni communities in Iraq increasingly have rejected al Qaeda Iraq's indiscriminate violence and extremist ideology. Over time, awakenings have prompted tens of thousands of Iraqis, some former insurgents, to contribute to local security as so-called "Sons of Iraq." With their assistance and with relentless pursuit of al Qaeda Iraq, the threat posed by AQI, while still lethal and substantial, has been reduced significantly.

The recent flare-up in Basra, southern Iraq and Baghdad

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underscored the importance of the cease-fire declared by Muqtada al-Sadr last fall as another factor in the overall reduction in violence. Recently, of course, some militia elements became active again. Though a Sadr stand down order resolved the situation to a degree, the flare up also highlighted the destructive role Iran has played in funding, training, arming and directing the so-called "special groups" and generated renewed concern about Iran in the minds of many Iraqi leaders. Unchecked, the special groups pose the greatest long-term threat to the viability of a democratic Iraq.

As we look to the future, our task together with our Iraqi partners will be to build on the progress achieved and to deal with the many challenges that remain. I do believe that we can do this while continuing the ongoing drawdown of the surge forces.

In September, I described the fundamental nature of the conflict in Iraq as a competition among ethnic and sectarian communities for power and resources. This competition continues, influenced heavily by outside actors, and its resolution remains the key to producing long-term stability in Iraq. Various elements push Iraq's ethno-sectarian competition toward violence. Terrorists, insurgents, militia extremists and criminal gangs all pose significant threats. Al Qaeda's senior leaders, who still view Iraq as the central front in their global strategy, send funding, direction and foreign fighters to Iraq.

Actions by neighboring states compound Iraq's challenges.

Syria has taken some steps to reduce the flow of foreign fighters through its territory, but not enough to shut down the key network that supports AQI. And Iran has fueled the violence in a particularly damaging way through its lethal support to the special groups.

These challenges in recent weeks -- violence notwithstanding, Iraq's ethno-sectarian competition in many areas is now taking place more through debate and less through violence. In fact, the recent escalation of violence in Baghdad and southern Iraq was dealt with, temporarily at least, by most parties acknowledging that the rational way ahead is political dialogue rather than street fighting.

Though Iraq obviously remains a violent country, we do see progress in the security arena. As this chart illustrates, for nearly six months, security incidents have been at a level not seen since early to mid-2005, though the level did spike in recent weeks as a result of the violence in Basra and Baghdad, but has begun to turn down again, though the period ahead will be a sensitive one.

As our primary mission is to help protect the population, we closely monitor the number of Iraqi civilians killed due to violence. As this chart reflects, civilian deaths have decreased over the past year to a level not seen since the February 2006 Samarra mosque bombing that set off the cycle of sectarian violence that tore the very fabric of Iraqi society in 2006 and early 2007.

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Ethno-sectarian violence is a particular concern in Iraq, as it is a cancer that continues to spread if left unchecked. As the box in the bottom left of this chart shows, the number of deaths due to ethno-sectarian violence has fallen since we testified last September. A big factor has been the reduction of that violence in Baghdad. Some of this decrease is, to be sure, due to sectarian hardening of certain Baghdad neighborhoods. However, that is only a partial explanation, as numerous mixed neighborhoods still exist. In fact, coalition and Iraqi forces have focused along the fault lines to reduce the violence and enable Sunni and Shi'a leaders to begin the long process of healing in their local communities.

As the next chart shows, even though the number of high-profile attacks increased in March as al Qaeda lashed out, the current level of such attacks remains far below its height a year ago. Moreover, as we have helped improve security and focused on enemy networks, we have seen a decrease in the effectiveness of such attacks. The number of deaths due to ethno-sectarian violence in particular, as I noted, has remained relatively low, illustrating the enemy's inability to date to reignite the cycle of ethno-sectarian violence.

The emergence of Iraqi volunteers helping to secure their local communities has been an important development. As this chart depicts, there are now over 91,000 Sons of Iraq, Shi'a as well as Sunni, under contract to help coalition and Iraqi forces protect their neighborhoods and secure infrastructure and roads. These volunteers have contributed significantly in various areas, and the savings in vehicles not lost because of reduced violence, not to mention the priceless lives saved, have far outweighed the cost of their monthly contracts.

Sons of Iraq have also contributed to the discovery of improvised explosive devices and weapons and explosives caches. As this next chart shows, in fact, we have already found more caches in 2008 than we found in all of 2006.

Given the importance of the Sons of Iraq, we're working closely with the Iraqi government to transition them into Iraqi security force or other employment, and over 21,000 have already been accepted into the police or army or other government jobs. This process has been slow, but it is taking place.

Al Qaeda also recognizes the significance of the Sons of Iraq, and al Qaeda-Iraq elements have targeted them repeatedly. However, these attacks, in addition to al Qaeda-Iraq's use of women, children and the handicapped as suicide bombers, have further alienated AQI from the Iraqi people. And the tenacious pursuit of al Qaeda-Iraq, together with AQI's loss of local support in many areas, has substantially reduced its capability, numbers and freedom of movement.

This chart displays the cumulative effect of the effort against AQI and its insurgent allies. As you can see, we have reduced considerably the areas in which AQI enjoys support and sanctuary, though there clearly is more to be done.

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Having noted that progress, al Qaeda-Iraq is still capable of lethal attacks, and we must maintain relentless pressure on the organization, on the networks outside Iraq that support it and on the resource flows that sustain it.

This chart lays out the comprehensive strategy that we, the Iraqis and our interagency and international partners are employing to reduce what AQI needs. As you can see, defeating al Qaeda in Iraq requires not just actions by our elite counterterrorist forces but also major operations by coalition and Iraqi conventional forces, a sophisticated intelligence effort, political reconciliation, economic and social programs, information operations initiatives, diplomatic activity, the employment of counterinsurgency principles in detainee operations, and many other actions.

Related to this effort, I applaud Congress's support for additional intelligence, surveillance and reconnaissance assets in the upcoming supplemental, as ISR is vital to the success of our operations in Iraq and elsewhere.

As we combat AQI, we must remember that doing so not only reduces a major source of instability in Iraq, it also weakens an organization that al Qaeda's senior leaders view as a tool to spread its influence and foment regional instability. Osama bin Laden and Ayman al-Zawahiri have consistently advocated exploiting the situation in Iraq, and we have also seen al Qaeda-Iraq involved in destabilizing activities in the wider Mideast region.

Together with the Iraqi security forces, we have also focused on the special groups. These elements are funded, trained, armed and directed by Iran's Qods Force, with help from Lebanese Hezbollah. It was these groups that have launched Iranian rockets and mortar rounds at Iraq's seat of government and the International Zone.

Iraqi and coalition leaders have repeatedly noted their desire that Iran live up to promises made by President Ahmadinejad and other senior Iranian leaders to stop their support for the special groups. However, nefarious activities by the Qods Force have continued, and Iraqi leaders now clearly recognize the threat they pose to Iraq. We should all watch Iranian actions closely in the weeks and months ahead, as they will show the kind of relationship Iran wishes to have with its neighbor and the character of future Iranian involvement in Iraq.

We have transferred responsibilities to Iraqi forces as their capabilities and the conditions on the ground have permitted. Currently, as this chart shows, half of Iraq's 18 provinces are under provincial Iraqi control. Many of these provinces, not just the successful ones in the Kurdish Regional Government area, but also a number of southern provinces, have done well. Challenges have emerged in some other areas, including, of course, Basra. Nonetheless, this process will continue, and we expect Anbar and Qadisiyah provinces to transition in the months ahead.

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Iraqi forces have grown significantly since September, and over 540,000 individuals now serve in the Iraqi security forces.

The number of combat battalions capable of taking the lead in operations, albeit with some coalition support, has grown to well over a hundred. These units are bearing an increasing share of the burden, as evidenced by the fact that Iraqi security force losses have recently been three times our own.

We will, of course, conduct careful after-action reviews with our Iraqi partners in the wake of recent operations, as there were units and leaders found wanting in some cases, and some of our assessments may be downgraded as a result. Nonetheless, the performance of many units was solid, especially once they got their footing and gained a degree of confidence, and certain Iraqi elements proved very capable.

Underpinning the advances of the past year have been improvements in Iraq's security institutions. An increasingly robust Iraqi-run training base enabled the Iraqi security forces to grow by over 133,000 soldiers and police over the past 16 months, and the still-expanding training base is expected to generate an additional 73,000 Iraqi soldiers and police through the rest of 2008.

Additionally, Iraq's security ministries are steadily improving their ability to execute their budgets. As this chart shows, in 2007, as in 2006, Iraq's security ministries spent more on their forces than the United States provided through the Iraqi security forces fund. We anticipate that Iraq will spend over \$8 billion on security this year and \$11 billion next year. And this projection enabled us recently to reduce significantly our Iraqi security forces fund request for fiscal year 2009 from \$5.1 billion to \$2.8 billion.

While improved Iraqi security forces are not yet ready to defend Iraq or maintain security throughout the country on their own, recent operations in Basra highlight improvements in the ability of the Iraqi security forces to deploy substantial numbers of units, supplies and replacements on very short notice. They certainly could not have deployed a division's worth of army and police units on such short notice a year ago. On the other hand, the recent operations also underscored the considerable work to be done in the area of expeditionary logistics, force enablers, staff development and command and control.

We also continue to help Iraq through the U.S. Foreign Military Sales program. As of March 2008, the Iraqi government has purchased over \$2 billion worth of equipment and services of American origin through FMS. Since September, and with your encouragement of the organizations in the FMS process, FMS deliveries have improved.

While security has improved in many areas and the Iraqi security forces are shouldering more of the load, the situation in Iraq remains exceedingly complex and challenging. Iraq could face a resurgence of AQI, or additional Shi'a groups could violate Sadr's cease-fire order.

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External actors like Iran could stoke violence within Iraq, and actions by other neighbors could undermine the security situation as well.

The Commanders Emergency Response Program, the State Department's Quick Response Fund and USAID programs enable us to help Iran (sic) deal with these and other challenges. To that end, I respectfully ask that you provide us by June the additional CERP funds requested by the supplemental.

Encouragingly, the Iraqi government recently allocated \$300 million for us to manage as Iraqi CERP to perform projects for their people while building their own capacity to do so, recognizing our capacity to help them. The Iraqi government has also committed \$163 million to gradually assume Sons of Iraq contracts, \$510 million for small business loans and \$196 million for a joint training, education and reintegration program. The Iraqi government pledges to provide more as they execute their budget passed two months ago. Nonetheless, it is hugely important to have our resources continue, even as Iraqi funding begins to outstrip ours.

Last month, I provided my chain of command recommendations for the way ahead in Iraq. During that process, I noted the objective of retaining and building on our hard-fought security gains while we draw down to the pre-surge level of 15 brigade combat teams. I emphasized the need to continue work with our Iraqi partners to secure the population and to transition responsibilities to the Iraqis as quickly as conditions permit, but without jeopardizing the security gains that have been made.

As in September, my recommendations are informed by operational and strategic considerations. The operational considerations include recognition that the military surge has achieved progress but that that progress is reversible. Iraqi security forces have strengthened their capabilities but still must grow further. The provincial elections in the fall, refugee returns, detainee releases and efforts to resolve provincial boundary disputes will be challenging. The transition of Sons of Iraq will require time and careful monitoring. Withdrawing too many forces too quickly could jeopardize the progress of the past year, and performing the necessary tasks in Iraq will require sizable conventional forces as well as special operations forces and adviser teams.

The strategic considerations include recognition that the strain on the U.S. military, especially on its ground forces, has been considerable. A number of the security challenges inside Iraq are also related to significant regional and global threats. And a failed state in Iraq would pose serious consequences for the greater fight against al Qaeda, for regional stability, for the already existing humanitarian crisis in Iraq and for the effort to counter malign Iranian influence.

After weighing these factors, I recommended to my chain of command that we continue the drawdown of the surge forces, and that

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upon the withdrawal of the last surge brigade combat team in July, we undertake a 45-day period of consolidation and evaluation. At the end of that period, we will assess the conditions on the ground and determine where and when we can make recommendations for further reductions.

This process will be continuous, with recommendations for further reductions made as conditions permit. The approach does not, to be sure, allow establishment of a set withdrawal timetable; however, it does provide the flexibility those of us on the ground need to preserve the still-fragile security gains our troopers have fought so hard and sacrificed so much to achieve.

With this approach, the security achievements of 2007 and early 2008 can form a foundation for the gradual establishment of sustainable security in Iraq. This is not only important to the 27 million citizens of Iraq, it is also vitally important to those in the Gulf region, to the citizens of the United States and to the global community. It is clearly in our national interest to help Iraq prevent the resurgence of al Qaeda in the heart of the Arab world, to help Iraq resist Iranian encroachment on its sovereignty, to avoid renewed ethnosectarian violence that could spill over Iraq's borders and make the existing refugee crisis even worse, and to enable Iraq to expand its role in the regional and global economies.

In closing, I want to comment briefly on those serving our nation in Iraq.

We've asked a great deal of them and of their families, and they have made enormous sacrifices. My keen personal awareness of the strain on them and on the force as a whole has been an important factor in my recommendations.

The Congress, the executive branch and our fellow citizens have done an enormous amount to support our troopers and their loved ones, and all of us are grateful for that. Nothing means more to those in harm's way than the knowledge that their country appreciates their sacrifices and those of their families. Indeed, all Americans should take great pride in the men and women serving our nation in Iraq, civilian as well as military, and in the courage, determination, resilience and initiative they demonstrate each and every day. It remains the greatest of honors to soldier with them.

Thank you very much.

REP. SKELTON: General, we certainly thank you for your testimony, for being with us today.

Ambassador.

AMB. CROCKER: Mr. Chairman, Congressman Hunter, 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.

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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 past 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 today, 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.

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, 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, reflecting 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 1st of this year, and an electoral law is now under discussion that will set the parameters for elections. All major parties have announced their support for elections, and these will be a major step forward in Iraq's political development, setting 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, ensures that the federal and provincial governments will have the resources for public

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spending. Mr. Chairman, 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 as a national institution. Last summer, the Council of Representatives 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 these 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 Iraqi people. In 2006 and 2007, many of us 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 Qaeda, continues to keep the peace in the area and keep al Qaeda out. Fallujah, once a symbol for violence and terror, is now one of Iraq's safest cities.

The Shi'a holy cities of 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 marjaiyah -- based in 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 neighborhoods still gripped by al Qaeda. 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 Husayn. 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 Basra. 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. And there is still very much to be done, to bring full government control to the streets of Basra and eliminate entrenched extremist, criminal and militia groups.

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When viewed with a broader lens, however, the Iraqi decision to combat these groups in Basra 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 Basra 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 Basra has also shaken up Iraqi politics. The prime minister returned to Baghdad from Basra shortly before General Petraeus and 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 5th by virtually all of Iraq's main political leaders -- Sunni, Shi'a and Kurd -- made clear.

A wild card remains the Sadrism trend and whether the Iraqis can continue to drive a wedge between other elements of the trend and Iranian-supported Jaish al Mahdi special groups. A dangerous development in the immediate wake of the Basra operation was what appeared to be a reunification between special groups and the mainline Jaish al Mahdi. We also saw a potential collapse of the Jaish al Mahdi freeze in military operations.

As the situation unfolded, however, Muqtada al-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 Sadrism 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 and agreement 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

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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.

In terms of 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 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 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 further 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

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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 brick-and-mortar construction through oil production and export, our assistance focus has shifted to capacity development and an emphasis on local and post-kinetic development through our network of Provincial Reconstruction Teams and ministerial advisers. 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 have major impacts in local communities, and congressional support is important, as it is for other vital programs in the FY '08 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 take on this challenging agenda, along with other international partners, including the United Nations and the World Bank.

Along with the security surge last year, we also saw a diplomatic surge, focused on enhancing U.N. 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

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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 under way 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 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 Erbil, 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 engagements with Iraq, and we expect that Prime Minister Maliki's efforts against Shi'a extremist militias in Basra will also 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 border. 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 arming and training of criminal militia elements engaged in violence against Iraqi security forces, coalition forces and Iraqi civilians. The extent of Iran's

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malign influence was dramatically demonstrated when these militia elements clashed with Iraqi government forces in Basra 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 Qods 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.

Mr. Chairman, almost everything about Iraq is hard. It will continue to be hard 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 progress 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 do 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 Qaeda is in retreat in Iraq, but it is not yet defeated. Al Qaeda's leaders are looking for every opportunity they can to hang on. Osama bin Laden has called Iraq the perfect base, and it reminds us that a fundamental aim of Al Qaeda 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 Qaeda 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 Basra and Baghdad over the last several weeks. And in all of this, the Iraqi people would suffer on a scale far beyond what we have already seen. Spiraling conflicts 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 fragile. We need to stay with it.

In the months ahead, we will continue to assist Iraq as it

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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 the efforts of the United Nations 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, both 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 serve there with them.

Thank you, sir.

(TRANSCRIPT)