Transcript of Lecture given by Ambassador David Satterfield to the Global Strategy Forum - 21st January 2008

Ambassador David M. Satterfield became Senior Advisor to the Secretary of State and Coordinator for Iraq in August 2006, following his service as Deputy Chief of Mission at Embassy Baghdad from May 2005 until July 2006. Prior to Iraq, he was Principal Deputy Assistant Secretary for the Bureau of Near Eastern Affairs from June 2004 until May 2005 and Deputy Assistant Secretary for the previous three years. He was Ambassador to Lebanon from September 1998 to June 2001. He entered the Foreign Service in 1980, and has served overseas in Jeddah, Tunis, Beirut, and Damascus.

What I would like to do is to give you an assessment of where Iraq stands today, discuss a bit how we see the way forward for US policy in Iraq, what our expectations are for this year and then invite your questions or comments.

If we look at Iraq in January 2008 and contrast it with the situation in January 2007, two areas of very significant progress come immediately to sight. On the security side, by any metric used whatsoever to measure progress, more people, more citizens of Iraq in more places in Iraq enjoy better security – not perfect security but better security - than at any time since the terrible outbreak of sectarian violence inspired by Al Qaeda's bombing of the Golden Mosque in February 2006.What are reasons for this significant improvement?

They are the conjunction of a number of things: it is the surge of US forces – five brigades to Iraq commencing in December 2006 and the application of those forces and existing forces in Iraq in a better, more co-ordinated, more strategic fashion to areas which had been plagued by sectarian violence in and around Baghdad as well as other critical focal points; it is the better capacity and capabilities of the Iraqi security forces, principally the Iraqi army, to take up the fight both in direct partnership with coalition and US forces as well as increasingly in a more independent manner; it is the so-called Anbar Awakening, which is a process that has now spread well beyond Anbar province, in which Sunni elements, both tribal and non tribal, many of whom had been engaged in violence against coalition forces, against Iraqi security forces, against elements of the Iraqi state, over the course of 2007 changed their fight to direct it against Al Qaeda – that has had a significant and ongoing impact.

And finally it is the fragmentation – I don't say disintegration because it remains a formidable element in force - but the fragmentation of the Jaish al-Mahdi and with it, the increasing coming out of the fight or more effective confrontation of those Shi'a death squads, Shi'a militias largely drawn from the Jaish al-Mahdi elements, which had been engaged in violence and which were serving as an accelerant of Sunni counter-violence. All of these elements together have produced what we see today, whether we look at civilian casualties, at security force casualties, or most recently and encouragingly, even the casualties our own forces are taking in Iraq, the numbers are down, they are down progressively.

It has been a continuing slope beginning in late December 2006 and continuing very much through 2007.The other area where progress has been made is on the economic side. The Iraqi government which had, through 2006, been largely incapable of executing a capital infrastructure budget despite its considerable reservoirs of revenues, its current account surplus being in the ten billion plus range, has now moved to a much better record of performance. Obligations and commitments of central government funds have improved dramatically over 2006. What is critical now is that beyond obligation and commitment of funds, actual expenditures move on the ground, that is, translation of obligations into actual projects that are of benefit to the Iraqi people. We have worked hard and long with the Iraqi ministries concerned to develop an execution capability. This is absolutely essential and I will give you a real world example of where it comes into the fight, into the security situation. As security stabilised in Anbar Province, the most violent of all of the so-called kinetic areas of Iraq, provincial government, which we and others in the coalition had been working with, even when it was exile in Baghdad, returned to Anbar, as did local governance outside the capital of the province and when they returned, they brought with them a carefully-crafted list of development projects and needs.

Because the central government was better prepared to provide funding, to execute funding for the provinces as well as for central government ministerial functions, they were able to respond quite quickly to Anbar's need for funding. Now the challenge is on the local governance structures in Anbar to actually take that money and to apply it to the projects they had identified on the ground.

But there is a very positive synergy here between efforts to strengthen central government economic capacity and local government and its capacity to develop project priorities and then to implement those projects. So, a good record, a quite strikingly positive record on security and an improving record on economic performance, the lagging indicator, as economists would say. In all of this is the national political process, particularly the national dialogue which must contribute over time to the advancement of national reconciliation.

When Ambassador Crocker, when General Petraeus spoke in September to the American Congress, they talked about practical accommodations, practical arrangements taking place on the ground that substituted to an extent for a still-absent process of national dialogue, national reconciliation and they spoke quite accurately to that positive phenomenon. But the absence of progress on the national political front, the absence of significant progress in beginning the process and I speak carefully of beginning the process, because Iraq frankly is in a state of revolutionary transformation and revolutions do not tend to run on neat timetable, according to power points or neat matrices, however carefully we may all construct them.

But a beginning of the process that leads to true national reconciliation, a definition of what it means to be an Iraqi, of what Iraq means, must move forward and it cannot be based solely on pragmatic or practical accommodations at local levels, however useful. So we have placed our focus in the latter part of 2007 and our focus will certainly be there during the course of 2008 on helping to move the government - and by government I mean all of the political structures that comprise the so-called three plus one: the Iraqi Presidency, the Kurdish President, the Shi'a Vice President, Adel Abdul-Mahdi, the Sunni Vice President, Tariq al-Hashimi, with the

partnership of Prime Minister Maliki; and then the group of five, those aforementioned four plus Massoud Barzani, the President of Kurdish Regional Government - into more effective, more collaborative, more collegial work, to try to form a centre of political mass – not a consensus, but a centre of political mass, because there will always be those whose views take them outside that centre.

But a centre which is capable of translating itself into effective parliamentary action, to the passage of key legislation, to the advancement of the building blocks that over time, should be, can be, must be the foundation of national reconciliation. I am cautiously, guardedly more optimistic today than I would have been in speaking to you perhaps 90 days ago, 120 days ago on the prospects for this process. It is a slow grinding effort to focus the attention of all Iraq's elites not on their particularist, partisan agendas, but on a forming national agenda, but progress there has been. In December the Iraqi Council of Representatives, which is very much in the end responsive to the directions of the key particular blocs and their leaderships, moved on a pensions law which contained quite dramatic reintegration of elements of the Sunni community who had been stripped of benefits by the initial actions of Iraq's de-Ba'athification laws. A 2008 budget, which we expect will pass any day now, was also devised and agreed upon in December. It is quite an extraordinary document - it is very much a national budget. It includes significantly increased funding for Iraq's own security obligations, it contains dramatically increased funding for capital investment, as well as for provincial governments.

All of these are positive developments and it was an Iraqi product. They developed it, they debated it, they will execute it. But more is needed. This month, the Iraqi Council of Representatives, after a leadership agreement, passed the De-Ba'athification Reform Law. It is not the perfect law in that it does not reflect the maximum desires of all who were involved in its passage. Very few pieces of legislation in any parliamentary process are perfect by that definition. What it does represent is a significant and positive compromise, a reflection of a significant centre, Sunni, Shi'a and Kurd, which now needs to be implemented in the spirit in which it was ostensibly passed, one of reconciliation and unification rather than further division and exclusion. We think this a very positive step forward and we will welcome its expected passage or ratification through the Presidency Council in the days ahead. The next items on Iraq's leadership agenda are the passage of the Provincial Powers Law. Now this is not simply a normal piece of legislation. It is the beginning of the definition of what a federal structure means in Iraq, of what the relationship between centre and periphery is to be. It is not, cannot and should not be, an attempt at defining for all time what that structure is. In the United States and other countries with a federal system, there is a constant process of evolution - as circumstances change, the direction, the structures of a federal system change with them. But what is needed in Iraq today is a foundation. It is a balance struck which is right as right as can be gotten for today. And as Iraq changes over the years ahead, these structures should change with them. But the absence of an agreement for now on what are to be the practical relationships between the centre and provinces and regions is a glaring one and it affects other critical developments, to wit the passage of a Provincial Election Law.

Iraq's provincial governments are distorted and imbalanced by two critical factors: first the boycott of Sunnis from the process when the initial elections were held for local government;

and secondly, the positive changes that have taken place in Iraq, not just in Sunni communities, but also in other areas since 2005. There is a demand at the popular level for rectification of these imbalances. There is a demand for a more direct relationship between elector and elected official, which a national closed list, in which people vote for symbols or numbers, cannot provide. And so a good progressive electoral law, which moves in the direction of an open list, in which voters identify with specific representatives, is something which we believe needs to be done and for which there is a very significant popular demand. Now, elections themselves must occur before the end of the year to stabilise the situation, to rectify the current imbalances on the ground, that too will be a challenge for Iraq's government, but a challenge that we believe can and should be made.

Hydrocarbons.

Not least, because I list it last, is the need for a modern, national Hydrocarbons Law. The people of Iraq will never be able to benefit to the maximum extent possible, from petroleum which provides now some 94% of their national revenues, in the absence of a progressive, national Hydrocarbon Law. It is very important that Iraq gets this law right. There are debates ongoing between those who would take Iraq in the direction of a quite liberal production-sharing arrangement-based law; and those who would hold to a classic statist dirigiste structure, in which all resources were held tightly within the central government. A balance here needs to be struck. Iraq is not alone in confronting this debate.

But the benefits of a progressive law have been demonstrated around the world and we believe would certainly be demonstrated in Iraq as well. My colleague, the Under Secretary of State for Economic Affairs, is in Iraq now. He is focusing his mission on working with the Kurdish Regional Government and with the government of Iraq, the central government, in trying to devise a way forward on Hydrocarbons. This is an essential next step for Iraq. We are very concerned at unilateral actions by the Kurdish Regional Government in offering contracts outside the presence of a national law. We do not believe that is a road down which the Kurdish Regional Government either ought to go or if pressed on, will benefit that government. Major companies will only do business in the context of a national law, not an independent, unilateral set of structures offered by one of Iraq's regions. So this is an important priority.

Finally, on the level of our bilateral US-Iraqi relationship, at the concluding part of last year, we negotiated with the government of Iraq a declaration of principles that laid out goals for both of our countries to be fulfilled in the course of 2008 that will establish a sovereign state to sovereign state relationship between our two countries and will provide a basis for the presence of US forces, for the presence of the multinational force beyond the anticipated and hoped-for termination of the Chapter VII mandate under which those forces operate today, no later than December 31stof this year. This is a significant challenge, but it is an important challenge. It is a step towards Iraq's full assumption of responsibility and sovereignty beyond the nominal to the realm of the real. We look forward to starting these negotiations next month. They will take place on several different levels. We will be negotiating security arrangements, a status of forces agreement. We will also be negotiating arrangements on the scientific, cultural, social and economics side, as well as a political relationship which we believe will serve both of our countries beyond 2008. These arrangements will be either paralleled by, we anticipate, or

can be joined in by, other coalition partners.

But this is a process absolutely essential for the future of Iraq. It is part of the definition of what Iraq will be, the nature of how its security will be assured over the years – plural – to come because we are speaking here of a long-term commitment and the long-term relationship. My last note will be on Iraq's neighbours. It is in our view, extremely important and I think this is a view shared by the United Kingdom, that Iraq's neighbours play a part in the securing and stabilisation of an Iraq which ultimately can become a source of peace for the region and not a source of division and violence. It is not appropriate, it is not helpful that the largest diplomatic presence in Iraq is that of the government of Iran and that Arab Governments, those of Iraq's neighbours and others in the region, are almost entirely absent. Iraq must not become, should not become, a confrontation point for Arabs and Persians or for Shi'a and Sunni. It should become what we hope that it is – a nation sovereign unto itself, not a pawn in other broader regional or extra-regional challenges. But for this to become Iraq's true future, Iraq's neighbours must play their part, all of them. We look forward to a constructive, co-operative engagement by, and physical diplomatic presence of, Iraq's Arab neighbours and others in the region. With respect to the government of Iran, Iran continues its lethal support through training, through equipment, of the most violent, the most radical groups in Iraq's Shi'a community. That must stop.

We are prepared for discussions, along with the government of Iraq in Baghdad, with the Government of Iran at any time that the government of Iran indicates its willingness to do so. For the last two months that offer has been pending, the government of Iran has not responded. But we will remain ready for those discussions. We would hope that Iran too can become a positive force in and with respect to Iraq. But that has not been the conduct of the Iranian government since 2003. One always hopes that change here is possible. We are cautiously optimistic about the future of Iraq. We do not understate or minimise the challenges today and the challenges that will be ahead. But we see progress and progress should be acknowledged where it exists. Where the challenges remain, we see the possibility of successfully addressing those challenges.

We want this Government of Iraq to succeed, but for that to happen it must govern more effectively and it must govern in a national manner. That would continue to be our message as we press ahead.