

**Testimony of Deputy Assistant Secretary Brett McGurk
House Foreign Affairs Subcommittee on the Middle East and North Africa
Hearing: Iraq**

November 13, 2013

Chairman Ros-Lehtinen, Ranking Member Deutch, and Members of the Subcommittee, thank you for inviting me to discuss the situation in Iraq. My testimony this afternoon will focus on our efforts to safeguard U.S. interests in this important country, bearing in mind our obligations to build on all that America has sacrificed over the past decade. It is in the memory of those lost that we continue to make every effort to move Iraq forward, and in line with U.S. interests.

The challenges are daunting. Internally and regionally, pressures continue to build, exacerbated by a resurgent terrorist network led by al Qaida's Iraq-based affiliate, now known publicly as the Islamic State of Iraq and the Levant (AQ/ISIL). The next year in Iraq may be pivotal, particularly with national elections now set for April 30, 2014. I look forward to working closely with this Subcommittee as we navigate this difficult terrain, and ensure that core U.S. interests are protected.

Our policy in Iraq is focused on these core interests, and organized along the following five lines of effort:

1. Maintaining a unified and federal Iraq
2. Supporting increases in production and export of oil resources
3. Promoting Iraq's strategic independence and regional integration
4. Countering the re-emergence of al Qaida in Iraq (AQI)
5. Supporting Iraq's democratic institutions and trajectory

My testimony will review our efforts along these tracks, measuring progress from Secretary Kerry's March 24, 2013, visit to Baghdad. After that visit, the Secretary asked me to travel to Iraq, and I have made four trips since, with another planned for next week. I hope to provide an overview of the situation as viewed from Washington, as well as on the ground in Iraq, where extraordinary diplomats, led by Ambassador Beecroft, are serving our Nation with courage and distinction.

Maintaining a Unified and Federal Iraq

This first line of effort is focused primarily on relations between Baghdad and Erbil, the capital of the Iraqi Kurdistan Region (IKR). As a recent study by the

Rand Corporation notes, tension between Arabs and Kurds has long been identified as among the greatest drivers of instability in Iraq. Should these tensions ever lead to conflict, it would have dire consequences for U.S. interests in Iraq and throughout the region. Accordingly, we have worked for a decade to dampen potential flashpoints and develop political structures for dispute resolution, pursuant to the framework established in the Iraqi constitution.

When the Secretary visited Iraq in March, tensions between the IKR and the central government in Baghdad were at a dangerous boil. Due to a series of disagreements over the Iraqi budget, and in the disputed boundary areas of northern Iraq, Kurdish ministers and parliamentarians were boycotting the central government, and its Peshmerga forces faced off against Iraqi Army units – with both sides daring the other to open fire.

Fortunately, intensive diplomatic engagement led to a detente, with both sides pulling back and disputes returning to the political arena where they belong. On June 10, Prime Minister Maliki visited Erbil for the first time in two years; then, on July 7, IKR President Barzani visited Baghdad, for the first time since late 2010. As a result of these visits, the IKR and the central government established seven joint committees with mandates to address the most difficult issues of federalism: security cooperation, revenue sharing, and balancing powers between the central and regional governments.

Since then, there has been progress in the area of security cooperation, and we are working to facilitate serious discussions on revenue sharing, to help ensure that all Iraqis – in all parts of Iraq – benefit equitably from Iraq’s national patrimony. This is the vision enshrined in the Iraqi constitution, and we believe it is critical to Iraq’s long-term stability. These revenue sharing discussions may intensify in the weeks ahead, as the Iraqi cabinet, and then parliament, begin debate on a \$150 billion national budget.

The U.S. will stand ready to work with all parties, as appropriate, to narrow areas of disagreement and build on areas of common ground.

Maintaining Increases in Production and Export of Oil Resources

Maintaining a united and federal Iraq – and ensuring the predictability of global energy markets – will require sound development and management of Iraq’s abundant natural resources. Iraq is estimated to have the fifth-largest proven oil reserves in the world. Last year, it surpassed Iran as OPEC’s second-largest oil

producer. It has also surpassed Iran as a leading exporter to India and China, which has been essential to enforcing robust international sanctions on Iranian oil exports, while also maintaining market stability. According to the International Energy Agency (IEA), Iraq may account for nearly half of anticipated growth in global oil output over the current decade, with revenues approaching \$200 billion per year.¹

In short, Iraq's hydrocarbon sector is vital to U.S. interests in the region, and its development is essential to Iraq's long-term stability. These shared interests have led to a close and ongoing partnership as to how Iraq can best manage its abundant resources to generate increasing revenues and align the interests of disparate groups in a unified and federal Iraq. For example, four export platforms that came on line south of Basra in 2012 – each with capacity to export 900,000 barrels per day – were the result of joint efforts beginning in 2007 to address serious deficiencies in Iraq's infrastructure.

Today, U.S. policy is focused on a similarly ambitious – and achievable – vision: a strategic pipeline from the super giant oil fields in Basra (with 80 percent of Iraq's proven reserves) to the Haditha refinery in Anbar province; southwest through Jordan to the Red Sea; and connected to the north, Turkey and the Mediterranean. These three export routes – the Arabian Gulf, Red Sea, and Mediterranean – will build redundancy into Iraq's national export infrastructure, facilitate prosperity to all parts of the country, and align the interests of regional partners in a stable and prosperous Iraq.

Coupled with this vision is a revenue sharing agreement to ensure that revenues are shared equitably, and, longer term, new legislation to manage the hydrocarbon sector and ensure legal predictability to market entrants. The United States wants to see Iraqi oil from all parts of the country – north to south – reaching global markets as soon as possible, and in a manner that reinforces stability. Iraq today is producing 3 million barrels-per-day, but the IEA projects under its central scenario potential increases to 6 million barrels-per-day by 2020, and 8 million barrels-per-day by 2035, with revenues over this period approaching \$5 trillion.²

The United States does not take sides in the internal disputes regarding the distribution of revenues and management of oil resources. Instead, we focus on the principles enshrined in the Iraqi constitution and the maxim that it is always better

¹ See *Iraq Energy Outlook*, International Energy Agency, Oct. 9, 2012, p. 12.

² See *id.*, at p. 11.

to peacefully divide a large pie than to fight over a small one. Thus, we are focused on increasing production and exports, overcoming the hurdles companies face when operating in Iraq, reducing bottlenecks, and lending technical expertise as appropriate under our Strategic Framework Agreement. These efforts will accelerate over the coming months, including with a joint coordination committee on energy cooperation early next year.

Promoting Strategic Independence and Regional Integration

Regional tensions have a direct impact on Iraq's internal stability. Political blocs, leaders, and non-state entities, including militias and terrorist groups, often find external sponsorship and support. Iraq also shares a 400-mile border with Syria, and a 900-mile border with Iran, which, we learned from hard experience, can be difficult to control. Tensions in recent years with Turkey, combined with lingering Gulf War era disputes with Kuwait, and lack of regular engagement with other Gulf Cooperation Council states, threatened to further isolate Iraq – and thereby widen the door to nefarious influences from other neighbors.

Beginning in March, the United States launched a quiet but active campaign to ease tensions with Turkey, settle accounts with Kuwait, strengthen ties to Jordan, and accelerate efforts to reintegrate Iraq with its Gulf neighbors. These efforts are important to bolstering Iraq's independence, and, when combined with economic and security initiatives, aligning its long-term interests to ours.

These efforts have seen some success. Iraq and Kuwait settled key accounts dating to the 1991 Gulf War, and in June the U.N. Security Council voted unanimously to finalize a process to normalize relations between both countries. Two weeks ago, the Iraqi cabinet voted to open Kuwaiti consulates in Erbil and Basra. In April, the United States began a trilateral process with Iraq and Turkey, focused on mutual interests. This week, Turkey's Foreign Minister visited Baghdad for the first time in two years, and both countries agreed to restore positive relations.

Jordan and Iraq, with our support, are coordinating efforts to develop the pipeline project from Basra to Aqaba. In July, we began a strategic dialogue with Jordan, UAE, and Iraq, to focus on mutual interests, including security, energy, and economic interests. This group will convene again next week in Abu Dhabi, with the addition of Egypt. Iraq has also participated in recent regional military exercises, including the Eager Lion exercise in Jordan this past summer, and the international mine countermeasures exercise in Bahrain.

While these are positive steps, we continue to emphasize with Iraqi leaders that full re-integration with Gulf partners will be influenced by Iraq's stance on the conflict in Syria. Iraq has sought to retain independence, expressing concern from the beginning about global jihadist groups that operate in the western parts of Iraq and eastern Syria. While these concerns are legitimate, it is equally legitimate to question Iraq's independence given Iran's ongoing use of Iraqi airspace to re-supply the Assad regime. The frequency of flights is down since the Secretary's visit in March, but Iraq must do more to tighten its inspection procedures. We also remain watchful of Iranian efforts to use Iraq to circumvent international sanctions.

Iraq's independence, finally, can be strengthened through ties to the U.S. private sector. We are working to promote U.S. exports to Iraq and working with U.S. companies – including Ford, Boeing, General Electric, and Citibank – doing business in Iraq. On September 18, Iraq launched a \$357 billion five-year National Development Plan, with projects identified across multiple sectors: energy, health, agriculture, education, and transportation. The U.S. embassy provided technical advice for this program, and we hope where possible to match U.S. businesses with Iraqi development needs. This will be a key focus of “Iraq Business Week” to be held here in February, with Iraq's Minister of Trade leading the Iraqi delegation.³

Countering the Re-Emergence of al Qaida in Iraq

Everything I have just mentioned depends on Iraq stemming the rising levels of violence seen over the past year. I was present in Iraq during the peak of the civil war in 2006 and 2007, and saw first-hand the devastating impact it had on Iraq's fragile social cohesion. The violence made politics and economic growth near impossible, as security became the first and only demand of the population.

To address the security situation, it is important to precisely diagnose the source of the most devastating attacks. Iraq since the 2003 invasion has never been peaceful. In 2011 and 2012, among the quietest years on record, there were 100 attacks per week, with 4,400 casualties per year. Nearly all of these attacks were perpetrated

³ The Iraqi parliament earlier this year ratified a bilateral Trade and Investment Framework Agreement (TIFA) with the United States. Iraq Business Week will focus on implementing the TIFA and matching Iraqi development needs with U.S. businesses. U.S. trade with Iraq last year increased to \$21 billion, and major deals – such as the \$5 billion deal to provide Iraqi Airways with thirty Boeing 737s and ten 777s by 2017 – have closed with U.S. advocacy. Such economic statecraft initiatives, together with educational exchanges and related programs under the Strategic Framework Agreement, remain central to our engagement with Iraq.

by terrorist groups, led by al Qaida in Iraq (AQI). AQI is led by Abu Bakr al-Baghdadi, a Specially Designated Global Terrorist under Executive Order 13224. We believe Baghdadi fled to Syria last year, expanding AQI's base of operation, and changing its name to the Islamic State of Iraq and the Levant (AQ/ISIL).

Baghdadi early this year announced a campaign of terror against Iraq to include attacks against security services, government targets, and Shi'a civilians. In March, AQ/ISIL launched a coordinated attack with five suicide bombers against the Iraqi Ministry of Justice building in Baghdad. In June, scores of well-trained and professional fighters assaulted the Abu Ghraib prison complex, freeing hundreds of inmates, including mid-level al Qaida leaders. Since then, we have seen upwards of 40 suicide bombers per month, targeting playgrounds, mosques, and markets, in addition to government sites from Basra to Baghdad to Erbil.

AQ/ISIL has benefited from a permissive operating environment due to inherent weaknesses of Iraqi security forces, poor operational tactics, and popular grievances, which remain unaddressed, among the population in Anbar and Ninewa provinces. It has also benefited from a sanctuary across the porous border in Syria, control of lucrative facilities there, such as oil wells, and regular movement of weapons and fighters between Syria and Iraq. The suicide bombers, we believe, are foreign fighters who travel to Syria to join AQ/ISIL, and are then directed toward Iraq for operations.

We have defeated this enemy before, through a combination of devastating and relentless security operations, and mobilizing popular forces to isolate – and in some instances, fight – AQI networks. Today, we are working with Iraqi political and security leaders to develop a similarly holistic approach. We are also emphasizing the urgency, as the targeting of civilians in recent months by AQ/ISIL has given rise to dangerous calls to reconstitute Shi'a militias outside the control of the Iraqi government. Thus far, militia activity has been localized, but if suicide attacks continue, we are likely to see increasing calls for self-protection from local neighborhoods, and more room for militias to develop roots among the population.

While Iraqi security forces will never match what U.S. forces achieved at the height of the war, they have proven capable of conducting effective operations when provided sound intelligence. In recent months, Iraqi civilian and military leaders have increasingly looked to us for advice and information sharing. This is partly to ensure – with pressure from us – that operations are targeted and precise, to avoid detaining innocent civilians. We have made clear to Iraqi commanders

that some of their tactics over the past six months have been self-defeating, and it is time to draw on the lessons that we learned together five years ago.

Among the central lessons was mobilizing the Sons of Iraq (SOI) to control the streets and work in coordination with government security forces. This was a regular topic during Prime Minister Maliki's meetings in Washington two weeks ago, and he pledged to more than double the salaries of the SOI, to flush resources to areas where AQ/ISIL is operating, and to ensure close and regular coordination between Iraqi security forces, local provincial councils, and tribal structures, particularly in Anbar and Ninewa provinces.

In turn, we made clear to Maliki and other Iraqi leaders that the fight against terrorists and militias will require a holistic – security, political, economic – approach. We believe we now have a common roadmap for combatting this problem over the coming months, while anticipating inevitable setbacks. We have also made clear to Iraqi leaders that they must make extra efforts to protect the residents at Camp Liberty in Baghdad, while also pressing the international community to help with this urgent humanitarian situation.

Finally, while security operations may not be the lead element of a holistic strategy against AQ/ISIL, they remain essential. In previous efforts with U.S. forces in the lead, we worked to ensure – through targeted and relentless military operations – that AQI could not establish a sanctuary or staging presence in Iraq. Today, we believe AQ/ISIL is trying to establish camps and staging areas in Iraq's western border regions. Iraqi forces are working to target these camps. But they lack the equipment for relentless and effective operations in remote areas, and over the past few months, we have seen a number of unarmored helicopters shot by heavy machine guns, and pilots – who we trained – maimed and killed.⁴

To combat this threat more effectively, the Iraqis hope to purchase U.S. equipment. We are confident that this equipment, pursuant to a holistic strategy that we have developed together, can be used effectively and with precision against AQ/ISIL targets. The Iraqi delegation led by Prime Minister Maliki, in a joint statement

⁴ By way of recent examples, on October 2, an unarmored helicopter providing support to ground troops on a mission against AQ/ISIL targets was downed by heavy machine gun fire. Four crew members (2 pilots, 1 gunner, and 1 engineer) were killed. A week earlier, two unarmored reconnaissance helicopters providing over-watch for an ongoing operation were forced to land after being engaged by a concealed PKC machine gun. Based on our existing relationships with Iraqi pilots, reviews of operations have generally confirmed proficiency and adherence to rules of engagement.

following their meetings at the White House, pledged “strict compliance with U.S. laws and regulations on the use of such equipment.” By working with Congress, we further believe that sales of U.S. equipment will strengthen a long-term strategic relationship with the Iraqi military – through training, spare parts, joint exercises, logistics, and interoperability with U.S. forces and regional partners.

Time may not be on our side. Iraq has acute demands, money to supply those demands, and while it prefers U.S. equipment and the multi-decade relationship that comes with our foreign military sales program, strategic competitors are now lining up to meet Iraqi demands if we cannot deliver. Case in point is the delivery earlier this month of four Russian Mi-35 attack helicopters. We believe that it is in America’s strategic interest to supply military systems to Iraq, as opposed to Russia or other competitors, and we look forward to working with Congress to address all outstanding questions with respect to foreign military sales.

Supporting Iraq’s Democratic Institutions and Trajectory

Shortly after Prime Minister Maliki’s return to Iraq last week, the parliament broke a deadlock to enact the law to govern national elections in 2014. These elections are now set for April 30, 2014. This will be the third election for a full-term national parliament, but the first since the departure of U.S. forces in 2011. Thus, it is a critical test of Iraq’s democratic process, and we have made clear to all Iraqi contacts that the elections must be on time, well prepared, and designed to produce a genuine and credible result. Our Embassy team is working closely with the United Nations Assistance Mission for Iraq (UNAMI) and the Independent High Electoral Commission (IHEC) to ensure preparations remain on track.

Iraq earlier this year held provincial elections in 14 provinces, and parliamentary elections in the IKR. Results of these elections have shaken local power dynamics. Prime Minister Maliki’s State of Law coalition, for example, secured pluralities in Baghdad and Basra, but was then outmaneuvered in formation of local councils and lost governorships. In the IKR, the Patriotic Union of Kurdistan (PUK) lost ground to the upstart Gorran party, which came in second behind the dominant Kurdistan Democratic Party (KDP), led by IKR President Massoud Barzani.

In the Sunni majority provinces of Ninewa and Anbar, provincial elections had been delayed due to security concerns. We were clear from the outset that this decision was unwise, and pushed to ensure the elections took place, which they did on June 20. The outcome led to a status quo in Ninewa, with the brother of Speaker Osama Nujaifi retaining the governorship; but new leaders emerged in

Anbar, and these new leaders, with our encouragement, are engaging the central government. Prime Minister Maliki met the new Anbar Governor, Ahmad Khalaf al-Dulaimi, before traveling to Washington, and we expect to see additional meetings soon, with a focus on coordinating security and political efforts.

At the national level, we are engaged with political leaders, parties, and blocs, to facilitate progress in parliament on a package of laws that are necessary to address legitimate grievances of the Sunni community. First in this package is ending once and for all the process known as “de-Ba’athification,” which has grown so politicized that it now encourages the very forms of intolerance it was intended to root out. We are encouraged by a law that passed the cabinet earlier this year with a time limit on the de-Ba’athification process, but the law has since stalled in parliament, and at present lacks support from any Shi’a or Kurdish blocs – each of whom want to add measures to address the concerns of their own communities.

We will continue to encourage all sides to find a compromise to pass this important law, as we did most recently with respect to the election law. At the center of these efforts will be Prime Minister Maliki, who, as the leader of the country, has responsibility to govern inclusively, and to build bridges from his Shi’a constituency to Sunnis and Kurds, even where doing so might engender political risk and backlash. For Iraq to progress, he must lead.

There have been some encouraging signs at the national level, such as a 14-point Charter of Social Peace signed in September by leaders across the religious and political spectrum. This document, while symbolic, calls on its signatories to combat “militias and terrorists and all dimensions” – e.g., by addressing grievances that allow extremists to take root. It further calls on appropriate delegation of authority to provincial and local leaders, as well as arrangements to address the crimes of the Ba’ath Party, without impugning ordinary citizens who may have had tangential party connections.

It will take generations for Iraq to overcome its legacy of dictatorship, wars, and isolation. We must be realistic about what is achievable. At the same time, we must continue to press all sides to compromise on issues that continue to divide Iraq. Where the leaders come together, such as through the Social Peace accord, we will exert every effort to seize the opportunity and press for concrete outcomes. Where they remain apart, we will continue our efforts to narrow areas of disagreement. In the end, the Iraqi people will have an opportunity to hold their national leaders accountable with elections now less than six months away.

Conclusion

This overview does not do justice to the complexities we face in Iraq and the uncertain terrain we must navigate together. What is certain is that vital U.S. interests are at stake, and hearings like this are important to discuss the enormous challenges ahead, and to ensure that those interests are safeguarded. Thank you again for inviting me to speak with you. I look forward to your questions.