

**CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**‘THE WAY FORWARD IN IRAQ WITH AMBASSADOR  
DAVID SATTERFIELD’**

**WELCOME AND INTRODUCTION:**  
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JON ALTERMAN: Good morning. It's a pleasure to welcome you all to CSIS and it's a special pleasure for me to welcome back my friend, David Satterfield.

Ambassador Satterfield is really one of the premier diplomats of the United States, anywhere in the world. I think what you will see now is he has an incredible grasp of detail, an incredible grasp of the problems. He is a 27-year veteran of the Foreign Service. He's previously served as Ambassador to Lebanon. He spent much of the 1990s working on Arab-Israeli peace issues in the White House and in the State Department. Since a year ago August, he's been senior advisor to the secretary of State and coordinator for Iraq. He went into that job coming off a period as the deputy chief of mission at Embassy Baghdad. Prior to Iraq, he was the principal deputy assistant secretary of State in the Near East Bureau, and the deputy assistant secretary of State in the Near East Bureau.

As I say, I can't imagine somebody who we could bring here who could give you a better sense of the texture; a better sense of where U.S. policy on Iraq is going, where we hope Iraq is going. And I give to you David Satterfield.

(Applause.)

DAVID SATTERFIELD: Thank you all. I see many familiar faces here and I look forward to a good exchange with you, and that's exactly what I think would be most useful.

All of you, most of you, all concerned citizens of the U.S. I'm sure, were glued to their sets during the some 16 hours of testimony that Ryan and Dave Petraeus provided. I am not going to – and you can bless me for this – going to repeat what they said.

What I do want to do though is touch upon some fundamental themes in what they said and try to draw them out perhaps in a bit different fashion than was presented during the course of that bi-play, and then leave plenty of time for your questions answers because I think that is what's most useful here.

What I want to do is talk a little bit about what our real assessment of the situation is, how we came to the judgments that we did about a way forward, what we think about the future for the U.S. presence and engagement in Iraq, engagement for coalition partners, and obviously we'll touch upon not just Iraq qua Iraq, but Iraq as it fits in the broader strategic conception we have of the Middle East. What roles we see for the neighbors for the broader Middle East, for the international community as together, all of us, willingly or not, move forward with the issue of Iraq, what it has become, where our interests in the region stand.

Ryan and David, in their presentation, I think, drew out several basic points, which I'll reiterate on their behalf. The first is that at a national level, when the focus is placed squarely upon a list of specific, largely legislative benchmarks, far too little progress has been made; and the expectation of rapid, predictable progress on this list of formal, largely legislative benchmarks is problematic in the extreme. Ryan spoke very directly to this; we are frustrated at the progress that has not been made, more progress obviously needs to come.

But as one draws back the lens from what has been too often an exclusive focus upon the 18 benchmarks, 12 benchmarks, 15 benchmarks, depending upon the variant, and admittedly they are not congressional benchmarks; they are not the administration's benchmarks wholly; they are, in their inception, Iraqi benchmarks for themselves, which have been embraced by the administration, embraced by the Congress as markers of success.

Why hasn't progress been made? Why is it so frustrating to see month after month the same list of items: debarthification law reform, constitutional revisions, provincial powers law, provincial elections law set, hydrocarbon law? In the view of the last year, why hasn't progress been made here? And in the answer to that question really lies a lot about what Iraq is today, how we look at Iraq, and what seems to be happening on the ground there and where we go ahead.

Progress hasn't been made in large measure on these benchmarks not because, as is often said, Prime Minister Maliki is dysfunctional, Prime Minister Maliki isn't succeeding, the government of Iraq isn't succeeding. Progress isn't being made on these benchmarks, if you really peel the onion back to the fundamental cause, because there is no common vision, no common agreed set of concepts, accommodations that, taken together, form an agreement amongst the political communities and their leaders in Iraq on what it means to be Iraq, what it means to be an Iraqi, what is to be the future of that country? And again, this is a theme that Ryan brought out during the congressional testimony, but I want to underscore it because it's very important.

The prime minister of Iraq, Prime Minister Maliki, is of course important: the personality; the character; the ability to mobilize the nation, the international community, the region is certainly an important skill. The government itself, how the government at senior levels functions together and its structures, that's important as well. But the best prime minister, the best governmental structures will be of limited utility if they are not informed by a fundamental political consensus agreement, national vision, national will, national compact – call it what you will – that says what it is to be an Iraqi. That doesn't exist.

Now, that's the bad news and it's the real reason why we haven't seen progress on the benchmarks because they're symptoms of, they're manifestations of, they're markers that will be informed for good or for ill by whether or not there's a real consensus in the country on the vision of what is to be the future of Iraq. And that's a vision, which at the end of the day, Iraqis and Iraqis only are going to shape. But something very interesting

is happening beneath this negative top story and it has a lot to do with practical and pragmatic accommodations on the security level, economic level, and to an extent on the political level. And they're important not to miss.

Over the course of the last six to nine months, a year if you want to read it in the broadest of senses, something's been happening on the ground in Iraq. It was happening before the surge began, but the surge accelerated it. And I will put what is happening under the rubric not of reconciliation, but of accommodations; accommodations out of which, again to quote Ryan, reconciliation can come over time. The seeds of reconciliation are there, even if they're not manifest so far in large measure. Accommodations between local authorities and local populations; accommodations between local authorities and national authorities.

What are we talking about here? Look at Anbar: Over the course of the last year, particularly the last nine months, the so-called Anbar flip in which tribal and local Anbari elements, some of whom were very much involved in violent activities against coalition forces, U.S. forces, against the Iraqi government, began to switch their focus. And then with ever-accelerating pace made that switch very comprehensive for Anbar province; now we're seeing it extending beyond; a switch, which was the result of the intolerable presence and activities of al-Qaeda in that area.

Was it opportunistic? Absolutely. Was it motivated first and foremost by local provincial concerns about the quality of their life, their ability to lead an economic life that they thought advantageous? Sure, but the product was a change in the environment there from attacks on governmental and coalition forces to a constraining of al Qaeda. Same thing beginning to happen in Diyala, Salah ad Din province, some parts of Baghdad.

Now that's important and it's good because it's people turning their rifles away from us and towards al Qaeda. But something which is, I think, much more important has begun to happen as well. Those elements, once the situation on the ground in Anbar – and we have to point to Anbar because it's the most mature case here of these accommodations – as the security situation quieted, we began to see structured political life returning at a local level. Mayors who had been unable to occupy their seats took them up. Provincial council members who had been refugees in Baghdad for over a year, returned and began meeting. And they weren't just meeting at a local level to discuss local issues; they began interacting with national authorities.

Now, this was a very timely development because of all of the areas at the national level, where the U.S. government and our international partners have placed the greatest emphasis, security aside, over the course of the last two years, primary area has been budget execution, budget capacity. Iraq has money, but its ability to move that money has been sharply limited by a literal inability to do a capital infrastructure budget, an inability to move funds out of a central account to a provincial account or even to ministerial accounts.

We have made, our Iraqi partners have made, considerable progress on that over the course of the past year, and because of that progress, when the security environment in Anbar changed, when Anbari government stood up at a provincial level and came to the central government and said, we need money; we've got good projects, but we need funding for those projects, the central government now was in a position to allocate funds. Funds had always been there, but there was no way to move them, no capacity to move them. That capacity now exists: \$100 million were moved to Anbar province some months ago. That entire amount was obligated for projects and frankly obligated in a manner, which we regard as transparent, fair, and a pretty good example of governance at a grassroots level.

Then the Anbari government said, well, we need another \$70 million. We've got projects that will consume that amount of funding. When Prime Minister Maliki about two weeks ago visited Anbar, he brought with him that \$70 million plus an additional \$50 million for compensation and other security damage-related issues. \$220 million for a province that had received virtually nothing from the central government for years, and in so far as local planning for local needs was concerned, had never during the Saddam years been in a position to ask for or to receive funding.

So, it starts with security; opportunistic, tactical, but it changes the environment on the ground. Then local governance returns. Then local governance addresses its needs to central government officials. Those central government officials are in a better position from a fiscal standpoint and a budget management standpoint to affirmatively respond.

Now, does all of this constitute reconciliation? No. But it is a process which can produce reconciliation over time. The germs, the fertile ground for reconciliation are there because something else is happening through all of this: Shi'a and Sunnis are talking to each other. They're not just talking to each other over budget and fiscal issues, official to official; they're talking to each other in a different way as well because what happened to these elements that it had involved in the insurgency? Have they been armed by the U.S. and recruited into special private militias? Not at all; we have not armed these groups, any of them. They have plenty of arms.

What we have done, what MNFI has done working with the central Iraqi security forces, is taken these elements, identified based on their capabilities and background who are qualified to join national police, who are qualified to join the Iraqi army, who at a lower level of proficiency are best in sort of a neighborhood watch or neighborhood guard function. For those who meet the criteria for the national police or the national army, that's where they wind up. They are brought in; they are trained; they are vetted. They go through identity processes and they are paid by the central Iraqi government. You have a situation emerging in which Sunnis and Shi'a, at a security level, are not just talking to each other, but national security forces are now embracing elements that were previously involved in fighting the central government.

How can that happen? Deba'athification still rules out the participation in national life at a national legal level for many of these people. Yet, they're being brought into the formal security forces of the state. But what's happening is what Dave Petraeus describes as local immunity. I'd call it something different; it's local, pragmatic, functional deba'athification reform. There is no national deba'ath reform law; we very much hope one emerges over the weeks to come. We have every reason to believe a law will move, perhaps in the next two weeks, to the council of ministers and then to the council of representatives. But even in the absence of that national law, functional reform to deba'athification procedures is taking place at the ground level.

And that's really the message that Ryan was attempting to convey. Problems at the national level, yes: manifestations of the lack of a compelling consensus, national vision, national set of accommodations about the future of Iraq; but at a local level, more and more practical, pragmatic accommodations, which provide the seeds for reconciliation emerging; not illusory, it's real.

Now, how do you sustain this process? How do you extend it beyond the Diyala, Salah ad Dins, and Anbar, the conflict provinces? How do you make it take hold and take root throughout the country? Well, I can tell you what you don't do. What you don't do is allow levels of sectarian violence to return to the devastating downward spiral of 2006. That poisons everything. The surge has succeeded in Baghdad, the outlying belts, in reducing the levels of sectarian violence.

And while we can all talk about different metrics, different indicators, I think the case is compelling. If one looks at any reasonable judges of sectarian violence, the levels are down and down significantly. And al Qaeda, suicide bombings from al Qaeda, are down dramatically as well, very significantly since the start of the year and at an even more accelerated pace over the course of the last four months. If those levels can be kept down, the prospects exist of these local accommodations feeding a better environment for what must come – national accommodations – because this can't be done purely at a local, ground-up level. That's important, indeed, I think it's critical; but a top-down accommodation has to come as well, if ultimately true reconciliation is to take place.

Our goal is to do what we can through our presence to mobilize others to do what they can to help keep these levels of violence down and to keep encouraging these positive steps toward accommodation. Now, we don't forget about the need to move at a national level. There is a need for a hydrocarbon law. There is a need for national, formal deba'athification reform. There is certainly the need for a provincial powers act, for a good, transparent, and open provincial electoral law, and for constitutional revisions. We will continue to press the leaderships, the political leaderships of Iraq, to move in this direction. But I think the ability of those leaderships to take those very difficult steps will be absolutely – (inaudible) – and informed positively by continued progress at a local level.

Now, we will judge, as Dave Petraeus said, our force levels in Iraq now and over the time to come based upon our assessment of what is required. Given all of the

circumstances I have just described to you: its dysfunctionality at a national level on broad national goals and visions, but an increasingly positive sense on the ground, particularly in conflict areas about the direction of events, constraining of al Qaeda's ability to act – but al Qaeda's still a very dangerous force – the presence of hostile neighbors – we'll talk about that in a moment – what's the right force mix? What's the right composition? What's the right footprint?

It was based on this overall assessment that Petraeus's commanders and then Petraeus recommended through his chain of command the reductions, which the president endorsed in his speech. At the beginning of next spring, around March, there will be another such assessment of what has happened. What has been the consequence of the force drawdown, the five surge brigades? That will still be in process in March; it won't be completed, but it will have begun to take place.

Are Iraqi forces – where we are conducting a very vigorous training and equipping effort – able to stand up; are they demonstrating their potential? What's happening with al Qaeda? What's happening with Iranian-inspired violence? What's happening in terms of these practical accommodations at a local level? Is it really growing in Salah ad Din and Diyala and in Baghdad? And they'll make another assessment of what will be appropriate projecting out beyond the end of the process that will bring out the five surge brigade combat teams from the Army and the two Marine battalions, as what measures may be taken over the course of the rest of '08 and the beginning of '09.

But as we look at what we're doing as we look at the situation in Iraq, let's draw the lens back to the region. Iraq is critical to the United States and Iraq is critical to the region and the international community; not just in its own stake, but as a place where a number of very significant issues coincide. The struggle against the forces of terror, violence, and extremism, whether institutional, al Qaeda and its affiliates, or state-sponsored – Syria, but above all Iran – they all come together in Iraq. They also come together in other places in the region; what happens in Iraq matters and matters greatly for the region, for the United States, for the international community in that what happens to al Qaeda, what happens with respect to Iran's ambitions matters greatly and will matter over the long term to us, to the region, and the international community.

I don't think any mistakes should be made that when Iran judges its interests in Iraq, it does so in a strategic manner. It does have interests which are specific to Iraq; there's no question about that extending its influence. But it also uses Iraq as a point of projection for other broader interests in the region and beyond. Whether Iran's ambitions in Iraq are checked or unchecked impacts upon the regime's calculations with respect to other areas in which it plays: Lebanon, Hezbollah, the relationship with Syria, radical Palestinians, and the nuclear issue.

One cannot address the challenges of Iraq solely in the context of Iraq alone; they are part and parcel of broader strategic challenges to U.S. and our friends' and allies' interests in the region and the world, and they involve enduring interests of the United



States, our friends and allies in the region and the world. Iran's behaviors in Iraq mirror the character of their behaviors vis-à-vis Lebanon and Hezbollah, the radical Palestinians, and their confrontation with the international community over the nuclear weapons issue.

Nothing has changed for the better; indeed, there have been significant changes for the worse. We have engaged, at the level of Ryan Crocker and his staff, Iranian counterparts in Baghdad on several occasions now over the past months. When we began this process, we made very clear: We are not engaging for its own sake; we are not talking for talk's sake. We are engaging because we wish to see whether through such discussion, concrete changes in Iran's behaviors will emerge. No such changes have taken place. We do not rule in or out additional talks; but I must say, as I believe Ambassador Crocker did, we have seen no concrete change for the better in what Iran is doing in Iraq. Its supply of weapons and training on those weapons to the most radical, most violent groups in the country; indeed, groups in the case of splinter elements to the *jeish (ph) al Maqdi (ph)* that even Muqtada al-Sadr is now formally disassociating himself with.

We have seen no change in the character of the weapons being provided; not just the explosively-formed projectiles with which our forces, friendly forces, have been attacked, but most disturbingly, advanced, powerful, and acrid standoff weapons, mortars and rockets, which had been used with increasingly deadly accuracy to attack our facility, Iraqi facility, and facilities of our coalition allies, particularly the United Kingdom. This has got to stop.

We will approach the issue as we have approached it in a focused and careful manner. We will do so in Iraq; we will do so with respect to the nuclear program and a variety of fora at the Security Council, in our individual dealings with critical states and their dealings with Iran, and at the level of financial institutions. We will deal with the challenge Iran poses to the interest of all those who wish to see democracy flourish in Lebanon. In our support for the democratically elected government of Lebanon, in our support for the international tribunal, in our efforts to advance the Palestinian-Israeli peace process, we will work to address what the forces of extremism would attempt to exploit to their benefit in terms of a continuing conflict, continuing wound between communities in Palestine and Israel.

This is a strategic challenge in which we have strategic interests; we will advance them in Iraq and elsewhere in a strategic fashion, but we need allies. We need allies in Iraq; we need allies in the neighbors of Iraq who will meet again at the end of October, beginning of November, at the ministerial level to hear from the Iraqi government what was happened in that country since Sharm el-Sheik when they last met; and to address the needs, needs for the Iraqi government to continue to explain their position, their policies, as they are reaching out to their people, needs by the Iraqi people and government from the neighbors in terms of support.

We will continue to advance efforts. There will be a meeting at the United Nations next week on the 22<sup>nd</sup> – or rather, this Saturday on the 22<sup>nd</sup> – to discuss an

expanded mandate for the United Nations in Iraq as well as progress on the international compact for Iraq, the economic side of efforts to support this country and its population as it moves forward. The region needs to be supported; the neighbors need to be supported for their own sake; not just for the sake of Iraqis, because, as I noted earlier, they face the same strategic challenges we do, from extremism, from terror, from violence, from Iran's hegemonistic ambitions.

We also need allies from the international community. We welcome the statements made by the new French government with respect to its views regarding the challenge posed to the peace of the world by Iran. We look forward to working closely with the French government, indeed with the EU as a partner on these challenges.

They're not going to go away tomorrow. They're not going to go away for the United States. There's not going to be any precipitative withdrawal of interests or challenges for any of us. This is a long-term struggle. It is a struggle in which we hope progress can be made in Iraq as well as outside. I am neither an optimist nor a pessimist, as I think on many occasions I've told you. But I am more hopeful now in a cold-eyed assessment of what is happening on the ground in Iraq that reasons to believe greater stability, greater security, and ultimately, a move towards that set of strategic accommodations that Ambassador Crocker spoke to can be achieved. But it will require a continuing U.S. presence, a significant presence. It will require our continued engagement as it will require the continued engagement of friends and allies in the region and around the world. The stakes are simply too high to admit to anything else, both for the good and for the negative, should Iraq fail. Thank you very much.

(Applause.)

MR. ALTERMAN: Thank you very much. Ambassador Satterfield has agreed to take some questions. We have three rules for questions. One is that I ask that you identify yourself. Second is that you only ask one question, because we have a number of people who want to ask questions. And the third is that you ask your question in the form of a question, which is not to make a statement and at the end say, what do you think?

To help you along, I thought I might start with the first question. My name is Jon Alterman. I run the Middle East Program here.

AMB. SATTERFIELD: No statements, please.

MR. ALTERMAN: No, no, that's an identification. I know that all countries are different, but one country where you have a lot of experience is Lebanon. And as I thought forward to how you were talking about having local rule, and at some point reaching accommodations between groups, I started hearing echoes of Lebanon. And it almost sounded like a best-case scenario for Iraq might start to look something like the fragile, sometimes not very successful accommodations that people have reached in Lebanon through the 20<sup>th</sup> century. Does Lebanon have models of things we want to

emulate? Does Lebanon have models of things we want to avoid as we look forward to Iraq, or is Lebanon utterly irrelevant for where Iraq is going?

AMB. SATTERFIELD: Well, I think we talk for some time on models to avoid coming out of Lebanon. And it's very interesting. In the midst of all of the problems faced by this and indeed the preceding Iraqi government, one thing that I heard repeatedly from them is we don't want to wind up like Lebanon. And they meant something very specific by that. We don't want to wind up in a country where one's future is dictated entirely by one's micro-identification as part of a religious or ethnic group where my secretary must be an Armenian Catholic, but my office director must be a Greek Orthodox.

The idea of a cabinet or senior ministry leadership being dictated to on a quota system adduced from ethnic or religious sectarian identification is something which virtually every Iraqi with whom I spoke, Sunni, Shi'a, and Kurd, found abhorrent and enormously destructive. Indeed, Prime Minister Maliki has often cited the fact that the cabinet that he must work with at the ministerial and sub-ministerial level is dictated to not by grounds of talent or ability, merit, but rather by specific identification not just with ethnic or sectarian groups, but by specific political identification within those groups. So it's a refinement even beyond the Lebanese definitions and it is dysfunctional.

Where I think hope can be found is in a common principle that applies to both countries, John, which is in the absence of a coherent national vision, whether that vision exists at a grand scale, a Dayton-style grand set of political agreements, which is then willingly or in a coerced fashion implemented, or through practical accommodations, you have got to have a national vision. You have got to have a common identity, however rough it may be around the edges about who you are, what your country is, and where it's going. That is a problem for Lebanon and it has been throughout its modern history as a state, remains a problem for Lebanon. It is certainly a problem for Iraq.

MR. ALTERMAN: And if you can wait for the microphone as well. Barbara.

Q: Thank you very much. Barbara Slavin of USA Today. I wanted to ask you about something in the news this morning and what the impact will be. The Iraqi government has said that it's revoking the license of Blackwater, because of an incident in which civilians were killed. There are a thousand Blackwater employees I understand working for various U.S. organizations in Iraq. What will the impact be on U.S. ability to function in all of these areas?

AMB. SATTERFIELD: Barbara, we have expressed our sympathy to the Iraqi government, and Secretary Rice will be calling Prime Minister Maliki very shortly to express directly her concern and sympathy over those killed in today's incident. We are – we being the Department of State, the embassy with the assistance of the multinational forces in Iraq – investigating now what the circumstances were behind these deaths, behind the shootings that lead to the deaths.

I think all of you, particularly those who have been in Iraq, understand very well what the security environment on the ground is like outside the international zone. We will find out what happened. We make the results of that inquiry very clear to the government of Iraq and all of those concerned. And we will do so on as expeditious a basis as we can. But I think you will also understand really can't speak more to this now as we attempt to inform ourselves on the circumstances of what went on.

MR. ALTERMAN: Aziz Fehimi (ph) in the front row.

Q: Good morning. Aziz Fehimi, from Saudi TV Channel 2.

When the day that the president delivered his speech to the nation, he hosted a lunch for some American journalists. And many of them said that the president made very strong emphasis about the fact that he made a comparison between the situation in Korea and the situation of Iraq, and that the United States will have a long-term commitment toward Iraq, and will sign a long-term security agreement with Iraq. Can you speak of that? Is this going to be happening before the president leaves the White House, and whether this has a ramification way beyond its time?

AMB. SATTERFIELD: Well, Aziz, I will address the last part of your question in terms of long-term strategic relationship. Following the Iraqi political leadership meeting some weeks ago, the leaders of Iraq made a statement. Part of that statement in which they articulated objectives for themselves was the desire to enter into a long-term strategic relationship with the United States, and to conduct the necessary discussions that would ultimately produce an agreement on what the shape, character, basis of that relationship would be. And included in that of course would be the basis for a U.S. or broader multilateral force presence.

Those discussions are in the most nascent of stages right now. But certainly, yes; as we see the challenges in and interest in Iraq and the region as a whole, as enduring, we believe a strategic basis for our presence in Iraq is something that is desirable and necessary as we have such a relationship and basis in other countries. And the precise form it may take, the timeline on which will necessarily be done, that I can't dictate at this point to you with specificity, but they, the Iraqi government, and we, are very much interested in proceeding on that course.

Q: Will it be possible to talk about – (off mike).

AMB. SATTERFIELD: I'm not going to speak to durations.

MR. : Greg Aftandilian (ph)

Q: Thank you. Greg Aftandilian with Congressman Chris Van Hollen's office.

Mr. Ambassador, there were many mixed sectarian neighborhoods in Baghdad over the violence over the past few years. They've been, quote, unquote, "cleansed" of

one group or another. And apparently walls have been built up separating various groups. So how does this trend comport with your comments about local reconciliation and how do you see that trend develop?

AMB. SATTERFIELD: The situation in Baghdad remains very challenging, Baghdad and its immediate environs. It is not as calm and quiet as Ramadi; that is an ironic statement to make, given how Ramadi looked a year ago. You all recall the Marine lieutenant colonel's intelligence assessment that Anbar was lost. Well, we want to see Baghdad improve and Iraqis want to see Baghdad improve as well. The situation there is very challenging, very difficult.

There has undoubtedly been an isolation of communities that have taken place in Baghdad over the course of the year-plus since the February 2006 Samarra Golden Mosque bombing. We would like to see Baghdad reemerge as a functional unit, not collection of units; but that is going to be a long-term challenge for Iraq security forces; frankly, for our forces, as long as they have a significant population security role and mission in Baghdad, and finally for the government of the political leaders of Iraq, because what is the source of the conflict within Baghdad? Was the violence from group on group; some of it inspired from outside; some of it coming from within? That has got to come to an end.

And I'm not glossing over the challenges faced here. But, yes, we believe a Baghdad in which mixed communities, the concept of mixed communities still has viabilities. It's very important if nothing else than as a symbolic demonstration that Iraqis can live together, different ethnic groups, different religious groups together. And if that is not going to be the case in Baghdad, the center of political gravity for the country, then it's hard to see how that extends elsewhere. Anbar is homogenous; Baghdad is not. Diyala is not as well. Salah ad Din is not as well. And so those will be critical test areas as well.

We are encouraged by what we see in Diyala and Salah ad Din in terms not of cleansing but rather of functional accommodations and cooperation taking place on the ground between Shi'a and Sunnis. Much more needs to be done in Baghdad.

MR. ALTERMAN: Arnaud in the front row.

Q: Arnaud de Borchgrave, CSIS.

Ambassador, did President Sarkozy state it correctly the other day when he said that if diplomacy fails with Iran, the two remaining options would be to learn to live with the Iranian bomb or to bomb Iran?

AMB. SATTERFIELD: Well, the last thing I will do is attempt to explain the statements of the president of France on that or other issues. But I believe that Foreign Minister Kouchner's most recent statements had indicated the degree of concern with which the French government at very senior levels regards the concept that Iran, this

regime in Iran, will develop a nuclear weapons capability. And Foreign Minister Kouchner has certainly expressed those concerns in the form of the unacceptable – and I don't think that it is too strong an interpretation – the unacceptable consequences such an acquisition will pose; not just for the United States but for France and for the European Union.

MR. ALTERMAN: Tom.

Q: Tom Lipman, Middle East Institute.

Some months ago, you and others in the administration had talked quite publicly about the flow of let's call them troublemakers to Iraq through Damascus. It appears that flow has perceptibly and perhaps substantially diminished? Is that true and if so why?

AMB. SATTERFIELD: Not at all. No, there has been no significant diminution in the flow or the consequences of the flow. From all of the indicators that we have, the majority of suicide bombers in Iraq continue to be foreign nationals. Those foreign nationals, while their specific national point of origin may shift from time to time – Saudis are in the lead at present; other groups have been in the lead in the past – the fact is that they come and come in overwhelming numbers through one place: Syria, through Damascus airport primarily, although not exclusively into that country.

They transit through Syria. Their facilitation networks are best developed in Syria. They come across the Syrian border. And whatever the actions of the Syrian regime may or may not have been with respect to parts of those facilitation networks that they regarded were posing a threat to the Syrian regime, there has not been a significant impact upon the flow of fighters across the border into Iraq. The fact that al Qaeda – successful al Qaeda bombings, suicide bombings are down as significantly as they are, owes nothing or relatively little to actions taken by the Syrian government; owes a great deal to the actions being taken by our own forces who are very aggressively postured against this al Qaeda threat as well as Iraqi security forces.

MR. ALTERMAN: Paul. There we go.

Q: I wonder, regarding Blackwater, wouldn't it be a heavy blow to the U.S. in Iraq if Blackwater were barred given the need for security help in Iraq? And secondly, I wonder whether you can say whether the administration is likely to make its decision on the listing of the Quds force as a terrorist group within the next week before President Ahmadinejad comes to New York.

On your first question, as I said in response to Barbara's question, we are in touch with the Iraqi government. We are also investigating the circumstances which we will communicate to the Iraqi government. I'm not going to speculate on consequences either in terms of Iraqi government actions or our own postures. Let's let the investigation and our contacts flow through.

With respect to your question, I'll reiterate what we and I have said on this issue. We are very concerned about the activities the Iranian Republic and Guard Corps, very concerned about the activities of its subsidiary element the Quds force both in Iraq and elsewhere. We are postured aggressively against these activities. They are very threatening, they are very harmful to our broad interests in Iraq as well as elsewhere. We will consider what steps are appropriate and effective.

To deal with that challenge, there are a variety of authorities available to the president in this regard. When we have an announcement to make on a specific measure or set of measures, we'll make the announcement, and I'm not going to speculate beyond that.

MR. ALTERMAN: Second row right here.

Q: Ben Lando, United Press International and Iraqoilreport.com.

I'm wondering if you can expand on your statement that there is a need for a hydrocarbon law in Iraq. Explain your thoughts behind that and whether it falls in the category of accommodation or reconciliation at this point. In part of that, if you can explain the status of the oil law and the revenue sharing law –

AMB. SATTERFIELD: Well, then I read you to find out where the law stands from day to day.

Q: We'll quote each other I guess.

AMB. SATTERFIELD: (Chuckles.)

Q: And your thoughts on also what is holding it up right now.

AMB. SATTERFIELD: Sure. What's holding it up is the lack of the sets of accommodations, the common vision between groups on where the country is to go. The oil law is the manifestation in many ways of how provinces – how the center is to relate to the non-center and vice versa – whether they're provinces or regions. What accommodations are to be made as Iraqis live together in a form of a nation: more federal, less federal; more centralized, less centralized. That's what's informing the difficulties of the past year in coming to file agreement on the law. We certainly believe a modern, comprehensive, national hydrocarbon law is of a critical advantage and interest to all Iraqis.

Whatever the attractiveness to some players in the sector may be – and I'll let you define just how many players that might be and for how long – to striking a unilateral deal with a piece of Iraq, I think for most companies, particularly the majors, they're going to want a deal that reflects the totality of Iraq. They're going to want to know where can they move product? Where can they establish themselves? They're going to

want the broadest understanding of national policies, national law before they invest significantly in Iraq.

The purpose of a hydrocarbon law is to maximize investment in the oil structure, the hydrocarbon sector of Iraq, which is still the 95 percent plus foreign currency earner for that country, so that the maximum degree of revenues can be developed. Then you need a second piece: a revenue management law that allocates those enhanced revenues on an equitable national basis. Now, on that last point, there obviously is neither a hydrocarbon law nor a revenue management law; but functionally, we're seeing national level allocation of hydrocarbon derived resources taking place everyday.

Where did the \$210 million for Anbar Province come from – or \$220? It came from hydrocarbon resources. This is a practical accommodation in the absence of that national structure and framework. National framework is very much needed because you don't get the enhanced revenues. You don't get the enhanced investment and production and distribution that only a law can bring. But from the other secondary aspect, you also want to see center-to-province; center-to-region distribution of resources that is emerging and that's positive.

Q: I'm Charles Dehan (sp). I'm more involved with Morocco but –

AMB. SATTERFIELD: And I'm involved not at all with Morocco.

(Laughter.)

Q: You haven't mentioned at all or show concern about Turkey and the border of the Kurd and now have the Kurd being bombarded by Iran at the same time.

AMB. SATTERFIELD: Well, we are very much concerned about the presence on Iraqi territory of a terrorist organization whose activities inside Turkey have killed, over the last year, hundreds of innocent Turks, both security forces and civilians. That's an unacceptable and intolerable situation and there's no secret about the strength of our views in that department. We have had very detailed, continuing talks with the Turkish leadership, with the Kurdish regional government leadership, and with the Iraqi leadership on this issue and the challenges it poses to all of us.

We do not want to see a cross-border operation take place, the consequences of which could be unpredictable and potentially destabilizing. But we do not wish to see a continuation of the situation in which a terrorist group is able to conduct operations from or plan operations from the territory of what is, in Turkish eyes and certainly our eyes, a friendly state, Iraq, and a region of Iraq, which has the utmost interest in good relations with Turkey, the Kurdish Region.

This is a major challenge and it's a challenge, which needs to be address first and foremost by Kurdish regional governmental officials, by the government of Iraq, and also, by the government of Turkey. And we will do all we can, as a party with excellent



contacts with all three, to try to see subsequent progress made. This is a very difficult issue, but we certainly understand why Turkey is as concerned as they are about this threat being addressed and we share that concern.

MR. ALTERMAN: The gentleman right here in the aisle. You have about five more minutes.

Q: Sitam Blatt (sp). Mr. Ambassador, much as has been said about the ups and downs in political reconciliation. I wonder if you would talk a little about how you see the future of reconstruction, including U.S. participation, other donor participation, and I think you briefly mentioned the Iraqi participation, in terms of their budget in Anbar.

AMB. SATTERFIELD: Sure. We are moving out at an evermore rapid pace as the remains of the \$21 billion in Iraqi reconstruction funds, the IRF funds, spent through from reconstruction in Iraq on the part of the U.S. government with a capital R. Big project reconstruction. By some point in 2008 – and I don't think is very far into the year – those funds will have been spent through. The economic assistance we have requested to the Congress or may request in the future from the Congress for Iraq will be primarily in the area of development of capacity: smaller micro-enterprise, micro-credit lending programs, local development programs, ministerial and national government capacity issues rather than capital R, reconstruction.

But does Iraq have significant dramatic reconstruction needs? Of course it does. The old World Bank estimate from 2003 of \$100 billion in reconstruction needs has only grown as time has passed. We see the vehicle for mobilizing this reconstruction effort to be the international compact for Iraq. That's the vehicle that sets out the commitments, which the Iraqi government has made. many of which it has already carried through on to develop a framework of laws, regulations, which provide for an investor-friendly, private-sector-friendly environment in that country because at the end of the day, with needs that great, the majority of the response is going to come from private-sector investments.

It's not going to come from public sector or governmental investment – important as that is, including death forgiveness, which is perhaps the most important immediate chunk of public sector assistance to Iraq. But as Iraq's security situation improves, as they move forward on implementing a hydrocarbon law, a good trade regime and tariff regime, we would hope that they become a magnet for private sector investment. That's what going to kick this kind of development off.

MR. ALTERMAN: Ralphie in the corner.

Q: Hi David. I'm Ralphie Danzinger (sp) that's from APEC. According to press reports the biggest obstacle to a new security council resolution on Iran is the position of China, which is concerned about its oil resource ability with Iran; it is critical for its oil resources. Has it been possible to discuss with the Chinese a possibility of alternative oil resources so that China could come along and support such resolution?

AMB. SATTERFIELD: Ralphie, we very much want see a third Chapter VII Security Council resolution. We believe it is absolutely justified by the circumstances and that the preceding resolutions very much looked – given Iran's confrontation with the international community and with the Council resolutions. This is what those resolutions look toward. This is not easy. We will be engaging over – and in some cases – the days to come, weeks to come in diplomacy with all the key parties, starting with the P5+1 political directors in advancing this process and then with P5 ministers in moving us forward.

Our intent is very clear. The end of the road is very clear. It's another resolution, assuming that Iran doesn't change its behaviors, which I don't think is predictable. The Chinese are certainly an issue, so are the Russians. But we will be working to move this forward. We are very determined to address Iran's posture towards the international community with another unified front by the international community directed at Iran.

MR. ALTERMAN: Gentleman in the second row here in the middle.

Q: My name is Barot Gregors (sp). I am from the Turkish embassy. Mr. Ambassador, could you address the security situation in the south, in particular after the withdrawal of the British forces and its wider implication to the region? Thank you.

AMB. SATTERFIELD: British forces re-deployed from the Basra Palace compound or complex, where they and we were co-located to the Basra Air Station outside the city of Basra. But British forces remain responsible for and remain present in Basra Province. They have not withdrawn, nor has that province switched to provincial Iraqi control. It's often called PIC. That has not taken place yet. The British government will, of course, speak itself to its own plans with respect to its force presence. But we are in a political as well as the multi-national force in Iraq at the military level, the closest coordination with British political as well as security officials. General Petraeus and Ryan Crocker are today en route to London for consultations there with the most senior levels of the British government.

We want to see, with respect to PIC, a ground circumstance-based decision made that reflects the views of all parties, including the Iraqi government's. We want to see an addressal (sp) in a strategic and comprehensive a fashion as possible of the continuing coalition needs in the south and they are significant. And we look forward to further discussions on this. But British forces have not withdrawn from Basra Province.

MR. ALTERMAN: We have run out of time. I want to thank – before we all break up, Amy Harik (sp) and Christian Farr (sp) for working the microphones. Greg – (inaudible) – for running logistics, and especially to thank Ambassador David Satterfield for a fascinating – (inaudible). (Applause.)

AMB. SATTERFIELD: Thank you.

(Applause.)

(END)