

**CENTER FOR
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THE NEXT PHASE IN AMERICA'S RELATIONSHIP WITH IRAQ

**WELCOME:
RICHARD ARMITAGE,
TRUSTEE,
CSIS**

**MODERATOR:
STEPHEN FLANAGAN,
SENIOR VICE PRESIDENT,
CSIS**

**SPEAKERS:
JAMES B. STEINBERG,
DEPUTY SECRETARY,
U.S. DEPARTMENT OF STATE**

**JACOB J. LEW,
DEPUTY SECRETARY FOR MANAGEMENT AND RESOURCES,
U.S. DEPARTMENT OF STATE**

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RICHARD ARMITAGE: Well, good morning, ladies and gentlemen. I'm Rich Armitage. I'm John Hamre's doppelganger this morning. The president of CSIS is otherwise occupied with a previous commitment so he's asked me to stand here and I'm in his stead. And I'm happy to do so for three different reasons.

The first is I'm a member of the board of CSIS, so I'm honored to be able to participate in these activities. The second is I was in on the takeoff, as it were, on this Iraq situation, so I want to see how the flight's going on and how the landing's going to be. But third of all, I'm pleased to be here because I can stand alongside and in front of you, acknowledge that we have, this morning, appearing before us, two of our most experienced, able and gifted public servants.

And so who would miss an opportunity to be with our two deputy secretaries of state, Jack Lew and Jim Steinberg? You know, our president gave a rather interesting one in many ways, courageous, speech, Monday to the Disabled American Veterans Conference in Atlanta. And in it, he announced that, as he had said during his campaign, that we were going to wind up the military mission in Iraq.

And he's as good as his word. On 31 August, we're going to change our mission from one led by soldiers and service members to one led by diplomats. We've got a new team in Iraq with Ambassador Jim Jeffries, who's no stranger to Iraq, returning after serving in Turkey and we've got Gen. Lloyd Austin, who will be commander of our remaining military forces.

So this morning, we're going to hear, first of all, from Deputy Secretary Steinberg, who will discuss the strategy and policy that directs our new efforts in Iraq. And following that, from Secretary Jack Lew, who will discuss how we're actually going to implement this on the ground.

I particularly want to note with gratitude, Secretary Lew's presence here. As you've all been aware – or are aware – he's going back to the future, assuming the advice and consent of the U.S. Senate, to be the director of OMB. I, as a citizen, very much appreciate the fact that you're willing to suit up again. It's not a pleasant task and we are much the better for having you in the position.

So Jim, if I could ask you to step up and then followed by Jack.

JAMES B. STEINBERG: Thanks, Rich, for those kind words and it's very good to be here with you and Steve. I don't think it will escape anybody's attention that it took two of us to fill Rich's rather formidable shoes, so we know what a great public servant he has been and I've benefited from his advice and counsel both in previous administration, in this administration and in the times that we've both been out of government. So really pleased to be with him today and the enormous contribution he's made over such a long time to our national security.

It is a good opportunity to have a chance to talk to you following the president's own remarks that Rich talked about at the DAV because this is an important moment in our evolving relationship with Iraq and our engagement in Iraq. And it's also a good time to reflect on both where we've come from and where we're going.

And as Rich said, I'll talk sort of broadly about the overall strategy and Jack, who's been in Iraq – just got back a few days ago – will give you a bit more of a report from on the ground. But as we think about this next stage with August 31st coming up and the end of the combat mission, I think it is useful to reflect on the goals that the president set out when he took office 18 months ago and how far we've come in terms of implementing and achieving those goals.

It was on February 27th at Camp Lejeune in 2009 that the president laid out his strategy for Iraq and I'm going to take the liberty of quoting him at a little bit of length – it never hurts to quote the president. In that speech, he said – and he laid out – and he said, “Our strategy is grounded in a clear and achievable goal shared by the Iraqi people and the American people, an Iraq that is sovereign, stable and self-reliant.

To achieve that goal, we will work to promote an Iraqi government that is just, representative and accountable and that provides neither support nor safe haven to terrorists. We will help Iraq build new ties of trade and commerce with the world and we will forge a partnership with the people and government of Iraq that contributes to the peace and security of the region.”

That was the goals. The president's also clear at the time – and he went on, he said, “What we will not do is let the pursuit of the perfect stand in the way of achievable goals.” We cannot rid Iraq of all those who oppose America or sympathize with our adversaries. We cannot police Iraq's streets until they're completely safe nor stay until Iraq's union is perfected.

And I think that perspective is one that has guided us from the beginning and I think it is important to recognize as we approach this milestone, how much we've been able to do in terms of achieving that goal. By the end of August, just in a few weeks time, the number of U.S. troops in Iraq will be reduced to 50,000. That's a drawdown of over 90,000 troops since the president and the secretary took office and Operation Iraqi Freedom will come to an end.

We're transitioning to a strong, civilian-led relationship with Iraq in which our troops are present in Iraq and will remain there to train and advise the Iraqi security forces, conduct targeted counterterrorism operations and protect the continuing civilian and military efforts while we work to continue to enhance our cooperation with Iraq in a diverse set of areas outlined in the strategic framework agreement between the United States and Iraq that went into effect in January of 2009 and I'll come back to the SFA in just a minute.

Now, clearly, the reason that we have been able to execute the strategy is because of the increased capability of the Iraqi security forces. They've moved into the lead, over the last two years, particularly after the United States troops pulled out of Iraqi cities in June of last year. There are now well over 650,000 of the Iraqi security forces, a huge expansion from just a few years ago, an enormous increase in capability.

Though, as the president said, we haven't ended all violence in Iraq and that there are – continue to be some attacks, the trends and casualties and the number of attacks has clearly been dramatically down. And the arrest of over 30 major al-Qaida in Iraq leaders recently is further proof of the significant improvements in Iraqi security. So the end of this month will represent the achievement of that full transition to an Iraq security lead.

At the same time, we've seen a really dramatic political evolution in Iraq as well. Since January of 2009, the Iraqi people have demonstrated the vitality and sturdiness of their commitment to democracy, especially on the two important elections that have been held during that period, the January of 2009 provincial elections and the national elections of March 2010.

Participation in national elections has exceeded 60 percent and Iraq's political processes has proved that it can handle the difficult question of challenges to poll results using legitimate and law-based channels. We are very impressed and we applaud the way the election was conducted, the way the results were reached and the way the Iraqi leaders are working hard now to reach agreement on the shape of an inclusive and representative government to which they're all committed.

Now, we all recognize that this process is a bit messy and we're all eager to help support the efforts of the Iraqi leaders to find an implement a successful government. But what's important to recognize is that as these talks continue, this is taking place through dialogue, discourse, debate and discussion rather than turning outside the process or turning to intimidation and violence.

And equally important, as this government formation process takes place, the caretaker government is successfully implementing and carrying out the responsibilities of government, maintaining security, delivering essential services and it's important work that will continue. So they're forming a government in the context of the country's own constitutional order and something we would like to see move forward as quickly as possible because there are urgent matters that need to be attended to.

And clearly, the ability to address some of the more difficult challenges that Iraq faces – the difficult political challenges – will be enhanced by the formation of a new government. Now, it's true, again, that there are many – and there still remain forces in Iraq that are trying to undo the progress that's being demonstrated over the last 18 months. And it's also true that the completion of government formation will strengthen the ability to take on those forces as well, as well as make it possible for Iraq to strengthen its relationships with its neighbors.

We also look forward to working with Iraqis as they move forward on the other issues demanding urgent attention, ranging from the hydrocarbon law and the needs of returning displaced persons to the resolution of disputed internal boundaries and the delivery of key services. So these are all challenges that are in front of us. But what is also important to recognize is the United States' own commitment will continue as Iraq takes these things on.

As I mentioned, with the strategic framework as our guide, for the United States in our next phase of the relationship, this partnership that we have with Iraqi people and the Iraqi government is being transformed. And it's important just to recall the breadth and scope of the SFA – seven specific areas of cooperation from political and diplomatic, defense and security, cultural, economic and energy, health and environment, information technology and communications as well as law enforcement and judicial cooperation, all supervised by a high-level coordinating committee chaired on our side by the secretary of state and by the Iraqi prime minister.

It's also important to see our continued commitment and this transition in Iraq in terms of our enduring commitment, both to Iraq and to the broader region. We're building a strong civilian partnership with a sovereign, independent nation of Iraq, consistent with our principles of mutual respect, mutual interest and mutual responsibility. And our commitment to Iraq and the region is strong and lasting.

We will, of course, continue to engage in active diplomacy. And as our military footprint grows smaller in Iraq, we're going to take the necessary steps to assure, on an ongoing basis, a security engagement in the region that will be strong and capable and will be able to support the stability of the region and the security of our friends and partners, as well as protecting our own national interests.

This is an important set of work ahead, but I think we look back on the last 18 months with satisfaction and appreciation, particularly at the efforts of our Iraqi partners. So let me now turn it over to Jack.

JACOB J. LEW: Thank you, Jim and thanks, Rich, for that very kind introduction. These have been busy weeks and there was some thought that maybe a week in Iraq was not – this was not the best time for it. But frankly, we decided that it was so important to get this right as we go through this transition, that notwithstanding the fact that there were many demands for time here in Washington, we kept the trip on and had a very productive week in Iraq.

As the president said on Monday, in just over three weeks, we're ending our U.S. combat mission in Iraq and reducing our troop presence to 50,000. This is really the beginning of a transition to a civilian-led bilateral relationship with Iraq. Our ultimate goal is a transition to full Iraqi responsibility, to build a long-lasting relationship with the Iraqi people and the Iraqi government and to support Iraq's reintegration into the region.

Our strategy is really being implemented on two tracks. The first is an internal transition of our own mission in Iraq from a military to a civilian-led operation. And the second is the transformation of our bilateral relationship from one that is dominated – or has been dominated – by security to a long-term political, economic and cultural partnership, which as Jim said, is based on a strategic framework agreement.

These changes are occurring against the backdrop of Iraq's transition in leadership following its parliamentary elections and while they're forming their own government. The partnership between our civilian leaders and their military counterparts, both on the ground in

Iraq and here in Washington has never been stronger. And we're working closely together to ensure a successful transition to civilian lead in Iraq.

We're all committed to working with the people of Iraq, as Jim said, to create an Iraq that is sovereign, stable and self-reliant and of course, for stability in the region. We've worked closely with our embassy in Baghdad, our colleagues at the Pentagon and across other U.S. agencies to come up with a plan, a strategy that meets the needs and responds to the needs of the Iraqi people and our own interests.

While Jim has been taking an active role in the formation of our diplomatic policy, I've focused heavily on developing the program to make sure that we have the funding, the resources, the people needed to implement our policy and ensure that we have an effective way to use those resources on the ground.

Since 2009, there have been more than a dozen trips to Iraq by senior officials, including the president, the vice president, Secretary Clinton, Jim and myself. I think this underscores the independence that we place in getting this transition right. Going forward, our strategy will focus on ways to make a difference in Iraq, not just by supporting the growing capabilities of Iraq's security forces, but by helping to build stronger institutions at the national and local level, assisting the Iraqis with shaping fair and durable agreements on divisive issues, strengthening the police, rule of law and administration of justice, combating corruption and promoting the efficient delivery of basic governmental services.

During the trip that I just came back from, we had intensive consultations where we went through, in great detail, all the planning that's been done over the last 18 months because we're really, now, at the moment of shifting from planning to execution on this transition from military to civilian programming.

As the president noted, we're in the middle of this process and our extraordinarily capable team on the ground has been working nonstop to ensure a smooth transition. I met with many members of our team and I returned with great confidence that we really have a first-rate team in Baghdad and in all of the places where we're going to have an enduring presence.

To be sure, challenges remain, but we're working closely with the military, our own military and the government of Iraq to meet transition deadlines. The trip provided me with the chance to talk at length with our teams in both Baghdad and many of the PRTs outside of the capital.

We were in Arbil, Mosul and Basra and I observed the PRT operations, the work of the police training program, the activities of the Department of Justice's Major Crimes Task Force. And we have extensive conversation with Gen. Odierno and the other senior military leadership in Iraq. I also had the opportunity to overlap with Adm. Mullen so that he and I were able to – while we were there – actually compare notes on how the transition is going and what we need to do as we get into this final stage before execution.

Let me start with on conclusion that I hope you all take away from our session today. The U.S. government and specifically, the Department of State, has put enormous effort into planning a successful transition. We've been laying the foundation for this new phase in our partnership with Iraq for well over a year now and we're really prepared for a smooth handoff when the military drawdown is complete.

Civilians from across the U.S. government have been working alongside their military counterparts for five years now. The steady progress in building Iraqi capacity along with the extraordinary sacrifices of our troops has allowed us to begin a new phase in our relationship with Iraq. Here, in Washington, we have shifted our work to focus on the policy of transition. We've developed an extensive set of plans and we continue to revise them to meet a changing situation.

We've identified urgent needs, likely challenges, multiple opportunities and we've tried out as many of the key decision points as we can, but it's not an easy task and Iraq will remain a difficult and sometimes dangerous environment in which to work. But the State Department is well prepared and we're now at the point to shift from planning to execution.

Let me make a few points just about the details. First, Iraq's prosperity and security is important to the Iraqi people, but also to the United States. We will continue to play a major role in trying to shape developments there with the goal of moving, over time, to a more normal bilateral relationship. This transition represents a bridge towards that goal.

Second, the scope and scale of the transition is virtually unprecedented. While everything that we'll be doing, we've done in other places, we're doing it in a different way, in a different intensity and in a more difficult environment than ever before. Many of the lines of operation for which the State Department will assume responsibility began with the military.

The State Department cannot and will not duplicate these operations on a one-per-one basis. President Obama noted that the United States government's commitment in Iraq is changing from a military-led effort by our troops to a civilian-led effort by our diplomats. Our civilian-led programmings will be qualitatively different from existing military programs and they'll be designed to meet the needs of today and tomorrow.

For example, the police training program under the Department of Defense included contributions from thousands of military personnel. The military-led program centered on training and development of entry-level police officers throughout the country. As we transition, we've begun doing something quite different. It's higher-level engagement and a shift to a train-the-trainer model.

Moving forward, our programs will adopt a more integrated approach through the training, not only of police, but forensic investigators, prosecutors, judges and corrections officers. This comprehensive strategy is designed to ensure that we will make strategic investment to improve the overall administration of justice, thereby strengthening the rule of law.

Third, making a qualitative difference means that we must continue to have the best people possible in place. I was really struck by my stop in Mosul by the way in which our people there act as a force multiplier, enabling the United States to use every instrument of national power effectively.

Our talented and experienced civilians are working on the tough issues that complicate life along that inter-ethnic and communal fault line. The department's senior leadership has devoted a lot of time and energy to make sure that we have the right people in these key positions and will continue to do so.

Finally, the most recognized of the upcoming transition in our relationship with Iraq is not without financial cost. It will be difficult for us to fulfill the many security-related responsibilities now handled by the military. However, our talented officers continue to develop responsible, creative ways to keep our people and facilities secure within the resources that are available for a civilian mission.

We understand the need for fiscal responsibility and we will look forward to working with the government of Iraq for financial support as it develops the necessary infrastructure and implements the necessary economic reforms to become self-sustaining. To this end, Congress recognized the importance of the United States building a bridge to Iraqi stability and self-reliance and has funded us to build a strong presence outside Baghdad in a number of major centers.

Let me close by framing what's at stake in this transition. For most of its modern history, Iraq has been aligned with our adversaries, a threat to our friends and interests in the Middle East and a destabilizing force in the region. We have a historic opportunity, now, to help Iraq emerge as a strategic partner of the United States and a force for stability and moderation in a troubled region.

Given the grave threats we face from Iran, al-Qaida and other state and non-state actors in the Middle East, we can't afford to let the gains that we've sacrificed so much for in Iraq slip away before they're cemented. To be sure, there is considerable risk associated with transitioning to a civilian-led program. However, our civilian presence is crucial to help our Iraqi partners develop a stable, secure and self-reliant country. Thank you.

MR. ARMITAGE: Thank you, Secretary Steinberg and Secretary Lew. Our distinguished guests have agreed to take some questions from the audience. My friend, Steve Flanagan, is going to moderate this. Would you direct your question to either of our secretaries. Indicate who you'd like to see answer or both and I have promised them they are out of here at 11:30. Unlike many of us – me – they've got real jobs. So at 11:30, we'll put the hammer down, here. Steve?

STEPHEN FLANAGAN: Thank you, Rich, and thank you both deputies. Let me also just say a word of welcome to Ambassador Bedi (ph) of Iraq who's joined us this morning. We have about 30 minutes for questions, ladies and gentlemen. We have people in the room with roving microphones. We would just ask you to identify yourself and your affiliation, please, and

I'll – yes, right there in the first row – the second row, third row, there. The lady on the left and then – the lady on my – sorry, go ahead.

Q: Hi. This is Saibi (ph) from TV Asahi, Japanese TV station. Let me ask you about Hiroshima, Japan, please because tomorrow is Peace Memorial Day for after they got atomic bomb in Japan 65 years ago. Tomorrow, Ambassador Roos is going to the ceremony and people from Hiroshima are expecting President Obama follows when he comes to Japan next November – this November. So do you think it's likely or unlikely that happens? Thank you so much.

MR. STEINBERG: Well, as you had noted, Ambassador Roos will be there and I think it's particularly important in light of the strong commitment that President Obama has made to work to the long-term vision of a world without nuclear weapons, it's a chance to reinforce our strong commitment to that vision and to taking the steps we can in the near term to reduce the role and numbers of nuclear weapons, as has been seen the START agreement, the important agreement that we reached with Russia, as well as the other steps that we're taking. But as a good State Department official, I wouldn't care to speculate on what the president's plans are.

MR. FLANAGAN: The gentleman on the end in the fourth row.

Q: Thank you. My name is Said Arikat. I'm an independent journalist in town, but for five years, I was United Nations spokesman in Iraq until last May. And I can tell you that the country continues to suffer from great many injustices, but perhaps one of the starkest one is Chapter 7.

And I want to ask you, sir, what is your administration is doing to get Iraq from underneath Chapter 7? I can add that my – formerly, my boss, Mr. Adnorke (ph) yesterday, to the Security Council said that Iraq knows exactly what it needs to do to get from underneath that. I beg to differ. I think that Iraq needs to be taken out from that horrendous injustice.

MR. STEINBERG: One of the priorities that the Iraqi government has stressed to us and which we share is to move Iraq out of Chapter 7 as part of the Iraq taking its normal place and its rightful place in the international community. That's an important project and we've taken a number of steps already to move forward on that front.

There are a number of different kinds of Chapter 7 resolutions relating – ranging from resolutions involving the old WMD program to measures involving Oil-for-Food and the like, as well as the continued dispute with – and a final resolution on the question of its external borders. And we've taken this as a priority.

Ambassador Rice and those of us in Washington have worked very closely with the prime minister, with Foreign Minister Zebari and others to move forward on these fronts. We've made real progress, particularly with respect to the weapons of mass destruction resolutions and Iraq's very strong commitment, as evidenced by its commitment to the implementation of the Additional Protocol to the NPT, which is an important step in that.

There are some steps that Iraq, itself, continues to need to take. There are some issues that, if you wind up the final contracts under Oil-for-Food, some of those contracts are held by companies and member states of the permanent members and those are in the process of being negotiated. But I'm encouraged by the steps that have been taken. We do share the sense of priority that the Iraqi government places on this and we're working step-by-step to deal with each of those resolutions through the Security Council.

MR. FLANAGAN: Yes, the gentleman here in the fourth row, second seat in.

Q: Dan Dombey, Financial Times. I'd like to ask the secretaries to expand, if they could, on Secretary Lew's concluding remarks about the strategic importance of Iraq when he talked about it as a force for stability and moderation in the region. Given that it's sometimes harder to understand or to summarize U.S. foreign policy to Iraq than in past decades when we had dual containment of Iraq and Iran, for example, could you spell that out a bit more?

For example, does the U.S. expect Iraq to remain a strong military ally? Is its model of democracy something that you expect other countries in the region to follow? Do you expect Iraq to be a force of moderation in the Israeli-Palestinian dispute? It'd just be interesting if you could tease out some of what that force of moderation and stability in the region really means and what longer-term U.S. strategy for Iraq amounts to.

MR. STEINBERG: I think the decisions about Iraq's future, of course, will be made by the Iraqi people themselves, but we have a lot of confidence that the emerging democratic, plural society in Iraq is likely to be a force for moderation. The very fact that this is an open society in which there can be political discourse and debate contributes to an environment which we think will be a productive one.

We're not going to be in a position to try to dictate that or to dictate the choices that the Iraqi people make. But if they see a strong friendship with the United States, a strong commitment with the United States in this new civilian-led relationship to help strengthen Iraq's economy, to build its human capacity, to work on issues like education and health and environment with them, then we think that will be a strong basis for a partnership going forward.

And I think that's part of the reason why we're investing so much in this relationship. So I think this is – we are deeply committed to Iraq's sovereignty and independence. This is going to be a country that will make its own choices.

But we believe that the project that we've engaged in together will contribute to a very positive development in the region and show that the United States can develop strong relationships with confident, independent, democratic societies there, which will at least be a very positive model that others can look to and see the benefits that the Iraqi people will be reaping from this new political opportunity that they have.

Q: (Off mike.)

MR. FLANAGAN: Say again?

MR. STEINBERG: It's a model for everyone. I mean, I don't think it's just for the region. We think open, plural, tolerant societies are a model, whether it's in the Middle East or the Gulf or other parts of the world as well.

I think this is something we obviously value, especially our partnerships with other open, democratic societies. And I think it shows, whether it's in the Middle East or in East Asia or Southeast Asia or any other part of the world, that the benefits of having these kinds of open, rule-of-law systems, produce concrete benefits for their people irrespective of the history, culture, geography, et cetera.

MR. FLANAGAN: Secretary Lew wanted to comment on this.

MR. LEW: I think it's clear that the progress that's made in Iraq, led by the Iraqi people, is going to be the key to Iraq being the force for stability in the region. And if you travel in Iraq, it's just striking how important it is, before it even spreads, just to have the stability there. I mean, you travel from the north and you can see Turkey. You travel into the south and you can see Iran and Kuwait.

It's a key region of the world, where having an island that's stable makes all the difference. And I think we take it one step at a time, but the fact that Iraq is working hard on building these institutions internally is something that is both important for itself and as an object lesson in a region that needs a pathway.

MR. FLANAGAN: I wonder if I could interject while you're on this theme of the region – both deputies – what role will the members of the former Iraq coalition play in coordinating assistance? Or is there some effort to coordinate among some of those countries in their assistance to Iraq, with what the U.S. will be doing? And what about states in the region?

MR. LEW: I think that the work that we're doing, we continue to do in consultation with allies. But it's really Iraq taking the lead for itself. And our partnership is with the government of Iraq, the people of Iraq.

And I think that the, you know, challenge of – the financial challenge is one that we're bearing a great deal of responsibility for right now. So it would obviously be ideal to have the ability to share a lot of the responsibility with others. But as we plan our efforts, we're planning, really, a bilateral program where the assistance we provide in police training, in administration of justice, is designed with the government of Iraq to meet the needs that have been identified.

MR. FLANAGAN: But would it be coordinated with other countries, such as Turkey or others that have been very active in development of parts of Turkey, or – parts of Iraq?

MR. STEINBERG: Just to build on Jack's point, in the past we've had formal structures of external coordination. But again, once we've moved to an Iraqi-led system, I think that's where we want to see the lead, rather than having, sort of, an outside group that's developing

assistance programs. We want to develop the capacity of the Iraqis to do this and then we can work with the other partners.

There are much more traditional mechanisms to do this. For example, the World Bank is engaged in Iraq and there is an opportunity to provide a coordinating mechanism there. But I think the kind of external friends-of-Iraq-type structures that existed in the past probably are less well-suited to a situation where Iraq is really taking the lead and, sort of, defining its own needs and then working with partners.

But clearly, we want to coordinate where others can because so much of this – as we think about the programs going forward, this is not, kind of, traditional assistance. This is capacity-building. This is work-end. So we'll be looking for partners who can contribute concretely into various areas in Iraq itself, in developing their ministries, in developing the kind of capacity in the areas that our strategic framework has identified. We can then look for individual partners in each of those areas.

MR. FLANAGAN: Thank you. There's a question all the way in the back, by one of the cameras there.

Q: Thank you. Josh Rogin, Foreign Policy magazine. Gentlemen, thanks for taking the time today and thank you for your service. My question is for Deputy Secretary Lew. Mr. Lew, as of 2012, the military mission in Iraq will end. The civilian mission, the largest in the world, will continue.

As you prepare the next budget for 2012, in your capacity as deputy secretary of state – not as your capacity as nominee for director of OMB – do you believe that these recurring, predictable costs in a country where, as of 2012, no U.S. troops will be deployed should be paid for on-budget, or continue to be paid for through emergency off-budget funding bills? Thank you.

MR. LEW: I think that the request that we made this year that was largely funded just last week in the supplemental appropriation reflects the approach that we've been taking and, I think, that we will continue to take. We need to define the mission, define the resources that are needed, be clear about the fact that there are extraordinary costs. The security costs, the facility costs are unlike the costs in almost any other place.

And we requested the funding for the program that we think we need to be effective. The future will be different, in the sense that once we've constructed facilities, we will then have to run the programs. So the budget that we've already proposed was very heavy on capital requirements: to build buildings, hard cover, acquire vehicles with proper security features.

Going forward, we'll have a full year of program that we have to support. And we've been very clear in all of our communications between the State Department and Congress that the request we made for this year reflects just a quarter of a year of program. So there will be substantial increases in the operating, the program costs, going forward.

You know, I think the response of Congress in the appropriation, while it funded a very substantial program, also reflected the fact that there won't be unlimited resources. We're aware of that. We've been as careful as you can be to construct programs. But frankly, we cannot send civilians into places like Mosul without recognizing the security requirements that are there. So if they don't go with the security features that are necessary, they can't operate and they can't be safe. So at some level, the question is, do you undertake the mission or don't you undertake the mission?

And I think we got approval for undertaking quite a large mission. It may not be as large as the mission that we might have ideally had if we'd gotten full funding, but wherever we go, we will go robustly prepared to have the kind of political interaction, programmatic involvement, that's necessary to be effective. Something that was clear to us as we went through the debate this year is that the challenge is to see not just the increase in civilian spending, but to see that in the context of a reduction in military spending. Military spending for this year in Iraq, for 2011, is going down \$15 billion.

We need to look, as a whole, at what our U.S. government effort in Iraq is costing. And I think there's, by any measure, a dramatic reduction because of the sharp reduction in military spending, which will be greater as we go into 2012 and the full withdrawal of combat troops. I think that, you know, the question of mechanisms is one that is, frankly, secondary.

Once one defines the need and a commitment to meet the need, there's a variety of ways to do it. From a programmatic perspective, the critical thing is to be accurate and honest about defining the needs, to refine them as you go through and if there are increases because this is an unusual mission, to confront those and meet them. And then to fund it and not to take on a bigger mission than you have the funding to do effectively, but to take on a mission with all of the resources to make it so that our people can be safe and effective.

MR. FLANAGAN: Okay, there's a gentleman midway down the room, in the middle aisle here on the right side. Yes? Thank you.

Q: Thank you. Charlie Wolfson with CBS. Can either of you gentlemen take on the question of Iran's role? As we're downsizing militarily and increasing the civilian input, what role has Iran played and what role do you anticipate it will play after we've gone to where the president's gone?

MR. STEINBERG: Thanks, Charlie. When Jack and Adm. Mullen were in Iraq a few days ago, he was asked about this and I think he captured it pretty well, which is that we have been – we have seen in the past, on occasions, Iran has played an unhelpful and dangerous role in supporting violence and antigovernment activities. We remain very mindful and watchful about the possibility that that might be continuing.

As Adm. Mullen pointed out, he doesn't believe right now that that's having a significant effect, but it's something that we obviously want to watch very carefully. More broadly, I would say that we would expect Iran to play the same kind of role that all of the other neighbors play, which is to be respectful of an independent, sovereign Iraq in which the Iraqi people make their

own decisions about their future and receive the positive support and encouragement of its neighbors.

And that, I think, is the posture that we are encouraging all of the other neighbors to play. And I think most of them strongly support that. And we've seen the growing willingness of many, particularly of Iraq's Arab neighbors, as well as Turkey, to be friends of the process and to encourage the very positive developments that are going forward, to create greater international engagement for Iraq. And we would Iran to meet the same standards.

Q: Is that an "expect" or a "hope"? (Laughter.)

MR. STEINBERG: I think we will just leave it at expect.

MR. FLANAGAN: Okay. Arnaud de Borchgrave, here in the second row? Right here. Oh, you already passed it. Well, why don't we take the lady right on the end there, sorry.

Q: Thank you. Karen DeYoung with the Washington Post. I wonder if you could talk about the numbers of increase in personnel in Iraq: how many government employees compared to what you have now? How many contractors compared to what you have now? And going back to the budget question, if you could look at not the 2012 budget, but the 2011 budget, where your own appropriators have already indicated that they're not going to give you the money that you've asked for, what changes have you made in the program in response to that?

MR. LEW: Well, we are working through the exact numbers of civilians and support personnel for the civilians. But we're obviously moving from 100,000-plus military to a much smaller number of civilians. We're going to be seeing increases that measure in the hundreds to thousands, not the tens to hundreds of thousands.

You know, we're refining the plans. Our goal is to put the right number of people that we need to get the mission done. But frankly, no more than we need because this is very expensive. Each person we bring out has a significant amount of associated costs, in terms of security personnel, life support personnel and the like.

The funding for 2011 is still very much a work in progress, so I think it's premature to respond to one or another mark. I think that the supplemental appropriation was something that was a final decision. It was a decision that did not fully fund our request. And we have worked to refine our proposal, our program, to work within the envelope of funding provided. I think that it will have implications, in terms of the scope of reach of our police training program.

We have been refining it to be in the most population-intensive locations, where there's the highest impact. That means there will be other places that we don't have a police training capacity. That doesn't mean we won't be able to reach people in those areas. We're coming up with other ways to have people come into us for training. Anyone who has done police training in difficult environments knows that it's much better to be out in the field, working one-on-one than to do classroom training.

But we're going to have a mix of approaches. Where we have the resources to be in those population-intensive areas, we will get out. And where we don't have the resources, we'll bring people in. You know, in terms of the number of places where we have a diplomatic presence after the drawdown, we had originally planned something that was slightly larger. We may have to shrink it by a site.

I think these are important decisions, but I'm going to go back to something I said a few moments ago. We can't spread ourselves so thin that we don't have the capacity to do the job in the places where we put people. It takes a certain amount to get either a consulate or what we're calling an embassy branch office up and running. If we don't put people in a place where they have mobility, where they can go out and meet with people and implement their programs, there's very little argument for being in the place we send them.

So each of the places that we go, we will have the complement of resources that's necessary to operate effectively. I think one can always make the case that it would be better to have a broader presence and be in more places. I'm very comfortable that what we're doing now is defined to meet the high strategic needs with a program that is well-crafted to have a very high probability of being effective in a very difficult environment.

There will be many surprises along the way. When one comes back after a week of travel like I had last week, it's very sobering to think about the environment after the, you know, drawdown of U.S. military is complete. But I actually left with hopefulness as well that our relationship with the Iraqi security forces is improving daily, that our need and our ability to depend on that partnership to provide some of the support that we've gotten, in the past, from the U.S. military has to be even greater in the future.

And that's all part of having a more normal bilateral relationship with a sovereign state that has these kinds of capacities. So while I won't say that I'm happy that we got less funding than we asked for and I won't say that it will be exactly the same program it would have been, had we been fully-funded, I'm quite confident that we've put together a program that will meet the needs of the mission.

MR. FLANAGAN: Okay, yes. I have a lady on the middle row, in the middle of the fourth aisle here, who's been patient. Right there, yes, sorry.

Q: Thank you. Mindy Reiser with the United Nations Association of the National Capital Area. In terms of priorities, education would seem to be pretty critical. You know, certainly, that so many professionals have left Iraq and the numbers of physicians and teachers and scientists have really diminished. So in terms of your guidance to AID and your work with the World Bank and other multilateral donors, how are you prioritizing need?

There's also the issue of women, in a variety of contexts, and pressures on them. Obviously, Iraq is a sovereign state and has its own traditions, but I wonder, in terms of emphases, capacity-building, assistance by NGOs, what you might do as a friendly support to make sure that some of the issues of women's place and women's possibilities are not bypassed or diminished?

MR. LEW: You know, I think that there are many things we could do very usefully in Iraq over the coming years. We've taken the view that we need to tackle the most strategic challenges and do those things well.

So the reason I've been talking as much as I have been about police training and administration of justice is, those are considered to be the things that we have to achieve in order for all of the other things that, you know, we and the Iraqi people hope for to have the kind of future that we look ahead to. We will also be doing more traditional development work. You know, we have a substantial development program in Iraq. We look forward to maintaining it for this period of time.

And it will have an emphasis on economic development; it will have an emphasis on focusing on the role of women and the treatment of women. But I think we have to be careful about suggesting that we have the capacity to change everything that needs to be changed in Iraq, over a period of 10 or 20 years, in a three-to-five-year transition period where our goal is, at the end of it, after the U.S. military withdrawal is complete, is to have a bridge to a more normal bilateral relationship between our two countries.

There will be much to do in Iraq at the end of those three to five years. If we're successful in building this bridge, so that we can reduce our presence in an orderly way to a more normal level of diplomatic presence, then the Iraqi government will have the capacity to take over and maintain programs and generate its own programs for the future.

At the same time, while developing the economic resources of Iraq, through the infrastructure work, to take advantage of the oil resources in Iraq – that's the key to this three-to-five-year period being successful. I think we have to be careful not to define the goal as having, at the end of this five years, all of the issues that will take, I think, decades of work, kind of, tied up in a bow.

MR. STEINBERG: Let me just add – and maybe it's my parochial interest as a former educator myself – one of the areas of the strategic framework agreement is education cooperation. And I think there are some things that we are doing on a government-to-government basis. We're strengthening the Fulbright program. There are a number of things that we are doing there.

But equally important, we're facilitating an exchange between Iraqi universities and American universities, trying to get more academics – both Iraqi academics to the United States and Americans to Iraq. There was a fairly vibrant capacity there; it was degraded over time. But there's a lot of interest in the academic sector here, especially, obviously, in tertiary education, which is the place where we've been able to organize the best.

But in the context of those, the coordinating committees on education, we are facilitating a lot of this dialogue, which can then help define, from an Iraqi point of view, what their priorities and needs are and think about – both on a government-to-government, but also on a private-sector basis – how we can strengthen that capacity.

MR. FLANAGAN: Yes, there's a question here in the middle. Lady in the fourth row – fifth row, right here.

Q: Thank you. Nadia Bilbassy with MBC Television, Middle East Broadcasting Center. My question is for Jim. You expressed frustration at the inability of the Iraqi – different parties to form a government. Yet, at least publicly, you don't want to seem like interfering in Iraqi politics. Some believe that the major obstacle, or at least one of the obstacles, is from minister Nouri al-Maliki. Do you think he's an obstacle to forming a government? And do you endorse a coalition without him?

MR. STEINBERG: Frustration is your word, not mine. And that is not our view. I think we are understanding of the complexity. Indeed, the very reason this is difficult is precisely because of the successfulness of the political process that's taken place, that Iraqis voted, they participated, they supported a broad range of interests. And they are trying to find a way to have those interests fully represented.

And the fact that it takes so long is a reflection of the fact that there seems to be a very broad consensus within Iraq that there needs to be an inclusive resolution here, that there's not going to be one or two parties that walk off with the prize and run the risk of polarizing society again. So we obviously would like to see this happen sooner rather than later. I think the Iraqi people would like to see it happen sooner rather than later.

But we also want it to happen right and we want it to come out of a political dialogue. So we clearly don't take a position. This is for the Iraqi political forces for themselves to determine. We don't have a candidate or somebody we oppose. We think the only thing that is – from a U.S. perspective, which we think is the Iraqi perspective – is that this be as inclusive as possible, so that everybody comes away from this feeling that their voice will be heard as part of the government going forward.

And we don't see the kind of polarization that took place in Iraq's past. And we are, obviously, deeply engaged. We've had a lot of discussions with the parties. We want to understand the issues. We're happy to make suggestions when they can be perceived as helpful.

But we understand the priority that the Iraqis themselves place on not having this done through outside interference, or coercion or any other efforts. So we remain quite respectful of that goal while, obviously, you know, stressing to everyone that if we can get on with this, there's a lot of business that needs to be done. There's good work being done by the caretaker government. The basics are being done.

But some of the issues, the forward-looking issues, like getting a new hydrocarbon law, require the COR to reconvene and do business. So there are things that can't be done until there's a new government and that's why, other things being equal, we would like to see this happen as soon as the Iraqis can make it happen.

MR. FLANAGAN: Okay, I think we have time for just one last question. There's a question here in the middle, in about the fifth row, on the end on the right side. Yes, sir, right there.

Q: Bob Copaken, independent energy consultant. My question, I think, has been answered, but let me rephrase it. It has to do with the hydrocarbon law. Does the State Department expect that the hydrocarbon law will be completed before the end of the three-to-five-year period? (Laughter.) And if so, is it – what are the obstacles to its being completed? Is it the division of revenues between the central government and the provinces? Could you elaborate a little bit on that?

MR. STEINBERG: You know, I think you correctly point out that hydrocarbon law is shorthand for a variety of measures that are all connected to each other. Some of them have to do with the revenue-sharing issues. Some of them have to do with the status of the state energy sector, as opposed to the role of the private sector.

And all of these things need to get sorted out. Clearly, it is an important piece. These related pieces of legislation need to be worked out and, although we obviously would have liked to have seen it done in the last session of the COR, we understand that given the imminence of the national elections, it was likely that that needed to happen first.

The good news, as you know well, is that the evolution of the energy sector has moved forward in a lot of important respects. I mean, we've had some very successful options of energy resources. We've been seeing the energy companies coming in, beginning to do work. And so I think there's a lot of good to be seen there. We've had some understandings between the Kurdish regional government and the national government, to allow work to go forward on the Kurdish resources, without – even before the full resolution of the hydrocarbon law and the revenue sharing.

But it will be – the long-term future does require a strong legal framework. It also requires a better engagement by the Iraqi government on the infrastructure-related issues that are necessary to energy development. You can't just go in and drill. You have to have water; you have to have electricity. And so there are a bunch of infrastructure-related issues that are partially connected to the hydrocarbon law but also need to be done separately, which also, probably, require the engagement of a new government.

So this is an important priority. It will have a huge difference for Iraq's future, clearly, in terms of generating resources and jobs for Iraqis. This is critical to move forward and we look forward to working with the new government on that.

MR. LEW: If I could just underscore the last point Jim was making, the real limitation is the infrastructure limitation. It's not extracting oil from the ground; it's having the pipeline capacity to ship it and get it to market. That's ultimately something that takes governmental involvement, policy decisions being made. And it has a relatively long lead time, compared to drilling an individual well.

You know, we're very focused on the calendar because it's very important that Iraq, as a country with such substantial resources, have the ability to provide for its own needs as quickly as possible. It's not a country that will forever need our support. And having that transition well-planned and well-understood is very important because it gives us the ability to see how we can have a gradual reduction in the need for U.S. support and a concomitant increase in Iraqi self-sustainment. So the issues are very important and they do require policy judgments.

MR. FLANAGAN: We going to Mr. Armitage briefly.

MR. ARMITAGE: Well, our two guests have shown us enormous regard today by spending so much time with us. And I would like to request that we show them the same regard by, first of all, remaining seated while they exit, but more importantly – or else they'll not make their next appointments – but more importantly, to express appreciation for the time they have spent with us. I thank you very much. (Applause.)

MR. FLANAGAN: Let me just thank all three deputies, actually, for joining us this morning and also to the Lavrentiadis Group, our sponsor. And thanks to all of you for some good questions. Maybe the closing word on this is inshallah. Let's hope we do see a peaceful transition in Iraq. Thank you very much.

(END)