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Opening Statement
By Senator Richard G. Lugar
Hearing on Iraq
Senate Foreign Relations Committee
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I join the Chairman in greeting our witnesses and welcome this opportunity to examine U.S. policy in Iraq. Although the visibility of Iraq as a foreign policy issue has been reduced as the American troop presence has been drawn down, we will continue to have profound interests in developments there. The President has said that the American military mission will come to a close at the end of this year. As our military presence in Iraq diminishes, our civilian presence is being enhanced by thousands of personnel engaged in diplomacy, development, and security. Indeed, the U.S. Embassy in Baghdad is now the largest embassy in the world. An office of security cooperation of nearly one thousand Defense Department personnel is planned to mentor the Iraqi military.

Despite progress in Iraq, violence continues. The most recent report on the security of Iraq by the Departments of State and Defense cites improved conditions but labels the situation in that country as “still fragile.” Although the United States should continue preparations for winding down the military mission, withdrawal from Iraq cannot be the sole driver of our policy there. We have strategic interests in Iraq, and it is important that our government is exploring ways to further those interests in the absence of significant U.S. military power in the country. We also know that what happens in Iraq will have influence in many parts of the Middle East. Iraq’s status, stability, and relationships will affect balance of power calculations in the region. These are particularly important considerations given the ongoing upheaval in Egypt.

Our ideal for Iraq is that it becomes a stable, pluralistic society that enjoys a genuinely representative government, maintains a self-sustaining economy, and cooperates with the United States and other like-minded nations to resist aggression and terrorism. As we continue to work with the Iraqis, we will have to be judicious about how and when we exert leverage. Even if the Iraqi government prefers to maintain some optical distance from the United States, it has reasons to preserve a good working relationship with us, including our backing for its territorial integrity, our mediation services with some Iraqi groups, our technical expertise, our ongoing military training, and other benefits that we bring to the table.

As we pursue goals in Iraq, we face competition from Iran, which does not wish to see a pluralistic, modern, American-friendly society next door. At this stage, the Iraqi government has demonstrated its intent to maintain relationships with both Iran and the United States. But this is

not a static situation, and Iraq's alignment depends as much on domestic political forces as it does on calculations of its need for external support.

Iraq's ability to provide for its own security, meet budget demands, and maintain basic services, including electricity and education, will depend heavily on how it develops and manages its oil resources. Currently, Iraq is producing about two million barrels of oil per day. Based on the twelve contracts the Government of Iraq signed with international oil companies to develop fourteen oil fields, Iraq expects to increase production capacity by 400,000 barrels per day by the end of this year. The contracts call for Iraq to reach the extremely ambitious target of twelve million barrels per day by 2017. An authority at PFC Energy stated that this would mean Iraq would "achieve in seven years what it took Saudi Arabia 70 years to do." The hurdles Iraq must clear to make that happen are tremendous, however, and industry experts think that Iraq will be fortunate to reach 5 million barrels per day by the end of 2016.

To reach even the 5 million per day figure, the equivalent of adding about a half-million barrels per day per year over the next six years, would require absolute commitment by the government. It would require that a large share of oil revenues be reinvested into oil infrastructure. It would require that security continue to improve. And it would require that oil revenue and investments be handled transparently with a minimum loss to corruption. Iraq also will have to overcome the brain drain that has occurred in the country over the last eight years and seek an infusion of human capital – much as Saudi Arabia did – to help manage this massive effort.

Iraq's capacity for sustaining democracy will depend greatly on the outcome of its oil development efforts. If oil revenues are expanded and transparently managed for the good of the whole country, there will be less tension between factions and regions and more stability grounded in improved services and education.

What should the United States do to encourage the Iraqis to develop their oil production infrastructure, while simultaneously preventing the development of a petro-dictatorship over the longer term as oil revenues increase? How will our programs going forward help Iraq withstand pressures from Iran? Is the planned U.S. civilian presence in Iraq sufficient to achieve our strategic objectives, and are we confident that the planned security arrangements for the Embassy and other U.S. installations in Iraq are adequate and will allow American personnel to carry out their mission?

I appreciate very much the efforts of Ambassador Jeffrey and General Austin, and I look forward to our discussion today.

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