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THE STATE DEPARTMENT AND THE IRAQ WAR

Thursday, October 25, 2007

House of Representatives,

Committee on Oversight and

Government Reform,

Washington, D.C.

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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1 RPTS MCKENZIE
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4 Thursday, October 25, 2007
5 House of Representatives,
6 Committee on Oversight and
7 Government Reform,
8 Washington, D.C.

9 The committee met, pursuant to call, at 10:01 a.m., in
10 Room 2154, Rayburn House Office Building, Hon. Henry A.
11 Waxman [chairman of the committee] presiding.
12 Present: Representatives Waxman, Maloney, Cummings,
13 Kucinich, Davis of Illinois, Tierney, Clay, Watson, Lynch,
14 Higgins, Yarmuth, Braley, Norton, McCollum, Cooper, Van
15 Hollen, Hodes, Murphy, Sarbanes, Welch, Davis of Virginia,
16 Burton, Shays, Mica, Platts, Cannon, Duncan, Turner,
17 Marchant, Westmoreland, McHenry, Foxx, Sali, and Jordan.
18 Staff Present: Phil Schiliro, Chief of Staff; Phil
19 Barnett, Staff Director and Chief Counsel; Kristin Amerling,
20 General Counsel; David Rapallo, Chief Investigative Counsel;

21 John Williams, Deputy Chief Investigative Counsel; Theo
22 Chuang, Deputy Chief Investigative Counsel; Margaret Daum,
23 Counsel; Suzanne Renaud, Counsel; Steve Glickman, Counsel;
24 Christopher Davis, Professional Staff Member; Earley Green,
25 Chief Clerk; Teresa Coufal, Deputy Clerk; Matt Siegler,
26 Special Assistant; Caren Auchman, Press Assistant; Ella
27 Hoffman, Press Assistant; Leneal Scott, Information Systems
28 Manager; David Marin, Minority Staff Director; Larry
29 Halloran, Minority Deputy Staff Director; Jennifer Safavian,
30 Minority Chief Counsel for Oversight and Investigations;
31 Keith Ausbrook, Minority General Counsel; John Brosnan,
32 Minority Senior Procurement Counsel; Steve Castor, Minority
33 Counsel; A. Brooke Bennett, Minority Counsel; Emile Monette,
34 Minority Counsel; Christopher Bright, Minority Professional
35 Staff Member; Nick Palarino, Minority Senior Investigator and
36 Policy Advisor; Patrick Lyden, Minority Parliamentarian and
37 Member Services Coordinator; Brian McNicoll, Minority
38 Communications Director; and Benjamin Chance, Minority Clerk.

39 Chairman WAXMAN. The meeting of the committee will
40 please come to order.
41 We have a very tight time constraint this morning, so I
42 will make a very few brief opening comments, and we will have
43 Mr. Davis make his comments as well.
44 I want to begin by thanking Secretary Rice for being
45 here today. I know she had to adjust her schedule to
46 accommodate this opportunity for our hearing.
47 The Iraq war is our Nation's top foreign policy
48 priority. This has also meant an extraordinary sacrifice for
49 our troops and their families. Over 3,800 of our soldiers
50 have been killed, and another 28,000 have been wounded. And
51 we have already spent over $450 billion on the war.
52 For most of this year, Congress has focused its
53 attention on assessing the military surge. Much less
54 attention has been devoted to evaluating the political
55 progress in Iraq. But almost every expert agrees that
56 political reconciliation is the key to achieving lasting
57 peace in Iraq. As General Petraeus has observed, quote,
58 "There is no military solution to the problem like that in
59 Iraq." I think that is exactly right, and that is why it is
60 so important to assess what the State Department is doing in
61 Iraq and to understand the impacts that corruption,
62 mismanagement and lax oversight are having on our mission.
63 Beginning in July, our committee has held a series of

64 hearings to examine these issues. We have held hearings on
65 the Iraq Embassy, Blackwater and corruption in the Iraqi
66 ministries.

67 These hearings and our investigation have raised
68 important questions: Is the Maliki government too corrupt to
69 succeed? Have the reckless actions of private contractors
70 like Blackwater turned Iraqis against us? Why did the State
71 Department select a Kuwaiti company under investigation for
72 kickbacks and bribery to build the largest embassy in the
73 world? And can the State Department account for over $1
74 billion spent on a contract to train the Iraqi police?

75 The executive office with direct responsibility over
76 these issues is the State Department, and the official most
77 responsible for them is Secretary Rice. The quality and
78 effectiveness of her actions in Iraq and the State
79 Department's management are a matter of urgent national
80 concern, and that is the focus of today's hearing.

81 This week, President Bush asked the American people to
82 spend another $46 billion in Iraq. The President also is
83 continuing to ask our bravest Americans to risk their lives
84 there. As Congress evaluates these requests, we need to know
85 what the State Department is doing to combat corruption in
86 Iraq. We need to know whether the State Department is
87 capable of real oversight over Blackwater and other
88 Government contractors. And most of all, we need to know

89 whether the mistakes of the State Department have jeopardized
90 any chance for political success in Iraq.
91 Mr. Davis, I recognize you.
92 [Prepared statement of Chairman Waxman follows:]

93 ******** INSERT 1-1 ********

94 Mr. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

95 Secretary Rice, welcome. Your testimony today will give
96 much-needed perspective and context to the complex oversight
97 issues being pursued by this committee. We appreciate your
98 being here.

99 The high-level, results-oriented outlook you bring to
100 our discussions has been missed by those of us who want to
101 fix problems, not just fix blame. So far, our hearings on
102 Iraq have thoroughly and loudly described alleged
103 mismanagement failures and well-known challenges that have
104 led to no serious discussion about how to repair faulty
105 programs or disjoined processes. Pursuing only half of our
106 mandate under House rules, it has been all oversight, no
107 reform. I hope our dialogue today will begin to right that
108 imbalance.

109 Effective State Department operations in Iraq and
110 throughout the Middle East are critical to our national
111 security and our global strategic objectives. Military skill
112 and valor open the door, but the path to victory in Iraq,
113 however you define that term, can only be secured through
114 diplomatic and political dexterity in a dangerous and
115 volatile environment. So it is essential that legitimate
116 questions about State's operational strength and agility
117 receive sustained attention at the highest levels of the
118 Department.

119 With the Secretary's presence here today, there should
120 be no question that that is the case. Regarding the specific
121 issues before us--the use of private security contractors,
122 the coordination of anticorruption assistance, construction
123 of the Embassy compound in Baghdad, and barter efforts to
124 foster reconstruction and political compromise in
125 Iraq--Secretary Rice and the Department have been proactive
126 in identifying issues, addressing problems, improving
127 performance and increasing accountability.
128 Today we need to hear more about those initiatives, and
129 we need to learn what the Department needs from this
130 committee and from this Congress to protect and empower
131 America's diplomatic forces in Iraq.
132 Yesterday, the Department released a report by a special
133 panel Secretary Rice appointed to review policies and
134 practices governing personal protective services. The steps
135 recommended should improve coordination and management of
136 essential security functions in connection with critical
137 diplomatic activities. But more will be needed and more must
138 be done, as we look forward to hearing from the Secretary how
139 the Department plans to keep that role of security
140 contractors more closely in line with our larger goals in
141 Iraq.
142 Reports of construction problems and delays at the new
143 Embassy compound in Baghdad have to cause concerns, but

144 worries about cost overruns should not be among them. The
145 initial $592-million project was constructed under a
146 fixed-price contract, and any work required to fix
147 deficiencies or meet specifications will be completed at the
148 contractor's expense. The decision to expand what was
149 already the largest U.S. embassy in the world raises separate
150 fiscal and policy questions that I am sure the Secretary is
151 prepared to address.

152 Regarding corruption, it has to be conceded that no
153 amount of hand-wringing or feigned indignation here can
154 obscure the hard truth: The United States did not bring
155 corruption to Iraq, and it won't stop when we leave.
156 Focusing on the extent of corruption, rather than the effect
157 of anticorruption efforts, betrays a desire to publicize
158 corruption, not to help fix it. Efforts to refocus and
159 re-energize anticorruption programs in Iraq are under way,
160 and we look forward to hearing more about them.

161 Yesterday, with characteristic tact and understatement,
162 the Secretary described to the Foreign Affairs Committee the
163 issues she was invited here to discuss as management
164 challenges. But we have to acknowledge they are more than
165 that. We should have no illusions about the subtext of these
166 hearings.

167 Unable to reverse course, the Democratic strategy seems
168 to me to drill enough small holes in the bottom of the boat

169 to sink the entire Iraqi enterprise, while still claiming
170 undying support for the crew about to drown. As that
171 strategy unfolds, we should not underestimate the corrosive
172 impact of our diplomatic standing on the morale of those
173 pursuing U.S. goals in Iraq when we gratuitously flog these
174 problems publicly without constructive solutions.
175 Madam Secretary, you bring a productive, forward-looking
176 perspective to our discussion today. We thank you for your
177 continued cooperation with Oversight.
178 Thank you.
179 Chairman WAXMAN. Thank you, Mr. Davis, for your
180 statement.
181 We are going to go right to the Secretary.
182 Madam Secretary, it is the practice of this committee to
183 put all witnesses under oath. So I would like to ask you to
184 stand and raise your right hand, if you would.
185 [Witness sworn.]
186 Chairman WAXMAN. Thank you. The record will reflect
187 that you answered in the affirmative.
188 We are pleased to have you. And your prepared statement
189 will be made part of the record in its entirety.
190 Because of the time constraints that are placed upon the
191 committee, we are going to ask you to limit your oral
192 presentation to no more than 5 minutes. There will be a
193 little clock in front of you. When there is 1 minute left,

194 it will turn yellow, and then when the time is up, it will
195 turn red.
196 There is a button on the base of the mike, so be sure it
197 is pressed in so that we will know it is working. And pull
198 it as close to you as you feel you need to.
199 Thank you.

200 STATEMENT OF THE HONORABLE CONDOLEEZZA RICE, SECRETARY OF
201 STATE

202 Secretary RICE. Chairman Waxman, Representative Davis,
203 members of the committee, thank you very much.
204 And I hope, Chairman Waxman, I won't need the entire 5
205 minutes, because I'm really here to answer your questions.
206 I want to just make a few opening contextual points,
207 nonetheless. And that is to underscore the importance of
208 success in Iraq for American foreign policy and, indeed, for
209 our security and for that of the world as a whole.
210 I also want to associate myself with something that you
211 have said, which is that the success of our political efforts
212 in Iraq, the success of what civilians bring to the fight, is
213 absolutely crucial. And I want to acknowledge the hard work
214 of the men and women of the State Department, our foreign
215 service, our civil service, our foreign service nationals and
216 our contractors, who are playing an essential role in
217 carrying out our policies in Iraq and people who, frankly,
218 are in great danger. They are away from home, they are away
219 from friends, they are away from families, as our military is
220 as well. And yet, they serve shoulder to shoulder with our
221 military, some of them actually embedded with brigade command
222 teams, dodging IEDs, just as our military people do. They

223 serve in an embassy in which they are subject to indirect
224 fire. They are operating in perhaps the most complex
225 circumstances that we have faced as a Department of State.
226 And they do it with valor, they do it with dedication, they
227 do it with great patriotism. And everything that we say
228 today should remember that, because these are people for whom
229 we want to give the very best support because they're giving
230 it all to their Nation.

231 I want to note, too, that it's a complex and difficult
232 operating environment in Iraq. This is a country that is
233 recovering from decades of tyranny. It is recovering from
234 United Nations sanctions under the Oil-for-Food Programme
235 that, frankly, warped the economy and warped the society. It
236 is a country that didn't even have a functioning banking
237 system, something that we are still trying to help them
238 establish. We are trying, through our programs, to help them
239 find skilled labor, skilled personnel, so that they can
240 establish the institutions of governance, the institutions of
241 management that, frankly, after our long experience, we
242 simply take for granted.

243 These are difficult tasks in the best of circumstances.
244 I think if you read World Bank reports or other reports about
245 trying to bring governance and management capability to young
246 states, you will find that it is always hard. It is
247 extremely hard when you are working in what is essentially a

248 wartime environment.

249 And so, I just want to acknowledge the very hard work
250 and the dedication of our people. And I'm now prepared to
251 take your questions, Mr. Chairman.

252 Chairman WAXMAN. Thank you very much.

253 We will proceed with 10 minutes by each side, controlled
254 by the Chair and controlled by Mr. Davis, and then we will
255 move to 5-minute rounds.

256 And the Chair will recognize himself.

257 Secretary Rice, one of my concerns, as we look at Iraq,
258 is that our troops are sacrificing their lives, our Nation is
259 spending hundreds of billions of dollars, to prop up a regime
260 in Iraq that looks like it is fundamentally corrupt.

261 Our committee held a hearing on the corruption in Iraq,
262 and at this hearing we heard from Judge Radhi Hamza al-Radhi.
263 He told us some important things at that hearing. He was
264 appointed as the commissioner of the Iraq Commission on
265 Public Integrity by Ambassador Paul Bremer. And Stuart
266 Bowen, the Special Inspector General in Iraq, had nothing but
267 high praise for him, as did Ambassador Lawrence Butler from
268 your State Department. They paid tribute to his courage and
269 his tenacity, and they said that his departure from the scene
270 in Iraq was a real blow.

271 At that hearing, Judge Radhi described a rising epidemic
272 of corruption inside the Maliki government that is even

273 funding the insurgency and undermining any efforts of
274 political reconciliation. He told us, and I quote,
275 "Corruption in Iraq today is rampant across the government,
276 costing tens of billions of dollars, and has infected
277 virtually every agency and ministry, including some of the
278 most powerful officials in Iraq," end quote.
279 I assume you are aware, Secretary Rice, that Judge Radhi
280 told us his investigators had identified an enormous sum, $18
281 million, that corrupt Iraqi officials have stolen. Are you
282 aware of that?
283 Secretary RICE. I'm aware of Judge Radhi's testimony to
284 you, Mr. Chairman.
285 Chairman WAXMAN. Thank you.
286 He also told us that 31 people on his staff were
287 brutally assassinated when they tried to investigate these
288 corrupt officials. Were you aware of that?
289 Secretary RICE. I'm aware of his testimony to you, Mr.
290 Chairman.
291 Chairman WAXMAN. And he testified that the family
292 members of another 12 of his staff were tortured and
293 murdered. Were you aware of that?
294 Secretary RICE. Again, I'm aware of his testimony to
295 you.
296 Chairman WAXMAN. These are the Iraqis who are doing
297 exactly what we asked them to do. They are trying to create

298 a functioning government and democracy in Iraq. But they are
299 not the Iraqis running the government. In fact, Judge Radhi
300 and his family have been driven out of Iraq and have been
301 granted humanitarian parole in the United States.
302 Judge Radhi raised specific concerns about the integrity
303 of Iraq Prime Minister Nouri al-Maliki. He told this
304 committee that Prime Minister Maliki used secret orders to
305 stop investigations of corruption of top Iraqi ministers,
306 including al-Maliki's own cousin, Salam al-Maliki, the former
307 minister of transportation.
308 Do you know whether this is true? Did Prime Minister
309 Maliki intervene to obstruct a corruption investigation of
310 his cousin, the transportation minister?
311 Secretary RICE. Mr. Chairman, let me say that some of
312 the questions that you are asking may indeed get into areas
313 in which there are concerns about the exposure of sources.
314 Chairman WAXMAN. I don't want you to expose any
315 sources.
316 Secretary RICE. Yes.
317 Chairman WAXMAN. I am just asking you whether you are
318 aware that Prime Minister Maliki intervened to obstruct a
319 corruption investigation of his cousin, the transportation
320 minister.
321 Secretary RICE. Let me say that everything that has
322 been brought to the attention of either various boards in

323 Iraq or to our people is being investigated.

324 Chairman WAXMAN. So you are aware of this allegation,
325 and you are aware that this--

326 Secretary RICE. I am not personally following every
327 allegation of corruption in Iraq, Mr. Chairman, but I am
328 certain that we are tracking these allegations of corruption,
329 because no one is more concerned about allegations of
330 corruption in Iraq, no one is more concerned about what is,
331 in fact, a pervasive problem of corruption, than we are.

332 Chairman WAXMAN. Well, you are the Secretary of State.
333 You are not tracking every incidence of allegations of
334 corruption, but this is an allegation that the Prime
335 Minister, al-Maliki, has obstructed an investigation of his
336 cousin, the transportation minister.

337 And we have thousands of Americans who are dying there.
338 We are spending hundreds of billions of dollars in Iraq to
339 prop up this government.

340 And let me just ask you this question again: Do you
341 know whether Prime Minister Maliki obstructed a corruption
342 investigation involving his cousin, the transportation
343 minister?

344 Secretary RICE. Mr. Chairman, we investigate every--we
345 investigate allegations of this kind because we, more than
346 anyone, are concerned about corruption in Iraq and certainly
347 would be concerned with an allegation of this kind.

348 But I can't comment on this specific allegation. I
349 don't want to do so without reviewing precisely what you are
350 talking about.
351 Chairman WAXMAN. Well, you are investigating it. This
352 has been a charge that has been around for a while. The
353 question is, what do you know? Do you know whether--
354 Secretary RICE. Mr. Chairman, I am--Mr. Chairman, I am
355 overseeing a very large organization, and we are determined
356 to look at allegations of corruption, the ones that you are
357 talking about, the ones that we have found. We have many,
358 many hundreds of documents, hundreds of reports of
359 corruption. We investigate them all.
360 But nothing is going to be gained by speaking
361 prematurely about allegations without fully investigating
362 them.
363 Chairman WAXMAN. Well, this is a big deal. This is the
364 Prime Minister of the country.
365 Secretary RICE. I agree with you; it's a big deal.
366 Chairman WAXMAN. His government that we are propping up
367 with the lives of our soldiers and the billions of dollars of
368 our taxpayers money--and this is not a minor accusation.
369 Now, let me ask you about something else.
370 Secretary RICE. Well, Mr. Chairman, precisely because
371 it's not a minor allegation, I think it is worth giving the
372 time to it to fully investigate it before discussing it.

373 Chairman WAXMAN. Judge Radhi gave the committee copies
374 of secret orders from Prime Minister Maliki's deputy. And I
375 had the secret orders, and we extended a copy to you. These
376 orders say that the Iraqi Commission on Public Integrity
377 cannot refer for criminal prosecution the Iraqi President,
378 the Council of Ministers or any current or former ministers,
379 without the Prime Minister's permission. In effect, this
380 order immunizes all the most senior officials in the Maliki
381 government from any corruption investigation.
382 Is this true? Is this what this order does provide?
383 And did Prime Minister Maliki's office issue orders
384 protecting current or past ministers from corruption
385 investigations?
386 Secretary RICE. Mr. Chairman, no one in Iraq is going
387 to escape corruption probes. I don't care what kind of order
388 is--
389 Chairman WAXMAN. No, no. Are you aware of that order?
390 Secretary RICE. I believe that you are referring to
391 something that is--because there's an executive branch and a
392 legislative branch that are treated differently. Is that the
393 point?
394 Chairman WAXMAN. No. The point of the order is that
395 Prime Minister Maliki has issued an order saying that he may
396 not be investigated, nor may his minister be investigated, of
397 full corruption, which means they are immunized from

398 anything--

399 Secretary RICE. Well, I can tell you--

400 Chairman WAXMAN. Excuse me, Secretary. Excuse me.

401 Which means they are immunized from the investigation by
402 the Iraqis, themselves, of corruption. Are you aware of that
403 order? And does it trouble you that such an order has been
404 issued?

405 Secretary RICE. Well, Mr. Chairman, I will have to get
406 back to you. I don't know precisely what you are referring
407 to. It is our understanding that the Iraqi leadership is
408 not, indeed, immune from investigation.

409 Chairman WAXMAN. Well, we held this hearing on October
410 4th. The State Department sent Ambassador Butler to testify.
411 We went through all of this with him. We even gave him
412 copies of this order. And I don't know if you are telling us
413 you haven't seen them or, now that you've seen them, you
414 don't believe them.

415 Secretary RICE. No. I'm telling you, Mr. Chairman,
416 that I will get back to you on this question. If, in fact,
417 there is such an order, and if this order is meant to
418 immunize rather than to make certain that the investigation
419 is by appropriate bodies in Iraq, that would certainly be
420 concerning.

421 Chairman WAXMAN. Well, this order that was shown to us
422 by Judge Radhi, it was discussed at our October 4th hearing.

423 We even asked Ambassador Butler from the State Department
424 about it. And we expected you to come in and give us your
425 view of such an order. Because it, in a sense, says that you
426 believe everything is going to be investigated in Iraq. They
427 are not planning to investigate corruption by the Prime
428 Minister or any of his ministers. And if that is the order,
429 I think you ought to tell us that you are as outraged as we
430 are. Because we want corruption investigated and not just
431 left for you to get back to us another time.

432 Secretary RICE. Mr. Chairman, I have just stated that
433 it would not be the intention of the United States of America
434 that any official in Iraq, including the Prime Minister, the
435 President or members of the Council of Representatives, would
436 be immune from investigation for corruption. I must get back
437 to you on the specifics of the order that you are talking
438 about because I don't know whether there are other bases on
439 which people can be investigated.

440 But I will tell you unequivocally that if there is a
441 situation which the Prime Minister or the President of the
442 Council of Representatives could escape investigation from,
443 concerning corruption, yes, that would be deeply concerning,
444 and it would not be an acceptable policy, from the point of
445 view of the United States.

446 Chairman WAXMAN. Thank you very much.

447 I gather I have used pretty much my full 10 minutes. So

448 we will go to Mr. Welch the first time that it comes around
449 to the Democratic side.
450 I will yield to Mr. Davis for his 10 minutes.
451 Mr. DAVIS OF VIRGINIA. Thank you.
452 Madam Secretary, let me just ask, would it be unusual
453 for senior Department officials of any administration,
454 Republican or Democrat, to make public accusations of
455 corruption about an ally where we are engaged in significant
456 military, diplomatic and political efforts? I mean, what
457 would be the implications of publicly--
458 Secretary RICE. Well, Representative Davis, I wouldn't
459 want to make public allegations about corruption for anybody
460 unless I could be certain that they were substantiated,
461 corroborated. And I would hope that it would be understood
462 that the last thing that we want to do is to talk about
463 allegations rather than fully investigating them, rather than
464 taking the time to see if they can be corroborated.
465 And that would, by the way, follow whether it was an
466 ally or an adversary. I think it is best for the integrity
467 of the United States that we not simply engage in allegations
468 that may or may not be corroborated.
469 Mr. DAVIS OF VIRGINIA. Well, let's turn to a more
470 proactive note. What are we doing to address corruption in
471 Iraq at the diplomatic level?
472 Secretary RICE. Well, we understand that the corruption

473 is a pervasive problem in Iraq. But, as you said,
474 Congressman, this didn't come with the United States. This
475 is a place that was, of course, a dictatorship. There was
476 corruption before we got there. There was, of course, the
477 Oil-for-Food Programme, which we know was a source of
478 considerable corruption--and, by the way, not just corruption
479 of Iraqi officials, but corruption of a number of
480 international officials as well.

481 So what are we doing? We are working very aggressively
482 with the Iraqis. We've spent almost $47 million in
483 anticorruption measures with them. We have supported their
484 institutions, the Commission on Public Integrity, the Board
485 of the Supreme Audit and the Inspector General. And there's
486 an additional $350 million or so that is going into
487 rule-of-law programs.

488 But I just want to emphasize, in almost every discussion
489 that I have with leaders, with finance ministers, with
490 ministers of defense from almost any country in the world
491 that is not a mature democracy, corruption is a problem. And
492 it is one of the issues that the President has been strongest
493 on, and that will be true about Iraq as well.

494 Mr. DAVIS OF VIRGINIA. Do you think that the Iraqi
495 government has the political will to fight corruption, try to
496 put an end to it?

497 Secretary RICE. I do know that there are people in the

498 Iraqi government who feel extremely strongly about
499 corruption, and they certainly feel strongly that no official
500 should be immune from prosecution or, indeed, from being
501 punished if corruption can be demonstrated.

502 And I wanted to say that the characterization of every
503 Iraqi in the government as someone who is corrupt and
504 engaging in graft while we admittedly sacrifice, I would just
505 challenge that there are any number of people in the Iraqi
506 government who also have lost family members, who every day
507 deal with assassination and death threats. There are a lot
508 of very brave Iraqis who are trying to make their country
509 better, as well.

510 Mr. DAVIS OF VIRGINIA. Thank you.

511 Let me turn to the issue of the private contractors in
512 Iraq, particularly security contractors, because that is
513 really under your ambit. How do you plan to increase the
514 coordination between agencies here and on the ground in Iraq
515 with the security contractors?

516 Secretary RICE. Well, I was very grateful to the panel
517 that went out to Iraq--Pat Kennedy, along with General
518 Joulwan, Ambassador Roy and Mr. Boswell. And they have come
519 back with a number of recommendations for a better
520 coordination where the State Department is concerned.

521 But I think the next step, Representative Davis, is that
522 we will sit with the Defense Department. Bob Gates and I

523 talked on the phone. He is travelling. We have asked the
524 deputy secretaries to establish some recommendations on
525 procedures for coordination, not just for State and Defense,
526 but there are multiple contractors working in Iraq for other
527 agencies, other NGOs. And obviously we need a
528 better-coordinated policy for all of them.
529 Mr. DAVIS OF VIRGINIA. All right.
530 Mr. Shays?
531 I would yield some time to Mr. Shays.
532 Mr. SHAYS. Madam Secretary, thank you very much for
533 coming.
534 I can't think of hardly anything this new Congress, my
535 Democratic colleagues, have done to help our soldiers win in
536 Iraq and allow them to come home succeeding, rather than
537 failing, to help the Iraqi people live in a safe and free
538 Iraq, free from terrorism, free from foreign intervention.
539 I, frankly, can't think of hardly anything.
540 And I was struck by the comment of House Majority Whip
541 James Clyburn, who said that, basically, if the Iraqi war
542 went well, it would be bad for Democrats.
543 I have served on this committee for 20 years. And
544 everything this committee has done since we have gone into
545 Iraq, in this last year in particular, has been to try to
546 point out everything bad that is going on.
547 What I would like to ask you is, what would be gained,

548 how will our troops be safer, how will they be able to
549 succeed if you did a frontal assault against the Prime
550 Minister, accusing him of being corrupt? Tell me what will
551 be gained from that.

552 Secretary RICE. Well, I see nothing that could be
553 gained from a frontal assault. But I want to repeat,
554 Representative Shays, what I've said. Our view is that
555 corrupt practices are unacceptable. And we're working very
556 hard in difficult circumstances to help Iraq develop
557 procedures and not to allow people with impunity. So whoever
558 it is, they should not be engaged in corruption.

559 But to assault the Prime Minister of Iraq or anyone else
560 in Iraq with here-to-date unsubstantiated allegations or lack
561 of corroboration in a setting that would simply fuel those
562 allegations I think would be deeply damaging. And, frankly,
563 I think it would be wrong.

564 Mr. SHAYS. Well, I have been to Iraq 18 times, and
565 every time I have gone there, almost every time, I have been
566 told by American officials that we are continuing to confront
567 the Iraqi government on a whole host of issues, among which
568 is dealing with corruption at the highest levels. We know
569 that we are doing that. But to have you have to come before
570 a committee of Congress and declare that the Prime Minister
571 is corrupt blows me away. And I am grateful that you are
572 showing an incredible concern for our troops who are there.

573 Let me ask you this. Congress recently, in the Foreign
574 Affairs Committee/International Relations Committee, passed a
575 resolution basically condemning Turkey of genocide. I happen
576 to be on that resolution, but I can't imagine, for the life
577 of me, what good that will do.
578 How will that help us work with the Turkish government,
579 and how will that help us have our troops in Iraq succeed?
580 And what are the consequences of that resolution moving
581 forward?
582 Secretary RICE. Well, we believe that the consequences
583 of that resolution could be quite dire.
584 First of all, we acknowledge the--and the President's
585 acknowledged--the mass killings that took place in 1915.
586 He's acknowledged that we consider that a great tragedy.
587 We've also asked the Turks to work with the Armenians on
588 reconciliation and including reconciliation about the
589 history.
590 But it would really damage our relations with a
591 democratic ally who is playing an extremely important
592 strategic role in supporting our troops through Incirlik and
593 through the movement of cargo. It would be damaging for a
594 democratic ally, really one of the only democratic allies, a
595 bridge between the Middle East and the Western world, an
596 Islamic, democratic ally. And it would certainly be very
597 damaging at a time when, as I'm sure we're all following in

598 the newspapers, tensions are already high with Turkey,
599 concerning Iraq.
600 So it would be deeply damaging. And I appreciate those
601 who, despite the difficulty of the vote, decided not to vote
602 for the resolution.
603 Mr. SHAYS. Thank you.
604 Thank you, Mr. Chairman.
605 Thank you, Mr. Davis.
606 Chairman WAXMAN. Thank you for your questioning.
607 Secretary Rice, before we continue, would you just pull
608 the mike up a little closer? The members are saying they are
609 having a difficult time hearing you.
610 Mr. Welch, for 5 minutes.
611 Mr. WELCH. Thank you, Mr. Chairman.
612 Secretary Rice, if, in fact, the evidence that suggests
613 Prime Minister Maliki is in fact protecting corrupt officials
614 exists, do you believe that the American taxpayers have a
615 right to know? Yes or no on that?
616 Secretary RICE. I believe very strongly that, first of
617 all, the United States Government has a right to know, and
618 certainly the American taxpayers will have a right to know.
619 But, Congressman, I think we owe it to everyone to do
620 thorough investigations, not to respond to allegations, not
621 to respond to uncorroborated evidence or uncorroborated
622 statements. And I'm going to hold to that, because, not only

623 is it potentially damaging to relationships that we are very
624 dependent on, in terms of the allegations that are
625 uncorroborated, but it's wrong. It's simply not right to sit
626 in an open session and do that.
627 Mr. WELCH. If the American people have a right to know,
628 and you know what they have a right to know, when will you
629 tell us what they want to know?
630 Secretary RICE. What the American people need to be
631 assured of is that, if there is corruption, the United States
632 is, in fact, dedicated to routing it out. I want to just
633 emphasize that--let's not take Iraq in isolation. Corruption
634 is not just a pervasive--
635 Mr. WELCH. I do want to interrupt.
636 Secretary RICE. Let me just finish my point.
637 Mr. WELCH. No. The reason I want to--
638 Chairman WAXMAN. Secretary Rice, please. We only have
639 limited time.
640 Secretary RICE. All right. Mr. Chairman, may I have an
641 opportunity, though, to finish my answers?
642 Mr. WELCH. My question is only about Iraq. We have
643 very limited time, Madam Secretary, and that is the reason
644 for my interruption.
645 Let me ask you this. On your point that you follow up
646 and that you want to do thorough investigations, we have
647 received information about this order Chairman Waxman asked

648 about, that the Commission on Public Integrity, which is a
649 credible group, can't refer for criminal prosecution the
650 Iraqi Council ministers or any current or former ministers
651 without the Prime Minister's permission.
652 My question to you is this: That obviously interferes
653 with Iraq moving forward, with us moving forward. Will you
654 ask the President of the United States to repudiate that
655 blanket grant of immunity that is contained in that order
656 after this hearing is over?
657 Secretary RICE. First of all, if I may complete the
658 sentence, which is that we need to understand Iraq in
659 context. Corruption isn't just a pervasive issue in Iraq; it
660 is a pervasive issue with many countries in the world. And
661 we have been dedicated to routing it out around the world.
662 Secondly, there are other boards and other institutions
663 in Iraq that are involved in investigating corruption, like
664 the Board of Supreme Audit and the Inspectors General. My
665 point to the Chairman is that the United States would expect
666 and would, indeed, say to the Iraqi government that it
667 expects that no official would be immune from investigation
668 or prosecution for corruption.
669 Mr. WELCH. That wasn't my question. My question is, if
670 this order that gives blanket authority to the Prime Minister
671 to block any prosecution stands and exists, will you ask the
672 President, in furtherance of the need of the American

673 taxpayer and the American soldier to know about corruption,
674 will you ask the President to demand that the Prime Minister
675 repudiate and rescind this order?
676 Secretary RICE. What we have said, and I will repeat,
677 the United States will not support a policy that would
678 prevent the investigation or the bringing to justice of any
679 official in Iraq who--
680 Mr. WELCH. Do you believe that secret order does
681 interfere with the formal, complete investigation? That is a
682 yes or no.
683 Secretary RICE. There are other boards that investigate
684 corruption, including the Inspector General. I will say--
685 Chairman WAXMAN. Will the gentleman yield to me?
686 Mr. WELCH. Yes.
687 Secretary RICE. Congressman Welch, I think it's
688 important that we talk to the Iraqi government and that we
689 repeat precisely what I've said. We will not tolerate a
690 situation--we would not support a situation in which anyone
691 is immune--
692 Mr. WELCH. I will yield to the Chairman.
693 It sounds like we will tolerate, or the President will
694 tolerate, a blanket secrecy on investigations.
695 Chairman WAXMAN. That testimony seems to be that you
696 think the Iraqi government can deal with it because of the
697 Council on Public Integrity. But the man who was the head of

698 it was driven out of Iraq. He had 40 people who worked for
699 him killed. He told us that there was no one allowed to
700 investigate corruption in Iraq. And we have this order from
701 al-Maliki, himself, saying that, unless he personally
702 approves, no one may be investigated.

703 You said you know of people in the Iraqi government who
704 care about corruption. Is Prime Minister Maliki one of the
705 people that cares about corruption in Iraq?

706 Secretary RICE. Prime Minister Maliki has made the
707 fighting of corruption one of the most important elements of
708 his program.

709 But I will repeat again, Mr. Chairman: The United
710 States of America does not support any policy that would make
711 immune from investigation or prosecution any member of the
712 Iraqi government, no matter how high.

713 Mr. WELCH. I have limited time.

714 Madam Secretary, the Independent Commission on Security
715 Forces, chaired by General Jones--you are familiar with him;
716 he is a credible person--he found sectarianism and corruption
717 pervasive in Iraq.

718 And there is a State Department report on this topic
719 that Chairman Waxman asked for. It was unclassified until he
720 asked for it, and it became classified. But according to
721 press reports, that State Department report said that Mr.
722 Jabr, the minister of interior then at that time, that

723 minister was likened to a criminal mob. That is according to
724 press reports of the State Department investigation.
725 Is that report true, or is it false?
726 Secretary RICE. Congressman, at the time of the
727 Ministry of Interior under that leadership, we had serious
728 concerns about the sectarian nature of that ministry. We had
729 serious concerns about corruption in that ministry. We had
730 serious concerns about violence that might have been
731 emanating from that ministry. It was one of the most
732 important efforts that we undertook with the Iraqi
733 government, to try and change the nature of that ministry.
734 It is absolutely the case that there is much, much more
735 work to be done. The Ministry of Interior is still a real
736 challenge. But, yes, we were very concerned about--
737 Chairman WAXMAN. The gentleman's time has expired.
738 Mr. Burton?
739 Mr. WELCH. Thank you, Mr. Chairman.
740 Mr. BURTON. First of all, Madam Secretary, I want to
741 apologize to you for the way some of the questioning is
742 taking place. You are not being prosecuted, and we are not
743 prosecutors. And so we will try, I hope, to give you an
744 opportunity to answer the questions clearly and thoroughly.
745 And I would just like to say to the Chairman, the last
746 member went over about 2 minutes, and I hope he will be
747 lenient with the minority as well.

748 Let me just say, Madam Secretary--

749 Chairman WAXMAN. The Chair will be fair.

750 Mr. BURTON. I have about three questions, and I am not
751 going to belabor the issue, but I would like for you to
752 answer them in sequence, if you would.

753 First of all, I would like for you to explain why it is
754 necessary to have contractors like they have, like Blackwater
755 and others over there. I would just like to know why you
756 think it is important.

757 Second, yesterday--I am on the Foreign Affairs
758 Committee, and I didn't get a chance to ask you a question,
759 so I would like to talk about a related issue. And that has
760 to do with Israel, because it is all in the same area.

761 Prime Minister Sharon gave Gaza back to the
762 Palestinians. He bulldozed the settlements over there.
763 Hamas immediately took that as a base of operation for
764 attacks on Israel. Now we, as a government, are talking
765 about creating a Palestinian state.

766 And I would like to get an answer from you on how that
767 should proceed and whether or not the absolute guarantee of
768 security for Israel will be a part of any negotiation. I
769 don't think that Israel, with our support, should be giving
770 up anything until it is written in blood that there will be
771 no more attacks and that Israel will have a right to exist.

772 Now, the other thing I want to talk about real

773 quickly--and I will let you answer the questions--is there
774 was an attack on September 6th by Israel on a nuclear
775 site--supposedly nuclear site. Nuclear experts have said
776 that that was, in their opinion, a nuclear site.
777 I would like to know what the administration is
778 recommending to Israel and to others in that area to deal
779 with the proliferation of nuclear weapons and, if we find out
780 who it was that sent them there, what we intend to do about
781 it.
782 Thank you very much.
783 Secretary RICE. Thank you, Congressman.
784 I can't comment on the reports concerning the Israeli
785 strike. Let me just say that if there is evidence anyplace
786 of proliferation, we are very actively engaged in countering
787 that proliferation, whether it be through the proliferation
788 security initiative that we have launched, or taking down the
789 A.Q. Khan network, or insisting, with negotiations, for
790 instance, with North Korea, that it deal with its
791 proliferation activities. And so, if you don't mind that,
792 that is as far as I can go on that issue.
793 On the Palestinian state, we believe that--and, by the
794 way, the Israelis, themselves, have said that, since Prime
795 Minister Sharon's famous Herculean speech in 2003, that it is
796 the case that there should be a Palestinian state. That is
797 the best way to secure the Jewish democratic state of Israel.

798 It can't be a state born of terror, which is why we have
799 insisted that it be a leadership in the Palestinian
800 territories that is devoted to bringing its state about
801 peacefully. And finally, the United States, and especially
802 this President, is absolutely devoted to the security of
803 Israel. We have no intention of encouraging the
804 establishment of a state that would leave a vacuum and create
805 a more dire security situation for Israel.
806 As to the private security contractors, we need them
807 because our people have to be able to move around in a very
808 dangerous environment. And let me just note that, thank God,
809 so far, we have been able to provide that security to our
810 people; they have been able to move around. We believe that
811 we cannot take on all of those tasks with our own diplomatic
812 security, nor can the military do that. And that was just
813 reaffirmed by General Petraeus and Ambassador Crocker during
814 the recent visit of the panel to Baghdad.
815 But we do recognize that there must be sufficient
816 oversight, sufficient rules. And that is why I have accepted
817 the recommendations of the panel on the private security
818 contractors.
819 Mr. BURTON. Let me just say real briefly that probably
820 many, many members of this committee and other committees
821 have gone to Iraq and been protected by the contractors. And
822 I think many of us, on both sides of the aisle, will say that

823 they have done an outstanding job. And I hope that the
824 investigation by the FBI, when it is concluded, will be given
825 to all of us, so we can really see what happened and know for
826 sure what is being done about it.
827 Are there any other members--I will yield to the
828 Chairman, or to Mr. Davis.
829 Mr. DAVIS OF VIRGINIA. Thank you.
830 I just looked at this document my friend from Vermont
831 was looking at, number 282, where it says, referring to the
832 following parties, "The courts need to obtain the consent of
833 the state and Prime Minister."
834 The way I read this document is they are trying to
835 consolidate and control. It is a turf battle, and they just
836 don't want the things--I think that is a reasonable
837 interpretation of it, as well, not that they are trying to
838 stop corruption.
839 I don't know if you have any comments on that at all.
840 Secretary RICE. Well, let me just repeat. We can look
841 at this document. We can look at the testimony of Judge
842 Radhi. We know that there are problems with corruption.
843 Mr. DAVIS OF VIRGINIA. Absolutely.
844 Secretary RICE. But I don't see anything to be gained
845 by publicly discussing allegations that are not yet
846 investigated and proven, by publicly talking about things
847 that could be rumor or unsubstantiated. If there are

848 substantiated claims, then we're going to pursue them.

849 And I just want to state again, Mr. Chairman, because
850 I'd like to state it in my own words rather than having it be
851 stated for me: It is the policy of this administration--and
852 I'm quite certain that the President would feel strongly
853 about this--that there shouldn't be corrupt officials
854 anywhere, and that no official, no matter how high, should be
855 immune from investigation, prosecution or, indeed,
856 punishment, should corruption be found.

857 Mr. DAVIS OF VIRGINIA. Thank you.

858 Let me, Mr. Chairman, just follow up, if I could, real
859 quick.

860 The Ministry of Oil is regarded as one of the most
861 dysfunctional and corrupt ministries in Iraq and the obstacle
862 to security and peace in Iraq. General James Jones, the head
863 of the Jones Commission, told the committee last week that it
864 is unacceptable that a ministry as dysfunctional and
865 sectarian and as possibly corrupt as the Ministry of Interior
866 can be tolerated, given the high price we pay every day to
867 try to help that country try to find its place in the global
868 family. So whatever the pressure points are that we have to
869 play or the United Nations has to play or the international
870 community has to play in order to effect that kind of change,
871 we should do to that, in my view.

872 What are these pressure points? And how are the U.S.

873 and the international community applying that pressure?

874 Secretary RICE. Yes, the Ministry of Oil is very much
875 of the problem. And, again, around the world, ministries of
876 oil in state-owned--rather, state-owned oil enterprises tend
877 to be a problem, from this point of view.

878 We have encouraged the Iraqis to have not just a strong
879 ministry but also strong coordination between the ministries
880 that are involved in oil and gas: transportation, oil and
881 gas, electricity. They've formed a task force to try to
882 better coordinate between the ministries. And we have
883 undertaken a very major effort to try to help them improve
884 their execution, their training of skilled personnel.

885 These are efforts that are under way with the Ministry
886 of Oil. It has been a problem, and we've been working on
887 precisely that problem.

888 Chairman WAXMAN. Time has expired.

889 I just want to point out that the document that we have
890 that was given to us by Judge Radhi says, "Peace, mercy and
891 blessings of Allah be upon you. It has been decided not to
892 refer any of the following parties to the court until
893 approval of His Excellency, the Prime Minister, has been
894 obtained: one, presidential office; two, Council of
895 Ministers; three, current and previous ministers. With
896 appreciation," and the official at the Prime Minister's
897 office.

898 These are not unfounded allegations. This is Nouri
899 al-Maliki's edict, that no one is going to be referred to
900 court until he approves it.
901 Now, not only are we worried about corruption, but we
902 are worried about the corruption, tens of billions of it,
903 going to supply the insurgents that are killing Americans
904 while other Americans are there fighting--all Americans there
905 are fighting to keep Prime Minister Maliki in office.
906 It is not just our concern about corruption around the
907 world. It is our concern about corruption where Americans
908 are dying to support a government that, it appears to many of
909 us, is so corrupt that it doesn't have the support of its own
910 people.
911 Secretary RICE. Mr. Chairman, may I respond?
912 Chairman WAXMAN. Certainly.
913 Secretary RICE. First of all, we're not fighting to
914 keep Prime Minister Maliki in office. We are fighting to
915 help the Iraqis to develop a democratic government that can
916 provide for its people. Prime Minister Maliki is the leader
917 of Iraq, who was, out of an election process, made the Prime
918 Minister of Iraq by the Iraqis, not by the United States. So
919 we're not fighting to keep him in office. We're trying to
920 support the government of Prime Minister Maliki so that it
921 can deliver for its people.
922 Chairman WAXMAN. I appreciate that.

923 Secretary RICE. But I wanted to repeat, Mr. Chairman:
924 Any order, any law that tries to shield ranking officials, of
925 any rank, from prosecution or from investigation would be
926 opposed by the United States. And we've been very clear with
927 the Iraqi government that we do not--that we would not
928 tolerate and, in fact, it would not be supported by the
929 United States to have any official, no matter how
930 high-ranking, immune from prosecution.
931 Chairman WAXMAN. Mr. Cummings?
932 Mr. CUMMINGS. Thank you very much, Mr. Chairman.
933 Madam Secretary, it is good to see you.
934 You are, no doubt, on the front lines of this war in
935 Iraq. And no amount of military surges or blank checks we
936 write for this war will resolve the complex efforts and
937 religious conflicts that plague Iraq and its neighboring
938 countries. Victory in Iraq is not possible without political
939 reconciliation. And I am extremely concerned about whether
940 corruption in the Iraqi government is undermining our
941 mission.
942 Four years after we have toppled Saddam Hussein's
943 regime, the Iraqi government remains the third most corrupt
944 country in the world, according to Transparency
945 International. And State Department IG Stuart Bowen, your I,
946 characterized it as a second insurgency.
947 Corruption--and this is why I think the discussion here

948 is so important--corruption funds terrorists who attack our
949 troops. Corruption fumes sectarian divisions. Corruption
950 stifles reconstruction efforts and corrodes the Iraqi
951 government.

952 We have been told time and time again, when the Iraqis
953 stand up, we can stand down. But I do not see how this is
954 possible when the Iraqi people do not seem to have a leg to
955 stand on. The agency that has the vital responsibility for
956 fighting corruption in Iraq is your agency, the State
957 Department. Yet I have serious questions about the job the
958 Department is doing.

959 The committee has been investigating the effectiveness
960 of anticorruption efforts in Iraq, and what we have learned
961 are the following. And they are simply astounding. The
962 State Department established two groups in the U.S. Embassy
963 to address corruption in Iraq, the Anticorruption Working
964 Group and the Office of Accountability and Transparency. We
965 learned that these organizations have suffered from a lack of
966 leadership, a lack of direction and a lack of coordination.
967 Coordination is so poor that the Office of Accountability and
968 Transparency actually boycotted the meetings of the
969 Anticorruption Working Group.

970 We asked a former head of the Office of Accountability
971 and Transparency whether he was aware of any coordinated U.S.
972 strategy to fight corruption in Iraq, and his answer was no.

973 We asked another Embassy anticorruption official for his
974 views, and he told us, "You have a system where the
975 coordination is lacking." Here is what Michael Richards, the
976 executive secretary of the Anticorruption Working Group, told
977 us when we asked him what the working group had accomplished,
978 and I quote: "I would like to be able to say that we've done
979 quite a bit in this area, but unfortunately we have not."
980 This is very troubling. But the criticism does not end
981 there. Independent investigators were also highly skeptical.
982 Stuart Bowen, your agency's Inspector General, has
983 investigated your entire anticorruption programs, and he
984 testified about his findings before the Oversight Committee,
985 and this is what he said. He said, "U.S. anticorruption
986 efforts have suffered from poor coordination and focus."
987 This is what he said: "no strategic plan for this mission
988 was ever developed."
989 David Walker, the head of the Government Accountability
990 Office, released a report finding that the United States
991 ministry capacity development efforts have suffered from a,
992 quote, "lack of overall direction" and that the State
993 Department's efforts are, quote, "fragmented, duplicative and
994 disorganized," unquote.
995 Secretary Rice, fighting corruption in Iraq is essential
996 for our mission to succeed. But your own officer, your own
997 officials and independent investigators told the committee

998 that the Department's efforts are in disarray. The other
999 side has said, "We need to tackle the problem." You've said
1000 it is your number-one priority, it is very important to you.
1001 But it seems as if there are problems.
1002 And I just wanted to have your comments on the things
1003 that your people said. This is not some pie in the sky,
1004 somebody looking down and just criticizing you. This is your
1005 own department.
1006 Secretary RICE. Well, first of all, let me just say
1007 that there are an awful lot of people working on these
1008 anticorruption programs, and they're doing it at great risk,
1009 because it means they have to get outside the Green Zone very
1010 often, and they have to go out and deal with ministries, and
1011 they have to deal with places where there's very little
1012 personnel that is skilled, and they're trying to build
1013 systems where there were no systems.
1014 The coordination for these programs is under a senior
1015 officer of the ministry assistance teams, who works directly
1016 for the deputy chief of mission for Ambassador Crocker. That
1017 person is responsible for the coordination of these efforts.
1018 I will tell you, it is sometimes very difficult when one
1019 day you can go out and the next day you may not be able to go
1020 out. And I know that there is some frustration in some of
1021 the Iraqi agencies with the pace of some of the programs.
1022 But I also know that when you have people who are challenging

1023 old ways of doing business in Iraq, in some of these
1024 embassies, in some of these ministries, in some of these
1025 organizations, that you're going to get some of the comments
1026 that you're getting.
1027 But these programs are coordinated. Ministry assistance
1028 is coordinated through a very senior officer in Baghdad.
1029 Mr. CUMMINGS. Thank you, Mr. Chairman.

1030 RPTS JOHNSON

1031 DCMN MAGMER

1032 [10:58 a.m.]

1033 Chairman WAXMAN. Thank you, Mr. Cummings.

1034 Mr. Mica.

1035 Mr. MICA. Thank you.

1036 Well, Secretary Rice, our committee has a very important
1037 responsibility. As you know, it is the principal oversight
1038 and investigations committee of Congress. I have been
1039 honored to serve on it for 15 years, and I think all of us
1040 want to make certain that you all do the best job and we make
1041 certain that you do the best job.

1042 Now I heard Mr. Cummings say that the government--well,
1043 I guess it is 4 years now since I guess we started our
1044 efforts there, but the government's been in place how long?

1045 Secretary RICE. The government has been in place a
1046 little over a year, in fact, about 17, 18 months.

1047 Mr. MICA. And the government was duly elected. I mean,
1048 was there any corruption in the election process that we are
1049 aware of? It was probably one of the most monitored--

1050 Secretary RICE. It was a well-run election.

1051 Mr. MICA. And I guess there was a lot of hope when we
1052 got that government in place. I remember the folks with the
1053 thumb, you know, how proud they were to have voted.

1054 But I guess the insurgents kind of took advantage of the

1055 situation. They didn't like it. And with the destruction of
1056 the mosque and the beginning of what was somewhat of a civil
1057 and religious war you inherited a new set of
1058 responsibilities. But you have certain constraints that you
1059 work under.

1060 This is a duly elected, sovereign government, is that
1061 not correct?

1062 Secretary RICE. That is correct.

1063 Mr. MICA. It is interesting, too, that, you know, of
1064 course, these hearings--we have a responsibility to do
1065 hearings. And they have done hearings, and they have tried
1066 to make the administration look as bad as possible and the
1067 military look as bad as possible and the contractors and the
1068 Iraqi government. Today sort of a combo, sort of a combo
1069 hearing where we make both the State Department look bad, the
1070 Iraqis look bad, the contractors look bad.

1071 The situation, I have heard, is much better in Iraq.
1072 Members just returned from last weekend told me that they
1073 actually didn't wear flak jackets and walked around escorted
1074 pretty casually.

1075 As the situation--you have had to adapt to some pretty
1076 tough situations. One of the difficulties in trying to sort
1077 of get your act together and control the situation has been a
1078 violence situation from basically last summer to when the
1079 surge took place.

1080 Secretary RICE. Yes.

1081 Mr. MICA. We now have a different situation. Is it
1082 possible, you think, that we could begin to stand down some
1083 of the security contracts that we have had or is that
1084 preliminary?

1085 Secretary RICE. I think it is probably early to
1086 consider that. But I will say that the security situation
1087 and the improvement in the security situation has made it
1088 possible to have a more ramped up--some of these programs can
1089 be more ramped up. It has also been very good to embed the
1090 provincial reconstruction teams with the brigade command
1091 teams, because it allows us to get out in the provinces.

1092 And, you know, I just want to say while we are talking
1093 about all of the failures of the Iraqi Government and the
1094 difficulties that we have in helping them to build a modern
1095 governing structure, which by the way we have had a long time
1096 to do that and modern governing structures don't come easily,
1097 I just want to note that, for instance, the programs that we
1098 are running on budget execution with their Ministry of
1099 Finance and with their ministries has meant that, instead of
1100 the 20 percent of budget that they were able to execute last
1101 year, it is now 70 percent; and this in a country that didn't
1102 even have a functioning banking system.

1103 So I don't want the members to leave the impression that
1104 the Iraqi Government is not functioning. We have been able

1105 to get, for instance, $220 million out to the Anbar Province
1106 to support the surge.
1107 And I know that a number of members have been in Iraq
1108 and have gone to see the circumstances in which people are
1109 dealing. Mr. Chairman, I don't know how long it has been
1110 since you were in Iraq, but it would be an invitation to any
1111 member of the committee, including to you, Mr. Chairman, to
1112 go out to Iraq to meet with our ministry assistance teams,
1113 perhaps to accompany one to one of these ministries, to
1114 perhaps go out with one of the brigade command teams to see
1115 how these PRTs work, to see the difficult circumstances in
1116 which they are acting.
1117 Mr. MICA. Finally, I wanted to try to get one more
1118 question in about corruption.
1119 Secretary RICE. Yes.
1120 Mr. MICA. One of the subcommittees I chaired on this
1121 committee was Criminal Justice Drug Policy. I will never
1122 forget a meeting I had in Mexico City. It was in the late
1123 90's. And I basically stood up and screamed at the Mexican
1124 officials that the corruption was so bad that they were in
1125 danger of losing their own country. We had evidence that up
1126 to the President's office there was corruption.
1127 I met with a Ukranian official a couple years back, and
1128 he has begged me not to send any aid there because he said it
1129 was so corrupt. But, in fact, even with some nations like

1130 Mexico, which has been around a long time, or emerging
1131 democracies like Ukraine, it is difficult even where you have
1132 relative peace to get the situation under control.
1133 Chairman WAXMAN. The gentleman's time has expired.
1134 Mr. Tierney?
1135 Mr. MICA. Could the Secretary respond?
1136 Mr. TIERNEY. Thank you, Mr. Chairman.
1137 I would just like to refocus--
1138 Mr. MICA. Could I have the courtesy, Mr. Chairman, of
1139 having her respond?
1140 Chairman WAXMAN. About Mexico? The gentleman's time
1141 has expired.
1142 Mr. BURTON. Mr. Chairman, I believe we ought to allow
1143 the Secretary, if she wishes, to make a response.
1144 Chairman WAXMAN. Please, go ahead. I don't want to
1145 interrupt you from responding, but I didn't hear the
1146 question. But if you heard a question, let's hear it, a
1147 response to it.
1148 Secretary RICE. Yes. I think the point was one I was
1149 trying to make in response to Representative Welch as well,
1150 which is that corruption in government is not unique to Iraq.
1151 Iraq has special circumstances of war, of coming out of
1152 dictatorship and out of an Oil for Food Program that,
1153 frankly, did bring about the possibilities, the elements for
1154 corruption. But, just as we do around the world, we are

1155 working very hard, even harder in Iraq, because we recognize
1156 the tax on the Iraqi people and, frankly, on our efforts that
1157 corruption brings.
1158 Chairman WAXMAN. Thank you.
1159 Mr. Tierney?
1160 Mr. TIERNEY. Thank you, Mr. Chairman.
1161 Madam Secretary, I just do want to refocus to what this
1162 hearing is about, which is corruption in Iraq and what the
1163 State Department may or may not be doing to make sure that we
1164 have a handle on that.
1165 We don't have $600 billion spent in Mexico or other
1166 places. We don't have 160,000 troops exposed there on a
1167 daily basis. And you know, in statements made earlier by
1168 some people that a lot of people are thinking that everybody
1169 in Iraq is corrupt or whatever, that is a red herring. We
1170 are looking to find out what is going on with those who may
1171 be corrupt and whether or not the State Department is doing
1172 what it should be doing in that regard.
1173 We had testimony here not on some speculation but on
1174 facts that there were billions of dollars involved in
1175 corruption. Much of that was going to militias. The
1176 militias, in turn, were shooting our troops. That is why we
1177 are having this hearing on this basis.
1178 Now, Mr. Cummings talked to you earlier about the fact
1179 that you have expressed concern about the levels of

1180 corruption in Iraq. But we were under the impression, having
1181 listened to the testimony of Mr. Bowen, who is from your
1182 office, and having listened to the testimony of Mr. Walker,
1183 that there was no real coordination of this effort.
1184 You indicated that a very senior officer in Baghdad is
1185 in charge of that. So can you tell me why Mr. Bowen would
1186 not know that and Mr. Walker would not know that after
1187 thorough investigations? Was this person recently appointed?
1188 Secretary RICE. No, this is the person who runs the
1189 ministry assistance teams to try to root out corruption in
1190 the ministries.
1191 And, by the way, I see Stuart Bowen every time he comes
1192 back as well as every time he goes forward, and we try very
1193 hard to implement his recommendations. But, in fact, the
1194 ministry assistance teams are coordinated by a senior officer
1195 at the Embassy.
1196 Mr. TIERNEY. Here is his finding on what he testified
1197 on October 4th, that there has not been adequate leadership
1198 in the Embassy's anti-corruption programs, and there is no
1199 single coordinated point for the United States support for
1200 Iraq anti-corruption efforts.
1201 Mr. Walker, Comptroller General of the United States, he
1202 testified before the committee and he issued a report, and
1203 that report says the United States' efforts suffer from a
1204 lack of overall direction and that no lead agency has been

1205 put in charge.

1206 So I guess the simple question is, if it is that
1207 significant to the administration's goals of political
1208 reconciliation, either why hasn't one single person been put
1209 in charge of it or, if he has, why don't your own
1210 investigator and the GAO know about that?

1211 Secretary RICE. The person who is in charge, of course,
1212 is the Ambassador to coordinate the various programs. But
1213 the ministry assistance programs are coordinated by a very
1214 senior officer, and much of the effort at fighting corruption
1215 and fighting systemic corruption goes through the ministry
1216 assistance programs.

1217 We also have Rule of Law programs that are coordinated
1218 by very senior officers in working to develop better
1219 practices for the prosecution of people who are accused of
1220 corruption and investigation of corruption.

1221 Mr. TIERNEY. So is it your testimony that your Special
1222 Inspector General for Iraq Reconstruction, Mr. Bowen, is just
1223 flat-out wrong when hemakes the assertion there has not been
1224 adequate leadership and that there is no single coordinated
1225 point for U.S. support for Iraqi anti-corruption efforts?

1226 Secretary RICE. Congressman, I have talked to Stuart
1227 Bowen every time, and we have tried to implement his
1228 recommendations. But I would question--and perhaps I can get
1229 back to you. I would question whether the right way to go

1230 about this is to have a coordinator for corruption or to have
1231 a coordinator for ministry assistance, a coordinator for Rule
1232 of Law, and that is how we have gone about it.
1233 Mr. TIERNEY. One of his findings was that the agencies
1234 that you mentioned that were supposed to be targeting aspects
1235 of corruption were boycotting each other's meetings. Were
1236 you aware of that?
1237 Secretary RICE. I have just--I have heard that--who is
1238 boycotting what?
1239 Mr. TIERNEY. Each other's meetings. In other words,
1240 they were not attending meetings called by each of those
1241 groups that were supposed to get together.
1242 Secretary RICE. I am not aware of what you are talking
1243 about, no.
1244 Mr. TIERNEY. Not aware of that.
1245 The Office of Accountability and Transparency at the
1246 Embassy in Baghdad is an important mission, I think you would
1247 agree. It is the group the State Department has that is
1248 supposed to work with Judge Radhi or other anti-corruption
1249 officials in Iraq. But what we learned during our
1250 investigation and the hearing is that 10 months since the
1251 office was established there has been at least four acting or
1252 permanent directors. In 10 months, four acting or permanent
1253 directors. The most recent acting director previously served
1254 as a paralegal who performed administrative functions for the

1255 Embassy.

1256 Now, Secretary Rice, nobody here is certainly trying to
1257 pick on this paralegal. We have great admiration for anybody
1258 serving in Iraq and serving their country. But how is it
1259 possible that in this important position that there is a
1260 paralegal involved, not an experienced diplomat, not a person
1261 with training in diplomacy and anti-corruption practices?

1262 Secretary RICE. The very senior people who are serving
1263 in Iraq oversee all of these programs.

1264 Mr. TIERNEY. If I can interrupt, this is the head of
1265 the Office of Accountability and Transparency. This is a
1266 woman who is a paralegal who apparently has no training in
1267 diplomacy or anti-corruption efforts. How can that be?

1268 Secretary RICE. I will have to get back to you on that
1269 one, Congressman Tierney.

1270 Mr. TIERNEY. The latest information, as long as you are
1271 going to get back to us, is in fact her position has been
1272 cut, which seems a little ridiculous. If you could also get
1273 back to us on that, I would appreciate it.

1274 Secretary RICE. Congressman, I think what I should
1275 probably get back to you with is a sense of how we manage
1276 these programs. Because I can't respond to a single post
1277 that may have been reorganized into some other post. When
1278 Ambassador Crocker went out to Iraq, he reorganized
1279 considerably and significantly some of these programs so that

1280 they would be more effective.

1281 Mr. TIERNEY. It would be helpful if you would get back

1282 to us.

1283 Secretary RICE. So a program here or an office there

1284 may well have been integrated into something else. I will

1285 get back to you on that.

1286 Mr. TIERNEY. I don't think so, Secretary Rice, but I

1287 would be happy if you would get back to us.

1288 [The information follows:]

1289 ******** COMMITTEE INSERT ********

1290 Mr. TIERNEY. Because that is not what your Inspector
1291 General tells us, that is not what Mr. Walker tells us, that
1292 is not what the testimony tells us, and we weren't able to
1293 get into it any more because you didn't allow certain members
1294 from the State Department to testify before this committee in
1295 an open hearing.
1296 Secretary RICE. I have to answer that, Congressman,
1297 because, in fact, I have told members of the State Department
1298 that they should be willing to speak with the committee.
1299 The question--
1300 Mr. TIERNEY. Madam secretary, we had to issue four
1301 subpoenas in order to get that testimony.
1302 Secretary RICE. The question has been, on some of these
1303 issues, whether or not closed or open session is more
1304 appropriate.
1305 Mr. TIERNEY. Some of those we needed subpoenas just to
1306 get testimony, not whether it was closed or open. We had to
1307 issue four subpoenas just to get the cooperation to come in
1308 and testify.
1309 Secretary RICE. Well, I have told everybody in our
1310 Department to be responsive to this committee.
1311 Mr. TIERNEY. I hope they will be more responsive to
1312 you, Madam Secretary.
1313 Chairman WAXMAN. The gentleman's time has expired.
1314 I do want to point out that James Santelle, who is your

1315 Rule of Law coordinator at the Embassy, he is the one you
1316 said was coordinating things, well, he did cooperate with us
1317 and talk to us. And his statement to us was you have got a
1318 system where the coordination is lacking. And he is
1319 referring to all of the dysfunction and disarray that appears
1320 to be going on, frustrating U.S. anti-corruption efforts.
1321 Secretary RICE. Well, I would hope that he will have
1322 reported that to the Ambassador so that it can be remedied.
1323 Chairman WAXMAN. Well, I am sure he has. If he talked
1324 to us, he reported to the Ambassador. Maybe you ought to
1325 talk to talk to the Ambassador to report to you.
1326 Secretary RICE. I am sure that Ambassador Crocker would
1327 want to remedy any such situation.
1328 Chairman WAXMAN. Thank you.
1329 Mr. Westmoreland.
1330 Mr. WESTMORELAND. Thank you, Mr. Chairman.
1331 And just to kind of follow up on it, I am sure Mr.
1332 Santelle is working to find somebody to be the permanent
1333 replacement in the Office of Accountability and Transparency.
1334 Is that not true?
1335 Secretary RICE. Well, first of all, again, Ambassador
1336 Crocker has gone to great lengths to reorganize a lot of
1337 these efforts so that they are less duplicative and so that
1338 there is not so much overlap. When there are vacancies, we
1339 try and make certain that Ambassador Crocker has the very

1340 best talent available to him.

1341 I know--and perhaps this is the explanation--that
1342 Ambassador Crocker was not always satisfied with the level of
1343 talent that he was getting. So the Department undertook a
1344 major effort to get more senior people to staff Ambassador
1345 Crocker, people who had more appropriate skills and people
1346 who had language skills. So that, for instance, the three
1347 top officers in Ambassador Crocker's office right now have
1348 all been ambassadors in their own right.

1349 Mr. WESTMORELAND. Thank you.

1350 Madam Secretary, let me thank you for the hard work you
1351 are doing for this country and your professionalism every
1352 time I see you. So thank you for that.

1353 You know, we are a Committee of Oversight and Government
1354 Reform, is our official title, but lately it has almost been
1355 investigate and attack has been kind of this committee's
1356 motto. We investigated, you know, the military and what all
1357 was going on over there, and now that the surge is working we
1358 seem to need to find another target. And, unfortunately,
1359 usually our targets are somebody that has Republican ties or
1360 a successful businessman or part of the administration. So I
1361 guess you fall into that part of the administration part of
1362 it.

1363 But we have recognized--and this country has been around
1364 for over 200 years, and we still have corruption here, many

1365 things of corruption. We don't like it, and we try to do the
1366 best we can.
1367 But, as you mentioned, that young government over there
1368 and the influx of money that has been over there that we have
1369 sent and other countries have sent to a people that, number
1370 one, has never been involved in a government before and,
1371 number two, never had any really wealth, and so the
1372 atmosphere has been for corruption. But you have
1373 acknowledged the prevalence of it there; and, in your
1374 dealings with the Iraqi Government, what is your sense of
1375 their commitment to ending it?
1376 Secretary RICE. I believe that they very much want to
1377 end it, because they know that it is a problem for
1378 governance. It is, after all, now a democratic society.
1379 And, by the way, if you think there are stories about
1380 corruption in Iraq in our newspapers, you should see some of
1381 the reporting in the free Iraqi press, something that would
1382 not have existed without the liberation of Iraq from Saddam
1383 Hussein. So, in fact, their own people are concerned about
1384 corruption and are concerned to expose it.
1385 But, yes, it is a real problem. Corruption is a real
1386 problem. It is a young government. It is a government that
1387 comes out of a dictatorial past. It is a government that has
1388 oil wealth, which we know sometimes leads to corruption; and
1389 it is a government that is fighting a war.

1390 And they, by the way, also have no interest in having
1391 money go to militias that are killing our soldiers because
1392 they are killing their soldiers and, frankly, many of their
1393 families.
1394 Mr. WESTMORELAND. Well, thank you. Thank you very much
1395 for being here, and thanks for your attention and your
1396 willingness to sit through this process. Thank you.
1397 Secretary RICE. Thank you.
1398 Chairman WAXMAN. Mr. Lynch?
1399 Mr. LYNCH. Thank you, Mr. Chairman.
1400 Madam Secretary, thank you for your willingness to
1401 testify here.
1402 As you know, the administration has already committed
1403 $450 billion to securing and rebuilding Iraq; and right now
1404 Congress has before it an additional request received
1405 recently for another $196 billion from the President. We in
1406 Congress have at least a couple of roles in this.
1407 First of all, we are the direct elected representatives
1408 of the families whose sons and daughters are putting on that
1409 uniform and, in many cases, making the ultimate sacrifice in
1410 Iraq.
1411 We also, in our constitutional role here, exercise the
1412 power of the purse. Now, the power of the purse is not
1413 simply the power to open the purse and surrender the
1414 contents. In our roles as appropriators, we also are

1415 responsible for scrutinizing these requests; and that
1416 requires that we make informed decisions.
1417 We had several reports so far, and I know you talked
1418 about unfounded reports or rumors of corruption, but we have
1419 got some pretty good reports here. This one is from the GAO,
1420 David Walker, Stabilizing and Rebuilding Iraq, that has
1421 extensive sections on corruption. I have got one here by the
1422 Special Inspector General of Iraq Reconstruction, Joint
1423 Survey of the U.S. Embassy Iraq Anti-Corruption Program.
1424 There is another report somewhere here by General James Jones
1425 of the United States Marine Corps about corruption. Your own
1426 State Department has a couple of internal reports that you
1427 have classified that talk about corruption. You have denied
1428 hundreds of documents pursuant to a subpoena issued by this
1429 committee, Chairman Waxman, that offer other evidence of
1430 corruption.
1431 So to say that this is unfounded or that we don't have a
1432 hard case is really unbelievable. And the idea that we have
1433 to wait until there is a prosecution or some type of
1434 indictment, our kids are on the ground now. They are on the
1435 ground now in that country fighting and dying, and we cannot
1436 wait a moment longer before we talk about this.
1437 That is what we want to do. We want to talk openly,
1438 publicly about the corruption in Iraq; and we want to know,
1439 as appropriators, whether it is a good idea to send $196

1440 billion to a country where the government has severe
1441 corruption. And we have to do our responsibility here, our
1442 constitutional duty.
1443 And there is one point I would like to make on this
1444 before I ask my question. It has been said by the State
1445 Department that if we talked about corruption in Iraq, it
1446 would hurt our relationship with the Iraq Government. The
1447 fact of the matter is, it would be good. It would be good
1448 for our relationship with the Iraqi people if we talked about
1449 the corruption in their own government. I think that
1450 democracy is aspirational. We are certainly not perfect, and
1451 we have had a lot of people talk about that today. But I
1452 think this signals our high expectations of democracy in that
1453 country and in our own that we put it all out there.
1454 Sunlight is the best disinfectant, and I think that
1455 closing off that evidence is complicit with--is covering up
1456 some of the corruption that is going on there, some that we
1457 know about.
1458 So I want to ask you this. Knowing that more
1459 transparency will be helpful in this country and in Iraq on
1460 this subject, will you rescind the directive that prevents
1461 the State Department employees--high-ranking State Department
1462 employees coming here and discussing in great detail the
1463 levels and degree of corruption in Iraq? Will you do that?
1464 Secretary RICE. Congressman, first, I have to correct

1465 the record on a few things that you have said, if you don't
1466 mind.
1467 The first is I did not say that to talk about corruption
1468 would hurt our relationship with the Iraqi Government. I
1469 said that I was not prepared to engage in discussions of
1470 premature allegations--prematurely of allegations or things
1471 that may be uncorroborated or unsubstantiated until in fact
1472 they had. And I saw no good purpose in doing so.
1473 I am here talking right now about corruption in Iraq,
1474 about concerns of corruption in the ministries, concern in
1475 corruption in particularly the--
1476 Mr. LYNCH. In very vague terms, though, Madam
1477 Secretary, with all due respect.
1478 Secretary RICE. I am here talking about specifically
1479 about our concerns about corruption.
1480 Now, if you would like us to be able to actually do
1481 anything about corruption, Congressman, we have to be able to
1482 investigate it. We have to be able to get the testimony of
1483 people who are bringing the stories and the facts to us. We
1484 have to be able to protect them from what is obviously a very
1485 hostile environment. We have to be able to preserve that
1486 access.
1487 That is why we have offered to have you have any
1488 document that you would like and any official who would be
1489 able to address those documents to come and spend as much

1490 time as you would like in closed session so that we can
1491 protect the underlying sourcing and the underlying people who
1492 bring those allegations to us.
1493 Mr. LYNCH. Let me say one thing.
1494 Secretary RICE. I will renew that again today.
1495 Mr. LYNCH. I appreciate that, Madam Secretary, but the
1496 fact of the matter is this directive that came out of the
1497 State Department instructs the employees not to talk about
1498 broad statements or assessments which judge or characterize
1499 the quality of Iraqi governance or the ability or
1500 determination of the Iraqi Government to deal with
1501 corruption, including allegations that investigations were
1502 thwarted or stifled for political reasons. And so--
1503 Secretary RICE. All right. Let me say right now,
1504 Congressman--
1505 Mr. LYNCH. Just--please, I have limited time.
1506 Secretary RICE. Yeah, you do.
1507 Chairman WAXMAN. And it has expired.
1508 Mr. LYNCH. On top of that, you know, we have a
1509 directive by the Iraqi Government itself that--by Nouri
1510 al-Maliki that has basically said no prosecution of any
1511 ministry can go forward without my approval. So that is a
1512 stopgap as well at that level. So we are not seeing a lot of
1513 that. So--
1514 Secretary RICE. Would you like me to answer you,

1515 Congressman?

1516 Mr. LYNCH. That would be great. Thank you, Madam
1517 Secretary.

1518 Secretary RICE. The first point that I would like to
1519 make is that directives come from me. I didn't make this
1520 directive. Consider it rescinded.

1521 Secondly, I will nonetheless direct that anyone who is
1522 speaking on these matters should do so in closed session.
1523 Because there are underlying sourcing issues, there are
1524 underlying testimonies from people who might be either in
1525 danger or who may not come back to us if they are exposed.

1526 I want to renew the offer that I made to the Chairman,
1527 which is that any document that relates to this, any official
1528 who might have knowledge of those documents is available to
1529 you at any time, anywhere, in closed session.

1530 Now, as to the Iraqi Government, I have said that the
1531 United States will not support any law or any order that
1532 would try and shield Iraqi leaders, no matter how high, Iraqi
1533 officials, no matter how high, from prosecution or
1534 investigation.

1535 Mr. LYNCH. Well--

1536 Chairman WAXMAN. Mr. Lynch, I am sorry, but your time
1537 has expired and the last pending question was responded to.
1538 We have to be considerate of the other members.

1539 Mr. Duncan.

1540 Mr. DUNCAN. Thank you, Mr. Chairman.

1541 Madam Secretary, I have--first, let me say I have very
1542 great admiration and respect for you, especially so since a
1543 few years ago when I heard you speak to the National Prayer
1544 Breakfast. But let me ask you this.

1545 William F. Buckley wrote in 2004 that if he had known in
1546 2002 what he then knew in 2004 he would have strongly opposed
1547 the war. More significantly, he wrote in June of 2005 that
1548 if we had as many as 500 U.S. deaths over the next year that
1549 we would reach a point where, quote, tenacity conveys not
1550 steadfastness of purpose but misapplication of pride. We
1551 have had over 2,000 U.S. deaths since that time. And I
1552 wonder, first of all, how you would respond to Mr. Buckley.

1553 Secondly, before the war started, many articles said
1554 that Lawrence Lindsey, the President's economics adviser, was
1555 dismissed because he had very publicly said a war with Iraq
1556 would cost 100 to $200 billion. In a very small briefing
1557 that I was called to at the White House just before our vote,
1558 I asked about that and I was told, oh, no, the war wouldn't
1559 cost nearly it that much, 50 to 60 billion, and some of that
1560 would be paid for by the Iraqis themselves. I am wondering
1561 if you are shocked or surprised at how much these costs have
1562 escalated to.

1563 And I am thinking back to a column that the conservative
1564 foreign policy columnist Georgie Anne Geyer wrote in 2003, a

1565 few months after the war, in which she said that Americans
1566 would inevitably come to a point at which they would have to
1567 decide did they want a government that provides services at
1568 home or one that seeks empire across the globe.
1569 And I know everybody would like to have a $5 million
1570 house, but they know they can't afford it. And many fiscal
1571 conservatives have reached a point where they feel we really
1572 can't afford these excessive, extravagant, staggering costs
1573 of this war. So I would like your comments to both of
1574 those--to respond to both of those columnists.
1575 Secretary RICE. Well, yes, Congressman, if I--it is
1576 always difficult to go back and try and situate yourself to
1577 know then what you know today. But even with that
1578 limitation, I would say, yes, I think to the overthrow of
1579 Saddam Hussein, the liberation of Iraq, and the chance for
1580 Iraq to become a different kind of a country in the center of
1581 the Middle East, from which comes many of the problems of
1582 terrorism and danger that we face as a country. Yes, it is
1583 worth it.
1584 I know that it has been difficult, and I indeed know
1585 that it has been expensive. And, yes, frankly, it has been
1586 harder than I thought it would be. Because I don't think
1587 that we understood just how broken this country was under
1588 Saddam Hussein's dictatorship.
1589 But I would remind that this is someone against whom we

1590 fought a war before. He was going to remain a threat to this
1591 vital region as long as he remained in power. And, yes, I
1592 think it was worth overthrowing him.
1593 It is also worth it to stand by the Iraqi people as they
1594 face the multiple challenges of trying to develop a
1595 functioning, democratic state in the heart of the Middle
1596 East. I think our security will be better for it, the
1597 security of the international community will be better for
1598 it.
1599 I cannot by any means make up for the terrible
1600 sacrifice. Nothing I can say will ever bring one of our
1601 soldiers back. But I can say that I think nothing of value
1602 is ever won without sacrificing. Yes, I do believe it has
1603 been worth it.
1604 Mr. DUNCAN. Let me just conclude by saying, as one who
1605 has opposed this war from the beginning and still does, I
1606 want to apologize to you for the rude way that you were
1607 treated by some of these anti--so called anti-war
1608 demonstrators. Those people need to realize that they do
1609 much more harm than good to their cause.
1610 And, also, Mr. Shays asked that I point out that we are
1611 not sending this $196 billion, which I think is way too much
1612 money, but we are not sending it to the Iraqis, we are using
1613 most of that for our own military costs.
1614 Secretary RICE. Yes. Thank you very much,

1615 Representative.

1616 Chairman WAXMAN. The gentleman has a little time left.

1617 Would he yield to me?

1618 Mr. DUNCAN. I will yield it to you.

1619 Chairman WAXMAN. I thank you for yielding to me.

1620 I did want to respond to the Secretary's offer that we

1621 have a closed door session to receive testimony from

1622 witnesses and to see documents. The problem with that offer

1623 is that you will give us information that we then cannot make

1624 public because it is confidential, and I think there are a

1625 lot of things that ought to be made public.

1626 And one question I would want to know, and I think it

1627 ought to be answered publicly, is money that is being taken

1628 from corruption--through corruption from the Iraqi Government

1629 funding the terrorists that are killing our troops? You

1630 don't have to name a source. You don't have to identify

1631 anybody that is confidential. But we ought to know that

1632 information. And I hope you would answer that question as we

1633 go into a debate about whether we are going to give another

1634 $196 billion to this war.

1635 Secretary RICE. There are militias that are being

1636 funded by multiple sources, including people who are able to

1637 use the Iraqi system to bring funding to their militias, yes,

1638 in the south in particular. But a much bigger problem, a

1639 much bigger problem, Mr. Chairman, and one that will be there

1640 in spades if we don't complete this mission, is the support
1641 that those militias are getting from Iran.
1642 Chairman WAXMAN. I think that is a very important
1643 issue, and it needs to be debated, but I don't want to take
1644 an offer from you to give this Congress of the United States
1645 information that we can then not talk about publicly as we
1646 debate these important policy questions. And that is our
1647 disagreement on the question.
1648 Secretary RICE. Yes, I understand. But Mr. Chairman,
1649 if I may say, it is not at all unusual that information is
1650 provided to the Congress that cannot be made public for
1651 reasons of sourcing; and so I renew the offer to you.
1652 Chairman WAXMAN. We don't need to get into sources.
1653 But there are a lot of questions we ought to have answered
1654 that don't involve sources. We will discuss this further,
1655 but I do want you to know that your offer, while you may feel
1656 is generous, is not consistent with I think the proper roles
1657 between the executive and the legislative branch.
1658 But it is Mr. Yarmuth's time for questions.
1659 Mr. YARMUTH. Thank you, Mr. Chairman.
1660 Good morning, Secretary Rice.
1661 Last year, October, 2006, in a State Department
1662 briefing, you made the following broad assessment, I will
1663 characterize it, about Prime Minister Maliki, the Interior
1664 Ministry, and corruption in Iraq.

1665 You said, I think he is a very good and strong Prime
1666 Minister. As you know, they have really started to take
1667 action. We have said many times that the Interior Ministry
1668 in the prior government before the permanent government was
1669 put in place was not active enough in really rooting out
1670 potential corruption and potential violence within the
1671 ministry itself or the ministry forces, and so they are
1672 really starting to take some actions of that kind.
1673 We have heard today and we heard in our hearing 3 weeks
1674 ago from Inspector General Bowen that he talked about the
1675 rising tide of corruption in Iraq. It is getting worse and
1676 is now a second insurgency he called it. And Judge Radhi, we
1677 have heard, says corruption is getting worse because of the
1678 sectarianism in the country and the lack of the rule of law.
1679 What I would ask you is if you are willing to give a
1680 broad assessment, no sourcing, a broad assessment as to
1681 whether over the last year, since you made that statement,
1682 corruption in Iraq has gotten better or worse.
1683 Secretary RICE. I really would be reluctant to make
1684 such a broad statement because I would submit to you,
1685 Congressman, in some places it has gotten worse and in some
1686 places it has gotten better. And so if we want to do a net
1687 assessment, I think I ought to go do a net assessment for
1688 you.
1689 But it is very clear to me that some of the problems

1690 that existed, for instance, in budget execution, have been
1691 ameliorated and are better. It is very clear to me that some
1692 of the problems that existed in the Ministry of Interior are
1693 being addressed. But there are still pervasive problems of
1694 corruption in any number of ministries, including in the
1695 Ministry of Interior. So some things have gotten better,
1696 some things have gotten worse. I can give you a net
1697 assessment. I can't give you a net assessment on the spot.
1698 Mr. YARMUTH. So you are not willing to agree with the
1699 broad characterizations that Mr. Bowen made and that Judge
1700 Radhi made?
1701 Secretary RICE. I would rather do my own net
1702 assessment. Thank you.
1703 Mr. YARMUTH. Thank you.
1704 As part of our investigation we also talked to State
1705 Department officials, again trying to find out whether the
1706 situation has improved or not. And when we interviewed Mr.
1707 Folk, who is one of the U.S. Embassy's top anti-corruption
1708 officials, we asked him about your statement a year ago. And
1709 he said he could not answer in an open forum, as you said,
1710 because it would require me to go into details that would
1711 break into the guidelines that were given to me. So
1712 basically he said he was under orders not to comment whether
1713 your statement was accurate or not.
1714 And my question is, if you are making broad assessments

1715 that are flattering to the Iraqi Government, as you did in
1716 October, 2006, and now as your public policy you are not
1717 willing to make those statements, isn't it fairly obvious
1718 that you are afraid of concealing negative information, and
1719 any person with half a brain would understand that the
1720 situation is not good or else you would want to talk about
1721 it?

1722 Secretary RICE. Let me--since I am certain we all have
1723 a brain, let me say it this way. There is a very bad problem
1724 of corruption in Iraq. It is a problem in ministries. It is
1725 a problem in government. It is a problem with officials. I
1726 don't think that is very flattering.

1727 Now, the effort has to be to help the Iraqis address
1728 that corruption and also to have an assessment ourselves
1729 through investigation and through taking information. You
1730 know, much of the information that you continue to put out by
1731 SIGIR and so forth actually comes from the Embassy looking
1732 into these issues themselves.

1733 So one of the problems with the--with simply relying on
1734 the Inspector General reports--which, by the way, I do, too;
1735 and, as I said, I meet with Stuart Bowen every time I can--is
1736 that these are often issues that are being uncovered by the
1737 Department and then reported to the Special Inspector
1738 General.

1739 So it would be wrong to leave the impression, as is

1740 being done, that somehow the Inspector General is going in
1741 and finding things that the State Department is trying to
1742 hide. If you look at his list, you will very often find that
1743 these are through interviews with our people who are in the
1744 process of trying to fight corruption.

1745 Mr. YARMUTH. And it is very frustrating I think to
1746 those of us who sit here that when we ask for assessments of
1747 the situation from the leadership of the State Department
1748 that we don't get candid answers. And I would submit to you
1749 that I and many others sitting on this panel are in our
1750 positions today because the American people was convinced
1751 that they weren't being leveled with about the conduct of
1752 this war. And that if we had been more candid, if the
1753 administration had been more candid, then maybe the approval
1754 rating for what we are doing over there would be at
1755 reasonable levels. And unfortunately, this total
1756 stonewalling and lack of candor is what is contributing to a
1757 lack of confidence in the American people.

1758 Secretary RICE. Congressman, if you don't mind, I will
1759 respond--because I don't know how to be more candid. There
1760 is a pervasive problem of corruption in Iraq. There is a
1761 problem in the ministries. There is a problem in the
1762 government. There are problems with officials. Our job is
1763 to try to investigate when we hear of and when people come to
1764 us. It is our job to put in place anti-corruption efforts to

1765 help the Iraqis do so themselves.

1766 But I don't know how to be more candid. I don't know
1767 how to be less flattering. There is indeed a problem of
1768 corruption in Iraq that we are trying to address through
1769 multiple fronts.

1770 Chairman WAXMAN. The gentleman's time has expired.

1771 Mr. Shays?

1772 Mr. SHAYS. Thank you.

1773 It seems to me the basic contention of the Democratic
1774 majority is because Iraq is corrupt we need to withdraw.
1775 Which has come down from, well, we weren't winning, we needed
1776 to withdraw; it was immoral, we needed to withdraw. So that
1777 is basically what is on the table, which is patently absurd.

1778 Iraq is corrupt. We all know it is corrupt. We know it
1779 is pervasive. You know it is pervasive. But for you to be
1780 called before a committee to name names is destructive, and I
1781 am happy that you have resisted that temptation.

1782 When I go to Iraq, I ask, are you a Sunni? They say, I
1783 am a Sunni, but I am married to a Shi'a. I say to someone
1784 else, are you a Shi'a? They say I am a Shi'a, but my tribe
1785 is Sunni. I go to someone else, and I say, are you a Kurd?
1786 And they say, yes, but don't you know we are Sunnis?

1787 They lecture me continually on the fact that they are
1788 Iraq, the nation of two rivers. And they say, didn't you
1789 study about us when you were in school? There is tremendous

1790 pride that the Iraqis have for their country.

1791 Bernard Lewis points out that there is a difference
1792 between patriotism and nationalism, and he said in the
1793 Balkans you had nationalism.

1794 My question to you is, do you see a patriotic spirit
1795 emerging?

1796 And I am going to just add to this that we are
1797 constantly lecturing the Iraqis on how they need to get their
1798 act together, and I haven't seen Congress pass hardly any
1799 legislation. I haven't seen them come to an agreement on
1800 even Iraq. We can't come on agreement in Iraq, yet we did on
1801 a bipartisan basis going in, two-thirds of the House and
1802 three-quarters of the Senate. But we here can't work
1803 together to decide how we deal with Iraq, yet we lecture
1804 Maliki on why can't he get his act together, Sunnis, Shi'as,
1805 and Kurds.

1806 And my question to you is, one, your view of the
1807 intervention in the Senate that said break Iraq into three
1808 units. Because the feedback I get from the Iraqis is how
1809 dare you tell us what to do, it is our country. I would like
1810 your feedback on that.

1811 And I would like you to speak in general about whether
1812 you see a sense of patriotism. Is Maliki doing what I think
1813 he is doing, trying to build consensus among Sunnis, Shi'as,
1814 and Kurds, trying to get 70 percent support where they can't

1815 even get support of 60 percent in the Senate? If you would
1816 speak to that.
1817 Secretary RICE. Yes. In fact, what the Iraqis are
1818 trying to do is to pass their laws by more than a majority,
1819 because they recognize that they are trying to buy into these
1820 very fundamental and existential laws, the entire Iraqi
1821 population, Sunni, Shi'a, and Kurd, which is why they don't
1822 want to just go with a 51 percent majority.
1823 It has been difficult. We continue to press them on
1824 passing these laws. I would just note that they did pass a
1825 budget. That is no small matter.
1826 Mr. SHAYS. We haven't done one here yet.
1827 Secretary RICE. That is my understanding, Congressman.
1828 And that they are in fact executing that budget at a very
1829 higher rate than they did last year, 20 percent last year, 70
1830 percent this year. That they are getting the money out to
1831 places like Anbar, which leads me to your question about
1832 patriotism.
1833 While we are sitting here talking about all of the
1834 problems of the Iraqis, let us remember that it is the sheiks
1835 of Anbar and their sons of Anbar who rose up to fight and to
1836 push al Qaeda out, with our help, of an area that was just
1837 last year said to be lost by our intelligence agencies.
1838 Let us remember that there are 60,000 concerned
1839 citizens, as they call themselves, who are part of

1840 neighborhood watches to guard their neighborhoods in Baghdad,
1841 in and around Baghdad.
1842 Let us remember that one of the--that the leader of
1843 Awakening, the Sunni rebellion against the foreign
1844 extremists, was killed in a brutal assassination attempt,
1845 only to be replaced by his brother, who stood and said that I
1846 will continue to fight because my brother will not have died
1847 in vain.
1848 So, yes, there are patriotic Iraqis. Yes, there are
1849 Iraqis--they are losing more forces by far, many times over,
1850 than we are in the defense of their country.
1851 And to go to your first point, Congressman, I know that
1852 there is corruption in Iraq. I don't think I have been
1853 trying to hide that fact here. I know that there are lots of
1854 reports that need to be investigated, and we are more than
1855 willing to share those with this committee in an appropriate
1856 setting. Which, by the way, is not at all unusual in sharing
1857 information that is sensitive.
1858 But the most important point that I would make is that
1859 if the implication is that because there is corruption in
1860 Iraq that we should simply give up on this extremely
1861 important security concern of the United States, then I think
1862 that in itself would be irresponsible. What we have to do is
1863 fight the corruption and help them to fight it.
1864 Chairman WAXMAN. The gentleman's time has expired.

1865 Mr. Clay?

1866 Mr. CLAY. Thank you, Mr. Chairman.

1867 Dr. Rice, I want to ask you about Blackwater; and I want
1868 to begin by commending you for taking action to strengthen
1869 oversight over this company and other private military
1870 contractors. But my question is, why has this taken 4 years?
1871 There have been plenty of warning signs, but it wasn't until
1872 the September 16th shootings triggered an international
1873 incident that the State Department finally acted. By that
1874 time, a lot of damage to the U.S. mission in Iraq had already
1875 been done.

1876 And let me start my questioning by asking you about one
1877 of these warning signs. This is an incident that occurred on
1878 May the 12th, 2005. This was over 2 years ago, near the
1879 start of your time as Secretary of State.

1880 I have a State Department cable that was sent from the
1881 Embassy in Baghdad to you; and you have a copy, I believe.
1882 According to this cable, two Blackwater guards fired multiple
1883 shots at a car as it approached the Blackwater motorcade in
1884 Baghdad. The Blackwater guards killed one Iraqi civilian and
1885 wounded two others. The State Department conducted an
1886 investigation of this particular incident and concluded that
1887 the Blackwater personnel acted improperly. This is what the
1888 official State Department reports said. The victim's car
1889 was, and I quote, traveling at a moderate rate of speed on an

1890 open road, displaying no aggressive behavior such as rapid
1891 acceleration or change in direction.
1892 The report also found that Blackwater's warning signals
1893 were perfunctory and that a reasonable person in the same
1894 circumstances would foresee them to be ineffective. The
1895 State Department's own investigation concluded lethal force
1896 was used prior to the exhaustion of all available options.
1897 What bothers me most about this incident is that the
1898 only sanctions requested by the State Department were that
1899 the two shooters should be dismissed and barred from any
1900 future employment. Dr. Rice, do you think this was an
1901 appropriate response by the Embassy?
1902 Secretary RICE. Since this was investigated by the
1903 Embassy and by Diplomatic Security and I don't have access at
1904 this moment to the full record of their response, I don't
1905 want to respond on the appropriateness of it. I do think
1906 that what we have done in insisting now on greater
1907 coordination and accountability will help to avoid such
1908 incidents in the future.
1909 And, Congressman, I would note that one of the things
1910 that we believe is necessary--two of the things we believe
1911 are necessary, first, that we really do have to review the
1912 order under which all of this has been being done since the
1913 creation of the Coalition Provisional Authority back in 2003.
1914 That is one of the problems, is the basis on which it is

1915 done; and we are working and believe that there needs to be
1916 legislation so that there can be appropriate action taken
1917 when incidents of this kind occur.
1918 Mr. CLAY. Well, in this case, Doctor, the facts are not
1919 in dispute here. Your investigators found that an innocent
1920 Iraqi was shot and killed and that Blackwater was at fault.
1921 Yet the Embassy recommended only that they lose their jobs.
1922 It shouldn't be a hard question to say whether that response
1923 was sufficient. Was it sufficient?
1924 Secretary RICE. I am not going to second-guess the
1925 decision of the people on the ground who investigated it, who
1926 looked into it and made a response.
1927 Mr. CLAY. Okay. But, on top of that, now the incident
1928 should have been a warning sign that something was wrong in
1929 the State Department's relationship with Blackwater.
1930 But there were many other examples. Just a month later,
1931 in June of '05, the State Department found that a Blackwater
1932 team killed an innocent Iraqi in al-Hillah and tried to cover
1933 it up. Again, the only disciplinary action was dismissal.
1934 And there were many other similar incidents, including
1935 ones where Iraqi officials protested Blackwater's actions.
1936 Yet for years the State Department acted as Blackwater's
1937 enabler and never restrained the company's aggressive
1938 tactics. Do you think you made a mistake by taking so long
1939 to recognize that the oversight of Blackwater was woefully

1940 inadequate?

1941 Secretary RICE. Congressman, there was certainly a
1942 concern to make sure that our diplomats were protected, and
1943 that has been achieved.

1944 I agree with the report of the team that I sent out that
1945 oversight has been inadequate, which is why we have moved to
1946 tighten the oversight. It is why we are determined to have
1947 oversight not just of the State Department contractors but to
1948 work with Bob Gates to have broader oversight as well. But,
1949 again, these are decisions that were made on the ground by
1950 people who were reviewing the circumstances, and I am not
1951 going to second-guess them here on the spot.

1952 Chairman WAXMAN. The gentleman's time has expired.

1953 Mr. McHenry?

1954 Mr. MCHENRY. Thank you, Mr. Chairman.

1955 Secretary Rice, thank you for being here.

1956 We have had 9 months of numerous hearings covering the
1957 myriad of subjects we have already covered here today. Your
1958 staff has testified, as you I am sure well know, extensively.
1959 And I am sure we have consumed a great portion of your time
1960 as well in helping them prepare their testimony, and I thank
1961 you for that.

1962 But the one thing we can't forget here is we are talking
1963 about a war zone, and men and women's lives are on the line,
1964 brave men and women there in Iraq. And there have been a

1965 number of questions, and my colleague just asked one about
1966 contracting. It seems a contradiction to me that at a time
1967 when this Congress, the Democratic majority in Congress wants
1968 to cut the level of troops, they want to nationalize
1969 contractors, thereby increasing the number of troops required
1970 for protective service of State Department officials, Embassy
1971 officials as well, as well as provincial reconstruction
1972 teams. It seems to me a contradiction when you espouse a
1973 smaller footprint in Iraq that you want to eliminate
1974 contracting. There have been a number of questions about
1975 this.

1976 But I want to ask, in regard to the State Department's
1977 use of contractors versus full-time government employees,
1978 what is the better use of taxpayer money? Have you analyzed
1979 this as an ongoing process in Iraq? And if you could just
1980 comment on that.

1981 Secretary RICE. Yes. Well, we believe that we get--in
1982 that sense, it is a reasonable way to handle the significant
1983 problem that we have of providing protection for the
1984 diplomats.

1985 I would repeat that when the team went out and they
1986 asked directly General Petraeus and Ambassador Crocker,
1987 should this be done instead by Diplomatic Security--which, by
1988 the way, we have increased the numbers, the allocation to
1989 Diplomatic Security over time. But they were asked, should

1990 Diplomatic Security try to do this, which means you would
1991 have to bring it in house, should the military do this? And
1992 they were told, no, that would not be appropriate. So we are
1993 left with the need for private contractors.
1994 Now, there can be certainly better oversight of the
1995 private contractors, which is why we are taking the steps
1996 that we are taking. But this is the best way that we can
1997 find to make sure that our people can get out of the Green
1998 Zone and go to do all of the programs that are being
1999 questioned here, whether they are on anti-corruption or
2000 budget execution or training personnel.
2001 Mr. MCHENRY. So there are really three choices. The
2002 military can guard the State Department--
2003 Secretary RICE. Right.
2004 Mr. MCHENRY. --you could have in-house security, which
2005 would have to be a massive expansion of what is currently
2006 available, or you could use contractors. And the first two
2007 were rejected, is that correct?
2008 Secretary RICE. That is correct.
2009 Mr. MCHENRY. Has there been a cost-benefit analysis as
2010 a part of this in terms of the cost to taxpayers?
2011 Secretary RICE. Well, I think that, first of all, if
2012 you just imagine bringing on enough Diplomatic Security
2013 agents to do this full-time, and we will have to as a result
2014 of a report bring more people on, I think they said 100

2015 people, but if you tried to have 1,100 or 1,200 Diplomatic
2016 Security agents, you are creating a career path, people who
2017 would, of course, be there for throughout a career. This
2018 allows us to be flexible in terms of how temporary an
2019 assignment might be. So it is--the cost benefit is very
2020 good, and I think you certainly wouldn't want American
2021 soldiers to have do this task.
2022 Mr. CUMMINGS. Mr. Chairman?
2023 Mr. MCHENRY. And if I may continue, because, as a part
2024 of this, the idea is that we are in Iraq not on a permanent
2025 basis, therefore, you do not hire career government workers
2026 to be there on a 30-year basis, for instance, with retirement
2027 benefits and things of that sort.
2028 Secretary RICE. Exactly.
2029 Mr. MCHENRY. So there have been advantages to having
2030 contractors as part of the workforce for the State
2031 Department.
2032 Secretary RICE. Yes. Because you can use it in a kind
2033 of an accordion-like way to increase when you need and to
2034 decrease when you don't need. That is not true if you hire
2035 permanent employees.
2036 Mr. MCHENRY. So flexibility.
2037 Secretary RICE. Uh-huh.
2038 Mr. MCHENRY. Now, let me move onto the provincial
2039 reconstruction teams; and I think this is a very key point of

2040 your role in Iraq. I know there is a discussion of
2041 corruption, but we have a number of different functions
2042 within government that are overseeing that. For you, as
2043 Secretary of State, these provincial reconstruction teams,
2044 some of which provide technical expertise for agriculture or
2045 clean water or build roads, we have seen wonderful things
2046 that have come about with my colleague from Massachusetts,
2047 Mr. Tierney, and I and my colleague from Minnesota, Ms.
2048 McCollum, when we were in Afghanistan, some really community
2049 changing opportunities for regional reconciliation. And I
2050 know the Jones Commission had a lot to say about that
2051 localized reconciliation and building that up in order to
2052 strengthen national security.

2053 The provincial reconstruction teams I think are a key
2054 part of what you and the State Department are trying to add,
2055 the so-called diplomatic surge. With the security issues
2056 being actually less of a potent political force for some here
2057 in Congress, with that being resolved, can you discuss with
2058 me, if we could just take a moment or two, and talk about the
2059 value and importance of the provincial reconstruction teams
2060 and the work that you are putting into building those and
2061 getting those out in a timely manner?

2062 Chairman WAXMAN. The gentleman's time has expired, but
2063 we will get an answer.

2064 Secretary RICE. In late 2005, we began to deploy these

2065 provincial reconstruction teams, which allows us to work at
2066 the local level, the provincial level, and therefore to
2067 multiply our points of success, because the delivery of goods
2068 and services to populations really can't take place out of
2069 Baghdad. And so we began with provincial reconstruction
2070 teams in places like Mosul, which were able to work with
2071 local government. And they do not just delivery, but they do
2072 really help to build the capacity of local governments and
2073 provincial governments. They help with budget execution.
2074 They help get resources from Baghdad down to the provinces.
2075 I want to reiterate it is a country that doesn't really
2076 still to this day have a functioning electronic banking
2077 system, and so moving funds is difficult.
2078 But what it has allowed us to do is build from the
2079 bottom up. Now we thought that this was working very well
2080 but that we could make it better, and so I have worked with
2081 Secretary Gates and with the military, and we have now
2082 embedded people into brigade command teams, and they really
2083 have become one. We talk with them frequently. They go into
2084 very dangerous circumstances, but they go down to provincial
2085 level in places like Anbar and Baghdad neighborhoods, and
2086 they work with local governments to deliver services.
2087 Chairman WAXMAN. Thank you very much.
2088 Mr. Sarbanes?
2089 Mr. SARBANES. Secretary Rice, thanks for being here.

2090 I wanted to call your attention to the report of the
2091 outside panel that you convened and its conclusions, which
2092 are in stark contrast to some of the statements that were
2093 made by officials of the State Department. So let me begin
2094 by going over some of those statements, and then we can look
2095 at the report's conclusions.
2096 On October 1st, I mean, just recently, your spokesman
2097 made this statement. The State Department is, quote,
2098 scrupulous in terms of oversight and scrutiny not only of
2099 Blackwater but of all our contractors. I would strongly
2100 dispute anyone's assertion that the State Department has not
2101 exercised good and strong oversight in our efforts to manage
2102 these contractors.
2103 On September 27th, your deputy, Ambassador John
2104 Negroponte, said that every single incident in which
2105 Blackwater fires its weapon is, quote, reviewed by management
2106 officials to ensure the procedures were followed.
2107 And on October 2nd, Ambassador Richard Griffin, who is
2108 the Assistant Secretary of State for Diplomatic Security,
2109 testified before this committee that every time a weapon is
2110 fired by a security guard an investigation is triggered.
2111 Were those accurate statements made by those officials?
2112 Secretary RICE. The reason that I ordered a bottom-up
2113 review was that I wanted to be certain about what was
2114 actually going on in terms of oversight. That is why I told

2115 people that I wanted a probing, 360-degree review.

2116 I am sure you understand, Congressman Sarbanes, that
2117 when you are in a large organization like the State
2118 Department, when issues come the most important thing to do
2119 is to get to the bottom of what is going on and then to fix
2120 the problems. And so that is why I ordered the panel,
2121 because I wanted to be sure that indeed we were carrying out
2122 oversight as scrupulously as we could. I think the report
2123 demonstrates that we were not, and therefore--

2124 Mr. SARBANES. It is a good thing you ordered that
2125 report.

2126 Secretary RICE. That is why we made the changes.

2127 Mr. SARBANES. It is a good thing you ordered the
2128 report, because these were high-level officials who were
2129 apparently totally out of touch with what was in fact
2130 happening.

2131 Let me read three conclusions of Ambassador Kennedy's
2132 report.

2133 The first one, when incidents involving the discharge of
2134 weapons occurred, the scope of investigation has not been
2135 broad enough to ensure that on-the-scene information is
2136 gathered quickly and thoroughly.

2137 Second conclusion, the Embassy process for addressing
2138 incidents, including those involving the U.S. military, is
2139 insufficiently comprehensive.

2140 Third, the process for coordinating and sharing of
2141 information between the Embassy and the multinational force
2142 in Iraq is not sufficiently robust to ensure knowledge of the
2143 particulars of incidents that could potentially affect
2144 U.S.-Iraqi relations.
2145 So the report that Ambassador Kennedy made is very clear
2146 that the State Department's oversight of Blackwater and these
2147 other contractors was seriously deficient.
2148 Secretary RICE. I am the one who ordered the report
2149 because I believe when you are managing an organization and
2150 you have a situation like we had you owe it to your people in
2151 the field and to the country to have a full, 360-degree look
2152 at what is going on, to have a full look by people, by the
2153 way, who are independent of the Department, including General
2154 Joulwan and Ambassador Roy, and to then act on those
2155 recommendations.
2156 But, frankly, after the Blackwater incident, I did
2157 not--could not myself say that I knew that our oversight was
2158 adequate; and that is why I ordered the report.
2159 Mr. SARBANES. And the report reached some of the
2160 conclusions that I just enumerated.
2161 I am trying to understand how these officials, as
2162 recently as late September and early October, who are
2163 high-level people who presumably have access to the very
2164 kinds of sources of information that the panel looked at,

2165 could be saying publicly that everything was fine, that there
2166 was good scrutiny and good oversight. And what I am trying
2167 to understand is were they speaking just because they didn't
2168 have any information or facts, or were they trying to mislead
2169 the Congress or the public?

2170 Secretary RICE. No, no one was trying to mislead you,
2171 Congressman. I do think that what--that people were in
2172 asking those responsible, do you have appropriate oversight?
2173 The answer was, yes, we have appropriate oversight.

2174 What I then did, because I could not say without
2175 qualification or without concern that there was appropriate
2176 oversight, was to have people go and look thoroughly at the
2177 situation. You might note that that panel interviewed many,
2178 many tens of people that, for instance, John Negroponte would
2179 not have interviewed when he made those statements.

2180 So when you have a management problem, the way to fix it
2181 is to have a thorough, 360-degreelook at it by independent
2182 people and then to act on the recommendations.

2183 Mr. SARBANES. I appreciate there was a management
2184 problem in the State Department, and I am curious to know
2185 whether you regret the failures of the Department to conduct
2186 the kind of oversight of these outside contractors that
2187 appears to have occurred.

2188 Secretary RICE. Congressman, whenever there is an
2189 incident of this sort I consider it my responsibility both to

2190 acknowledge it and to try and fix it.

2191 Mr. SARBANES. That wasn't my question. My question was

2192 whether you regret the failures of your Department, whether

2193 you regret your failures to conduct oversight of these

2194 contractors.

2195 RPTS MCKENZIE

2196 DCMN HERZFELD

2197 [12 p.m.]

2198 Secretary RICE. I certainly regret that we did not have
2199 the kind of oversight that I would have insisted upon. We
2200 now will have that oversight. But it is our responsibility
2201 as managers to recognize that when there is a problem, you
2202 need to investigate that problem thoroughly, and then you
2203 need to act to fix it.

2204 Mr. SARBANES. I appreciate it.

2205 Chairman WAXMAN. The gentleman's time has expired.

2206 Ms. Foxx.

2207 Ms. FOXX. Thank you, Madam Secretary. I think you
2208 are--you certainly have earned the respect that you have from
2209 both sides of the aisle for your straightforwardness and your
2210 ability to answer questions, and I admire you tremendously.
2211 So thank you very much for being here.

2212 We've established that corruption has been a serious
2213 problem in Iraq, and you've said that yourself several times.
2214 We've also heard about some of the steps the government's
2215 taking to fight corruption in Iraq, ranging from the military
2216 surge, the diplomatic efforts. I'm going to ask you three
2217 questions and let you answer them all at one time, if that's
2218 okay. And, you know, we've been called for votes again.

2219 Would I be correct in saying that our assistance in

2220 fighting corruption is a long long-term effort? That's the
2221 first one.
2222 And when do you think we'll see the results of this
2223 long-term effort? At what point will we do that?
2224 And are there any lessons that we can learn from our
2225 experience helping factions in Northern Ireland, in the
2226 Balkans work through peaceful coexistence that some thought
2227 would never see peace?
2228 Secretary RICE. Well, yes, it is a lot of effort. It's
2229 a country that's been through war and dictatorship, and, yes,
2230 it's a long effort to fight the corruption.
2231 I can't give you an exact date, but I know that the
2232 Iraqis are making efforts to improve the circumstances there.
2233 Some of the things that will help, for instance, when they
2234 get a system that is less dependent on subsidies, there will
2235 be less possibility for corruption. Part of it comes out of
2236 that system. So we'll continue to work with them.
2237 Yes, we've seen in the Balkans--which, by the way,
2238 corruption is still a problem--we have seen that it takes
2239 people time to reconcile. But I just want to repeat, I don't
2240 know what the implication is of saying that, yes, Iraq--I do
2241 not think that the implication of saying that Iraq has a
2242 corruption problem is to say that that is therefore reason
2243 for the United States to stop dealing with the Iraq
2244 Government or working to help them fight their corruption

2245 problems. It's too important to our security, and that's why
2246 we're going to continue to help them fight their corruption.
2247 Ms. FOXX. Mr. Chairman, if I could, I would like to
2248 tell the Secretary one little story. Two years ago I was at
2249 the Louisville Elementary School speaking to a group of
2250 second-graders, and we actually were having lunch together.
2251 Second-graders. And I asked them if they had any questions
2252 they would like to ask me. And there was a little girl there
2253 who said to me, well, since President Bush cannot run for
2254 reelection, do you think that Secretary of State Rice might
2255 run? I think she would make a great President.
2256 Secretary RICE. Thank you.
2257 Ms. FOXX. So I want you to know that second-graders in
2258 Louisville are very much fans of yours.
2259 Secretary RICE. Thank you very much.
2260 Chairman WAXMAN. Thank you, Ms. Foxx.
2261 Mr. Braley?
2262 Mr. BRALEY. Good morning, Secretary Rice.
2263 I want to talk to you about the Christmas Eve shooting
2264 on December 24, 2006. According to documents that the
2265 committee has obtained, a Blackwater employee who was drunk
2266 shot and killed a security guard for the Iraqi Vice President
2267 inside the protected Green Zone in Baghdad. This didn't
2268 happen on a mission protecting diplomats. It happened on
2269 Christmas Eve after a party inside the Green Zone. And if

2270 this shooting had happened here in the United States, there
2271 would have been an arrest, a criminal conviction and a
2272 prosecution. And if one of our soldiers serving in Iraq had
2273 engaged in this type of behavior, they would have faced a
2274 court-martial under the Uniform Code of Military Justice.
2275 But according to what the committee has determined, this
2276 is what the State Department did. It flew the contractor out
2277 of Iraq within 36 hours. Then it asked Blackwater to make a
2278 payment to the family. And according to the e-mails that we
2279 have been provided with, a payment to the families was
2280 considered and then, quote, the best way to assure that the
2281 Iraqis don't take the steps, such as telling Blackwater that
2282 they are no longer able to work in Iraq. And my simple
2283 question to you is, as we head toward another Christmas Eve,
2284 do you agree that the State Department made a mistake in
2285 responding to that incident?
2286 Secretary RICE. First of all, that incident has
2287 been--or that circumstance has been referred to the Justice
2288 Department. And I've testified here that there's a lacuna in
2289 the law, and we are working to get appropriate--we would like
2290 to get appropriate legislation that speaks to the prosecution
2291 of civilian contract personnel working in circumstances like
2292 Iraq. That was one of the findings of the panel that I sent
2293 out. And, in fact, we very much would like to see that
2294 because you're right, the Uniform Code of Military Justice

2295 provides a context for our soldiers. And there is protection
2296 inside the United States. We believe there's a lacuna that
2297 needs to be filled.

2298 Mr. BRALEY. When we had the CEO of Blackwater, Erik
2299 Prince, sitting in the exact chair that you are sitting in
2300 right now, I went through this with him, and he told the
2301 committee under oath that, in his opinion, all Blackwater
2302 employees were already subject to the Uniform Code of
2303 Military Justice, the War Crimes Act, and other international
2304 accountabilities that our current military is subject to.
2305 And then I went through the individual statutes with him, and
2306 he seemed to admit that if you look at the language of those
2307 statutes, they don't, in fact, apply unless they are
2308 accompanying U.S. military personnel.

2309 Secretary RICE. I agree. And that's why we are seeking
2310 and working for legislation, and we're very happy to work
2311 with anyone who would like to, to get that legislation.
2312 There is a lacuna in our law about this. And even though
2313 this particular case--I want to reiterate--has been referred
2314 to the Department of Justice for further action, we believe
2315 that there is a hole.

2316 Mr. BRALEY. The House recently passed legislation
2317 addressing this very issue. Have you taken a public position
2318 on the merits of that legislation?

2319 Secretary RICE. We believe that there are some problems

2320 in that particular House law, but we are prepared to work to
2321 get a law--working with the Senate and working with the House
2322 to get a law that we think addresses the problem.
2323 Mr. BRALEY. Are you prepared today to identify the
2324 specific problems that you have with the legislation?
2325 Secretary RICE. I think we should allow the discussions
2326 that are going on that are being led, as these are, by the
2327 Justice Department to get that law. But I am very strongly
2328 supportive of a law that would close this loophole.
2329 Mr. BRALEY. How do you square your support for this
2330 concept of legislation with the White House's stated public
2331 opposition to the legislation?
2332 Secretary RICE. Because the specific legislation has a
2333 number of problems and concerns from the point of view of not
2334 just of those who would have to operate in the field, but
2335 also the Justice Department. And, of course, it is the
2336 Justice Department that advises the President on this kind of
2337 matter.
2338 Mr. BRALEY. Now, this same e-mail we were referring to,
2339 which was actually sent out from Margaret Scobie from Baghdad
2340 the day after the incident in question on Christmas Eve,
2341 says, will you be following up in Blackwater to do all
2342 possible to ensure that a sizable compensation is
2343 forthcoming?
2344 Are you aware of the actual compensation that was paid

2345 to the family of this Iraqi security--

2346 Secretary RICE. I'm not aware of the actual amount in
2347 this case. I can't recall it at this point. But I will say,
2348 Congressman, that this process or this practice of
2349 compensation is something that is used--it's a part of a kind
2350 of cultural norm, and it is used, used by us and used by the
2351 military.

2352 Mr. BRALEY. Are you aware that the charge d'affaires
2353 recommended a payment of $250,000 and that the actual
2354 settlement was $15,000?

2355 Secretary RICE. I know that there was a significant
2356 difference in what was recommended and what was done.

2357 Mr. BRALEY. Do you agree that $15,000 is not a sizable
2358 compensation?

2359 Secretary RICE. I'm not going to second-guess the
2360 decision at the time, Congressman, because I was not on the
2361 spot, and I didn't review all of the factors that might have
2362 been taken into account.

2363 But the practice of compensation, of course, is one that
2364 is used very broadly in the region.

2365 Mr. BRALEY. It seems that if this government is paying
2366 $1,222 a day for Blackwater for the services of its
2367 employees, that a compensation of $15,000 for the life of an
2368 Iraqi who is guarding the Vice President of Iraq seems like a
2369 very meaningless compensation.

2370 Chairman WAXMAN. The gentleman's time has expired.
2371 Mr. Hodes.
2372 Mr. HODES. Thank you, Mr. Chairman.
2373 Madam Secretary, I would like to pick up on one of the
2374 issues that you've just discussed. You said you now see that
2375 there's a hole in the law, and you would very much like to
2376 see legislation. On Tuesday your blue ribbon panel
2377 investigating the use of security contractors in Iraq issued
2378 its report, and, as you've indicated, one of its principal
2379 findings is particularly troubling. It doesn't simply say
2380 there's a hole; what it says is that the legal framework for
2381 providing oversight over personal protective service
2382 contractors is inadequate in that the panel is aware of any
2383 basis for holding non-Department of Defense contractors
2384 accountable under U.S. law.
2385 I find this an amazing statement. And while we can
2386 acknowledge that we need to fix it, I'm very curious about
2387 how we could have possibly gotten into this situation.
2388 Ambassador Kennedy's panel, in effect, found that Blackwater
2389 and the other security contractors had been acting above the
2390 law, essentially in free space above the law. In this
2391 country no one is above the law, yet the contractors,
2392 according to your panel, have been above the law for the past
2393 4 years.
2394 How could this happen? You've paid Blackwater over $800

2395 million. Didn't anyone, didn't you or your subordinates ever
2396 stop to ask whether or not the legal framework was in place
2397 to hold these contractors accountable for their actions? The
2398 military certainly is when there is error committed. How
2399 could this have happened?

2400 Secretary RICE. First of all, this is not just a
2401 problem for State Department contractors. We have a lot of
2402 contractors working in Iraq, and we want to make sure there's
2403 a proper framework. But I don't think of it as proper to say
2404 that they were above the law. I just told you that one of
2405 the--that the case that was just referenced has, in fact,
2406 been referred to the Justice Department. So it is not above
2407 the law. It is being handled by the Justice Department.

2408 We continue to believe that the tightening of that
2409 framework would make a great deal of sense, and we want to
2410 work for that legislation. But that case, the case of
2411 Christmas Eve, has indeed been referred to the Justice
2412 Department.

2413 Mr. HODES. We have heard graphic testimony and seen
2414 convincing evidence that over the past 4 years there have
2415 been numerous, numerous incidents by Blackwater which
2416 arguably could constitute criminal behavior under United
2417 States law, yet there has not been a single prosecution
2418 brought by the Justice Department. I'm aware of no previous
2419 FBI investigations or any action by the State Department to

2420 hold Blackwater accountable for any of the previous incidents
2421 involving arguably unwarranted violence against Iraqis.
2422 You now come and say there's a hole in the law and that
2423 the Justice Department is handling this matter. If, in fact,
2424 there is currently no legal framework under which the Justice
2425 Department and the FBI, if it finds something wrong was
2426 committed, could handle the matter, how do you explain to the
2427 American people and this panel that in 4 years no proper
2428 legal framework has been put in place until apparently you
2429 are now--your support today for some legislation to handle
2430 these matters?
2431 Secretary RICE. This is an issue of prosecution under
2432 U.S. law. I would note that this--the framework in Iraq for
2433 dealing with the contractors comes from a period--the CPA
2434 period in which Order 17 governed this. It isn't adequate
2435 for the current circumstances. The case in--the case of the
2436 Christmas circumstances have been referred to the Justice
2437 Department.
2438 I would remind that this is a war zone, and that it is
2439 true that sometimes incidents happen. They are reviewed.
2440 It's not the case that they haven't been reviewed. But we do
2441 believe that it would be very helpful to have a law that is
2442 explicit to this particular circumstance.
2443 Mr. HODES. Madam Secretary, with all due respect, I
2444 think it's questionable whether anything that the CPA did

2445 had, in fact, binding authority on the United States legal
2446 system. And beyond that, I'm not talking about simply the
2447 Christmas incident, I'm talking about the confidence that we
2448 need to have that, going forward, the State Department is
2449 going to take care of something, which it appears that you
2450 and your subordinates have absolutely recklessly failed to do
2451 in the past 4 years, given the history of what is either
2452 incompetence in management or purposeful lack of attention to
2453 this.

2454 How can we be assured that we are going to be going
2455 forward in the right way to establish a legal framework that
2456 works to hold these contractors accountable?

2457 Secretary RICE. Well, first of all, Congressman, in
2458 this war zone I don't think the people have been either
2459 reckless, nor have they been trying somehow to shield people
2460 in this circumstance. What has happened is that we have
2461 been--we have taken incidents, we have looked at them and
2462 reported them. I will be the first to say--and it was my
2463 answer to Congressman Sarbanes--and the reason that I ordered
2464 this review is that I did not think personally that I could
2465 say that the oversight and the follow-up was appropriate.
2466 And so we now have a report on which we can act.

2467 We will act on it. We've already acted on some elements
2468 of it. It will be very helpful to have a law that closes
2469 this particular lacuna. But the people in the field have

2470 been dealing with these circumstances under the most
2471 difficult circumstances where they're trying to protect our
2472 diplomats, and that they have done. They've been able to
2473 protect our diplomats. And I hope they will continue to be
2474 able to protect our diplomats who travel through war zones
2475 with IEDs going off and with indirect fire. But the
2476 framework indeed was inadequate, and that's why I've
2477 asked--asked for the review, and that's why I ask that we put
2478 in place these particular recommendations.
2479 Mr. HODES. My time is up. I find your answer
2480 unpersuasive.
2481 Thank you, Mr. Chairman.
2482 Chairman WAXMAN. The gentleman's time has expired.
2483 I just want to point out, the incident was not in a war
2484 zone. It was in the Green Zone, and it was a man who was
2485 drunk on Christmas Eve and who shot the--
2486 Secretary RICE. That one has been referred to the
2487 Justice Department. But again, Chairman, I'd encourage you
2488 to go and look at the--
2489 Mr. SHAYS. Mr. Chairman, could we--
2490 Secretary RICE. The Green Zone can be pretty tough.
2491 Mr. SHAYS. Would the gentleman yield for just a second?
2492 I would like to point out that there appears to be no
2493 witnesses. So when I spoke to the Justice Department, part
2494 of the reason why they are having a hard time reconstructing

2495 it is because there were no witnesses.

2496 And secondly, I want to point out that 30 Blackwater
2497 personnel have died defending the State Department and other
2498 officials who travel around Iraq, and they've never failed
2499 once in their protection, whoever they've been required to
2500 protect.

2501 Chairman WAXMAN. I want to go on to other Members, but
2502 there's no law in effect. The man got drunk, shot an
2503 innocent Iraqi not during the war, but in the Green Zone on
2504 Christmas Eve, and he can't even be prosecuted because
2505 there's no law in effect. So that's the situation.

2506 Secretary RICE. Chairman, I think what Mr. Shays said
2507 to you is actually correct. The Justice Department is
2508 looking to see whether he can be prosecuted by--because of
2509 the evidence. It is not the absence of law in that case,
2510 it's a question of evidence. So they are investigating it.

2511 Chairman WAXMAN. Thank you.

2512 Ms. McCollum.

2513 Ms. MCCOLLUM. Thank you, Mr. Chair.

2514 Secretary Rice, on July 26, 2007, this committee held an
2515 oversight hearing on the problems with the State Department's
2516 construction of the new $600 million embassy in Baghdad.
2517 General Williams, the head of the State Department Office of
2518 Overseas Building Operations, testified that there were no
2519 significant problems. The head of the State Department's

2520 Office of Overseas Building Operations testified that there
2521 were no significant problems with the construction at the
2522 embassy, and that it would be completed in September. And
2523 I'm going to quote you what he said: Quote, I am pleased to
2524 report, Mr. Chairman, that the project is on schedule, on
2525 budget, and we're slated to complete the project in September
2526 of this year.
2527 Then he goes on to say, we have received numerous
2528 accolades as to the extremely high quality of the
2529 construction.
2530 I would like to continue on, though, that in September
2531 when General Williams promised the building would be ready,
2532 the State Department inspectors issued a report on the
2533 embassy's fire suppression system. They documented hundreds
2534 of violations of the contract, specifications, fire codes and
2535 regulations.
2536 At yesterday's hearing before the Foreign Affairs
2537 Committee, you said we've all experienced problems with
2538 construction, suggesting that the problems in the Baghdad
2539 Embassy were nothing out of the ordinary. I would like to
2540 show you a copy of this 140-page report and read you just a
2541 few of the excerpts.
2542 Quote, the fire service mains are defective. Quote,
2543 there is no reliable fire sprinkler system coverage in any
2544 building. Another quote: A fire could spread very quickly

2545 from one area to another. And I read the report, and that's
2546 because the proper materials are not put in between the
2547 firewalls. Another problem, improper wiring methods used
2548 throughout the building. The entire installation is not
2549 acceptable, that is another quote. And the final one I will
2550 use is, the contractor could not provide a timeline for
2551 completion and continues to struggle with the understanding
2552 of project specifications. And, in fact, in one of the
2553 minutes--and Mr. Thorpe asked the attendees, who will take
2554 responsibility if a fire occurs? The underground breaks--and
2555 they're talking about the main pipeline--cannot supply water
2556 to the fire. And in the minutes it says, there was no
2557 response.

2558 Many of these problems were known long before the July
2559 hearing. For example, the report says a year ago the State
2560 Department was informed that the contractor used the wrong
2561 materials on underground fire service mains, and they've
2562 already started to crack.

2563 It's very hard for me to reconcile the testimony the
2564 committee received in July which promised the embassy would
2565 open in September with an inspection report and the documents
2566 with scores of serious construction problems, problems of
2567 life, health and safety. So could you please explain to this
2568 committee why we were told in July that this embassy would be
2569 open in September?

2570 Secretary RICE. Well, General Williams did testify that
2571 the embassy would be ready in September, but obviously if
2572 there are flaws and defects at all, we weren't going to open
2573 it under those circumstances.
2574 The problems that you're referring to, Congresswoman
2575 McCollum, are indeed problems that the State Department found
2576 itself. These were problems found by the Office of Overseas
2577 Buildings' own overseas fire inspectors. So, of course, when
2578 those were found, the remediation had to be done at the
2579 expense of the contractor, and so it delayed bringing the
2580 building on line.
2581 So, yes, these are--these are problems in construction.
2582 They were found by the--our own inspectors. They're being
2583 remediated by the--
2584 Ms. MCCOLLUM. Madam Secretary, the State Department was
2585 aware of the problems that I just cited, aware of the
2586 problems before the July meeting. General Williams came to
2587 this committee and told us that the construction was of
2588 extremely high quality, and he told us that this embassy
2589 would open in September. Now, given the magnitude of the
2590 problems and many that the State Department was aware of well
2591 before this hearing, it would be not good if your staff did
2592 not know in July when coming before this committee that this
2593 building had such serious problems. That's a huge
2594 communication problem in the State Department or a deliberate

2595 communication problem in the State Department before those
2596 who came to testify to this committee.
2597 Now, Mr. Chair, I also have a question for you. We had
2598 asked for documents. This committee had asked for documents.
2599 We have received some of them, but my understanding is 3
2600 months later we have still not received the bulk of documents
2601 we requested at that hearing. Is that correct, Mr. Chair?
2602 Chairman WAXMAN. Yes, it is.
2603 Ms. MCCOLLUM. Mr. Chair, I would--I know that you're
2604 asking for them. We were told in other cases the documents
2605 will be made available. Obviously building inspection
2606 reports are not classified at this level for repairing
2607 construction, and I would hope the committee could receive
2608 everything.
2609 Chairman WAXMAN. Thank you. The Secretary--
2610 Secretary RICE. Well, I would like to respond,
2611 Congressman.
2612 Chairman WAXMAN. Sure.
2613 Secretary RICE. First of all, again, in construction,
2614 complex construction in a complex environment, there were
2615 problems with the fire suppression system in the guard house.
2616 Those problems are being remediated at no cost to the United
2617 States or to the taxpayers by the company on the basis of
2618 inspections that we ourselves did.
2619 I think anybody is familiar that when you take ownership

2620 of a construction project, you go and you find out what is
2621 wrong, and then the company remediates. That's what is going
2622 on here. It's a completely normal practice. The
2623 circumstances of Iraq are anything but normal, but we are not
2624 going to accept a building that these problems have not been
2625 dealt with.
2626 Chairman WAXMAN. Thank you.
2627 Secretary RICE. On the documents.
2628 Chairman WAXMAN. Yes.
2629 Secretary RICE. As I understand it, we have 18 separate
2630 substantive requests. We have exerted 10,000 manhours in
2631 tying to fulfill those requests. In one case, Mr. Chairman,
2632 the request was one that globally would have brought about a
2633 million documents--a million pages of documents in.
2634 So it takes time, Congresswoman. I have a staff of
2635 people working as hard as they can to make those documents
2636 available to you. They are career people. They are not
2637 political people. They're trying to make them available to
2638 you. I can, if you would like, assign an officer from some
2639 other high-priority task to try and do this full time. I'm
2640 prepared to do that. But I can tell you that the document
2641 requests have been quite extensive, and we are doing
2642 everything that we can to get the documents to you.
2643 Chairman WAXMAN. Well, I want to have cooperation and
2644 want to also be reasonable with you. I must tell you, your

2645 Department has been the most difficult to get documents from.
2646 We have worked with other departments of government as well.
2647 We are the watchdog committee. This committee watches the
2648 government spending taxpayers' funds, and we think we're
2649 entitled to get that information. It's certainly not
2650 national security for us to know how the money is being
2651 spent.
2652 Secretary RICE. As we have said, we will get the
2653 documents to you, Mr. Chairman. It's not that we're not
2654 trying to get the documents to you, but the requests are
2655 quite extensive.
2656 Chairman WAXMAN. I appreciate that.
2657 Mrs. Maloney.
2658 Mrs. MALONEY. Thank you, Mr. Chairman.
2659 And, Madam Secretary, thank you for your service.
2660 In your opening statement, you said that our troops
2661 deserve the best support, and I couldn't agree more. And in
2662 fact, part of that support was supposed to be training the
2663 Iraqi police so that they could stand up--as the President
2664 would say, stand up so our troops can stand down and come
2665 home.
2666 Because of this focus in mission, and because it's so
2667 important to our Iraqi mission, I was incredibly disturbed to
2668 read the report from Stuart Bowen, the Special IG for Iraqi
2669 Construction, this week, and in his report he said that the

2670 State Department's $1.2 billion contract with DynCorp to
2671 train the Iraqi police is missing. He said, and I quote, the
2672 State Department does not know specifically what it received
2673 for most of the $1.2 billion in expenditures under the
2674 DynCorp contract for the Iraqi police training program. He
2675 further called it, and I quote, the weakest staffed, most
2676 poorly overseen large-scale program in Iraq. In February, he
2677 testified before this committee that $4.2 million was spent
2678 for an Olympic-sized pool in a palace for the Iraqi police,
2679 and it has never been used. He called the program in
2680 complete disarray. And I repeat, this was one of our most
2681 vital focuses.
2682 So how do you respond to his scathing scandalous report?
2683 Secretary RICE. Well, first of all, it is simply not
2684 true that we don't have a copy of the contract. We have a
2685 copy of the contract.
2686 Mrs. MALONEY. You have the contract. He says $1.2
2687 billion is floating around--
2688 Secretary RICE. We don't have a copy of the contract.
2689 Let me just correct the record. We have a copy of the
2690 contract.
2691 Mrs. MALONEY. He said the money's missing.
2692 Secretary RICE. No. The money has to be reconciled.
2693 Now, let me explain to you what happened with INL and
2694 this DynCorp contract. When I became Secretary, there had

2695 been during the transition considerable concerns about how
2696 INL was being run and staffed. The first change that I
2697 made--
2698 Mrs. MALONEY. They told us in a staff briefing they
2699 could not find the contract file.
2700 Secretary RICE. I'm told that--let me explain. There
2701 is--we have the contract. And the contract file--there was
2702 not a contract file kept by the person who oversaw this at
2703 the time.
2704 But I need to go back here just a moment, Congresswoman.
2705 When I became Secretary, I knew that there were problems in
2706 INL. One of the first personnel changes that I made was to
2707 have a new Assistant Secretary for INL. I brought in a
2708 senior manager who did an internal audit of INL's operations,
2709 including over contracts of this kind, found sufficient
2710 difficulties so that the incoming Assistant Secretary,
2711 Ambassador Anne Patterson, who had a lot of experience with
2712 this having been Ambassador in Colombia when we ran large
2713 police contracts, then began--we had another external review
2714 and then began to remediate the problems at INL.
2715 Mrs. MALONEY. So what was your response to the $1.2
2716 billion missing?
2717 Secretary RICE. You will see from the report that
2718 Stuart Bowen has is that since mid-2006 when Anne Patterson
2719 established appropriate reconciliation measures for

2720 reconciling invoices and services, that that is completely
2721 accounted for. We have four people now working on the
2722 previous time to reconcile--
2723 Mrs. MALONEY. Madam Secretary, I'm going to contact
2724 tomorrow the IG Bowen and ask him to give us another report
2725 since you seem to say it's all right now. Furthermore,
2726 Secretary, if I could--
2727 Secretary RICE. Congresswoman, please don't--
2728 Mrs. MALONEY. Can I tell you that I am not surprised at
2729 that report that came out from General Jones where he said
2730 the national police are ineffective and--and I want to quote
2731 this because I find it almost unbelievable.
2732 He said the national police should be disbanded and
2733 reorganized. And I am not surprised, given the fact that the
2734 money that was supposed to train them are missing.
2735 My question, Madam Secretary, is for you to put yourself
2736 in my shoes. I'm home in my district. I'm standing in front
2737 of a town hall meeting of hard-working American men and women
2738 who are paying their taxes. Many of them punch a clock for
2739 their time. They are accountable for their time and for
2740 their money. And how do I explain that the IG says that $1.2
2741 billion is missing that was supposed to train the police, the
2742 most critical of our missions to help stand up, and how do I
2743 explain $4.2 million for a swimming pool that has never been
2744 used? What do I say to my constituents when they say, why

2745 are American young men and women being killed when the
2746 American Government cannot even account for the money to
2747 train the Iraqi police that is supposed to help them bring
2748 stability?
2749 Chairman WAXMAN. The gentlelady's time has expired.
2750 Secretary RICE. Yes. Would you like my response,
2751 Chairman?
2752 First of all, Congresswoman, it is not right to say that
2753 $1.2 billion is simply missing. There is a process that
2754 needs to take place of the reconciliation of invoices which
2755 were considered inadequate. And so, in fact, goods and
2756 services have been delivered. We deliver the goods and
2757 services to MNSTC-I on the military side. They do the
2758 training. But the--and so the training is not actually a
2759 State Department function. Our function is to administer the
2760 contract.
2761 Now, as to the contract--
2762 Mrs. MALONEY. If those are State Department dollars,
2763 the State Department should be accountable.
2764 Secretary RICE. Would you like me to complete my
2765 answer? Thank you.
2766 Let me read to you from Stuart Bowen's account: "the
2767 Bureau has taken action"--meaning INL. "the Bureau has taken
2768 action and continues to take actions to improve its
2769 management of the DynCorp contract in particular. As a

2770 result, we have in the reconciliation process that has been
2771 taking place already identified some $20-plus million that
2772 we've billed"--"$29 million that we've billed the company for
2773 because the invoices were inadequate. There's another $19
2774 million that is being pursued with the company. We expect to
2775 find more."

2776 So there's a reconciliation process going on. You can
2777 tell your constituents this is not a matter of having lost
2778 the money. This is a matter of invoices, as I am told by the
2779 people who are doing this. This is a matter of invoices and
2780 records that were not solid enough for us to be confident
2781 that the goods and services were being billed properly.
2782 Therefore, we'll put four people on reconciling contracts
2783 prior to mid-2006. We are up to date on reconciling those
2784 after mid-2006. So that is the story.

2785 And I want to again note that SIGIR didn't find this.
2786 This was a Department of State audit of its own procedures
2787 that came under new management because there were problems in
2788 the Bureau of INL. And that's very often the case with many
2789 of the things that have been mentioned here. It is the
2790 Department that finds problems and then seeks to fix them.

2791 Chairman WAXMAN. Madam Secretary?

2792 Secretary RICE. Yes.

2793 Chairman WAXMAN. We are trying to accommodate your
2794 schedule, and it was our understanding you wanted to leave at

2795 12:30. We have four Members who would still like to ask you
2796 questions who have been here all day. I was wondering if you
2797 could stay extra time, 15, 20 minutes.
2798 Secretary RICE. I have a really very important meeting.
2799 I can perhaps, if the Members can keep their questions short
2800 and I can answer all of them at the end, that would be best.
2801 Chairman WAXMAN. Maybe do 3 minutes each Member? And
2802 then you will have a chance to respond to those Members'
2803 questions?
2804 Let me ask the Members if that's acceptable.
2805 Mr. SHAYS. I would like my colleague to have 5 minutes
2806 to ask his questions.
2807 Chairman WAXMAN. Well I would like my colleagues to
2808 have 5 minutes as well.
2809 Mr. SHAYS. It's not acceptable.
2810 Chairman WAXMAN. It's not acceptable. Then the
2811 question is to you, will you stay a little longer so we can
2812 accommodate a few more Members?
2813 Secretary RICE. Yes, Chairman.
2814 Chairman WAXMAN. Okay. Thank you.
2815 Mr. Jordan.
2816 Mr. JORDAN. Thank you, Mr. Chairman.
2817 Secretary, thank you for your service to our country and
2818 the professional way you go about your duties.
2819 Let me ask a general question. I want to leave some

2820 time to my colleague from Connecticut. What impact do you
2821 think actions and statements by Members of Congress have had
2822 on your ability to deal with corruption in Iraq and, maybe
2823 more importantly, to hurt our chances of succeeding in our
2824 mission? And I'm thinking specifically of statements
2825 like--made by Members of Congress when they talked about a
2826 slow bleed on denying dollars to our troops; I am thinking
2827 about Members of Congress who talked about a public
2828 timetable; being bound by unprecedented statements made by
2829 Members of Congress talking about the war is lost; and the
2830 actions recently where 79 Members of Congress voted not to
2831 condemn an organization that slandered the reputation of a
2832 30-year veteran and a four-star general. Could you comment
2833 on that if you would, please, Secretary?
2834 Secretary RICE. Well, I--people can say what they would
2835 like, but I think for the morale of our people in the field,
2836 what is important is for people to recognize and to say that
2837 they know that they're giving their service to their country
2838 under the very most difficult circumstances that they--the
2839 State Department people who are being talked about for
2840 programs that are trying to do this but may not be fully
2841 achieving that are people who are serving far away from
2842 family under extremely difficult circumstances, dodging
2843 indirect fire in order to carry out these goals. And I think
2844 their service ought to be honored, and I appreciate that you

2845 have made that comment.

2846 Mr. JORDAN. Thank you.

2847 I would yield the balance of my time to Mr. Shays.

2848 Mr. SHAYS. Thank you.

2849 There has been information--

2850 Chairman WAXMAN. Excuse me for a minute. May I ask all
2851 of the Members that still have time that they hope to have to
2852 ask questions that they keep it as short as possible? Mr.
2853 Shays has talked three times. And, Mr. Shays, you certainly
2854 have a right to speak, but I don't want you to deprive other
2855 Members.

2856 Mr. SHAYS. I will explain why I want my full 5 minutes.

2857 Chairman WAXMAN. Well, you are on your 5 minutes.

2858 Mr. SHAYS. We have had incredible misinformation
2859 provided to the Secretary, and we've had a number of
2860 Democrats who have gone one after the another. And I would
2861 like to make sure that we are clear on this.

2862 Does any of the $96 billion that is appropriated by the
2863 United States go to the Iraqi Government?

2864 Secretary RICE. It goes to programs--either programs on
2865 the State Department side or to fund our troops and our
2866 diplomats in the field and our operations in the field.

2867 Mr. SHAYS. Thank you.

2868 Secretary RICE. That's what it's for, not for the Iraqi
2869 Government.

2870 Mr. SHAYS. The second question I want to ask you--
2871 Mr. DAVIS OF VIRGINIA. Would the gentleman yield?
2872 Mr. SHAYS. Yes.
2873 Mr. DAVIS OF VIRGINIA. Does that mean with the $96
2874 billion, then, could any of that end up with Iraqi corruption
2875 or end up in the enemy's hands?
2876 Secretary RICE. It is going to fund our troops. And
2877 fund our diplomats, and fund our embassy operations and fund
2878 programs that we run.
2879 Mr. DAVIS OF VIRGINIA. So that couldn't end up in enemy
2880 hands, as has been alleged over here, correct?
2881 Secretary RICE. It would be difficult to see how.
2882 Mr. DAVIS OF VIRGINIA. Thank you.
2883 Mr. SHAYS. And that's the reason why we're trying to
2884 ask these questions.
2885 The other question that Ms. McCollum has constantly
2886 asked, it was your report that uncovered the problems with
2887 the embassy; is that not correct?
2888 Secretary RICE. That is correct.
2889 Mr. SHAYS. And it is based on your report, you have
2890 taken action to make sure that the contractor fixes it,
2891 correct?
2892 Secretary RICE. That is correct.
2893 Mr. SHAYS. And is it true that you will not take
2894 possession of this property until they are corrected?

2895 Secretary RICE. That is correct.

2896 Mr. SHAYS. Let me just ask you about Blackwater.
2897 Blackwater--I would like to know about how many Blackwater
2898 soldiers--first off, I would like to know the makeup of the
2899 individuals that are comprising the guard, the security
2900 force. It's my understanding that they are former military
2901 personnel, either Army, Marines, Air Force, SEALs. That's my
2902 understanding; is that correct?

2903 Secretary RICE. That is correct. And they are people
2904 who are thoroughly vetted. Even despite the fact that they
2905 have significant security experience and have most often
2906 served in our own Armed Forces or the like, they are still
2907 vetted beyond that, and given--and have been vetting to have
2908 Secret security clearances.

2909 Mr. SHAYS. It is also my understanding that there have
2910 been 30 Blackwater, Army police border--Army police, Navy
2911 SEALs, whatever, now under Blackwater's payment that have
2912 lost their lives.

2913 Secretary RICE. Yes, that's correct.

2914 Mr. SHAYS. It's also my understanding that they have
2915 been in charge of protecting Americans. Have they lost any
2916 American that they were charged to protect?

2917 Secretary RICE. Thank God and knock on wood, no.

2918 Mr. SHAYS. I find that absolutely astounding that they
2919 have not lost any in this war.

2920 And I just thank my colleague for yielding.

2921 Chairman WAXMAN. The gentleman's time has expired.

2922 Mr. Davis.

2923 Let me suggest, Mr. Davis, Ms. Norton and Mr. Cannon, I
2924 would hope all three of you, if you don't feel you need to
2925 use your 5 minutes, would be respectful of the Secretary's
2926 schedule.

2927 Mr. DAVIS OF ILLINOIS. Thank you very much, Mr.
2928 Chairman.

2929 Madam Secretary, let me just clarify something. Under
2930 responding to questions from Representative Maloney, did you
2931 just testify that no contract file was kept for the $1.2
2932 billion program?

2933 Secretary RICE. I said that the coordinator, the
2934 representative did not keep a full contract file. That file
2935 is being reassembled. It is one of the reasons that I made a
2936 change in the management of that Bureau.

2937 Mr. DAVIS OF ILLINOIS. Well, thank you. Thank you very
2938 much.

2939 I want to ask why the State Department selected First
2940 Kuwaiti as the prime contractor on the embassy project. The
2941 State Department awarded the $600 million embassy
2942 construction contract to First Kuwaiti in July and September
2943 of 2005. At the same time the managing partner of the
2944 company, Wadi al-Absi, was apparently under investigation for

2945 paying kickbacks to procurement officials to obtain Federal
2946 subcontracts for First Kuwaiti.
2947 I would like to show you--this is a court document in my
2948 hand that the Department of Justice filed in May in a
2949 criminal case involving one of the officials who Mr. Al-Absi
2950 apparently bribed. This official pleaded guilty to these
2951 charges. And let me just read some of the excerpts from the
2952 pleading.
2953 In or about June of 2003, the managing partner offered
2954 to pay a kickback. Prior to the bid process for the
2955 subcontract, the managing partner paid approximately $10,000
2956 as an advance on their kickback agreement. Under the
2957 kickback agreement, the official was to receive approximately
2958 $50,000 for awarding subcontract 167 to First Kuwaiti.
2959 Now, of course, the taxpayers not only in my district,
2960 but across the country will find this difficult to
2961 understand. The embassy project is the largest construction
2962 project in the history of the State Department. It is a
2963 crucial part of your long-term plan for Iraq. Yet the
2964 contracts were awarded to a company that is run by someone
2965 who is under investigation for kickbacks and bribing contract
2966 officials. Can this be justified? Do you think there's
2967 justification for this?
2968 Secretary RICE. I believe that this is a sealed
2969 document; am I right?

2970 Mr. DAVIS OF ILLINOIS. Yes.

2971 Secretary RICE. Yes. And we were therefore not aware
2972 of this Justice action.

2973 Mr. DAVIS OF ILLINOIS. But it has been unsealed.

2974 Secretary RICE. Yes. After the fact. I just want to
2975 note that this is a sealed indictment.

2976 Mr. DAVIS OF ILLINOIS. It was indeed a sealed
2977 indictment.

2978 Secretary RICE. So we were not, in fact, aware of a
2979 sealed indictment against this official.

2980 You asked how Kuwait got the bid. First Kuwaiti offered
2981 a firm fixed-price contract, and it was thus awarded the
2982 contract. Many other elements were bid, but, in fact, it was
2983 awarded because it was a fixed-price contract. And I want to
2984 repeat, we are going to continue to inspect the product that
2985 is turned to us--turned over to us. We're going to continue
2986 to make sure that First Kuwaiti remediates any problems at
2987 its own expense.

2988 Mr. DAVIS OF ILLINOIS. Well, Madam Secretary--

2989 Secretary RICE. No, we were not aware of this.

2990 Mr. DAVIS OF ILLINOIS. Well, let me just say that I
2991 don't think a lack of information or ignorance of facts
2992 really can be an explanation. The contractor that Mr.
2993 Al-Absi apparently bribed is KBR, which at the time was a
2994 subsidiary of Halliburton. They have the single biggest

2995 government contract in Iraq. Halliburton reported the
2996 bribery to Army officials in 2003 and were, in fact,
2997 cooperating with the investigation. All that you or your
2998 staff had to do was ask the Army or the Justice Department
2999 about their experience with First Kuwaiti.
3000 I think you should have known that First Kuwaiti was
3001 implicated in serious corruption before you awarded the
3002 contract to the company. But assuming that you did not know
3003 the facts when the contract was awarded, you certainly and
3004 obviously know them now, yet the State Department does not
3005 seem to be doing anything to separate itself from First
3006 Kuwaiti. In fact, the State Department is actually awarding
3007 First Kuwaiti new contracts in Africa, Indonesia and the
3008 Middle East.
3009 So my question really is why are you continuing to award
3010 large contracts to First Kuwaiti when you know that the head
3011 of the company has been implicated in bribery?
3012 Chairman WAXMAN. The gentleman's time has expired.
3013 Madam Secretary.
3014 Secretary RICE. Since this information has become
3015 available, let me just say that the contract that we're aware
3016 of in Jeddah, for instance, is actually to an American
3017 company, Grunley Walsh of Rockville, Maryland, for which
3018 First Kuwaiti is a prime--is a subcontractor. Now, I have
3019 asked that we review all of our contract possibilities with

3020 First Kuwaiti, and that review is underway.

3021 Chairman WAXMAN. I'm sorry, Mr. Davis. Your time is

3022 expired.

3023 Mr. Cannon.

3024 Mr. CANNON. Thank you, Mr. Chairman. I appreciate your

3025 indulgence for the full time allotted, and those others on

3026 the panel who wish to use their full time.

3027 And I want to thank you, Madam Secretary. I apologize

3028 for not having been here during this whole hearing.

3029 Unfortunately I have had other things to do, but I watched

3030 you on TV, which is really what counts. And you've been calm

3031 and concise; heckled, but unharried. So I think to the

3032 American people you come across very, very well.

3033 I want to thank you for your service. This is

3034 difficult. I was talking to a Congressman on the way back

3035 from the last vote, and I was just asking him, who wrote the

3036 book on what we're supposed to do, because I haven't seen it

3037 yet? And we're sort of struggling forward as we go. We are

3038 dealing with something that is fairly unique in our history

3039 as Americans, and that is that one of our parties seems to be

3040 vested in our failure in the war on terror in general, in

3041 Iraq in particular. And I suspect the American people are

3042 going to figure that out. And your presence here today has

3043 been very, very helpful in helping them understand the sort

3044 of the complications that we have.

3045 For instance, we've been talking about contractors under
3046 investigation. But you can't debar a contractor when he's
3047 under investigation, can you?
3048 Secretary RICE. That's right. And, in fact, what we
3049 rely on is a schedule that is provided from the GAO and the
3050 OMB that says that this contractor is acceptable for bid, and
3051 unless they're on the barred list, then they can be
3052 acceptable for a bid. And certainly in circumstances in
3053 which something is sealed, one wouldn't be expected to know
3054 that the Justice--every single investigation that the Justice
3055 Department is going through.
3056 So, yes, they were not on the debarment list to answer
3057 your question.
3058 Mr. CANNON. And an investigation would not put them on
3059 a debarment list, nor a conviction would. We have a process
3060 for that. But we are a government of laws, not of discretion
3061 unbridled, as some apparently would wish to see.
3062 Now I have a question that is really burning because I
3063 followed the issue closely with the contract security. And I
3064 have argued with people here in my home district about the
3065 importance of this. It seems to me that--and, in fact, both
3066 sides of the aisle here in Congress are saying, we need to
3067 solve this problem diplomatically. And I think it takes more
3068 than just diplomacy, but it at least does take diplomacy.
3069 And we've had a record of no deaths of diplomats under the

3070 protection of Blackwater particularly, but of other
3071 government contractors. Can you talk a little bit about how
3072 important the protection of diplomats has been in the
3073 process?
3074 Secretary RICE. Yes. First I want to repeat that,
3075 thank God, and I again will knock on wood, we have not lost
3076 people. And I think it is--it's the very good contract
3077 security that we've been provided. And our people have to be
3078 able to get out of the Green Zone. They have to be able to
3079 function in ministries like the Ministry of Finance that's in
3080 the Red Zone. They have to be able to function in PRTs when
3081 we're not embedded with the military. They have to be able
3082 to get out and work with provincial councils. They have to
3083 be able to do all that work. And without protection, I can't
3084 send unarmed diplomats out to do that.
3085 The military can't protect us. We don't have enough
3086 diplomatic security agents to protect us. So somebody's got
3087 to protect us, and that's what the private security firms do.
3088 Now, as I said, I think--I know that better oversight of
3089 these private security contractors is necessary. I'm the one
3090 who ordered the review, and, having gotten the review, we are
3091 now acting on those elements. But we cannot do our work--and
3092 for all of those who think, as the Chairman began, that the
3093 political task now is absolutely critical if we're going to
3094 succeed in Iraq, the political task can't be done without

3095 security for our diplomats.

3096 Mr. CANNON. Thank you. I appreciate that. I'm sort of
3097 wondering if we armed our diplomats how some people might be
3098 killed by their inaccurate aim.

3099 Secretary RICE. I think that's not where we want to go.

3100 Mr. CANNON. I think you're right.

3101 I want to yield to Ms. Foxx for another question.

3102 Ms. FOXX. Thank you.

3103 Madam Secretary, I am very concerned about our
3104 relationship with Turkey and about what's happening with the
3105 PKK and their coming into Turkey and killing Turkish
3106 citizens. We've promised additional action, and we've
3107 promised that we will stop these incursions into Turkey, and
3108 yet the violence has increased. Can you tell us what we're
3109 going to be doing to stop this violence and stop the killing
3110 of Turkish citizens?

3111 Chairman WAXMAN. The time is expired, but please answer
3112 the question.

3113 Mr. CANNON. It has not expired. Oh, it has now. I
3114 yield back. I would hope that the gentlelady would be able
3115 to respond.

3116 Chairman WAXMAN. I think she is entitled to respond.

3117 Secretary RICE. We have worked with the Iraqis and the
3118 Turks to put together a trilateral committee that tries to
3119 deal with these incidents. There will be a delegation of

3120 Iraqis in Turkey. We think that this is an opportunity for
3121 Iraqis and Turks to work together to try to deal with the
3122 PKK.
3123 Everybody believes that the PKK is a terrorist
3124 organization, so there isn't any difference there. They
3125 operate in a very remote part of Kurdistan, so it's very
3126 difficult to completely rout them out. But we have been
3127 saying to the Turkish Government that nothing is going to be
3128 gained by escalating the situation in an unstable
3129 environment, and so thus far we've been able to use
3130 diplomatic means. We've been able to use promises and work
3131 together on intelligence sharing and information to try to
3132 deal with the problem.
3133 Chairman WAXMAN. Thank you, Madam Secretary.
3134 I am going to--we have three Members. I'm going to set
3135 the clock at 3 minutes. You are entitled to 5. But when you
3136 see it's expired, see if you can wrap up. I'm not going to
3137 deny anybody their time. And, Madam Secretary, I'm going to
3138 give you the option of responding to whatever questions are
3139 asked in writing for the record.
3140 Secretary RICE. Or perhaps I can get all the questions
3141 and I can just respond at the end, Chairman.
3142 Chairman WAXMAN. Well, let's try it. Is that
3143 acceptable to those who have time?
3144 Ms. Watson, you are the one who's next.

3145 Mr. WATSON. Welcome again, Madam Secretary.

3146 About 4-1/2 years ago I asked someone from the State
3147 Department if we had planned on occupation and nation
3148 building, and the response was, that's absurd. So the
3149 Baghdad Embassy is a $750 million project to build the
3150 largest embassy in the world; yet the man in charge of this
3151 project, James Golden, has not laid eyes on it for the past 5
3152 months. And the committee interviewed Mr. Golden and his
3153 deputy Mary French, and during the course of these
3154 interviews, we learned that Ambassador Crocker ordered Mr.
3155 Golden to leave Iraq in May, and he basically kicked him out
3156 of the country, and Mr. Golden has not been allowed to return
3157 since. And we've learned that Mr. Golden was escorted off
3158 the embassy compound by armed guards.

3159 At our hearing in July we asked Ambassador Kennedy about
3160 this, and he said that Mr. Golden's expulsion from Iraq
3161 followed a discussion with Ambassador Crocker about operating
3162 procedures. And since then we've been informed of the
3163 allegations that Mr. Golden may have been expelled because he
3164 attempted to cover up substandard work by the prime
3165 contractor First Kuwaiti--and I understand that the report
3166 that's been referenced has been unsealed for the last 2
3167 years--and the contractor First Kuwaiti after a mortar blew
3168 through a wall that was supposed to be blast resistant.

3169 So, Secretary, can you provide us with any more

3170 information about why the head of this project Mr. Golden is
3171 now persona non grata in Iraq? And let me just go through
3172 these questions related and you can answer them all at the
3173 end or give the answers in writing.
3174 Do you support Ambassador Crocker's decision? And you
3175 can respond at the end. Mr. Golden acted in a manner that
3176 required him to be expelled from Iraq under armed guard, we
3177 understand, and yet was it inappropriate for him to continue
3178 managing a $750 million project even though he can't actually
3179 go there and see it. So I just want the State Department to
3180 clarify this.
3181 And we're concerned about the cost of this major
3182 project, and I was told in the beginning that we don't plan
3183 to occupy, but it's going to be the largest embassy in the
3184 world. I believe there are 56 million people in Iraq, and we
3185 have 1,000 people in there, looking at employing 5,000.
3186 Secretary RICE. Do you want to take the other
3187 questions, and then I will respond?
3188 Chairman WAXMAN. However you wish.
3189 Secretary RICE. Uh-huh.
3190 Chairman WAXMAN. Thank you, Ms. Watson.
3191 Ms. Norton.
3192 Mr. NORTON. Thank you.
3193 And thank you, Mr. Chairman.
3194 And thank you, Secretary Rice, for coming today. I have

3195 a question that is essentially remedy-oriented.

3196 As I listen to your testimony in hearings before us
3197 about Blackwater, about corruption in Iraq, I kept thinking,
3198 well, there should be a ready-made vehicle for this, and
3199 agencies use it. And I'm referring to the inspector general.
3200 The inspector general at the State Department is Howard
3201 Krongard, and we have had very, very disturbing testimony
3202 from many officials. We viewed very serious problems in, of
3203 all places, the IG's Office. Those are the kind of people
3204 who expose the kind of corruption that we've been looking at;
3205 that he's halted investigations, censored reports, refused to
3206 cooperate even with law enforcement agencies such as the
3207 Justice Department, and even to pursue possibly criminal
3208 matters.

3209 I must say since I've been in Congress, I've never heard
3210 such allegations against an inspector general. I can detail
3211 some of this for you, but this comes from people
3212 in--employees of the State Department who have come forward
3213 to testify about serious problems in all three divisions of
3214 your IG Office, Investigations, Audit and Inspections.

3215 I wonder if you would be better served by a vigilant IG
3216 which would have enabled you to move forward on some of these
3217 problems yourself, because it would have come from at least
3218 from within the administration and not--and not all of it
3219 from oversight hearings here in the Congress.

3220 Chairman WAXMAN. Mr. Murphy.

3221 Mr. MURPHY. Thank you very much, Mr. Chairman.

3222 And thank you for your patience, Secretary Rice.

3223 I'll ask a fairly straightforward question, and it's in
3224 regards not necessarily to the value of the services that
3225 we're getting, and there's been a lot of discussion here in
3226 regards to that issue, but rather the profit that many of the
3227 companies, in particular the private companies, that are
3228 operating in Iraq and Afghanistan are taking out of these
3229 contracts.

3230 We had Erik Prince, CEO of Blackwater, before this
3231 committee several weeks ago, and his answers in regards to
3232 questions--in response to questions from Mr. Duncan and Mr.
3233 Welch and I regarding profit that Blackwater has taken out of
3234 the profit, regarding his salary as the head of a company
3235 that makes 90 percent of their money off of government
3236 contracts, his answers were very troublingly evasive.

3237 And what we gleaned from that conversation at the very
3238 least was that Blackwater's potentially making a 10 percent
3239 profit, which on one contract alone could be $85 million;
3240 that Mr. Prince's salary is potentially 10 times, maybe 20,
3241 30 times, as much as General Petraeus's salary is for leading
3242 our troops on the ground there.

3243 RPTS JOHNSON
3244 DCMN MAGMER
3245 [12:58 p.m.]
3246 Mr. MURPHY. I think the question is very simple.
3247 Assuming that this is an issue that you find concerning, at
3248 the very least don't you believe that this Congress and your
3249 Department should have full disclosure of the profit that
3250 these private contractors are taking out of these contracts
3251 and the compensation that the executives of these companies
3252 are making?
3253 Chairman WAXMAN. Madam Secretary, do you want to
3254 respond?
3255 Secretary RICE. Yes. Is that it?
3256 Chairman WAXMAN. I think that is it.
3257 Secretary RICE. All right. Fine. Then I will respond.
3258 First of all, I will respond in writing to you, Mr.
3259 Murphy, and to Ms. Watson. Because there are personnel
3260 issues involved here and particularly concerning--and, by the
3261 way, Mary French is the owner's representative, and she is
3262 the one who is on the ground all the time making sure that
3263 things are good with the project.
3264 So it is not that the project has not had oversight,
3265 Congressman Watson. It is that we did make an adjustment,
3266 but it is a personnel matter, and so I will not get into
3267 that.

3268 Ms. WATSON. Thank you.

3269 Secretary RICE. If I may, though, and, also, I am
3270 obviously not competent to talk about Blackwater's balance
3271 sheet, Congressman, but I will get back to you with the
3272 spirit of your question.

3273 Now perhaps I could use, however, Congresswoman Norton's
3274 question to make a point. Howard Krongard has said that he
3275 wants very much to answer all the questions and allegations
3276 that have been put against him, and he will do that. We have
3277 also asked help from the Committee on Professional Integrity
3278 and Efficiency, which is an organization of senior IGs; and
3279 so we will use their help.

3280 But I want to focus on something that you said, Ms.
3281 Norton, which is that somehow the problems were discovered
3282 by--would have been discovered by the Inspector General.
3283 Overwhelmingly, the problems that have been identified here
3284 today have been discovered by the State Department in one way
3285 or another. Whether it is the DynCorp issue concerning the
3286 police contract, where I made a change in that bureau when I
3287 first became Secretary, in which there were two internal
3288 investigations by the Department of problems of contracting
3289 in that bureau, in which there was then an outside review
3290 ordered by the Assistant Secretary--the new Assistant
3291 Secretary to fully review the project management in that
3292 bureau. She came directly to me to say that she thought we

3293 had big problems in INL; and I authorized her to fix them,
3294 which is why the number of contract officers in INL for this
3295 contract has been going up, why the number of contract
3296 officers in general has been going up. So that one was
3297 discovered by, and being remediated by, the Department when
3298 SIGIR came into the picture.

3299 When it comes to various problems in the Embassy, the
3300 $592 million part of the Embassy, which was what was
3301 programmed when I became Secretary in 2004, is being
3302 completed, I am told, on budget. Yes, there have been some
3303 problems in terms of getting it done on time. It is a
3304 difficult security environment in which convoys can't always
3305 get through.

3306 It is also the case that when some of the problems were
3307 identified by OBO's own inspectors that the company is being
3308 given an opportunity to remediate those at the cost to the
3309 company, and that once that remediation is done there will be
3310 an external inspection by external actors of the work that
3311 they have done. So, again, the Department's own processes
3312 found these difficulties and has been remediating them.

3313 Ms. NORTON. But not the IG. And that was really my
3314 question. I understand that you have been able, and I
3315 congratulate you for what you have uncovered, but systematic
3316 review, failure to--

3317 Secretary RICE. Just a second.

3318 Ms. NORTON. --move forward--

3319 Secretary RICE. Just a second. Just a second.

3320 Ms. NORTON. --would not appear to be a maximum use of
3321 the IG.

3322 Secretary RICE. Just a second. Much has been done by
3323 the IG as well. It is to the IG that then Acting Secretary
3324 Nancy Powell turned to get help on finding out what was wrong
3325 in INL. So the IG's office has, in fact, been very active,
3326 Ms. Norton.

3327 Sometimes the IG is the way that we find these things.
3328 Sometimes it is management instinct, as it was for me when I
3329 thought there was a problem in INL and moved in the first
3330 week as Secretary to deal with it. Sometimes it is a problem
3331 that comes up through an incident, as is the case with
3332 Blackwater. Sometimes it is a problem that is identified by
3333 a new management team coming into an area and says you have a
3334 problem there, let us remediate it. But that is the nature
3335 of managing a complex organization, particularly when we are
3336 doing things like we are doing in Iraq in a time of war.

3337 So I just want to underscore that the SIGIR process is
3338 one in which they go to our people to interview and to see
3339 what problems our people in the State Department identify. I
3340 have been very well served by the SIGIR process. I have a
3341 very good relationship with Stuart Bowen. I meet with him
3342 frequently, and we have cooperated with him frequently. But

3343 it would be incorrect to leave the impression that somehow
3344 either the Oversight Committee or, for that matter, SIGIR has
3345 uncovered problems that in many cases the State Department
3346 found itself.

3347 Ms. NORTON. But, Madam Secretary, you have not been
3348 well served by your IG. And, Mr. Chairman, I understand that
3349 we are going to have a separate hearing on the IG at the
3350 State Department precisely because so many issues have been
3351 raised.

3352 Secretary RICE. Yes. I would like to finish my--I
3353 think I was supposed to respond at the end.

3354 Chairman WAXMAN. Yes. Your time to respond and then we
3355 are going to conclude the hearing.

3356 Secretary RICE. Thank you.

3357 So, again, the IG wishes to respond to the allegations.
3358 We have asked for a referral of the case to this body. But
3359 good management is not relying on an IG to identify problems.
3360 Good management is having managers who identify problems.
3361 Good management is knowing when you sense that something is
3362 wrong, as I sensed with the Department of INL when I became
3363 Secretary.

3364 That is why I made a change in leadership there. That
3365 is why I brought an experienced temporary head for that
3366 Department, who began--for that bureau who began the process
3367 of remediation. That is why I brought one of our most

3368 experienced ambassadors who had police training experience in
3369 Colombia. She made major changes.
3370 And, again, if you read the SIGIR report, it notes that
3371 there have been considerable efforts made in that bureau to
3372 improve contract management oversight; and those efforts are
3373 going to continue.
3374 So thank you very much, Mr. Chairman. I am very glad to
3375 have had an opportunity to report on the efforts the
3376 Department has made to deal with the multiple management
3377 challenges.
3378 Chairman WAXMAN. Well, Secretary Rice, I can't thank
3379 you enough for your willingness to be here. And no one on
3380 this committee, Democrat or Republican, underestimates or
3381 minimizes the challenges that you face over a broad number of
3382 issues.
3383 I do want to tell you that the suggestion was made that
3384 those of us who are concerned about corruption in Iraq are
3385 for pulling out of Iraq if there is corruption in the Iraqi
3386 Government. Our concern is that if there is corruption in
3387 the Iraqi Government then this government is not going to be
3388 able to have a political reconciliation. It is not going to
3389 get the support of its own people. It, in fact, is going to
3390 make it impossible for us to accomplish our goals in Iraq.
3391 And we did hear from several State Department people who
3392 told us that fighting corruption was not only completely

3393 dysfunctional, but they, the two State Department agencies,
3394 actually boycotted each other's meetings. We did hear from
3395 Judge Radhi that 30 of his people, when they tried to deal
3396 with corruption internally in Iraq, were killed; and he had
3397 to leave and seek refugee status in the United States.
3398 So if there is an epidemic of corruption, which is the
3399 term that was used by Stuart Bowen, that is undermining
3400 political reconciliation, and he believes also that it is
3401 funding the terrorists, I think it is a concern that we both
3402 share. But I wouldn't want anybody to leave this hearing
3403 with the impression that those of us who are concerned about
3404 it are concerned about it because we want to pull out of
3405 Iraq.
3406 Secretary RICE. I really appreciate that clarification,
3407 Mr. Chairman. I think that is a very important point,
3408 because we are going to have to work on this and fight it
3409 together.
3410 And if I may just renew an invitation, I don't know when
3411 you were last in Iraq, but I think it would be useful if you
3412 or any member of the committee to come.
3413 Chairman WAXMAN. I was there a couple years ago, and I
3414 would be happy to go again. Perhaps you will invite me to go
3415 with you. I would enjoy the opportunity.
3416 Mr. Davis.
3417 Mr. DAVIS OF VIRGINIA. I need to go along and make sure

3418 Henry is seeing the right stuff.

3419 Mr. Chairman, thanks for calling this hearing.

3420 I think a couple things this hearing has shown. Number
3421 one, U.S. tax dollars aren't going for terrorists. They
3422 aren't being spent corruptly by an Iraqi Government. The
3423 construction of the Iraqi Embassy is a fixed-price contract;
3424 and, like all contracts, major construction contracts I have
3425 ever been associated with, there are punch-list items that
3426 need to be completed on the contractor's tab. That in point
3427 of fact allegations, sealed indictments and so on, there have
3428 been no resolutions or no convictions on these; and under
3429 current code, under the current law, that is not a reason for
3430 debarment.

3431 Now we can always revisit that if we want do that. We
3432 tried--the previous administration tried this under what was
3433 called blacklisting regulations, and they got repealed very,
3434 very quickly because they were found to be inoperable. We
3435 can have that debate. But what has happened here is the
3436 Secretary has followed the law; and I think, as I said, that
3437 can be an issue for the committee down the road. But it is
3438 certainly outside the purview of the Secretary of State, who
3439 has followed the current law.

3440 In fact, what we have found is when agency heads step up
3441 to resolve issues outside the proverbial regulatory or
3442 statutory box we are the first ones to call them up here and