

THE STATE DEPARTMENT AND THE IRAQ WAR

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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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, DC.

The committee met, pursuant to notice, at 10:01 a.m., in room 2154, Rayburn House Office Building, Hon. Henry A. Waxman (chairman of the committee) presiding.

Present: Representatives Waxman, Maloney, Cummings, Kucinich, Davis of Illinois, Tierney, Clay, Watson, Lynch, Higgins, Yarmuth, Braley, Norton, McCollum, Cooper, Van Hollen, Hodes, Murphy, Sarbanes, Welch, Davis of Virginia, Burton, Shays, Mica, Platts, Cannon, Duncan, Turner, Marchant, Westmoreland, McHenry, Foxx, Sali, and Jordan.

Staff present: Phil Schiliro, chief of staff; Phil Barnett, staff director and chief counsel; Kristin Amerling, general counsel; David Rapallo, chief investigative counsel; John Williams and Theo Chuang, deputy chief investigative counsels; Margaret Daum, Suzanne Renaud, and Steve Glickman, counsels; Christopher Davis, professional staff member; Earley Green, chief clerk; Teresa Coufal, deputy clerk; Matt Siegler, special assistant; Caren Auchman and Ella Hoffman, press assistants; Leneal Scott, information systems manager; David Marin, minority staff director; Larry Halloran, minority deputy staff director; Jennifer Safavian, minority chief counsel for oversight and investigations; Keith Ausbrook, minority general counsel; John Brosnan, minority senior procurement counsel; Steve Castor, A. Brooke Bennett, and Emile Monette, minority counsels; Christopher Bright, minority professional staff member; Nick Palarino, minority senior investigator and policy advisor; Patrick Lyden, minority parliamentarian and member services coordinator; Brian McNicoll, minority communications director; and Benjamin Chance, minority clerk.

Chairman WAXMAN. The meeting of the committee will please come to order.

We have a very tight time constraint this morning, so I will make a very few brief opening comments, and we will have Mr. Davis make his comments as well.

I want to begin by thanking Secretary Rice for being here today. I know she had to adjust her schedule to accommodate this opportunity for our hearing.

The Iraq war is our Nation's top foreign policy priority. This has also meant an extraordinary sacrifice for our troops and their families. Over 3,800 of our soldiers have been killed, and another

28,000 have been wounded. And we have already spent over \$450 billion on the war.

For most of this year, Congress has focused its attention on assessing the military surge. Much less attention has been devoted to evaluating the political progress in Iraq. But almost every expert agrees that political reconciliation is the key to achieving lasting peace in Iraq. As General Petraeus has observed, "There is no military solution to a problem like that in Iraq." I think that is exactly right, and that is why it is so important to assess what the State Department is doing in Iraq and to understand the impacts that corruption, mismanagement and lax oversight are having on our mission.

Beginning in July, our committee has held a series of hearings to examine these issues. We have held hearings on the Iraq Embassy, Blackwater and corruption in the Iraqi ministries.

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

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

This week, President Bush asked the American people to spend another \$46 billion in Iraq. The President also is continuing to ask our bravest Americans to risk their lives there. As Congress evaluates these requests, we need to know what the State Department is doing to combat corruption in Iraq. We need to know whether the State Department is capable of real oversight over Blackwater and other Government contractors. And most of all, we need to know whether the mistakes of the State Department have jeopardized any chance for political success in Iraq.

Mr. Davis, I recognize you.

[The prepared statement of Chairman Henry A. Waxman follows:]

**Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Hearing on the State Department and the Iraq War
October 25, 2007**

We have very tight time constraints this morning, so I will just make a few brief opening comments. I want to begin by thanking Secretary Rice for adjusting her schedule to be here.

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

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

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

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

With the Secretary's presence here today, there should be no question that is the case. Regarding the specific issues before us—the use of private security contractors, the coordination of anticorruption assistance, construction of the Embassy compound in Baghdad, and barter efforts to foster reconstruction and political compromise in Iraq—Secretary Rice and the Department have been proactive in identifying issues, addressing problems, improving performance and increasing accountability.

Today we need to hear more about those initiatives, and we need to learn what the Department needs from this committee and from this Congress to protect and empower America's diplomatic forces in Iraq.

Yesterday, the Department released a report by a special panel Secretary Rice appointed to review policies and practices governing personal protective services. The steps recommended should improve coordination and management of essential security functions in connection with critical diplomatic activities. But more will be needed and more must be done, as we look forward to hearing from the Secretary how the Department plans to keep that role of security contractors more closely in line with our larger goals in Iraq.

Reports of construction problems and delays at the new Embassy compound in Baghdad have to cause concerns, but worries about cost overruns should not be among them. The initial \$592-million project was constructed under a fixed-price contract, and any work required to fix deficiencies or meet specifications will be completed at the contractor's expense. The decision to expand what was already the largest U.S. Embassy in the world raises separate fiscal and policy questions that I am sure the Secretary is prepared to address.

Regarding corruption, it has to be conceded that no amount of hand-wringing or feigned indignation here can obscure the hard truth: The United States did not bring corruption to Iraq, and it won't stop when we leave. Focusing on the extent of corruption, rather than the effect of anticorruption efforts, betrays a desire to

publicize corruption, not to help fix it. Efforts to refocus and re-energize anticorruption programs in Iraq are under way, and we look forward to hearing more about them.

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

Unable to reverse course, the Democratic strategy seems to me to drill enough small holes in the bottom of the boat to sink the entire Iraqi enterprise, while still claiming undying support for the crew about to drown. As that strategy unfolds, we should not underestimate the corrosive impact of our diplomatic standing on the morale of those pursuing U.S. goals in Iraq when we gratuitously flog these problems publicly without constructive solutions.

Madam Secretary, you bring a productive, forward-looking perspective to our discussion today. We thank you for your continued cooperation with Oversight.

Thank you.

[The prepared statement of Hon. Tom Davis follows:]

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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**Statement of Rep. Tom Davis
Ranking Republican Member
Committee on Oversight and Government Reform
“Secretary Rice, the State Department, and the Iraq War.”
October 25, 2007**

Secretary Rice, welcome. Your testimony today will bring some much needed perspective and context to the complex oversight issues being pursued by this Committee. We appreciate your being here.

The high level, results-oriented outlook you bring to our discussions has been missed by those of us who want to fix problems, not just fix blame. So far, our hearings on Iraq have thoroughly and loudly described alleged management failures and well-known challenges, but have led to no serious discussion about how to repair faulty programs or disjointed processes. Pursuing only half our mandate under House Rules, it's been all oversight, no reform. I hope our dialogue today will begin to right that imbalance.

Effective State Department operations in Iraq, and throughout the Middle East, are critical to our national security and our global strategic objectives. Military skill and valor open the door, but the path to “victory” in Iraq – however you define that term – can only be secured through diplomatic and political dexterity in a dangerous and volatile environment. So it's essential that legitimate questions about State's operational strength and agility receive sustained attention at the highest levels of the Department. With the Secretary's presence here today, there should be no question that's the case.

Regarding the specific issues before us - the use of private security contractors, the coordination of anti-corruption assistance, construction of the embassy compound in Baghdad and broader efforts to foster reconstruction and political compromise in Iraq – Secretary Rice and the Department have been pro-active in identifying issues, addressing problems, improving performance and increasing accountability. Today, we need to hear more about those initiatives. And we need to learn what the Department needs from this Committee, and this Congress, to protect and empower America's diplomatic forces in Iraq.

*Statement of Rep. Tom Davis
October 23, 2007
Page 2 of 2*

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Yesterday, with characteristic tact and understatement, the Secretary described to the Foreign Affairs Committee the issues she was invited here to discuss as "management challenges." But we have to acknowledge, they're more than that. We should have no illusions about the subtext of these hearings. Unable to reverse course, the Democratic strategy seems to be to drill enough small holes in the bottom of the boat to sink the entire Iraqi enterprise, while still claiming undying support for the crew about to drown. As that strategy unfolds, we should not underestimate the corrosive impact on our diplomatic standing and the morale of those pursuing U.S. goals in Iraq when we gratuitously flog these problems publicly without constructive solutions.

Madame Secretary, you bring a productive, forward-looking perspective to our discussion today, and we thank you for your continued cooperation in our oversight.

Chairman WAXMAN. Thank you, Mr. Davis, for your statement. We are going to go right to the Secretary.

Madam Secretary, it is the practice of this committee to put all witnesses under oath. So I would like to ask you to stand and raise your right hand, if you would.

[Witness sworn.]

Chairman WAXMAN. Thank you. The record will reflect that you answered in the affirmative.

We are pleased to have you. And your prepared statement will be made part of the record in its entirety.

Because of the time constraints that are placed upon the committee, we are going to ask you to limit your oral presentation to no more than 5 minutes. There will be a little clock in front of you. When there is 1 minute left, it will turn yellow, and then when the time is up, it will turn red.

There is a button on the base of the mic, so be sure it is pressed in so that we will know it is working. And pull it as close to you as you feel you need to.

Thank you.

STATEMENT OF CONDOLEEZZA RICE, SECRETARY OF STATE

Secretary RICE. Chairman Waxman, Representative Davis, members of the committee, thank you very much.

And I hope, Chairman Waxman, I won't need the entire 5 minutes, because I'm really here to answer your questions.

I want to just make a few opening contextual points, nonetheless. And that is to underscore the importance of success in Iraq for American foreign policy and, indeed, for our security and for that of the world as a whole.

I also want to associate myself with something that you have said, which is that the success of our political efforts in Iraq, the success of what civilians bring to the fight, is absolutely crucial. And I want to acknowledge the hard work of the men and women of the State Department, our foreign service, our civil service, our foreign service nationals and our contractors, who are playing an essential role in carrying out our policies in Iraq and people who, frankly, are in great danger. They are away from home, they are away from friends, they are away from families, as our military is as well. And yet, they serve shoulder to shoulder with our military, some of them actually embedded with brigade command teams, dodging IEDs, just as our military people do. They serve in an Embassy in which they are subject to indirect fire. They are operating in perhaps the most complex circumstances that we have faced as a Department of State. And they do it with valor, they do it with dedication, they do it with great patriotism. And everything that we say today should remember that, because these are people for whom we want to give the very best support because they're giving it all to their Nation.

I want to note, too, that it's a complex and difficult operating environment in Iraq. This is a country that is recovering from decades of tyranny. It is recovering from United Nations sanctions under the Oil-for-Food Programme that, frankly, warped the economy and warped the society. It is a country that didn't even have a functioning banking system, something that we are still trying to

help them establish. We are trying, through our programs, to help them find skilled labor, skilled personnel, so that they can establish the institutions of governance, the institutions of management that, frankly, after our long experience, we simply take for granted.

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

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

Chairman WAXMAN. Thank you very much.

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

And the Chair will recognize himself.

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

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

At that hearing, Judge Radhi described a rising epidemic of corruption inside the Maliki government that is even funding the insurgency and undermining any efforts of political reconciliation. He told us, "Corruption in Iraq today is rampant across the government, costing tens of billions of dollars, and has infected virtually every agency and ministry, including some of the most powerful officials in Iraq."

I assume you are aware, Secretary Rice, that Judge Radhi told us his investigators had identified an enormous sum, \$18 million, that corrupt Iraqi officials have stolen. Are you aware of that?

Secretary RICE. I'm aware of Judge Radhi's testimony to you, Mr. Chairman.

Chairman WAXMAN. Thank you.

He also told us that 31 people on his staff were brutally assassinated when they tried to investigate these corrupt officials. Were you aware of that?

Secretary RICE. I'm aware of his testimony to you, Mr. Chairman.

Chairman WAXMAN. And he testified that the family members of another 12 of his staff were tortured and murdered. Were you aware of that?

Secretary RICE. Again, I'm aware of his testimony to you.

Chairman WAXMAN. These are the Iraqis who are doing exactly what we asked them to do. They are trying to create a functioning

government and democracy in Iraq. But they are not the Iraqis running the government. In fact, Judge Radhi and his family have been driven out of Iraq and have been granted humanitarian parole in the United States.

Judge Radhi raised specific concerns about the integrity of Iraq Prime Minister Nouri al-Maliki. He told this committee that Prime Minister Maliki used secret orders to stop investigations of corruption of top Iraqi ministers, including al-Maliki's own cousin, Salam al-Maliki, the former minister of transportation.

Do you know whether this is true? Did Prime Minister Maliki intervene to obstruct a corruption investigation of his cousin, the transportation minister?

Secretary RICE. Mr. Chairman, let me say that some of the questions that you are asking may indeed get into areas in which there are concerns about the exposure of sources.

Chairman WAXMAN. I don't want you to expose any sources.

Secretary RICE. Yes.

Chairman WAXMAN. I am just asking you whether you are aware that Prime Minister Maliki intervened to obstruct a corruption investigation of his cousin, the transportation minister.

Secretary RICE. Let me say that everything that has been brought to the attention of either various boards in Iraq or to our people is being investigated.

Chairman WAXMAN. So you are aware of this allegation, and you are aware that this—

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

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

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

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

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

But I can't comment on this specific allegation. I don't want to do so without reviewing precisely what you are talking about.

Chairman WAXMAN. Well, you are investigating it. This has been a charge that has been around for a while. The question is, what do you know? Do you know whether—

Secretary RICE. Mr. Chairman, I am—Mr. Chairman, I am overseeing a very large organization, and we are determined to look at allegations of corruption, the ones that you are talking about, the

ones that we have found. We have many, many hundreds of documents, hundreds of reports of corruption. We investigate them all.

But nothing is going to be gained by speaking prematurely about allegations without fully investigating them.

Chairman WAXMAN. Well, this is a big deal. This is the Prime Minister of the country.

Secretary RICE. I agree with you; it's a big deal.

Chairman WAXMAN. His government that we are propping up with the lives of our soldiers and the billions of dollars of our taxpayers money—and this is not a minor accusation.

Now, let me ask you about something else.

Secretary RICE. Well, Mr. Chairman, precisely because it's not a minor allegation, I think it is worth giving the time to it to fully investigate it before discussing it.

Chairman WAXMAN. Judge Radhi gave the committee copies of secret orders from Prime Minister Maliki's deputy. And I had the secret orders, and we extended a copy to you. These orders say that the Iraqi Commission on Public Integrity cannot refer for criminal prosecution the Iraqi President, the Council of Ministers or any current or former ministers, without the Prime Minister's permission. In effect, this order immunizes all the most senior officials in the Maliki government from any corruption investigation.

Is this true? Is this what this order does provide? And did Prime Minister Maliki's office issue orders protecting current or past ministers from corruption investigations?

Secretary RICE. Mr. Chairman, no one in Iraq is going to escape corruption probes. I don't care what kind of order is—

Chairman WAXMAN. No, no. Are you aware of that order?

Secretary RICE. I believe that you are referring to something that is—because there's an executive branch and a legislative branch that are treated differently. Is that the point?

Chairman WAXMAN. No. The point of the order is that Prime Minister Maliki has issued an order saying that he may not be investigated, nor may his minister be investigated, of full corruption, which means they are immunized from anything—

Secretary RICE. Well, I can tell you—

Chairman WAXMAN. Excuse me, Secretary. Excuse me.

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

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

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

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

Chairman WAXMAN. Well, this order that was shown to us by Judge Radhi, it was discussed at our October 4th hearing. We even asked Ambassador Butler from the State Department about it. And we expected you to come in and give us your view of such an order. Because it, in a sense, says that you believe everything is going to be investigated in Iraq. They are not planning to investigate corruption by the Prime Minister or any of his ministers. And if that is the order, I think you ought to tell us that you are as outraged as we are. Because we want corruption investigated and not just left for you to get back to us another time.

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

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

Chairman WAXMAN. Thank you very much.

I gather I have used pretty much my full 10 minutes. So we will go to Mr. Welch the first time that it comes around to the Democratic side.

I will yield to Mr. Davis for his 10 minutes.

Mr. DAVIS OF VIRGINIA. Thank you.

Madam Secretary, let me just ask, would it be unusual for senior Department officials of any administration, Republican or Democrat, to make public accusations of corruption about an ally where we are engaged in significant military, diplomatic and political efforts? I mean, what would be the implications of publicly—

Secretary RICE. Well, Representative Davis, I wouldn't want to make public allegations about corruption for anybody unless I could be certain that they were substantiated, corroborated. And I would hope that it would be understood that the last thing that we want to do is to talk about allegations rather than fully investigating them, rather than taking the time to see if they can be corroborated.

And that would, by the way, follow whether it was an ally or an adversary. I think it is best for the integrity of the United States that we not simply engage in allegations that may or may not be corroborated.

Mr. DAVIS OF VIRGINIA. Well, let's turn to a more proactive note. What are we doing to address corruption in Iraq at the diplomatic level?

Secretary RICE. Well, we understand that the corruption is a pervasive problem in Iraq. But, as you said, Congressman, this didn't come with the United States. This is a place that was, of course, a dictatorship. There was corruption before we got there. There was, of course, the Oil-for-Food Programme, which we know was a source of considerable corruption—and, by the way, not just corrup-

tion of Iraqi officials, but corruption of a number of international officials as well.

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

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

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

Secretary RICE. I do know that there are people in the Iraqi government who feel extremely strongly about corruption, and they certainly feel strongly that no official should be immune from prosecution or, indeed, from being punished if corruption can be demonstrated.

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

Mr. DAVIS OF VIRGINIA. Thank you.

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

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

But I think the next step, Representative Davis, is that we will sit with the Defense Department. Bob Gates and I talked on the phone. He is traveling. We have asked the deputy secretaries to establish some recommendations on procedures for coordination, not just for State and Defense, but there are multiple contractors working in Iraq for other agencies, other NGO's. And obviously we need a better-coordinated policy for all of them.

Mr. DAVIS OF VIRGINIA. All right.

Mr. Shays.

I would yield some time to Mr. Shays.

Mr. SHAYS. Madam Secretary, thank you very much for coming.

I can't think of hardly anything this new Congress, my Democratic colleagues, have done to help our soldiers win in Iraq and allow them to come home succeeding, rather than failing, to help the Iraqi people live in a safe and free Iraq, free from terrorism,

free from foreign intervention. I, frankly, can't think of hardly anything.

And I was struck by the comment of House Majority Whip James Clyburn, who said that, basically, if the Iraqi war went well, it would be bad for Democrats.

I have served on this committee for 20 years. And everything this committee has done since we have gone into Iraq, in this last year in particular, has been to try to point out everything bad that is going on.

What I would like to ask you is, what would be gained, how will our troops be safer, how will they be able to succeed if you did a frontal assault against the Prime Minister, accusing him of being corrupt? Tell me what will be gained from that.

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

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

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

Let me ask you this. Congress recently, in the Foreign Affairs Committee/International Relations Committee, passed a resolution basically condemning Turkey of genocide. I happen to be on that resolution, but I can't imagine, for the life of me, what good that will do.

How will that help us work with the Turkish government, and how will that help us have our troops in Iraq succeed? And what are the consequences of that resolution moving forward?

Secretary RICE. Well, we believe that the consequences of that resolution could be quite dire.

First of all, we acknowledge the—and the President's acknowledged—the mass killings that took place in 1915. He's acknowledged that we consider that a great tragedy. We've also asked the Turks to work with the Armenians on reconciliation and including reconciliation about the history.

But it would really damage our relations with a democratic ally who is playing an extremely important strategic role in supporting our troops through Incirlik and through the movement of cargo. It would be damaging for a democratic ally, really one of the only democratic allies, a bridge between the Middle East and the Western world, an Islamic, democratic ally. And it would certainly be very damaging at a time when, as I'm sure we're all following in

the newspapers, tensions are already high with Turkey, concerning Iraq.

So it would be deeply damaging. And I appreciate those who, despite the difficulty of the vote, decided not to vote for the resolution.

Mr. SHAYS. Thank you.

Thank you, Mr. Chairman.

Thank you, Mr. Davis.

Chairman WAXMAN. Thank you for your questioning.

Secretary Rice, before we continue, would you just pull the mic up a little closer? The Members are saying they are having a difficult time hearing you.

Mr. Welch, for 5 minutes.

Mr. WELCH. Thank you, Mr. Chairman.

Secretary Rice, if, in fact, the evidence that suggests Prime Minister Maliki is in fact protecting corrupt officials exists, do you believe that the American taxpayers have a right to know? Yes or no on that?

Secretary RICE. I believe very strongly that, first of all, the U.S. Government has a right to know, and certainly the American taxpayers will have a right to know.

But, Congressman, I think we owe it to everyone to do thorough investigations, not to respond to allegations, not to respond to uncorroborated evidence or uncorroborated statements. And I'm going to hold to that, because, not only is it potentially damaging to relationships that we are very dependent on, in terms of the allegations that are uncorroborated, but it's wrong. It's simply not right to sit in an open session and do that.

Mr. WELCH. If the American people have a right to know, and you know what they have a right to know, when will you tell us what they want to know?

Secretary RICE. What the American people need to be assured of is that, if there is corruption, the United States is, in fact, dedicated to routing it out. I want to just emphasize that—let's not take Iraq in isolation. Corruption is not just a pervasive—

Mr. WELCH. I do want to interrupt.

Secretary RICE. Let me just finish my point.

Mr. WELCH. No. The reason I want to—

Chairman WAXMAN. Secretary Rice, please. We only have limited time.

Secretary RICE. All right. Mr. Chairman, may I have an opportunity, though, to finish my answers?

Mr. WELCH. My question is only about Iraq. We have very limited time, Madam Secretary, and that is the reason for my interruption.

Let me ask you this. On your point that you followup and that you want to do thorough investigations, we have received information about this order Chairman Waxman asked about, that the Commission on Public Integrity, which is a credible group, can't refer for criminal prosecution the Iraqi Council ministers or any current or former ministers without the Prime Minister's permission.

My question to you is this: That obviously interferes with Iraq moving forward, with us moving forward. Will you ask the Presi-

dent of the United States to repudiate that blanket grant of immunity that is contained in that order after this hearing is over?

Secretary RICE. First of all, if I may complete the sentence, which is that we need to understand Iraq in context. Corruption isn't just a pervasive issue in Iraq; it is a pervasive issue with many countries in the world. And we have been dedicated to routing it out around the world.

Second, there are other boards and other institutions in Iraq that are involved in investigating corruption, like the Board of Supreme Audit and the Inspectors General. My point to the chairman is that the United States would expect and would, indeed, say to the Iraqi government that it expects that no official would be immune from investigation or prosecution for corruption.

Mr. WELCH. That wasn't my question. My question is, if this order that gives blanket authority to the Prime Minister to block any prosecution stands and exists, will you ask the President, in furtherance of the need of the American taxpayer and the American soldier to know about corruption, will you ask the President to demand that the Prime Minister repudiate and rescind this order?

Secretary RICE. What we have said, and I will repeat, the United States will not support a policy that would prevent the investigation or the bringing to justice of any official in Iraq who—

Mr. WELCH. Do you believe that secret order does interfere with the formal, complete investigation? That is a yes or no.

Secretary RICE. There are other boards that investigate corruption, including the Inspector General. I will say—

Chairman WAXMAN. Will the gentleman yield to me?

Mr. WELCH. Yes.

Secretary RICE. Congressman Welch, I think it's important that we talk to the Iraqi government and that we repeat precisely what I've said. We will not tolerate a situation—we would not support a situation in which anyone is immune—

Mr. WELCH. I will yield to the chairman.

It sounds like we will tolerate, or the President will tolerate, a blanket secrecy on investigations.

Chairman WAXMAN. That testimony seems to be that you think the Iraqi government can deal with it because of the Council on Public Integrity. But the man who was the head of it was driven out of Iraq. He had 40 people who worked for him killed. He told us that there was no one allowed to investigate corruption in Iraq. And we have this order from al-Maliki, himself, saying that, unless he personally approves, no one may be investigated.

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

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

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

Mr. WELCH. I have limited time.

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

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

Is that report true, or is it false?

Secretary RICE. Congressman, at the time of the Ministry of Interior under that leadership, we had serious concerns about the sectarian nature of that ministry. We had serious concerns about corruption in that ministry. We had serious concerns about violence that might have been emanating from that ministry. It was one of the most important efforts that we undertook with the Iraqi government, to try and change the nature of that ministry.

It is absolutely the case that there is much, much more work to be done. The Ministry of Interior is still a real challenge. But, yes, we were very concerned about—

Chairman WAXMAN. The gentleman's time has expired.

Mr. Burton.

Mr. WELCH. Thank you, Mr. Chairman.

Mr. BURTON. First of all, Madam Secretary, I want to apologize to you for the way some of the questioning is taking place. You are not being prosecuted, and we are not prosecutors. And so we will try, I hope, to give you an opportunity to answer the questions clearly and thoroughly.

And I would just like to say to the chairman, the last Member went over about 2 minutes, and I hope he will be lenient with the minority as well.

Let me just say, Madam Secretary—

Chairman WAXMAN. The Chair will be fair.

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

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

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

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

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

Now, the other thing I want to talk about real quickly—and I will let you answer the questions—is there was an attack on September 6th by Israel on a nuclear site—supposedly nuclear site. Nuclear experts have said that was, in their opinion, a nuclear site.

I would like to know what the administration is recommending to Israel and to others in that area to deal with the proliferation of nuclear weapons and, if we find out who it was that sent them there, what we intend to do about it.

Thank you very much.

Secretary RICE. Thank you, Congressman.

I can't comment on the reports concerning the Israeli strike. Let me just say that if there is evidence anywhere of proliferation, we are very actively engaged in countering that proliferation, whether it be through the proliferation security initiative that we have launched, or taking down the A.Q. Khan network, or insisting, with negotiations, for instance, with North Korea, that it deal with its proliferation activities. And so, if you don't mind that, that is as far as I can go on that issue.

On the Palestinian state, we believe that—and, by the way, the Israelis, themselves, have said that, since Prime Minister Sharon's famous Herculean speech in 2003, that it is the case that there should be a Palestinian state. That is the best way to secure the Jewish democratic state of Israel. It can't be a state born of terror, which is why we have insisted that it be a leadership in the Palestinian territories that is devoted to bringing its state about peacefully. And finally, the United States, and especially this President, is absolutely devoted to the security of Israel. We have no intention of encouraging the establishment of a state that would leave a vacuum and create a more dire security situation for Israel.

As to the private security contractors, we need them because our people have to be able to move around in a very dangerous environment. And let me just note that, thank God, so far, we have been able to provide that security to our people; they have been able to move around. We believe that we cannot take on all of those tasks with our own diplomatic security, nor can the military do that. And that was just reaffirmed by General Petraeus and Ambassador Crocker during the recent visit of the panel to Baghdad.

But we do recognize that there must be sufficient oversight, sufficient rules. And that is why I have accepted the recommendations of the panel on the private security contractors.

Mr. BURTON. Let me just say real briefly that probably many, many members of this committee and other committees have gone to Iraq and been protected by the contractors. And I think many of us, on both sides of the aisle, will say that they have done an outstanding job. And I hope that the investigation by the FBI, when it is concluded, will be given to all of us, so we can really see what happened and know for sure what is being done about it.

Are there any other Members—I will yield to the chairman, or to Mr. Davis.

Mr. DAVIS OF VIRGINIA. Thank you.

I just looked at this document my friend from Vermont was looking at, No. 282, where it says, referring to the following parties, "The courts need to obtain the consent of the state and Prime Minister."

The way I read this document is they are trying to consolidate and control. It is a turf battle, and they just don't want the things—I think that is a reasonable interpretation of it, as well, not that they are trying to stop corruption.

I don't know if you have any comments on that at all.

Secretary RICE. Well, let me just repeat. We can look at this document. We can look at the testimony of Judge Radhi. We know that there are problems with corruption.

Mr. DAVIS OF VIRGINIA. Absolutely.

Secretary RICE. But I don't see anything to be gained by publicly discussing allegations that are not yet investigated and proven, by publicly talking about things that could be rumor or unsubstantiated. If there are substantiated claims, then we're going to pursue them.

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

Mr. DAVIS OF VIRGINIA. Thank you.

Let me, Mr. Chairman, just followup, if I could, real quick.

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

What are these pressure points? And how are the United States and the international community applying that pressure?

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

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

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

Chairman WAXMAN. Time has expired.

I just want to point out that the document that we have that was given to us by Judge Radhi says, "Peace, mercy and blessings of Allah be upon you. It has been decided not to refer any of the fol-

lowing parties to the court until approval of His Excellency, the Prime Minister, has been obtained: one, Presidential office; two, Council of Ministers; three, current and previous ministers. With appreciation,” and the official at the Prime Minister’s office.

These are not unfounded allegations. This is Nouri al-Maliki’s edict, that no one is going to be referred to court until he approves it.

Now, not only are we worried about corruption, but we are worried about the corruption, tens of billions of it, going to supply the insurgents that are killing Americans while other Americans are there fighting—all Americans there are fighting to keep Prime Minister Maliki in office.

It is not just our concern about corruption around the world. It is our concern about corruption where Americans are dying to support a government that, it appears to many of us, is so corrupt that it doesn’t have the support of its own people.

Secretary RICE. Mr. Chairman, may I respond?

Chairman WAXMAN. Certainly.

Secretary RICE. First of all, we’re not fighting to keep Prime Minister Maliki in office. We are fighting to help the Iraqis to develop a democratic government that can provide for its people. Prime Minister Maliki is the leader of Iraq, who was, out of an election process, made the Prime Minister of Iraq by the Iraqis, not by the United States. So we’re not fighting to keep him in office. We’re trying to support the government of Prime Minister Maliki so that it can deliver for its people.

Chairman WAXMAN. I appreciate that.

Secretary RICE. But I wanted to repeat, Mr. Chairman: Any order, any law that tries to shield ranking officials, of any rank, from prosecution or from investigation would be opposed by the United States. And we’ve been very clear with the Iraqi government that we do not—that we would not tolerate and, in fact, it would not be supported by the United States to have any official, no matter how high-ranking, immune from prosecution.

Chairman WAXMAN. Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Madam Secretary, it is good to see you.

You are, no doubt, on the front lines of this war in Iraq. And no amount of military surges or blank checks we write for this war will resolve the complex efforts and religious conflicts that plague Iraq and its neighboring countries. Victory in Iraq is not possible without political reconciliation. And I am extremely concerned about whether corruption in the Iraqi government is undermining our mission.

Four years after we have toppled Saddam Hussein’s regime, the Iraqi government remains the third most corrupt country in the world, according to Transparency International. And State Department IG Stuart Bowen, your inspector, characterized it as a second insurgency.

Corruption—and this is why I think the discussion here is so important—corruption funds terrorists who attack our troops. Corruption fumes sectarian divisions. Corruption stifles reconstruction efforts and corrodes the Iraqi government.

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

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

We asked a former head of the Office of Accountability and Transparency whether he was aware of any coordinated U.S. strategy to fight corruption in Iraq, and his answer was no. We asked another Embassy anticorruption official for his views, and he told us, "You have a system where the coordination is lacking." Here is what Michael Richards, the executive secretary of the Anticorruption Working Group, told us when we asked him what the working group had accomplished, "I would like to be able to say that we've done quite a bit in this area, but unfortunately we have not."

This is very troubling. But the criticism does not end there. Independent investigators were also highly skeptical. Stuart Bowen, your agency's Inspector General, has investigated your entire anticorruption programs, and he testified about his findings before the Oversight Committee, and this is what he said. He said, "U.S. anticorruption efforts have suffered from poor coordination and focus." This is what he said: "no strategic plan for this mission was ever developed."

David Walker, the head of the Government Accountability Office, released a report finding that the U.S. ministry capacity development efforts have suffered from a, "lack of overall direction" and that the State Department's efforts are, "fragmented, duplicative and disorganized."

Secretary Rice, fighting corruption in Iraq is essential for our mission to succeed. But your own officer, your own officials and independent investigators told the committee that the Department's efforts are in disarray. The other side has said, "We need to tackle the problem." You've said it is your No. 1 priority, it is very important to you. But it seems as if there are problems.

And I just wanted to have your comments on the things that your people said. This is not some pie in the sky, somebody looking down and just criticizing you. This is your own department.

Secretary RICE. Well, first of all, let me just say that there are an awful lot of people working on these anticorruption programs, and they're doing it at great risk, because it means they have to get outside the Green Zone very often, and they have to go out and deal with ministries, and they have to deal with places where

there's very little personnel that is skilled, and they're trying to build systems where there were no systems.

The coordination for these programs is under a senior officer of the ministry assistance teams, who works directly for the deputy chief of mission for Ambassador Crocker. That person is responsible for the coordination of these efforts.

I will tell you, it is sometimes very difficult when 1 day you can go out and the next day you may not be able to go out. And I know that there is some frustration in some of the Iraqi agencies with the pace of some of the programs. But I also know that when you have people who are challenging old ways of doing business in Iraq, in some of these Embassies, in some of these ministries, in some of these organizations, that you're going to get some of the comments that you're getting.

But these programs are coordinated. Ministry assistance is coordinated through a very senior officer in Baghdad.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Cummings.

Mr. Mica.

Mr. MICA. Thank you.

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

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

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

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

Secretary RICE. It was a well-run election.

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

But I guess the insurgents kind of took advantage of the situation. They didn't like it. And with the destruction of the mosque and the beginning of what was somewhat of a civil and religious war you inherited a new set of responsibilities. But you have certain constraints that you work under.

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

Secretary RICE. That is correct.

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

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

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

Secretary RICE. Yes.

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

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

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

So I don't want the Members to leave the impression that the Iraqi Government is not functioning. We have been able to get, for instance, \$220 million out to the Anbar Province to support the surge.

And I know that a number of Members have been in Iraq and have gone to see the circumstances in which people are dealing. Mr. Chairman, I don't know how long it has been since you were in Iraq, but it would be an invitation to any member of the committee, including to you, Mr. Chairman, to go out to Iraq to meet with our ministry assistance teams, perhaps to accompany one to one of these ministries, to perhaps go out with one of the brigade command teams to see how these PRTs work, to see the difficult circumstances in which they are acting.

Mr. MICA. Finally, I wanted to try to get one more question in about corruption.

Secretary RICE. Yes.

Mr. MICA. One of the subcommittees I chaired on this committee was Criminal Justice Drug Policy. I will never forget a meeting I had in Mexico City. It was in the late 1990's. And I basically stood up and screamed at the Mexican officials that the corruption was so bad that they were in danger of losing their own country. We had evidence that up to the President's office there was corruption.

I met with a Ukrainian official a couple years back, and he has begged me not to send any aid there because he said it was so corrupt. But, in fact, even with some nations like Mexico, which has been around a long time, or emerging democracies like Ukraine, it is difficult even where you have relative peace to get the situation under control.

Chairman WAXMAN. The gentleman's time has expired.

Mr. Tierney.

Mr. MICA. Could the Secretary respond?

Mr. TIERNEY. Thank you, Mr. Chairman.

I would just like to refocus—

Mr. MICA. Could I have the courtesy, Mr. Chairman, of having her respond?

Chairman WAXMAN. About Mexico? The gentleman's time has expired.

Mr. BURTON. Mr. Chairman, I believe we ought to allow the Secretary, if she wishes, to make a response.

Chairman WAXMAN. Please, go ahead. I don't want to interrupt you from responding, but I didn't hear the question. But if you heard a question, let's hear it, a response to it.

Secretary RICE. Yes. I think the point was one I was trying to make in response to Representative Welch as well, which is that corruption in government is not unique to Iraq. Iraq has special circumstances of war, of coming out of dictatorship and out of an Oil for Food Program that, frankly, did bring about the possibilities, the elements for corruption. But, just as we do around the world, we are working very hard, even harder in Iraq, because we recognize the tax on the Iraqi people and, frankly, on our efforts that corruption brings.

Chairman WAXMAN. Thank you.

Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Madam Secretary, I do want to refocus to what this hearing is about, which is corruption in Iraq and what the State Department may or may not be doing to make sure that we have a handle on that.

We don't have \$600 billion spent in Mexico or other places. We don't have 160,000 troops exposed there on a daily basis. And you know, in statements made earlier by some people that a lot of people are thinking that everybody in Iraq is corrupt or whatever, that is a red herring. We are looking to find out what is going on with those who may be corrupt and whether or not the State Department is doing what it should be doing in that regard.

We had testimony here not on some speculation but on facts that there were billions of dollars involved in corruption. Much of that was going to militias. The militias, in turn, were shooting our troops. That is why we are having this hearing on this basis.

Now, Mr. Cummings talked to you earlier about the fact that you have expressed concern about the levels of corruption in Iraq. But we were under the impression, having listened to the testimony of Mr. Bowen, who is from your office, and having listened to the testimony of Mr. Walker, that there was no real coordination of this effort.

You indicated that a very senior officer in Baghdad is in charge of that. So can you tell me why Mr. Bowen would not know that and Mr. Walker would not know that after thorough investigations? Was this person recently appointed?

Secretary RICE. No, this is the person who runs the ministry assistance teams to try to root out corruption in the ministries.

And, by the way, I see Stuart Bowen every time he comes back as well as every time he goes forward, and we try very hard to im-

plement his recommendations. But, in fact, the ministry assistance teams are coordinated by a senior officer at the Embassy.

Mr. TIERNEY. Here is his finding on what he testified on October 4th, that there has not been adequate leadership in the Embassy's anti-corruption programs, and there is no single coordinated point for the U.S. support for Iraq anti-corruption efforts.

Mr. Walker, Comptroller General of the United States, he testified before the committee and he issued a report, and that report says U.S. efforts suffer from a lack of overall direction and that no lead agency has been put in charge.

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

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

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

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

Secretary RICE. Congressman, I have talked to Stuart Bowen every time, and we have tried to implement his recommendations. But I would question—and perhaps I can get back to you. I would question whether the right way to go about this is to have a coordinator for corruption or to have a coordinator for ministry assistance, a coordinator for Rule of Law, and that is how we have gone about it.

Mr. TIERNEY. One of his findings was that the agencies that you mentioned that were supposed to be targeting aspects of corruption were boycotting each other's meetings. Were you aware of that?

Secretary RICE. I have just—I have heard that—who is boycotting what?

Mr. TIERNEY. Each other's meetings. In other words, they were not attending meetings called by each of those groups that were supposed to get together.

Secretary RICE. I am not aware of what you are talking about, no.

Mr. TIERNEY. Not aware of that.

The Office of Accountability and Transparency at the Embassy in Baghdad is an important mission, I think you would agree. It is the group the State Department has that is supposed to work with Judge Radhi or other anti-corruption officials in Iraq. But what we learned during our investigation and the hearing is that 10 months since the office was established there has been at least four acting or permanent directors. In 10 months, four acting or permanent di-

rectors. The most recent acting director previously served as a paralegal who performed administrative functions for the Embassy.

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

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

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

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

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

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

Mr. TIERNEY. It would be helpful if you would get back to us.

Secretary RICE. So a program here or an office there may well have been integrated into something else. I will get back to you on that.

Mr. TIERNEY. I don't think so, Secretary Rice, but I would be happy if you would get back to us.

Because that is not what your Inspector General tells us, that is not what Mr. Walker tells us, that is not what the testimony tells us, and we weren't able to get into it any more because you didn't allow certain members from the State Department to testify before this committee in an open hearing.

Secretary RICE. I have to answer that, Congressman, because, in fact, I have told members of the State Department that they should be willing to speak with the committee.

The question—

Mr. TIERNEY. Madam secretary, we had to issue four subpoenas in order to get that testimony.

Secretary RICE. The question has been, on some of these issues, whether or not closed or open session is more appropriate.

Mr. TIERNEY. Some of those we needed subpoenas just to get testimony, not whether it was closed or open. We had to issue four subpoenas just to get the cooperation to come in and testify.

Secretary RICE. Well, I have told everybody in our Department to be responsive to this committee.

Mr. TIERNEY. I hope they will be more responsive to you, Madam Secretary.

Chairman WAXMAN. The gentleman's time has expired.

I do want to point out that James Santelle, who is your Rule of Law coordinator at the Embassy, he is the one you said was coordinating things, well, he did cooperate with us and talk to us. And his statement to us was you have a system where the coordination is lacking. And he is referring to all of the dysfunction and disarray that appears to be going on, frustrating U.S. anti-corruption efforts.

Secretary RICE. Well, I would hope that he will have reported that to the Ambassador so that it can be remedied.

Chairman WAXMAN. Well, I am sure he has. If he talked to us, he reported to the Ambassador. Maybe you ought to talk to the Ambassador to report to you.

Secretary RICE. I am sure that Ambassador Crocker would want to remedy any such situation.

Chairman WAXMAN. Thank you.

Mr. Westmoreland.

Mr. WESTMORELAND. Thank you, Mr. Chairman.

And just to kind of followup on it, I am sure Mr. Santelle is working to find somebody to be the permanent replacement in the Office of Accountability and Transparency. Is that not true?

Secretary RICE. Well, first of all, again, Ambassador Crocker has gone to great lengths to reorganize a lot of these efforts so that they are less duplicative and so that there is not so much overlap. When there are vacancies, we try and make certain that Ambassador Crocker has the very best talent available to him.

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

Mr. WESTMORELAND. Thank you.

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

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

But we have recognized—and this country has been around for over 200 years, and we still have corruption here, many things of corruption. We don't like it, and we try to do the best we can.

But, as you mentioned, that young government over there and the influx of money that has been over there that we have sent and other countries have sent to a people that, No. 1, has never been involved in a government before and, No. 2, never had any real wealth, and so the atmosphere has been for corruption. But you have acknowledged the prevalence of it there; and, in your dealings

with the Iraqi Government, what is your sense of their commitment to ending it?

Secretary RICE. I believe that they very much want to end it, because they know that it is a problem for governance. It is, after all, now a democratic society.

And, by the way, if you think there are stories about corruption in Iraq in our newspapers, you should see some of the reporting in the free Iraqi press, something that would not have existed without the liberation of Iraq from Saddam Hussein. So, in fact, their own people are concerned about corruption and are concerned to expose it.

But, yes, it is a real problem. Corruption is a real problem. It is a young government. It is a government that comes out of a dictatorial past. It is a government that has oil wealth, which we know sometimes leads to corruption; and it is a government that is fighting a war.

And they, by the way, also have no interest in having money go to militias that are killing our soldiers because they are killing their soldiers and, frankly, many of their families.

Mr. WESTMORELAND. Well, thank you. Thank you very much for being here, and thanks for your attention and your willingness to sit through this process. Thank you.

Secretary RICE. Thank you.

Chairman WAXMAN. Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

Madam Secretary, thank you for your willingness to testify here.

As you know, the administration has already committed \$450 billion to securing and rebuilding Iraq; and right now Congress has before it an additional request received recently for another \$196 billion from the President. We in Congress have at least a couple of roles in this.

First of all, we are the direct elected representatives of the families whose sons and daughters are putting on that uniform and, in many cases, making the ultimate sacrifice in Iraq.

We also, in our constitutional role here, exercise the power of the purse. Now, the power of the purse is not simply the power to open the purse and surrender the contents. In our roles as appropriators, we also are responsible for scrutinizing these requests; and that requires that we make informed decisions.

We had several reports so far, and I know you talked about unfounded reports or rumors of corruption, but we have some pretty good reports here. This one is from the GAO, David Walker, Stabilizing and Rebuilding Iraq, that has extensive sections on corruption. I have one here by the Special Inspector General of Iraq Reconstruction, Joint Survey of the U.S. Embassy Iraq Anti-Corruption Program. There is another report somewhere here by General James Jones of the U.S. Marine Corps about corruption. Your own State Department has a couple of internal reports that you have classified that talk about corruption. You have denied hundreds of documents pursuant to a subpoena issued by this committee, Chairman Waxman, that offer other evidence of corruption.

So to say that this is unfounded or that we don't have a hard case is really unbelievable. And the idea that we have to wait until there is a prosecution or some type of indictment, our kids are on

the ground now. They are on the ground now in that country fighting and dying, and we cannot wait a moment longer before we talk about this.

That is what we want to do. We want to talk openly, publicly about the corruption in Iraq; and we want to know, as appropriators, whether it is a good idea to send \$196 billion to a country where the government has severe corruption. And we have to do our responsibility here, our constitutional duty.

And there is one point I would like to make on this before I ask my question. It has been said by the State Department that if we talked about corruption in Iraq, it would hurt our relationship with the Iraq Government. The fact of the matter is, it would be good. It would be good for our relationship with the Iraqi people if we talked about the corruption in their own government. I think that democracy is aspirational. We are certainly not perfect, and we have had a lot of people talk about that today. But I think this signals our high expectations of democracy in that country and in our own that we put it all out there.

Sunlight is the best disinfectant, and I think that closing off that evidence is complicit with—is covering up some of the corruption that is going on there, some that we know about.

So I want to ask you this. Knowing that more transparency will be helpful in this country and in Iraq on this subject, will you rescind the directive that prevents the State Department employees—high-ranking State Department employees coming here and discussing in great detail the levels and degree of corruption in Iraq? Will you do that?

Secretary RICE. Congressman, first, I have to correct the record on a few things that you have said, if you don't mind.

The first is I did not say that to talk about corruption would hurt our relationship with the Iraqi Government. I said that I was not prepared to engage in discussions of premature allegations—prematurely of allegations or things that may be uncorroborated or unsubstantiated until in fact they had. And I saw no good purpose in doing so.

I am here talking right now about corruption in Iraq, about concerns of corruption in the ministries, concern in corruption in particularly the—

Mr. LYNCH. In very vague terms, though, Madam Secretary, with all due respect.

Secretary RICE. I am here talking about specifically about our concerns about corruption.

Now, if you would like us to be able to actually do anything about corruption, Congressman, we have to be able to investigate it. We have to be able to get the testimony of people who are bringing the stories and the facts to us. We have to be able to protect them from what is obviously a very hostile environment. We have to be able to preserve that access.

That is why we have offered to have you have any document that you would like and any official who would be able to address those documents to come and spend as much time as you would like in closed session so that we can protect the underlying sourcing and the underlying people who bring those allegations to us.

Mr. LYNCH. Let me say one thing.

Secretary RICE. I will renew that again today.

Mr. LYNCH. I appreciate that, Madam Secretary, but the fact of the matter is this directive that came out of the State Department instructs the employees not to talk about broad statements or assessments which judge or characterize the quality of Iraqi governance or the ability or determination of the Iraqi Government to deal with corruption, including allegations that investigations were thwarted or stifled for political reasons. And so—

Secretary RICE. All right. Let me say right now, Congressman—

Mr. LYNCH. Just—please, I have limited time.

Secretary RICE. Yeah, you do.

Chairman WAXMAN. And it has expired.

Mr. LYNCH. On top of that, you know, we have a directive by the Iraqi Government itself that—by Nouri al-Maliki that has basically said no prosecution of any ministry can go forward without my approval. So that is a stopgap as well at that level. So we are not seeing a lot of that. So—

Secretary RICE. Would you like me to answer you, Congressman?

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

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

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

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

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

Mr. LYNCH. Well—

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

Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

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

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

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

And I am thinking back to a column that the conservative foreign policy columnist Georgie Anne Geyer wrote in 2003, a few months after the war, in which she said that Americans would inevitably come to a point at which they would have to decide did they want a government that provides services at home or one that seeks empire across the globe.

And I know everybody would like to have a \$5 million house, but they know they can't afford it. And many fiscal conservatives have reached a point where they feel we really can't afford these excessive, extravagant, staggering costs of this war. So I would like your comments to both of those—to respond to both of those columnists.

Secretary RICE. Well, yes, Congressman, if I—it is always difficult to go back and try and situate yourself to know then what you know today. But even with that limitation, I would say, yes, I think to the overthrow of Saddam Hussein, the liberation of Iraq, and the chance for Iraq to become a different kind of a country in the center of the Middle East, from which comes many of the problems of terrorism and danger that we face as a country. Yes, it is worth it.

I know that it has been difficult, and I indeed know that it has been expensive. And, yes, frankly, it has been harder than I thought it would be. Because I don't think that we understood just how broken this country was under Saddam Hussein's dictatorship.

But I would remind that this is someone against whom we fought a war before. He was going to remain a threat to this vital region as long as he remained in power. And, yes, I think it was worth overthrowing him.

It is also worth it to stand by the Iraqi people as they face the multiple challenges of trying to develop a functioning, democratic state in the heart of the Middle East. I think our security will be better for it, the security of the international community will be better for it.

I cannot by any means make up for the terrible sacrifice. Nothing I can say will ever bring one of our soldiers back. But I can say that I think nothing of value is ever won without sacrificing. Yes, I do believe it has been worth it.

Mr. DUNCAN. Let me just conclude by saying, as one who has opposed this war from the beginning and still does, I want to apologize to you for the rude way that you were treated by some of these anti—so called anti-war demonstrators. Those people need to realize that they do much more harm than good to their cause.

And, also, Mr. Shays asked that I point out that we are not sending this \$196 billion, which I think is way too much money, but we are not sending it to the Iraqis, we are using most of that for our own military costs.

Secretary RICE. Yes. Thank you very much, Representative.

Chairman WAXMAN. The gentleman has a little time left. Would he yield to me?

Mr. DUNCAN. I will yield it to you.

Chairman WAXMAN. I thank you for yielding to me.

I did want to respond to the Secretary's offer that we have a closed door session to receive testimony from witnesses and to see documents. The problem with that offer is that you will give us information that we then cannot make public because it is confidential, and I think there are a lot of things that ought to be made public.

And one question I would want to know, and I think it ought to be answered publicly, is money that is being taken from corruption—through corruption from the Iraqi Government funding the terrorists that are killing our troops? You don't have to name a source. You don't have to identify anybody that is confidential. But we ought to know that information. And I hope you would answer that question as we go into a debate about whether we are going to give another \$196 billion to this war.

Secretary RICE. There are militias that are being funded by multiple sources, including people who are able to use the Iraqi system to bring funding to their militias, yes, in the south in particular. But a much bigger problem, a much bigger problem, Mr. Chairman, and one that will be there in spades if we don't complete this mission, is the support that those militias are getting from Iran.

Chairman WAXMAN. I think that is a very important issue, and it needs to be debated, but I don't want to take an offer from you to give this Congress of the United States information that we can then not talk about publicly as we debate these important policy questions. And that is our disagreement on the question.

Secretary RICE. Yes, I understand. But Mr. Chairman, if I may say, it is not at all unusual that information is provided to the Congress that cannot be made public for reasons of sourcing; and so I renew the offer to you.

Chairman WAXMAN. We don't need to get into sources. But there are a lot of questions we ought to have answered that don't involve sources. We will discuss this further, but I do want you to know that your offer, while you may feel is generous, is not consistent with I think the proper roles between the executive and the legislative branch.

But it is Mr. Yarmuth's time for questions.

Mr. YARMUTH. Thank you, Mr. Chairman.

Good morning, Secretary Rice.

Last year, October 2006, in a State Department briefing, you made the following broad assessment, I will characterize it, about Prime Minister Maliki, the Interior Ministry, and corruption in Iraq.

You said, I think he is a very good and strong Prime Minister. As you know, they have really started to take action. We have said many times that the Interior Ministry in the prior government before the permanent government was put in place was not active enough in really rooting out potential corruption and potential violence within the ministry itself or the ministry forces, and so they are really starting to take some actions of that kind.

We have heard today and we heard in our hearing 3 weeks ago from Inspector General Bowen that he talked about the rising tide of corruption in Iraq. It is getting worse and is now a second insurgency he called it. And Judge Radhi, we have heard, says corruption is getting worse because of the sectarianism in the country and the lack of the rule of law.

What I would ask you is if you are willing to give a broad assessment, no sourcing, a broad assessment as to whether over the last year, since you made that statement, corruption in Iraq has gotten better or worse.

Secretary RICE. I really would be reluctant to make such a broad statement because I would submit to you, Congressman, in some places it has gotten worse and in some places it has gotten better. And so if we want to do a net assessment, I think I ought to go do a net assessment for you.

But it is very clear to me that some of the problems that existed, for instance, in budget execution, have been ameliorated and are better. It is very clear to me that some of the problems that existed in the Ministry of Interior are being addressed. But there are still pervasive problems of corruption in any number of ministries, including in the Ministry of Interior. So some things have gotten better, some things have gotten worse. I can give you a net assessment. I can't give you a net assessment on the spot.

Mr. YARMUTH. So you are not willing to agree with the broad characterizations that Mr. Bowen made and that Judge Radhi made?

Secretary RICE. I would rather do my own net assessment. Thank you.

Mr. YARMUTH. Thank you.

As part of our investigation we also talked to State Department officials, again trying to find out whether the situation has improved or not. And when we interviewed Mr. Folk, who is one of the U.S. Embassy's top anti-corruption officials, we asked him about your statement a year ago. And he said he could not answer in an open forum, as you said, because it would require me to go into details that would break into the guidelines that were given to me. So basically he said he was under orders not to comment whether your statement was accurate or not.

And my question is, if you are making broad assessments that are flattering to the Iraqi Government, as you did in October 2006, and now as your public policy you are not willing to make those statements, isn't it fairly obvious that you are afraid of concealing negative information, and any person with half a brain would understand that the situation is not good or else you would want to talk about it?

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

Now, the effort has to be to help the Iraqis address that corruption and also to have an assessment ourselves through investigation and through taking information. You know, much of the infor-

mation that you continue to put out by SIGIR and so forth actually comes from the Embassy looking into these issues themselves.

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

So it would be wrong to leave the impression, as is being done, that somehow the Inspector General is going in and finding things that the State Department is trying to hide. If you look at his list, you will very often find that these are through interviews with our people who are in the process of trying to fight corruption.

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

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

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

Chairman WAXMAN. The gentleman's time has expired.

Mr. Shays.

Mr. SHAYS. Thank you.

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

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

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

They lecture me continually on the fact that they are Iraq, the Nation of two rivers. And they say, didn't you study about us when

you were in school? There is tremendous pride that the Iraqis have for their country.

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

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

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

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

And I would like you to speak in general about whether you see a sense of patriotism. Is Maliki doing what I think he is doing, trying to build consensus among Sunnis, Shi'as, and Kurds, trying to get 70 percent support where they can't even get support of 60 percent in the Senate? If you would speak to that.

Secretary RICE. Yes. In fact, what the Iraqis are trying to do is to pass their laws by more than a majority, because they recognize that they are trying to buy into these very fundamental and existential laws, the entire Iraqi population, Sunni, Shi'a, and Kurd, which is why they don't want to just go with a 51 percent majority.

It has been difficult. We continue to press them on passing these laws. I would just note that they did pass a budget. That is no small matter.

Mr. SHAYS. We haven't done one here yet.

Secretary RICE. That is my understanding, Congressman. And that they are in fact executing that budget at a very higher rate than they did last year, 20 percent last year, 70 percent this year. That they are getting the money out to places like Anbar, which leads me to your question about patriotism.

While we are sitting here talking about all of the problems of the Iraqis, let us remember that it is the sheiks of Anbar and their sons of Anbar who rose up to fight and to push al Qaeda out, with our help, of an area that was just last year said to be lost by our intelligence agencies.

Let us remember that there are 60,000 concerned citizens, as they call themselves, who are part of neighborhood watches to guard their neighborhoods in Baghdad, in and around Baghdad.

Let us remember that one of the—that the leader of Awakening, the Sunni rebellion against the foreign extremists, was killed in a brutal assassination attempt, only to be replaced by his brother, who stood and said that I will continue to fight because my brother will not have died in vain.

So, yes, there are patriotic Iraqis. Yes, there are Iraqis—they are losing more forces by far, many times over, than we are in the defense of their country.

And to go to your first point, Congressman, I know that there is corruption in Iraq. I don't think I have been trying to hide that fact here. I know that there are lots of reports that need to be investigated, and we are more than willing to share those with this committee in an appropriate setting. Which, by the way, is not at all unusual in sharing information that is sensitive.

But the most important point that I would make is that if the implication is that because there is corruption in Iraq that we should simply give up on this extremely important security concern of the United States, then I think that in itself would be irresponsible. What we have to do is fight the corruption and help them to fight it.

Chairman WAXMAN. The gentleman's time has expired.

Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

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

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

I have a State Department cable that was sent from the Embassy in Baghdad to you; and you have a copy, I believe. According to this cable, two Blackwater guards fired multiple shots at a car as it approached the Blackwater motorcade in Baghdad. The Blackwater guards killed one Iraqi civilian and wounded two others. The State Department conducted an investigation of this particular incident and concluded that the Blackwater personnel acted improperly. This is what the official State Department reports said. The victim's car was, "traveling at a moderate rate of speed on an open road, displaying no aggressive behavior such as rapid acceleration or change in direction."

The report also found that Blackwater's warning signals were perfunctory and that a reasonable person in the same circumstances would foresee them to be ineffective. The State Department's own investigation concluded lethal force was used prior to the exhaustion of all available options.

What bothers me most about this incident is that the only sanctions requested by the State Department were that the two shooters should be dismissed and barred from any future employment. Dr. Rice, do you think this was an appropriate response by the Embassy?

Secretary RICE. Since this was investigated by the Embassy and by Diplomatic Security and I don't have access at this moment to the full record of their response, I don't want to respond on the appropriateness of it. I do think that what we have done in insisting now on greater coordination and accountability will help to avoid such incidents in the future.

And, Congressman, I would note that one of the things that we believe is necessary—two of the things we believe are necessary, first, that we really do have to review the order under which all of this has been done since the creation of the Coalition Provisional Authority back in 2003. That is one of the problems, is the basis on which it is done; and we are working and believe that there needs to be legislation so that there can be appropriate action taken when incidents of this kind occur.

Mr. CLAY. Well, in this case, Doctor, the facts are not in dispute here. Your investigators found that an innocent Iraqi was shot and killed and that Blackwater was at fault. Yet the Embassy recommended only that they lose their jobs. It shouldn't be a hard question to say whether that response was sufficient. Was it sufficient?

Secretary RICE. I am not going to second-guess the decision of the people on the ground who investigated it, who looked into it and made a response.

Mr. CLAY. OK. But, on top of that, now the incident should have been a warning sign that something was wrong in the State Department's relationship with Blackwater.

But there were many other examples. Just a month later, in June 2005, the State Department found that a Blackwater team killed an innocent Iraqi in al-Hillah and tried to cover it up. Again, the only disciplinary action was dismissal.

And there were many other similar incidents, including ones where Iraqi officials protested Blackwater's actions. Yet for years the State Department acted as Blackwater's enabler and never restrained the company's aggressive tactics. Do you think you made a mistake by taking so long to recognize that the oversight of Blackwater was woefully inadequate?

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

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

Chairman WAXMAN. The gentleman's time has expired.

Mr. McHenry.

Mr. MCHENRY. Thank you, Mr. Chairman.

Secretary Rice, thank you for being here.

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

But the one thing we can't forget here is we are talking about a war zone, and men and women's lives are on the line, brave men and women there in Iraq. And there have been a number of questions, and my colleague just asked one about contracting. It seems

a contradiction to me that at a time when this Congress, the Democratic majority in Congress wants to cut the level of troops, they want to nationalize contractors, thereby increasing the number of troops required for protective service of State Department officials, Embassy officials as well, as well as provincial reconstruction teams. It seems to me a contradiction when you espouse a smaller footprint in Iraq that you want to eliminate contracting. There have been a number of questions about this.

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

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

I would repeat that when the team went out and they asked directly General Petraeus and Ambassador Crocker, should this be done instead by Diplomatic Security—which, by the way, we have increased the numbers, the allocation to Diplomatic Security over time. But they were asked, should Diplomatic Security try to do this, which means you would have to bring it in house, should the military do this? And they were told, no, that would not be appropriate. So we are left with the need for private contractors.

Now, there can be certainly better oversight of the private contractors, which is why we are taking the steps that we are taking. But this is the best way that we can find to make sure that our people can get out of the Green Zone and go to do all of the programs that are being questioned here, whether they are on anti-corruption or budget execution or training personnel.

Mr. MCHENRY. So there are really three choices. The military can guard the State Department—

Secretary RICE. Right.

Mr. MCHENRY [continuing]. You could have in-house security, which would have to be a massive expansion of what is currently available, or you could use contractors. And the first two were rejected, is that correct?

Secretary RICE. That is correct.

Mr. MCHENRY. Has there been a cost-benefit analysis as a part of this in terms of the cost to taxpayers?

Secretary RICE. Well, I think that, first of all, if you just imagine bringing on enough Diplomatic Security agents to do this full-time, and we will have to as a result of a report bring more people on, I think they said 100 people, but if you tried to have 1,100 or 1,200 Diplomatic Security agents, you are creating a career path, people who would, of course, be there for throughout a career. This allows us to be flexible in terms of how temporary an assignment might be. So it is—the cost benefit is very good, and I think you certainly wouldn't want American soldiers to have do this task.

Mr. CUMMINGS. Mr. Chairman.

Mr. MCHENRY. And if I may continue, because, as a part of this, the idea is that we are in Iraq not on a permanent basis, therefore, you do not hire career government workers to be there on a 30-year basis, for instance, with retirement benefits and things of that sort.

Secretary RICE. Exactly.

Mr. MCHENRY. So there have been advantages to having contractors as part of the work force for the State Department.

Secretary RICE. Yes. Because you can use it in a kind of an accordion-like way to increase when you need and to decrease when you don't need. That is not true if you hire permanent employees.

Mr. MCHENRY. So flexibility.

Secretary RICE. Uh-huh.

Mr. MCHENRY. Now, let me move onto the provincial reconstruction teams; and I think this is a very key point of your role in Iraq. I know there is a discussion of corruption, but we have a number of different functions within government that are overseeing that. For you, as Secretary of State, these provincial reconstruction teams, some of which provide technical expertise for agriculture or clean water or build roads, we have seen wonderful things that have come about with my colleague from Massachusetts, Mr. Tierney, and I and my colleague from Minnesota, Ms. McCollum, when we were in Afghanistan, some really community changing opportunities for regional reconciliation. And I know the Jones Commission had a lot to say about that localized reconciliation and building that up in order to strengthen national security.

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

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

Secretary RICE. In late 2005, we began to deploy these provincial reconstruction teams, which allows us to work at the local level, the provincial level, and therefore to multiply our points of success, because the delivery of goods and services to populations really can't take place out of Baghdad. And so we began with provincial reconstruction teams in places like Mosul, which were able to work with local government. And they do not just delivery, but they do really help to build the capacity of local governments and provincial governments. They help with budget execution. They help get resources from Baghdad down to the provinces.

I want to reiterate it is a country that doesn't really still to this day have a functioning electronic banking system, and so moving funds is difficult.

But what it has allowed us to do is build from the bottom up. Now we thought that this was working very well but that we could make it better, and so I have worked with Secretary Gates and with the military, and we have now embedded people into brigade command teams, and they really have become one. We talk with them frequently. They go into very dangerous circumstances, but they go down to provincial level in places like Anbar and Baghdad neighborhoods, and they work with local governments to deliver services.

Chairman WAXMAN. Thank you very much.

Mr. Sarbanes.

Mr. SARBANES. Secretary Rice, thanks for being here.

I wanted to call your attention to the report of the outside panel that you convened and its conclusions, which are in stark contrast to some of the statements that were made by officials of the State Department. So let me begin by going over some of those statements, and then we can look at the report's conclusions.

On October 1st, I mean, just recently, your spokesman made this statement. The State Department is, quote, scrupulous in terms of oversight and scrutiny not only of Blackwater but of all our contractors. I would strongly dispute anyone's assertion that the State Department has not exercised good and strong oversight in our efforts to manage these contractors.

On September 27th, your deputy, Ambassador John Negroponte, said that every single incident in which Blackwater fires its weapon is, "reviewed by management officials to ensure the procedures were followed."

And on October 2nd, Ambassador Richard Griffin, who is the Assistant Secretary of State for Diplomatic Security, testified before this committee that every time a weapon is fired by a security guard an investigation is triggered.

Were those accurate statements made by those officials?

Secretary RICE. The reason that I ordered a bottom-up review was that I wanted to be certain about what was actually going on in terms of oversight. That is why I told people that I wanted a probing, 360-degree review.

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

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

Secretary RICE. That is why we made the changes.

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

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

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

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

Third, the process for coordinating and sharing of information between the Embassy and the multinational force in Iraq is not sufficiently robust to ensure knowledge of the particulars of incidents that could potentially affect U.S.-Iraqi relations.

So the report that Ambassador Kennedy made is very clear that the State Department's oversight of Blackwater and these other contractors was seriously deficient.

Secretary RICE. I am the one who ordered the report because I believe when you are managing an organization and you have a sit-

uation like we had you owe it to your people in the field and to the country to have a full, 360-degree look at what is going on, to have a full look by people, by the way, who are independent of the Department, including General Joulwan and Ambassador Roy, and to then act on those recommendations.

But, frankly, after the Blackwater incident, I did not—could not myself say that I knew that our oversight was adequate; and that is why I ordered the report.

Mr. SARBANES. And the report reached some of the conclusions that I just enumerated.

I am trying to understand how these officials, as recently as late September and early October, who are high-level people who presumably have access to the very kinds of sources of information that the panel looked at, could be saying publicly that everything was fine, that there was good scrutiny and good oversight. And what I am trying to understand is were they speaking just because they didn't have any information or facts, or were they trying to mislead the Congress or the public?

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

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

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

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

Secretary RICE. Congressman, whenever there is an incident of this sort I consider it my responsibility both to acknowledge it and to try and fix it.

Mr. SARBANES. That wasn't my question. My question was whether you regret the failures of your Department, whether you regret your failures to conduct oversight of these contractors.

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

Mr. SARBANES. I appreciate it.

Chairman WAXMAN. The gentleman's time has expired.

Ms. FOXX.

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

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

Would I be correct in saying that our assistance in fighting corruption is a long long-term effort? That's the first one.

And when do you think we'll see the results of this long-term effort? At what point will we do that?

And are there any lessons that we can learn from our experience helping factions in Northern Ireland, in the Balkans work through peaceful coexistence that some thought would never see peace?

Secretary RICE. Well, yes, it is a lot of effort. It's a country that's been through war and dictatorship, and, yes, it's a long effort to fight the corruption.

I can't give you an exact date, but I know that the Iraqis are making efforts to improve the circumstances there. Some of the things that will help, for instance, when they get a system that is less dependent on subsidies, there will be less possibility for corruption. Part of it comes out of that system. So we'll continue to work with them.

Yes, we've seen in the Balkans—which, by the way, corruption is still a problem—we have seen that it takes people time to reconcile. But I just want to repeat, I don't know what the implication is of saying that, yes, Iraq—I do not think that the implication of saying that Iraq has a corruption problem is to say that is therefore reason for the United States to stop dealing with the Iraq Government or working to help them fight their corruption problems. It's too important to our security, and that's why we're going to continue to help them fight their corruption.

Ms. FOXX. Mr. Chairman, if I could, I would like to tell the Secretary one little story. Two years ago I was at the Louisville Elementary School speaking to a group of second-graders, and we actually were having lunch together. Second-graders. And I asked them if they had any questions they would like to ask me. And there was a little girl there who said to me, well, since President Bush cannot run for reelection, do you think that Secretary of State Rice might run? I think she would make a great President.

Secretary RICE. Thank you.

Ms. FOXX. So I want you to know that second-graders in Louisville are very much fans of yours.

Secretary RICE. Thank you very much.

Chairman WAXMAN. Thank you, Ms. Foxx.

Mr. Braley.

Mr. BRALEY. Good morning, Secretary Rice.

I want to talk to you about the Christmas Eve shooting on December 24, 2006. According to documents that the committee has obtained, a Blackwater employee who was drunk shot and killed a security guard for the Iraqi Vice President inside the protected Green Zone in Baghdad. This didn't happen on a mission protecting diplomats. It happened on Christmas Eve after a party inside the Green Zone. And if this shooting had happened here in the United

States, there would have been an arrest, a criminal conviction and a prosecution. And if one of our soldiers serving in Iraq had engaged in this type of behavior, they would have faced a court-martial under the Uniform Code of Military Justice.

But according to what the committee has determined, this is what the State Department did. It flew the contractor out of Iraq within 36 hours. Then it asked Blackwater to make a payment to the family. And according to the e-mails that we have been provided with, a payment to the families was considered and then, quote, the best way to assure that the Iraqis don't take the steps, such as telling Blackwater that they are no longer able to work in Iraq. And my simple question to you is, as we head toward another Christmas Eve, do you agree that the State Department made a mistake in responding to that incident?

Secretary RICE. First of all, that incident has been—or that circumstance has been referred to the Justice Department. And I've testified here that there's a lacuna in the law, and we are working to get appropriate—we would like to get appropriate legislation that speaks to the prosecution of civilian contract personnel working in circumstances like Iraq. That was one of the findings of the panel that I sent out. And, in fact, we very much would like to see that because you're right, the Uniform Code of Military Justice provides a context for our soldiers. And there is protection inside the United States. We believe there's a lacuna that needs to be filled.

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

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

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

Secretary RICE. We believe that there are some problems in that particular House law, but we are prepared to work to get a law—working with the Senate and working with the House to get a law that we think addresses the problem.

Mr. BRALEY. Are you prepared today to identify the specific problems that you have with the legislation?

Secretary RICE. I think we should allow the discussions that are going on that are being led, as these are, by the Justice Department to get that law. But I am very strongly supportive of a law that would close this loophole.

Mr. BRALEY. How do you square your support for this concept of legislation with the White House's stated public opposition to the legislation?

Secretary RICE. Because the specific legislation has a number of problems and concerns from the point of view of not just of those who would have to operate in the field, but also the Justice Department. And, of course, it is the Justice Department that advises the President on this kind of matter.

Mr. BRALEY. Now, this same e-mail we were referring to, which was actually sent out from Margaret Scobie from Baghdad the day after the incident in question on Christmas Eve, says, will you be following up in Blackwater to do all possible to ensure that a sizable compensation is forthcoming?

Are you aware of the actual compensation that was paid to the family of this Iraqi security—

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

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

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

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

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

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

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

Chairman WAXMAN. The gentleman's time has expired.

Mr. Hodes.

Mr. HODES. Thank you, Mr. Chairman.

Madam Secretary, I would like to pick up on one of the issues that you've just discussed. You said you now see that there's a hole in the law, and you would very much like to see legislation. On Tuesday your blue ribbon panel investigating the use of security contractors in Iraq issued its report, and, as you've indicated, one of its principal findings is particularly troubling. It doesn't simply say there's a hole; what it says is that the legal framework for providing oversight over personal protective service contractors is inadequate in that the panel is not aware of any basis for holding non-Department of Defense contractors accountable under U.S. law.

I find this an amazing statement. And while we can acknowledge that we need to fix it, I'm very curious about how we could have possibly gotten into this situation. Ambassador Kennedy's panel, in effect, found that Blackwater and the other security contractors

had been acting above the law, essentially in free space above the law. In this country no one is above the law, yet the contractors, according to your panel, have been above the law for the past 4 years.

How could this happen? You've paid Blackwater over \$800 million. Didn't anyone, didn't you or your subordinates ever stop to ask whether or not the legal framework was in place to hold these contractors accountable for their actions? The military certainly is when there is error committed. How could this have happened?

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

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

Mr. HODES. We have heard graphic testimony and seen convincing evidence that over the past 4 years there have been numerous, numerous incidents by Blackwater which arguably could constitute criminal behavior under U.S. law, yet there has not been a single prosecution brought by the Justice Department. I'm aware of no previous FBI investigations or any action by the State Department to hold Blackwater accountable for any of the previous incidents involving arguably unwarranted violence against Iraqis.

You now come and say there's a hole in the law and that the Justice Department is handling this matter. If, in fact, there is currently no legal framework under which the Justice Department and the FBI, if it finds something wrong was committed, could handle the matter, how do you explain to the American people and this panel that in 4 years no proper legal framework has been put in place until apparently you are now—your support today for some legislation to handle these matters?

Secretary RICE. This is an issue of prosecution under U.S. law. I would note that this—the framework in Iraq for dealing with the contractors comes from a period—the CPA period in which Order 17 governed this. It isn't adequate for the current circumstances. The case in—the case of the Christmas circumstances have been referred to the Justice Department.

I would remind that this is a war zone, and that it is true that sometimes incidents happen. They are reviewed. It's not the case that they haven't been reviewed. But we do believe that it would be very helpful to have a law that is explicit to this particular circumstance.

Mr. HODES. Madam Secretary, with all due respect, I think it's questionable whether anything that the CPA did had, in fact, binding authority on the U.S. legal system. And beyond that, I'm not talking about simply the Christmas incident, I'm talking about the confidence that we need to have that, going forward, the State Department is going to take care of something, which it appears that

you and your subordinates have absolutely recklessly failed to do in the past 4 years, given the history of what is either incompetence in management or purposeful lack of attention to this.

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

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

We will act on it. We've already acted on some elements of it. It will be very helpful to have a law that closes this particular lacuna. But the people in the field have been dealing with these circumstances under the most difficult circumstances where they're trying to protect our diplomats, and that they have done. They've been able to protect our diplomats. And I hope they will continue to be able to protect our diplomats who travel through war zones with IEDs going off and with indirect fire. But the framework indeed was inadequate, and that's why I've asked—asked for the review, and that's why I ask that we put in place these particular recommendations.

Mr. HODES. My time is up. I find your answer unpersuasive.

Thank you, Mr. Chairman.

Chairman WAXMAN. The gentleman's time has expired.

I just want to point out, the incident was not in a war zone. It was in the Green Zone, and it was a man who was drunk on Christmas Eve and who shot the——

Secretary RICE. That one has been referred to the Justice Department. But again, Chairman, I'd encourage you to go and look at the——

Mr. SHAYS. Mr. Chairman, could we——

Secretary RICE. The Green Zone can be pretty tough.

Mr. SHAYS. Would the gentleman yield for just a second? I would like to point out that there appears to be no witnesses. So when I spoke to the Justice Department, part of the reason why they are having a hard time reconstructing it is because there were no witnesses.

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

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

Secretary RICE. Chairman, I think what Mr. Shays said to you is actually correct. The Justice Department is looking to see whether he can be prosecuted by—because of the evidence. It is not the

absence of law in that case, it's a question of evidence. So they are investigating it.

Chairman WAXMAN. Thank you.

Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair.

Secretary Rice, on July 26, 2007, this committee held an oversight hearing on the problems with the State Department's construction of the new \$600 million Embassy in Baghdad. General Williams, the head of the State Department Office of Overseas Building Operations, testified that there were no significant problems. The head of the State Department's Office of Overseas Building Operations testified that there were no significant problems with the construction at the Embassy, and that it would be completed in September. And I'm going to quote you what he said, "I am pleased to report, Mr. Chairman, that the project is on schedule, on budget, and we're slated to complete the project in September of this year."

Then he goes on to say, we have received numerous accolades as to the extremely high quality of the construction.

I would like to continue on, though, that in September when General Williams promised the building would be ready, the State Department inspectors issued a report on the Embassy's fire suppression system. They documented hundreds of violations of the contract, specifications, fire codes and regulations.

At yesterday's hearing before the Foreign Affairs Committee, you said we've all experienced problems with construction, suggesting that the problems in the Baghdad Embassy were nothing out of the ordinary. I would like to show you a copy of this 140-page report and read you just a few of the excerpts.

"The fire service mains are defective." "There is no reliable fire sprinkler system coverage in any building." "A fire could spread very quickly from one area to another." And I read the report, and that's because the proper materials are not put in between the firewalls. Another problem, improper wiring methods used throughout the building. "The entire installation is not acceptable." And the final one I will use is, the contractor could not provide a timeline for completion and continues to struggle with the understanding of project specifications. And, in fact, in one of the minutes—and Mr. Thorpe asked the attendees, who will take responsibility if a fire occurs? The underground breaks—and they're talking about the main pipeline—cannot supply water to the fire. And in the minutes it says, there was no response.

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

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

Secretary RICE. Well, General Williams did testify that the Embassy would be ready in September, but obviously if there are flaws

and defects at all, we weren't going to open it under those circumstances.

The problems that you're referring to, Congresswoman McCollum, are indeed problems that the State Department found itself. These were problems found by the Office of Overseas Buildings' own overseas fire inspectors. So, of course, when those were found, the remediation had to be done at the expense of the contractor, and so it delayed bringing the building on line.

So, yes, these are—these are problems in construction. They were found by the—our own inspectors. They're being remediated by the—

Ms. MCCOLLUM. Madam Secretary, the State Department was aware of the problems that I just cited, aware of the problems before the July meeting. General Williams came to this committee and told us that the construction was of extremely high quality, and he told us that this Embassy would open in September. Now, given the magnitude of the problems and many that the State Department was aware of well before this hearing, it would be not good if your staff did not know in July when coming before this committee that this building had such serious problems. That's a huge communication problem in the State Department or a deliberate communication problem in the State Department before those who came to testify to this committee.

Now, Mr. Chair, I also have a question for you. We had asked for documents. This committee had asked for documents. We have received some of them, but my understanding is 3 months later we have still not received the bulk of documents we requested at that hearing. Is that correct, Mr. Chair?

Chairman WAXMAN. Yes, it is.

Ms. MCCOLLUM. Mr. Chair, I would—I know that you're asking for them. We were told in other cases the documents will be made available. Obviously building inspection reports are not classified at this level for repairing construction, and I would hope the committee could receive everything.

Chairman WAXMAN. Thank you. The Secretary—

Secretary RICE. Well, I would like to respond, Congressman.

Chairman WAXMAN. Sure.

Secretary RICE. First of all, again, in construction, complex construction in a complex environment, there were problems with the fire suppression system in the guard house. Those problems are being remediated at no cost to the United States or to the taxpayers by the company on the basis of inspections that we ourselves did.

I think anybody is familiar that when you take ownership of a construction project, you go and you find out what is wrong, and then the company remediates. That's what is going on here. It's a completely normal practice. The circumstances of Iraq are anything but normal, but we are not going to accept a building that these problems have not been dealt with.

Chairman WAXMAN. Thank you.

Secretary RICE. On the documents.

Chairman WAXMAN. Yes.

Secretary RICE. As I understand it, we have 18 separate substantive requests. We have exerted 10,000 manhours in tying to

fulfill those requests. In one case, Mr. Chairman, the request was one that globally would have brought about a million documents—a million pages of documents in.

So it takes time, Congresswoman. I have a staff of people working as hard as they can to make those documents available to you. They are career people. They are not political people. They're trying to make them available to you. I can, if you would like, assign an officer from some other high-priority task to try and do this full time. I'm prepared to do that. But I can tell you that the document requests have been quite extensive, and we are doing everything that we can to get the documents to you.

Chairman WAXMAN. Well, I want to have cooperation and want to also be reasonable with you. I must tell you, your Department has been the most difficult to get documents from. We have worked with other departments of government as well. We are the watchdog committee. This committee watches the government spending taxpayers' funds, and we think we're entitled to get that information. It's certainly not national security for us to know how the money is being spent.

Secretary RICE. As we have said, we will get the documents to you, Mr. Chairman. It's not that we're not trying to get the documents to you, but the requests are quite extensive.

Chairman WAXMAN. I appreciate that.

Mrs. Maloney.

Mrs. MALONEY. Thank you, Mr. Chairman.

And, Madam Secretary, thank you for your service.

In your opening statement, you said that our troops deserve the best support, and I couldn't agree more. And in fact, part of that support was supposed to be training the Iraqi police so that they could stand up—as the President would say, stand up so our troops can stand down and come home.

Because of this focus in mission, and because it's so important to our Iraqi mission, I was incredibly disturbed to read the report from Stuart Bowen, the Special IG for Iraqi Construction, this week, and in his report he said that the State Department's \$1.2 billion contract with DynCorp to train the Iraqi police is missing. He said, "the State Department does not know specifically what it received for most of the \$1.2 billion in expenditures under the DynCorp contract for the Iraqi police training program." He further called it, "the weakest staffed, most poorly overseen large-scale program in Iraq." In February, he testified before this committee that \$4.2 million was spent for an Olympic-sized pool in a palace for the Iraqi police, and it has never been used. He called the program in complete disarray. And I repeat, this was one of our most vital focuses.

So how do you respond to his scathing scandalous report?

Secretary RICE. Well, first of all, it is simply not true that we don't have a copy of the contract. We have a copy of the contract.

Mrs. MALONEY. You have the contract. He says \$1.2 billion is floating around—

Secretary RICE. We don't have a copy of the contract. Let me just correct the record. We have a copy of the contract.

Mrs. MALONEY. He said the money's missing.

Secretary RICE. No. The money has to be reconciled.

Now, let me explain to you what happened with INL and this DynCorp contract. When I became Secretary, there had been during the transition considerable concerns about how INL was being run and staffed. The first change that I made—

Mrs. MALONEY. They told us in a staff briefing they could not find the contract file.

Secretary RICE. I'm told that—let me explain. There is—we have the contract. And the contract file—there was not a contract file kept by the person who oversaw this at the time.

But I need to go back here just a moment, Congresswoman. When I became Secretary, I knew that there were problems in INL. One of the first personnel changes that I made was to have a new Assistant Secretary for INL. I brought in a senior manager who did an internal audit of INL's operations, including over contracts of this kind, found sufficient difficulties so that the incoming Assistant Secretary, Ambassador Anne Patterson, who had a lot of experience with this having been Ambassador in Colombia when we ran large police contracts, then began—we had another external review and then began to remediate the problems at INL.

Mrs. MALONEY. So what was your response to the \$1.2 billion missing?

Secretary RICE. You will see from the report that Stuart Bowen has is that since mid-2006 when Anne Patterson established appropriate reconciliation measures for reconciling invoices and services, that is completely accounted for. We have four people now working on the previous time to reconcile—

Mrs. MALONEY. Madam Secretary, I'm going to contact tomorrow the IG Bowen and ask him to give us another report since you seem to say it's all right now. Furthermore, Secretary, if I could—

Secretary RICE. Congresswoman, please don't—

Mrs. MALONEY. Can I tell you that I am not surprised at that report that came out from General Jones where he said the national police are ineffective and—and I want to quote this because I find it almost unbelievable.

He said the national police should be disbanded and reorganized. And I am not surprised, given the fact that the money that was supposed to train them is missing.

My question, Madam Secretary, is for you to put yourself in my shoes. I'm home in my district. I'm standing in front of a town hall meeting of hard-working American men and women who are paying their taxes. Many of them punch a clock for their time. They are accountable for their time and for their money. And how do I explain that the IG says that \$1.2 billion is missing that was supposed to train the police, the most critical of our missions to help stand up, and how do I explain \$4.2 million for a swimming pool that has never been used? What do I say to my constituents when they say, why are American young men and women being killed when the American Government cannot even account for the money to train the Iraqi police that is supposed to help them bring stability?

Chairman WAXMAN. The gentlelady's time has expired.

Secretary RICE. Yes. Would you like my response, Chairman?

First of all, Congresswoman, it is not right to say that \$1.2 billion is simply missing. There is a process that needs to take place of the reconciliation of invoices which were considered inadequate. And so, in fact, goods and services have been delivered. We deliver the goods and services to MNSTC-I on the military side. They do the training. But the—and so the training is not actually a State Department function. Our function is to administer the contract.

Now, as to the contract—

Mrs. MALONEY. If those are State Department dollars, the State Department should be accountable.

Secretary RICE. Would you like me to complete my answer? Thank you.

Let me read to you from Stuart Bowen's account: "the Bureau has taken action"—meaning INL. "the Bureau has taken action and continues to take actions to improve its management of the DynCorp contract in particular. As a result, we have in the reconciliation process that has been taking place already identified some \$20-plus million that we've billed"—"\$29 million that we've billed the company for because the invoices were inadequate. There's another \$19 million that is being pursued with the company. We expect to find more."

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

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

Chairman WAXMAN. Madam Secretary?

Secretary RICE. Yes.

Chairman WAXMAN. We are trying to accommodate your schedule, and it was our understanding you wanted to leave at 12:30. We have four Members who would still like to ask you questions who have been here all day. I was wondering if you could stay extra time, 15, 20 minutes.

Secretary RICE. I have a really very important meeting. I can perhaps, if the Members can keep their questions short and I can answer all of them at the end, that would be best.

Chairman WAXMAN. Maybe do 3 minutes each Member? And then you will have a chance to respond to those Members' questions?

Let me ask the Members if that's acceptable.

Mr. SHAYS. I would like my colleague to have 5 minutes to ask his questions.

Chairman WAXMAN. Well I would like my colleagues to have 5 minutes as well.

Mr. SHAYS. It's not acceptable.

Chairman WAXMAN. It's not acceptable. Then the question is to you, will you stay a little longer so we can accommodate a few more Members?

Secretary RICE. Yes, Chairman.

Chairman WAXMAN. OK. Thank you.

Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman.

Secretary, thank you for your service to our country and the professional way you go about your duties.

Let me ask a general question. I want to leave some time to my colleague from Connecticut. What impact do you think actions and statements by Members of Congress have had on your ability to deal with corruption in Iraq and, maybe more importantly, to hurt our chances of succeeding in our mission? And I'm thinking specifically of statements like—made by Members of Congress when they talked about a slow bleed on denying dollars to our troops; I am thinking about Members of Congress who talked about a public timetable; being bound by unprecedented statements made by Members of Congress talking about the war is lost; and the actions recently where 79 Members of Congress voted not to condemn an organization that slandered the reputation of a 30-year veteran and a four-star general. Could you comment on that if you would, please, Secretary?

Secretary RICE. Well, I—people can say what they would like, but I think for the morale of our people in the field, what is important is for people to recognize and to say that they know that they're giving their service to their country under the very most difficult circumstances that they—the State Department people who are being talked about for programs that are trying to do this but may not be fully achieving that are people who are serving far away from family under extremely difficult circumstances, dodging indirect fire in order to carry out these goals. And I think their service ought to be honored, and I appreciate that you have made that comment.

Mr. JORDAN. Thank you.

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

Mr. SHAYS. Thank you.

There has been information—

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

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

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

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

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

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

Mr. SHAYS. Thank you.

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

Mr. SHAYS. The second question I want to ask you—

Mr. DAVIS OF VIRGINIA. Would the gentleman yield?

Mr. SHAYS. Yes.

Mr. DAVIS OF VIRGINIA. Does that mean with the \$96 billion, then, could any of that end up with Iraqi corruption or end up in the enemy's hands?

Secretary RICE. It is going to fund our troops. And fund our diplomats, and fund our Embassy operations and fund programs that we run.

Mr. DAVIS OF VIRGINIA. So that couldn't end up in enemy hands, as has been alleged over here, correct?

Secretary RICE. It would be difficult to see how.

Mr. DAVIS OF VIRGINIA. Thank you.

Mr. SHAYS. And that's the reason why we're trying to ask these questions.

The other question that Ms. McCollum has constantly asked, it was your report that uncovered the problems with the Embassy; is that not correct?

Secretary RICE. That is correct.

Mr. SHAYS. And it is based on your report, you have taken action to make sure that the contractor fixes it, correct?

Secretary RICE. That is correct.

Mr. SHAYS. And is it true that you will not take possession of this property until they are corrected?

Secretary RICE. That is correct.

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

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

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

Secretary RICE. Yes, that's correct.

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

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

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

And I just thank my colleague for yielding.

Chairman WAXMAN. The gentleman's time has expired.

Mr. Davis.

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

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

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

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

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

I want to ask why the State Department selected First Kuwaiti as the prime contractor on the Embassy project. The State Department awarded the \$600 million Embassy construction contract to First Kuwaiti in July and September 2005. At the same time the managing partner of the company, Wadi al-Absi, was apparently under investigation for paying kickbacks to procurement officials to obtain Federal subcontracts for First Kuwaiti.

I would like to show you—this is a court document in my hand that the Department of Justice filed in May in a criminal case involving one of the officials who Mr. Al-Absi apparently bribed. This official pleaded guilty to these charges. And let me just read some of the excerpts from the pleading.

In or about June 2003, the managing partner offered to pay a kickback. Prior to the bid process for the subcontract, the managing partner paid approximately \$10,000 as an advance on their kickback agreement. Under the kickback agreement, the official was to receive approximately \$50,000 for awarding subcontract 167 to First Kuwaiti.

Now, of course, the taxpayers not only in my district, but across the country will find this difficult to understand. The Embassy project is the largest construction project in the history of the State Department. It is a crucial part of your long-term plan for Iraq. Yet the contracts were awarded to a company that is run by someone who is under investigation for kickbacks and bribing contract officials. Can this be justified? Do you think there's justification for this?

Secretary RICE. I believe that this is a sealed document; am I right?

Mr. DAVIS OF ILLINOIS. Yes.

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

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

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

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

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

You asked how Kuwait got the bid. First Kuwaiti offered a firm fixed-price contract, and it was thus awarded the contract. Many other elements were bid, but, in fact, it was awarded because it was a fixed-price contract. And I want to repeat, we are going to continue to inspect the product that is turned to us—turned over

to us. We're going to continue to make sure that First Kuwaiti remediates any problems at its own expense.

Mr. DAVIS OF ILLINOIS. Well, Madam Secretary—

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

Mr. DAVIS OF ILLINOIS. Well, let me just say that I don't think a lack of information or ignorance of facts really can be an explanation. The contractor that Mr. Al-Absi apparently bribed is KBR, which at the time was a subsidiary of Halliburton. They have the single biggest government contract in Iraq. Halliburton reported the bribery to Army officials in 2003 and were, in fact, cooperating with the investigation. All that you or your staff had to do was ask the Army or the Justice Department about their experience with First Kuwaiti.

I think you should have known that First Kuwaiti was implicated in serious corruption before you awarded the contract to the company. But assuming that you did not know the facts when the contract was awarded, you certainly and obviously know them now, yet the State Department does not seem to be doing anything to separate itself from First Kuwaiti. In fact, the State Department is actually awarding First Kuwaiti new contracts in Africa, Indonesia and the Middle East.

So my question really is why are you continuing to award large contracts to First Kuwaiti when you know that the head of the company has been implicated in bribery?

Chairman WAXMAN. The gentleman's time has expired.

Madam Secretary.

Secretary RICE. Since this information has become available, let me just say that the contract that we're aware of in Jeddah, for instance, is actually to an American company, Grunley Walsh of Rockville, MD, for which First Kuwaiti is a prime—is a subcontractor. Now, I have asked that we review all of our contract possibilities with First Kuwaiti, and that review is underway.

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

Mr. Cannon.

Mr. CANNON. Thank you, Mr. Chairman. I appreciate your indulgence for the full time allotted, and those others on the panel who wish to use their full time.

And I want to thank you, Madam Secretary. I apologize for not having been here during this whole hearing. Unfortunately I have had other things to do, but I watched you on TV, which is really what counts. And you've been calm and concise; heckled, but unharried. So I think to the American people you come across very, very well.

I want to thank you for your service. This is difficult. I was talking to a Congressman on the way back from the last vote, and I was just asking him, who wrote the book on what we're supposed to do, because I haven't seen it yet? And we're sort of struggling forward as we go. We are dealing with something that is fairly unique in our history as Americans, and that is that one of our parties seems to be vested in our failure in the war on terror in general, in Iraq in particular. And I suspect the American people are going to figure that out. And your presence here today has been very, very helpful in helping them understand the sort of the complications that we have.

For instance, we've been talking about contractors under investigation. But you can't debar a contractor when he's under investigation, can you?

Secretary RICE. That's right. And, in fact, what we rely on is a schedule that is provided from the GAO and the OMB that says that this contractor is acceptable for bid, and unless they're on the barred list, then they can be acceptable for a bid. And certainly in circumstances in which something is sealed, one wouldn't be expected to know that the Justice—every single investigation that the Justice Department is going through.

So, yes, they were not on the debarment list to answer your question.

Mr. CANNON. And an investigation would not put them on a debarment list, nor a conviction would. We have a process for that. But we are a government of laws, not of discretion unbridled, as some apparently would wish to see.

Now I have a question that is really burning because I followed the issue closely with the contract security. And I have argued with people here in my home district about the importance of this. It seems to me that—and, in fact, both sides of the aisle here in Congress are saying, we need to solve this problem diplomatically. And I think it takes more than just diplomacy, but it at least does take diplomacy. And we've had a record of no deaths of diplomats under the protection of Blackwater particularly, but of other government contractors. Can you talk a little bit about how important the protection of diplomats has been in the process?

Secretary RICE. Yes. First I want to repeat that, thank God, and I again will knock on wood, we have not lost people. And I think it is—it's the very good contract security that we've been provided. And our people have to be able to get out of the Green Zone. They have to be able to function in ministries like the Ministry of Finance that's in the Red Zone. They have to be able to function in PRTs when we're not embedded with the military. They have to be able to get out and work with provincial councils. They have to be able to do all that work. And without protection, I can't send unarmed diplomats out to do that.

The military can't protect us. We don't have enough diplomatic security agents to protect us. So somebody's got to protect us, and that's what the private security firms do.

Now, as I said, I think—I know that better oversight of these private security contractors is necessary. I'm the one who ordered the review, and, having gotten the review, we are now acting on those elements. But we cannot do our work—and for all of those who think, as the chairman began, that the political task now is absolutely critical if we're going to succeed in Iraq, the political task can't be done without security for our diplomats.

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

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

Mr. CANNON. I think you're right.

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

Ms. FOXX. Thank you.

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

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

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

Chairman WAXMAN. I think she is entitled to respond.

Secretary RICE. We have worked with the Iraqis and the Turks to put together a trilateral committee that tries to deal with these incidents. There will be a delegation of Iraqis in Turkey. We think that this is an opportunity for Iraqis and Turks to work together to try to deal with the PKK.

Everybody believes that the PKK is a terrorist organization, so there isn't any difference there. They operate in a very remote part of Kurdistan, so it's very difficult to completely rout them out. But we have been saying to the Turkish Government that nothing is going to be gained by escalating the situation in an unstable environment, and so thus far we've been able to use diplomatic means. We've been able to use promises and work together on intelligence sharing and information to try to deal with the problem.

Chairman WAXMAN. Thank you, Madam Secretary.

I am going to—we have three Members. I'm going to set the clock at 3 minutes. You are entitled to 5. But when you see it's expired, see if you can wrap up. I'm not going to deny anybody their time. And, Madam Secretary, I'm going to give you the option of responding to whatever questions are asked in writing for the record.

Secretary RICE. Or perhaps I can get all the questions and I can just respond at the end, Mr. Chairman.

Chairman WAXMAN. Well, let's try it. Is that acceptable to those who have time?

Ms. Watson, you are the one who's next.

Mr. WATSON. Welcome again, Madam Secretary.

About 4½ years ago I asked someone from the State Department if we had planned on occupation and nation building, and the response was, that's absurd. So the Baghdad Embassy is a \$750 million project to build the largest Embassy in the world; yet the man in charge of this project, James Golden, has not laid eyes on it for the past 5 months. And the committee interviewed Mr. Golden and his deputy Mary French, and during the course of these interviews, we learned that Ambassador Crocker ordered Mr. Golden to leave Iraq in May, and he basically kicked him out of the country, and Mr. Golden has not been allowed to return since. And we've learned that Mr. Golden was escorted off the Embassy compound by armed guards.

At our hearing in July we asked Ambassador Kennedy about this, and he said that Mr. Golden's expulsion from Iraq followed a discussion with Ambassador Crocker about operating procedures. And since then we've been informed of the allegations that Mr. Golden may have been expelled because he attempted to cover up

substandard work by the prime contractor First Kuwaiti—and I understand that the report that's been referenced has been unsealed for the last 2 years—and the contractor First Kuwaiti after a mortar blew through a wall that was supposed to be blast resistant.

So, Secretary, can you provide us with any more information about why the head of this project Mr. Golden is now persona non grata in Iraq? And let me just go through these questions related and you can answer them all at the end or give the answers in writing.

Do you support Ambassador Crocker's decision? And you can respond at the end. Mr. Golden acted in a manner that required him to be expelled from Iraq under armed guard, we understand, and yet was it inappropriate for him to continue managing a \$750 million project even though he can't actually go there and see it. So I just want the State Department to clarify this.

And we're concerned about the cost of this major project, and I was told in the beginning that we don't plan to occupy, but it's going to be the largest Embassy in the world. I believe there are 56 million people in Iraq, and we have 1,000 people in there, looking at employing 5,000.

Secretary RICE. Do you want to take the other questions, and then I will respond?

Chairman WAXMAN. However you wish.

Secretary RICE. Uh-huh.

Chairman WAXMAN. Thank you, Ms. Watson.

Ms. Norton.

Mr. NORTON. Thank you.

And thank you, Mr. Chairman.

And thank you, Secretary Rice, for coming today. I have a question that is essentially remedy-oriented.

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

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

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

Chairman WAXMAN. Mr. Murphy.

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

And thank you for your patience, Secretary Rice.

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

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

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

I think the question is very simple. Assuming that this is an issue that you find concerning, at the very least don't you believe that this Congress and your Department should have full disclosure of the profit that these private contractors are taking out of these contracts and the compensation that the executives of these companies are making?

Chairman WAXMAN. Madam Secretary, do you want to respond?

Secretary RICE. Yes. Is that it?

Chairman WAXMAN. I think that is it.

Secretary RICE. All right. Fine. Then I will respond.

First of all, I will respond in writing to you, Mr. Murphy, and to Ms. Watson. Because there are personnel issues involved here and particularly concerning—and, by the way, Mary French is the owner's representative, and she is the one who is on the ground all the time making sure that things are good with the project.

So it is not that the project has not had oversight, Congresswoman Watson. It is that we did make an adjustment, but it is a personnel matter, and so I will not get into that.

Ms. WATSON. Thank you.

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

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

But I want to focus on something that you said, Ms. Norton, which is that somehow the problems were discovered by—would have been discovered by the Inspector General. Overwhelmingly, the problems that have been identified here today have been discovered by the State Department in one way or another. Whether it is the DynCorp issue concerning the police contract, where I

made a change in that bureau when I first became Secretary, in which there were two internal investigations by the Department of problems of contracting in that bureau, in which there was then an outside review ordered by the Assistant Secretary—the new Assistant Secretary to fully review the project management in that bureau. She came directly to me to say that she thought we had big problems in INL; and I authorized her to fix them, which is why the number of contract officers in INL for this contract has been going up, why the number of contract officers in general has been going up. So that one was discovered by, and being remediated by, the Department when SIGIR came into the picture.

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

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

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

Secretary RICE. Just a second.

Ms. NORTON [continuing]. Move forward—

Secretary RICE. Just a second. Just a second.

Ms. NORTON [continuing]. Would not appear to be a maximum use of the IG.

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

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

So I just want to underscore that the SIGIR process is one in which they go to our people to interview and to see what problems our people in the State Department identify. I have been very well served by the SIGIR process. I have a very good relationship with Stuart Bowen. I meet with him frequently, and we have cooperated with him frequently. But it would be incorrect to leave the impression that somehow either the Oversight Committee or, for that

matter, SIGIR has uncovered problems that in many cases the State Department found itself.

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

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

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

Secretary RICE. Thank you.

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

That is why I made a change in leadership there. That is why I brought an experienced temporary head for that Department, who began—for that bureau who began the process of remediation. That is why I brought one of our most experienced Ambassadors who had police training experience in Colombia. She made major changes.

And, again, if you read the SIGIR report, it notes that there have been considerable efforts made in that bureau to improve contract management oversight; and those efforts are going to continue.

So thank you very much, Mr. Chairman. I am very glad to have had an opportunity to report on the efforts the Department has made to deal with the multiple management challenges.

Chairman WAXMAN. Well, Secretary Rice, I can't thank you enough for your willingness to be here. And no one on this committee, Democrat or Republican, underestimates or minimizes the challenges that you face over a broad number of issues.

I do want to tell you that the suggestion was made that those of us who are concerned about corruption in Iraq are for pulling out of Iraq if there is corruption in the Iraqi Government. Our concern is that if there is corruption in the Iraqi Government then this government is not going to be able to have a political reconciliation. It is not going to get the support of its own people. It, in fact, is going to make it impossible for us to accomplish our goals in Iraq.

And we did hear from several State Department people who told us that fighting corruption was not only completely dysfunctional, but they, the two State Department agencies, actually boycotted each other's meetings. We did hear from Judge Radhi that 30 of his people, when they tried to deal with corruption internally in Iraq, were killed; and he had to leave and seek refugee status in the United States.

So if there is an epidemic of corruption, which is the term that was used by Stuart Bowen, that is undermining political reconciliation, and he believes also that it is funding the terrorists, I think it is a concern that we both share. But I wouldn't want anybody to leave this hearing with the impression that those of us who are concerned about it are concerned about it because we want to pull out of Iraq.

Secretary RICE. I really appreciate that clarification, Mr. Chairman. I think that is a very important point, because we are going to have to work on this and fight it together.

And if I may just renew an invitation, I don't know when you were last in Iraq, but I think it would be useful for you or any member of the committee to come.

Chairman WAXMAN. I was there a couple years ago, and I would be happy to go again. Perhaps you will invite me to go with you. I would enjoy the opportunity.

Mr. Davis.

Mr. DAVIS OF VIRGINIA. I need to go along and make sure Henry is seeing the right stuff.

Mr. Chairman, thanks for calling this hearing.

I think a couple things this hearing has shown. No. 1, U.S. tax dollars aren't going for terrorists. They aren't being spent corruptly by an Iraqi Government. The construction of the Iraqi Embassy is a fixed-price contract; and, like all contracts, major construction contracts I have ever been associated with, there are punch-list items that need to be completed on the contractor's tab. That in point of fact allegations, sealed indictments and so on, there have been no resolutions or no convictions on these; and under current code, under the current law, that is not a reason for debarment.

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

In fact, what we have found is when agency heads step up to resolve issues outside the proverbial regulatory or statutory box we are the first ones to call them up here and find out why they didn't follow the law.

Madam Secretary, you are doing the best that you can; and I think the question we should have asked you is, how can we help you? What legal changes are needed to help you get a very, very difficult job done?

You have acquitted yourself and the State Department well today, in my opinion; and I am proud of the job you are doing. Thank you.

Secretary RICE. Thank you very much.

Chairman WAXMAN. We want to help you, but we also want you to help us do our job, which means give us the information we need to represent our constituents. And I appreciate your willingness to do that.

Secretary RICE. Thank you very much.

Chairman WAXMAN. That completes our business. The committee stands adjourned.

[Whereupon, at 1:09 p.m., the committee was adjourned.]

[The prepared statements of Hon. Diane E. Watson and Hon. Kenny Marchant follow:]

**Opening Statement
Congresswoman Diane E. Watson
Oversight & Government Reform
Hearing: "Secretary of State Condoleezza Rice on Iraq"
October 25, 2007**

Thank you Mr. Chairman for holding today's hearing. Also, I would like to thank Secretary Rice for taking the time out of her busy schedule to testify before this committee. Although we are pleased with the presence of the Secretary of State, some members of this committee including myself are not pleased with the performance of the State Department in relation to the situation in Iraq.

There are several factors that are of concern to me, but mainly I would like to focus on the oversight and use of private security contractors, and the allegations

**of construction deficiencies in the U.S. Embassy in
Baghdad.**

Earlier this month this committee held hearings concerning the use of Blackwater USA as security for U.S. diplomats in Iraq. We found that there have been instances when Blackwater personnel have acted in a rogue manner with disregard to human life.

More importantly, we found that the Department of State did very little to provide oversight of the incidents that claimed the lives of many Iraqi civilians. I hope Secretary Rice can provide some insight on the State Department's oversight aspect of private security contractors, and discuss the effects these incidents have on the United States strategic goals in Iraq.

I will say that I was pleased to hear that Secretary Rice did take some critical steps in providing reconciliation when she decided to add members of the State Department's diplomatic security to Blackwater convoys, and add security cameras to the dashboard of each vehicle. I believe that is a necessary step if we want to fully understand what actually happens when these shooting incidents by private contractors occur.

The U.S. Embassy in Baghdad has been mired with allegations of substandard work. The primary contractor, First Kuwaiti General Trading & Contracting Company, has failed to make necessary repairs critical to the embassies functions. These deficiencies range from faulty fire protection systems to electrical systems.

I expect and hope that Secretary Rice will also explain what the problems actually are with the construction of the U.S. Embassy in Baghdad. The American people expects the Federal Government to use their money wisely, and since we have already spent over 590 million dollars on an embassy that was to open in September 2007 it seems that we are not.

Mr. Chairman I thank you for the time and I hope this committee can have constructive dialogue with Secretary Rice concerning the two issues I just mentioned. Thank you and I yield back the remainder of my time.

Hon. Kenny Marchant
Texas-24th
October 25, 2007
Opening Statement

Oversight and Government Reform Committee Hearing with
Secretary Rice on Iraq

Mr. Chairman Waxman, and Ranking Republican Member Davis, I would like to extend my welcome to Secretary Rice coming before the committee this morning, and I look forward to our interchange on important issues facing the ongoing situation in Iraq. I was pleased to hear of the State Department's new measures announced this week to add additional accountability for private contractors that are working in Iraq. I look forward to hearing your detailed analysis of these additional measures this morning before the committee.

We must continue our efforts with the Iraqi government in order to forge a political and military solution to the violence and bloodshed that continues to plague the people of Iraq. However, it is very difficult to work with certain elements of the Iraqi government that may be prone to corruption and political instability. Starting a democratic government from the ashes of a decades long dictatorship does not provide for many of the long-standing institutional safeguards that our government hails as a means to either

discover corruption or more importantly discourage it before it happens. With the Iraqi government the sovereign ruling authority of their country, there are limits to what the State Department can do to fight corruption within the Iraqi ruling regime. With this backdrop of Iraqi sovereignty, I would ask the Secretary to please address what measures her department can take to identify elements of the Iraqi government that may be susceptible to corruption and how we can best deal with these situations to ensure that we can continue to make progress towards a more stable Iraq.

I will thank the Secretary in advance for her answers to our questions, and yield back my time.