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KEYWORD SEARCH

[Subject Index](#)+ BOOKMARK    ...[Home](#)[Issues & Press](#)[Travel & Business](#)[Countries](#)[Youth & Education](#)[Careers](#)[About State](#)

You are in: [Secretary of State Condoleezza Rice](#) > [What the Secretary Has Been Saying](#) > [2007 Secretary Rice's Remarks](#) > [May 2007: Secretary Rice's Remarks](#)

Briefing With Deputy Secretary of Treasury Robert Kimmitt

Secretary Condoleezza Rice

En Route Sharm el-Sheikh, Egypt

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SECRETARY RICE: All right, we're off to two meetings that will demonstrate the importance of Iraq and the evolution of an Iraq that is stable and democratic to this region as a whole.

First, the International Compact which is a very good document. It's been worked on now for almost a year. And that document has a set of obligations that Iraq undertakes on the economic reform side and that then is matched with various support from the international system. And I'm going to have Bob Kimmitt come back and talk to you a little bit more about the International Compact because he really is the person who's been on point in negotiating the International Compact.

Then the next day we'll have the ministerial-level meeting on -- by Iraq's neighbors. There was, if you remember, an official meeting in Baghdad back in March. That meeting set out questions of refugees, questions of borders, questions of security for Iraq as major topics, and I'm sure that we'll have an opportunity to cover those topics. But the most important message that I will be delivering is that the -- a stable, unified and democratic Iraq is an Iraq that will be a pillar of stability in the Middle East and an Iraq that is not stable and not an Iraq for all people will be, of course, a force of instability and -- for the region. So the region has everything at stake here. Iraq's neighbors have everything at stake here. Iraq is at the center of either a stable Middle East or an unstable Middle East, and we should therefore all align our policies in ways that contribute to stability.

This is also an opportunity to signal strong support for the Maliki government which is trying to bring about that Iraq for all people. It's a difficult task that they have because they are buffeted by violent people, violent extremists who would try and deny the Iraqi people that opportunity.

But frankly, they are also buffeted by a lot of history and a lot of memories of difficult times when repression and violence was the way to solve political differences in Iraq. And so the political task of reconciliation is hard and I hope that we can issue a strong statement of support for what the Iraqis are trying to achieve, not just the Maliki government but the

Iraqi people as well.

Okay.

QUESTION: On both points, the compact and the neighbors meeting, how are you going to overcome the suspicion among a lot of Arab governments that the Iraqi Government hasn't enough on its own to reach to disaffected Sunnis and to essentially establish itself as an enterprise worth supporting?

SECRETARY RICE: Well, first of all, the Iraqis are going to be able to make their own case and they're going to be able to make their case directly to their neighbors, and I think that's very important and I'm certainly prepared to support the case that this is a government that has made some progress in recent months. I don't think that there is any doubt that there was a period of time in which the pace and the depth of efforts to reach out to all Iraqis was perhaps in question. But I think that this government has really made an effort over the last several months. I think the Baghdad security plan is demonstrating that they are prepared to try and defend all Iraqis equally. And those are going to be important messages that they will have a chance to deliver.

But let's not have overreaching expectations. It's going to take some time. It's going to take some time to overcome suspicion in the region. It's going to take time to overcome suspicions within Iraq, and those suspicions within Iraq then feed suspicions in the region. And so all the more reason to get Iraq's neighbors together to talk and I hope that it will be a continuous process of talking and seeing and therefore believing as they overcome a lot of history.

QUESTION: Madame Secretary, do you have a wish list or a dream list that you'd like to come back from these two meetings with? And if so, can you tell us what they are?

SECRETARY RICE: Well, on the compact, I think Bob Kimmitt will tell you that we believe that this is just a really excellent compact for Iraq. Now, not everything is going to be achieved at this meeting in terms of all of the commitments that will need to be made to Iraq over time, but I think as the Iraqis meet more and more of their targets you'll see more and more commitments to them.

But really, I do think of this as a process. I don't think of this as a one-time effort to have reconciliation of Iraqis and reconciliation of Iraq with its neighbors. We tend to think that the issues with the neighbors began with the new Iraqi Government. Let's remember that in 1991 Saddam Hussein invaded and annexed one of these neighbors, threatened the Saudi Kingdom, went to war with Iran in the '80s. So the effort at reconciliation here is one that is trying to overcome a long history going back to the dictatorship of Saddam Hussein. And so for the Maliki government this is an opportunity to show that Iraq is on a different course, and it's clearly on a different course but we're not going to overcome all the suspicions in one meeting. This is going to have to be a process.

QUESTION: Madame Secretary, just to clarify the history of your contacts with the Iranians, I understand that you were in a meeting, a compact meeting with Foreign Minister Motaki in September. Did you have any interaction with him at all? Did you -- were you seated at the same table with him? And how do you expect it to be different this time? Thanks.

SECRETARY RICE: Barbara, I haven't seen the layout of the room, but I can tell you that at the UN there were rows of people, almost like in a classroom, and the Iraqis -- the Iranians were well forward of the United States. They were

in alphabetical so "I" was well ahead of "U" and we, in fact, did not encounter each other during that meeting.

And we will see. Obviously, this is an effort to try to help to deal with Iraq's prospects and Iraq's problems, not just because that's important for Iraq but because it's important for the neighborhood, too. And if we encounter each other, then I'm certainly planning to be polite, to see what that encounter brings. But I did not have any contact with him when we were in New York.

QUESTION: I also spoke to David Satterfield yesterday. If he mentions the nuclear issue, do you say goodbye and turn on your heel and walk away?

SECRETARY RICE: Barbara, I think I can handle any question that's asked. Look, our position on the nuclear issue is well known and I think the Iraqis know it as well -- the Iranians know it as well. I really do think that that's a place that if Iran were able to take a decision, we could have much broader talks. But obviously, if we encounter each other and we wander into other subjects, I'm prepared to certainly address them in terms of American policy.

QUESTION: Just to follow on the Iran -- on the nuclear issue. Javier Solana and Ali Larijani have agreed to meet again in almost two weeks. They're indicating there is some incremental but still progress. You think you're not going to talk about the nuclear issue, but is it possible that any of the lower-level officials on your side, on the Iranian side might talk about this issue? Because it seems that something is perhaps changing, as incremental as it might be, in a positive direction.

SECRETARY RICE: We are part of a coalition of states dealing with the Iranian nuclear issue and we have a single point of contact for that, and it's Javier Solana. He, of course, engages with all of us before and after his discussions with Ali Larijani. He is completely empowered by the group. And I just think it's better if the nuclear issue stays in that channel.

As to what is going on between them, I think the conversations are civil, even friendly, as Javier has described them. But to date, I don't think we've seen any breakthroughs.

QUESTION: You know, there's been a lot of focus on the Iranians, but I'm curious about Syria. Mualem is going to be there. He's a former ambassador to Washington. Some of us who know him -- he's pretty moderate. Is there any chance that you will have a one-on-one with him?

SECRETARY RICE: Wouldn't rule it out. This is, after all, a diplomatic confab and we'll see who's there and what conversations take place. But again, it's not -- this is not about U.S.-Syria, U.S.-Iran. This is an effort for everybody to help Iraq.

And when you read the statement of all of the neighbors, they all say that they have an interest in a stable and unified Iraq. And I think objectively, they do all have an interest in a stable and unified Iraq, but not all states, we believe, are acting in the interests of a stable and unified Iraq. And so it's very important for the neighbors to get together and to make that commitment and then to act on that commitment.

I also hope that the working groups that were launched on fairly specific issues might be further empowered by this meeting. It also is a bit of an answer to Helene's question.

QUESTION: On the question of reconciliation, you said that this will be an opportunity for the Iraqis to make their case. Leaving aside the security question for a moment, many of the neighbors seem to be concerned about lack of progress on the political level. The Sunnis in Iraq are up in arms. The Saudis don't think there's been a lot of progress. The things that they care about -- constitution reform, de-Baathification, bringing more Sunnis into the government. What do the Iraqis have to tell them in this meeting to say that there's been progress?

SECRETARY RICE: Well, I hope that the Iraqis will have an opportunity to talk about what they're doing to resolve these issues. We know that they haven't been resolved, but sometimes it's important to talk about the process that is ongoing in order to resolve the issue. We probably have more of a window perhaps into that because Ryan Crocker is in constant contact with the Iraqis, as Zal was before. But for instance, they do have a framework law for the oil -- the natural resources and oil law. So what more are they doing to move to a revenue-sharing arrangement? So I think there could be a conversation about how this is progressing.

Now, all of us want the progress to be faster and -- because the Iraqis need to move national reconciliation forward and they need to move it forward with dispatch. But I think that it will be wrong to assume that they are not trying and that they are not having those discussions and that they're not trying many different ways, many groupings of people. For instance, the presidency council has worked on a de-Baathification draft and so forth. So it'll be an opportunity to look at that.

But it's also an opportunity for the neighbors to be supportive of those efforts, and to the degree that those neighbors have influence with important political factions and figures in Iraq to encourage them to also engage in the reconciliation. So this could -- this should be a two-way conversation about how to get reconciliation underway.

QUESTION: Just to follow up. Do you see it also as an opportunity for some of the neighbors perhaps in a larger forum to impress upon Iraq how deeply held their concerns are and how they need to hurry up?

SECRETARY RICE: I have no doubt that the neighbors are going to do exactly that, that they are going to talk about the urgency that they, the neighbors, feel. Now, this is reciprocal, though. One of the problems in moving forward on national reconciliation, of course, is that the violence from extremists is making it difficult to create an atmosphere in which people are daily able to deal with issues of reconciliation. If the neighbors can help do something about violence and instability, they will help to push forward the process of national reconciliation because it's iterative between the security circumstances and the political side. Another piece of that is having to do with the reconstruction. It's hard to move reconstruction forward, which does after all aid reconciliation, if you have attacks on the reconstruction efforts.

So the neighbors are not powerless to help improve the atmosphere for reconciliation through their efforts on security and on influencing important players in Iraq to be a part of those efforts.

QUESTION: If you do happen to meet the Iranians bilaterally, what will your message be to them? And is it your hope that this could possibly be an opening of a new kind of relationship with the Iranians and that it could spill over into other areas?

SECRETARY RICE: Sue, I think it's probably better not to speculate about whether this will happen because I'm not going there to have a bilateral with the Iranians or a bilateral with the Syrians. I'm going there to meet with neighbors about the future of Iraq and trying to help the Iraqis.

I think the Iranians probably know what we are concerned about when it comes to Iraq, which is that foreign fighters are coming across the border, the support to militias and others who are engaged in violence against innocent Iraqis, and of course the EFP technologies that are so lethal against our forces that we believe have Iranian origins.

So it's not a surprising list of things, but you know, if there is an encounter, then I'm certain I'll have an opportunity to talk about those things. But I'm not going there to have a bilateral.

QUESTION: Thank you, Madame Secretary. To the extent I'm going to ask an unwelcome question, I want you to feel free in responding to me to disregard what the President said and be both firm and rude if necessary.

Look, I know you've made --

SECRETARY RICE: (Off-mike.)

QUESTION: Right. You can be rude to me is what I'm saying.

SECRETARY RICE: (Off-mike.)

QUESTION: I know that you have made clear that you feel that you have answered these questions exhaustively about the yellow-cake issue in your confirmation hearings, in correspondence with members of Congress and in other forums. You've also said that you consider this to be a matter for White House counsel to decide whether or not you appear in response to that subpoena.

However, you've also many times over the years responded to journalists' questions by saying that "I'm a historian." And so with an eye toward the historical record, I want to ask you two questions about this and I hope that you'll respond in that spirit.

The first is, number one, have you conferred with White House or State Department counsel about the subpoena, and what advice have they given you?

SECRETARY RICE: (Off-mike.)

QUESTION: Okay. The second question is -- and you were asked this by Mr. Stephanopoulos and I don't think that you answered this question based on the Tenet book. And former Director Tenet in his book alleges, and he produces specific evidence to prove, that in September of 2002 you intervened to have material on this very issue of yellow-cake removed from a presidential draft speech. And then he then basically goes on to ask the question why you personally didn't intervene again in time for the October speech in Cincinnati.

When Stephanopoulos asked about this, you just said, George, this has been very well investigated and I urge you to go back and look. But I wonder if you could respond to this question, tell us why you were able to remove this from the September speech but not the October speech.

SECRETARY RICE: First of all, it has been investigated and I would suggest that you read the SSCI report, the Senate Select Intelligence Committee report on exactly this subject.

Secondly, the -- it was removed from the October speech because apparently George Tenet asked that it be removed. Now, if the DCI asks for something --

QUESTION: (Off-mike.)

SECRETARY RICE: -- because --

QUESTION: (Off-mike.)

SECRETARY RICE: I'm sorry. What? Why didn't I ask to have it removed from the State of the Union?

QUESTION: (Off-mike.)

SECRETARY RICE: In the clearance process in the October speech, George Tenet asked that it be removed. I don't myself personally remember George Tenet asking it to be removed, but apparently he did through the clearance process and it was done.

The question of it being removed never came to me for the State of the Union speech. I want to be very clear. This is something that appeared in the National Intelligence Estimate. It wasn't out of thin air. It came from the National Intelligence Estimate and it was left in through the clearance process and no one asked that it be removed. And so that's your answer: No one asked that it be removed; in the October speech, it was asked to be removed. And I think Director Tenet has noted that somehow the CIA didn't ask that it would be removed in the State of the Union speech.

QUESTION: (Off-mike.)

SECRETARY RICE: Jim, I said in October --

QUESTION: (Off-mike.)

SECRETARY RICE: Yeah, I haven't read his book and I don't have a recollection of exactly what happened in September. I do know that in October they asked that it be removed and in January they didn't, and so it made it through the clearance process with that line in. But as I said before, I had no desire to have something in the President's speech that the DCI did not support; so if the clearance process had turned up that there was a problem from the point of view of the DCI, we would most certainly have removed it, as we did in October.

QUESTION: Madame Secretary, the European Union has warned the Turkish military not to intervene in the current dispute over the choice of a new president for Turkey. Does the U.S. feel the same way that the Europeans do on this?

SECRETARY RICE: The United States fully supports Turkish democracy and its constitutional processes, and that

means that the election, the electoral system and the results of the electoral system and the results of the constitutional process have to be upheld. Yes. The answer is yes, the U.S. would be in a similar position.

QUESTION: Madame Secretary, you said that the Iraqi Government made progress in the last months. Did you get any answer from the government -- Maliki -- about these reports on the firing of several generals, several Sunni generals? Did you get any answer from them?

SECRETARY RICE: No, but in fact it is a question that we've asked of the Iraqi Government through the Ambassador and I'm certain that it's a question that will come up. But I know that Prime Minister Maliki has been very concerned to try and have his generals have the authority to do what they need to do.

All right. Oh -- sorry. One last one.

QUESTION: Thanks. Madame Secretary, I'm just trying to find out why you appear more willing to talk to the Iranians when the message has always been until now they know what they've got to do. What's changed your mind? I know you're saying you're not -- you know, it's not chalked up that a meeting would take place, but you do appear to be more open to the idea of talking to them. Why do that when you've said in the past they know what they've got to do?

SECRETARY RICE: They do know what they need to do. But the question has been asked, if we should encounter each other at this meeting, am I willing to talk to them. Yes. But we're not seeking a bilateral discussion with the Iranians. But I'm a polite person. If we're in the same environment and there -- and somebody walks up and wants to talk, or we encounter each other, I don't see that there's any reason not to have that exchange. But that's very different than saying we should enter into full-scale negotiations with the Iranians to try and resolve problems when I think we all know what we need to do. Different set of circumstances.

MR. MCCORMACK: We have our second briefer of the evening, Deputy Secretary Bob Kimmitt here, who is going to talk a little bit about the International Compact for Iraq. He's the President's Special Envoy for the Compact on Iraq and he's been working on it since -- about a year, is it? Since July. So he can talk a little bit about where we stand with the compact and then answer a few of your questions.

DEPUTY SECRETARY KIMMITT: Okay. So I didn't hear what the Secretary said. This is all on the record unless I contradict here, and then it's off the record. (Laughter.)

I've been told that you know a bit about the compact so I won't go into a lot of detail. But as Sean said, this started last July right after the President visited Baghdad, which he and Prime Minister Maliki discussed the economic component of the strategy and decided that an international compact with Iraq would be pursued. Some of you may be familiar with the same format -- the international compact -- that was used with Afghanistan. It was signed in London in January of 2006. Some of you may have been on that trip.

And the idea essentially is that Iraq lays out in the compact -- this is the compact document right here -- its economic reform plan with the goal of reaching financial independence and economic self-sufficiency within five years; and in return, the international community pledges new support either in the form of economic or technical assistance or debt relief.

This, again, began in a conversation between the President and the Iraqi Prime Minister. The Iraqis thereafter called then-Secretary General Kofi Annan, asked if he would co-host and co-chair the process with them. Kofi Annan agreed with that. There were preparatory group meetings held in Baghdad, in Abu Dhabi, Singapore at the IMF-World Bank meetings, New York at the UN General Assembly meeting, Kuwait, back again to New York.

And the document will be presented on Thursday by Prime Minister Maliki and UN Secretary General Ban Ki-moon, probably comments also from Deputy Prime Minister Barham Salih who led the effort on the Iraqi side, and the former Under Secretary General of the UN Ibrahim Gambari, who has been the Secretary General's Special Representative on this since the start of the year. And then I would imagine that Secretary Rice and other heads of delegation will comment on the document, indicate what their new forms of support might be. I think right now there are 60 countries, 30 of whom will be represented -- I'm sorry, 60 countries and organizations, 30 of which will be represented at ministerial level.

At the end of the day, which I think will be sort of in the 5 o'clock range, Barham Salih and Ibrahim Gambari as the working group co-chairs will present a resolution that basically summarizes what is in the compact document, ask each of the delegations to either in a roll call vote or by acclamation agree to the resolution, thereby formally adopting the compact itself.

Why don't I stop there and take any questions you have.

QUESTION: Hi. Barbara Slavin from USA Today. What are you expecting besides debt relief? We've been told there will be announcements on debt relief. Do you expect any additional aid or promises of investment? And how realistic is this whole strategy given the deteriorating security situation in Iraq?

DEPUTY SECRETARY KIMMITT: Well, let me take the second part first. I mean, everybody is mindful of the security situation in Iraq, also the political situation in Iraq. And there are specific strategies around national reconciliation on the political side, around the surge and other efforts led by the Iraqis, the U.S. and other coalition forces on the military side.

But throughout there's been an economic component. It started first with the work that the Iraqis did with the International Monetary Fund, World Bank and others, starting with their emergency post-conflict agreement and now a standby agreement. And my own view is the compact brings that particular process to a strategic level in the sense that if this compact is approved, as I think it will be, and implemented properly, effectively what it does is ensures that Iraq's wealth is shared among all segments of the population, that the government commits to a series of steps it will take to ensure that it can not only run its operations but provide essential services to reconstruction. I think it could have a very important economic/financial sense -- I mean financial effect, but it could also, I think, help significantly on the political and security side.

The first part of your question: What do we expect? I think that there will be from each of the delegations either pledges of new assistance -- that assistance could be financial, it could be technical -- and then I think some delegations, particularly those who have outstanding debt from Iraq, will address that point.

So we'll wait to see what people have to say, but I also just think that the political significance of having 60 countries there, again half of which are headed by ministers, in what I think will be the first international agreement between Iraq

and the world community in decades -- our research, it could be technical -- and then I think some delegations, particularly those who have outstanding debt from Iraq, will address that point.

So we'll wait to see what people have to say, but I also just think that the political significance of having 60 countries there, again half of which are headed by ministers, in what I think will be the first international agreement between Iraq and the world community in decades -- our research certainly hasn't found one since the 1950s -- I think itself is a moment of political significance quite apart from whatever economic/financial result it might entail.

And the one thing that's very important is this is really led by the Iraqis. As some of you know, I used to be at this Department rather than Treasury Department. I've negotiated a lot of international documents. None is tougher than multilateral documents. This is a quality piece of work led by the Iraqis, strongly supported by the UN, the World Bank, the IMF and others. I think that they have good reason to be proud of what they're putting on the table and I think that one of the reasons you have the number of countries that you do attending is (a) they've participated in the preparation of this, but (b) I think they realize that this document is a document that focuses on what's right for the Iraqi people as a whole.

QUESTION: Could you estimate roughly how much debt is going to be forgiven? Do you have any of those kinds of statistics? And also, you said that new aid or new assistance would be pledged. Do you have any figures that you could provide on that? The U.S. is pledging \$10 billion, which I think is the same money that you had already requested Congress for, but maybe if you had any more details on that.

DEPUTY SECRETARY KIMMITT: I really wouldn't want to get ahead of the other delegations. But you know, I think it would be fair to say that there would be billions of dollars both of new assistance and in debt relief. I think right after the conference I'd be glad to come out and give you something more specific.

QUESTION: The compact agreement talks about moving forward with the various components of revenue-sharing, and in particular Iraqi oil. Mr. Satterfield said the other day, I guess it was -- I'm losing track, yesterday -- that he felt this was -- would have to be -- looking forward, that this would be accomplished within a matter of weeks. And yet there seems to be very little progress and the parties involved are as far apart if not farther than they've been in the past. How realistic is it that this is actually going to happen and the Iraqis are going to be able within an effective period of time to fulfill this particular promise?

DEPUTY SECRETARY KIMMITT: Well, I knew that David and Ahmed Saeed from the Treasury had a briefing yesterday. I didn't see the actual transcript and I can't really talk therefore to what David said about the timetable.

Certainly, I think there's been considerable progress already on important pieces of legislation, not least the investment law. I think they've moved the hydrocarbons law a good distance, but clearly more needs to be done. And again, I'd defer to David in terms of any timetable he has in mind.

One thing I'll say though is that the Iraqis, as I say, have lived for the past couple of years under two agreements with the International Monetary Fund. One is called EPCA, an emergency post conflict agreement, and the other is the IMF standby agreement that's been in place since roughly December of 2005. Those agreements had some very tough requirements that the Iraqis had to meet in order to qualify for IMF precautionary lending and also to keep the

Paris Club debt relief moving forward.

They've met every one of those standards, not least steadily reducing the fuel subsidies by raising gas prices. That has not been easy. That has a political and security as well an economic dimension.

One of the things that they've been able to do is to use the IMF standby agreement and the EPCA very effectively within their own body politic to move pieces of legislation and to make tough decisions because they have an international obligation. Therefore, I would think a successful launch of the compact, taking that compact back home with new pledges of assistance, debt relief and other forms of support, can not but help accelerate the process. How quickly, again, I'll defer to David.

QUESTION: We've been told that the Saudis are going to offer some substantial assistance, but we also understand that there are a lot of countries that are key debt holders that are still having a problem here. Could you talk about those key countries and what their situation is? I mean, I guess the Kuwaitis, for example, maybe the Chinese and the Russians as well?

DEPUTY SECRETARY KIMMITT: I think I can get this right. I think the countries who still hold in excess of a billion dollars in debt would be the Saudis, the Emiratis, Kuwaitis, Russia, China, Turkey, Jordan, Egypt, Bulgaria -- interestingly -- which had quite a bit of Saddam era construction activity and therefore a good bit of debt.

I would point out that Russia is the only Paris Club member that has not yet reached an agreement on Paris Club terms, which as you probably know is an 80 percent debt relief program. None of the others is a member of the Paris Club, but in our discussions -- and we've talked with all those countries -- their goal is to move forward in their discussions with the Iraqis on addressing the debt issue mindful of the Paris Club example that has been set by other creditors.

Again, I think I'll have to wait to see what people actually say at the conference and importantly what this resolution says on the issue of debt relief. But I don't know if any of you have ever covered Treasury. The Paris Club debt relief is a very complicated matter. There have been, for example, several technical missions recently from Iraq into Saudi Arabia to work on the technical details, determine what the debt stock is, how much is principal, how much is interest.

And those discussions are going on with each of those other countries that I have mentioned. Some are a little bit further along than others. I think what they say on Thursday will be an indication of both where they are and where they intend to go.

QUESTION: This is kind of a sort of an existential question. We all know how deep the domestic divisions over Iraq are. We all know that the security situation is not getting better and may, in fact, be getting worse. In the broad scheme of things, how important are these two meetings to try and turning the situation around? I mean, is this really the last best chance to show some improvement?

DEPUTY SECRETARY KIMMITT: Yeah, that's a little too existential for me. I used to answer those questions for you, but that was 15 years ago. I know the Secretary talked primarily about the political significance of this and particularly the expanded neighbors meeting.

What I will say is I think the compact launch is important first and foremost because of the signal that it sends inside Iraq that its government can negotiate a first-class international agreement presented at a conference involving 60 countries and 30 ministers, and do it with the team of people that has been led by a Kurd, that is Barham Salih, that has been actively supported by the Finance Minister Bayan Jabr who's Shia and the Planning Minister, Minister -- excuse me, yeah, the Planning Minister, Minister Baban, who is Sunni. If you take a look at the compact process, it has not been at all based on sectarian divides but rather the unity of the country, the need to have strong central institutions, respect for the regions and for the regional institutions.

And again, if you read this, and once it comes out I think you'll see it, this is a document that talks about the benefits of living inside a united Iraq that has healthy institutions and that can provide essential services -- economic, financial, infrastructure -- to its people. I think that could have a very significant effect. Again, I can't draw the existential link between day one and day two, but it seems to me that day two would certainly benefit by a successful launch of the compact on day one.

QUESTION: You spoke about Russia. Did you give -- did you receive any sign from Russia that they are ready to make an effort on debt relief? And do you know who is going to lead their delegation?

DEPUTY SECRETARY KIMMITT: I'm sorry, I don't have the list of delegation members. I know that there was a complication with their Foreign Minister being there on the first day because there was a long-planned visit, I think, of the Japanese Foreign Minister to Russia on that day. I think they're coming later the first day. I don't have the name of the Russian representative.

But we had very good discussions with the Russians during the IMF-World Bank spring meetings in Washington. Certainly, the meeting that I had with Russian representatives indicating that they were making progress on the debt issue. I think we'll find out Thursday exactly where they are.

Again, there are a lot of technical details on this. The first movement was to get the Paris Club deals done. Those have all been done except for the Russian piece, and now there's progress being made on the others.

QUESTION: Your colleagues in briefing on this subject yesterday spoke about part of the problem that the Iraqis have to overcome being a rule of law issue, specifically where making -- in terms of making the country investment-friendly and so on. You just talked about there being a culture of unity. Is there a culture of corruption in Iraq? How far have we come, if so, in combating it? Where does it stand and what efforts specifically have been made to address that?

DEPUTY SECRETARY KIMMITT: I do not think there's a culture of corruption, but there is too much corruption. It is largely between the wellhead and the central bank and finance coffers. Right now, there's been tremendous progress made on anti-corruption efforts on the spend side; that is, once the government has the money, I think there are very good controls on spending. But there is too much corruption, again, from the wellhead to the central bank and finance ministry accounts. That's where an awful lot of the attention is being focused. And this is mentioned in the compact, some specific steps that can be taken along that side.

So again, there is too much corruption. My own view is any corruption is too much corruption, but I think there's been considerable progress made again in making sure that this money once it comes in to the central government is

used effectively. We at the Treasury, and I'm sure other departments, have actually put specialists in to Baghdad. I've got more people in Baghdad than I do in any other country in the world right now. I've got a Treasury attaché, I've got a deputy attaché, we've got people from the IRS who are forensic auditors. I have a lot of people out of our office of technical assistance. They do really nuts and bolts stuff on payment systems, execution of budgets.

And then I've got a team that's looking very closely at the illicit finance side of this. And because illicit finance gets you quite closely to the corruption question, is some of that corruption, the money that doesn't come, is going off to aid the insurgency. I think we're making progress on it, but there's more to be done.

QUESTION: What do you mean by "illicit finance?"

DEPUTY SECRETARY KIMMITT: Well, illicit finance is basically finance that is used outside the government system in Iraq to fund the insurgency and other activities. That is, both money that is generated inside the country and then is corruptly taken away and provided to illicit purposes, and there still is money flowing into the country from outside. We're watching it from whatever direction it comes.

QUESTION: And from whom? Syria? Iran?

DEPUTY SECRETARY KIMMITT: It comes from many different sources. I really can't go into that. I can't go into it.

QUESTION: Just very quickly, are there any foreign oil companies investing in Iraq at this point?

DEPUTY SECRETARY KIMMITT: There is significant interest being expressed by foreign oil companies. We've had a pretty significant rise in the number of approaches that we've gotten from American oil companies. There are oil companies engaged in discussions now in Iraq, but they are still waiting for two things: the implementing regulations under the investment law, which has passed the parliament; and then also the passage of the hydrocarbons law to include the revenue-sharing and other provisions to make sure they know with whom they should be contracting, what the rules of the road are, and importantly for them what the dispute resolution mechanisms are.

What they've said to us is, look, Iraq is a tough place to do business, security is a real concern, but we drill oil in a lot of places where security is a concern. What we really need to know is what the rule of law is, what the rules of the road are for investment. A lot of discussions taking place. I think that if they are able to get the hydrocarbons law complex passed, I think you could see some fairly significant movement. The Oil Minister, Minister Shahristani, has been traveling fairly extensively and there are quite a number of countries, not surprisingly including those who used to operate in the oil sector, who are very interested in coming back in once those rules of the road have been set.

Thanks, everybody.

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