



## **CRS Report for Congress**

### **U.S. Embassy in Iraq**

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#### **Summary**

Construction of the New Embassy Compound (NEC) in Baghdad is completed, but final inspection continues into 2008 and must be completed before personnel can occupy the compound. New follow-on requirements will cost an additional \$150 million and several months of labor, these officials say. The additional requirements include space at the embassy compound for General Petraeus and his staff, as requested in a mid-2007 report by State's then-Director of Management and Planning.

While Congress provided FY2008 supplemental funds within the consolidated FY2008 budget (P.L. 110-161), according to State Department officials, no supplemental funding was provided for NEC Baghdad construction; Congress did provide \$575 million for Iraq mission operations, however. Construction costs and funding for mission operations for the U.S. Embassy in Iraq, thus far, have been met only through supplemental appropriations. For FY2008, in addition to the \$2.1 billion in the FY2008 supplemental, the Bush Administration sought \$65 million in the regular appropriations for ongoing funding for operations in Iraq. In addition, the Administration had requested \$823.9 million for mission operations in an FY2007 supplemental request. On May 24, 2007, Congress passed a compromise supplemental appropriation (H.R. 2206), which the President signed into law (P.L. 110-28) on May 25. The enacted law included \$750 million for State Department operations in Iraq.

This report will be updated as information becomes available.

#### **Background**

From July 17, 1979, when Saddam Hussein first came to power in Iraq, until just prior to the beginning of Operation Desert Storm in January 1991, the United States had full diplomatic relations with Saddam Hussein's government. On January 12, 1991, four days before Operation Desert Storm, the United States closed its embassy doors in Baghdad. At the time of its closing, the U.S. Embassy in Baghdad maintained a staff of approximately 50 and an annual budget of \$3.5 million. From 1991 until 2004, the United States did not have diplomatic relations with Iraq.

With Saddam Hussein removed from power and the United States and its partners militarily occupying the country, the Bush Administration handed over government self-rule to the Iraqis on June 28, 2004. Part of the transition toward self-rule for Iraq is also a transition for the United States from being a military occupier to reestablishing normal diplomatic ties with an independent Iraq.

## **Organizational Structure**

The U.S. Ambassador to Iraq (currently Ambassador Ryan Crocker) has full authority for the American presence in Iraq with two exceptions: 1 — military and security matters which are under the authority of General Petraeus, the U.S. Commander of the Multinational Force-Iraq (MNF-I), and 2 — staff working for international organizations. In areas where diplomacy, military, and/or security activities overlap, the Ambassador and the U.S. Commander cooperate to provide co-equal authority regarding what is best for America and its interests in Iraq.

The U.S. Embassy in Baghdad is among the largest American embassies in both staff size and budget. According to the State Department, the U.S. Mission in Baghdad is staffed with about 1,000 Americans representing various U.S. government agencies and between 200 and 300 direct hires and locally engaged staff (LES, formerly referred to as foreign service nationals, or FSN). As Secretary Rice stated in a January 11, 2007, House Foreign Affairs hearing, “I think it’s perfectly logical that we will want to have a large diplomatic presence, a large aid presence, a large presence to engage the Iraqi people in one of the most important countries in one of the world’s most important regions, and that’s the reason for the large embassy there.”

Americans representing about 12 government agencies are providing the face of America in the embassy and regional offices in Iraq. The agencies include the Departments of State (DOS), Defense (DOD), Agriculture (USDA), Commerce (DoC), Homeland Security (DHS), Health and Human Services (HHS), Justice (DoJ), Labor (DoL), Transportation (DoT), Treasury, and the Agency for International Development (USAID). Agencies that did not recommend staff for an Iraq presence include Departments of Energy, the Interior, and Veterans Affairs, as well as NASA, Peace Corps, Secret Service, and Social Security.

The United States has a number of experts from the various agencies on the ground in Iraq working as teams (Provincial Reconstruction Teams — PRTs) to determine such needs as security, skills, expenditures, contracting and logistics, communications/information technology, and real estate. The State Department has established 10 Embedded PRTs (EPRTs, embedded with U.S. military combat brigades) and are expected eventually to have a total of 15. Additionally, the United States has consultants from the agencies working on an ongoing basis with the various Iraqi ministries such as the Iraqi Health Ministry, Education Ministry, Foreign Ministry, and Ministry of Oil to help Iraq gain a strong foothold on democracy and administrative skills.

In addition to the current level of U.S. personnel in Iraq, the Bush Administration announced its intention to establish a Civilian Reserve Corps (CRC) of skilled civilians to send overseas. According to Secretary Rice’s testimony before the House Foreign Affairs Committee on February 7, 2007, the President’s plan includes sending a “surge” of another 350 civilians to Iraq. Secretary Rice went on to say that DOD has agreed to

fill many of those positions with military Reservists until the State Department can recruit civilians for the long-term Civilian Response [Reserve] Corps. Congress provided \$50 million within the FY2007 supplemental appropriation (H.R. 2206/P.L. 110-28), contingent upon specific authorization, for CRC. Legislation to provide authorization (H.R. 1084/S. 613) was introduced, but not yet passed.

## **Location, Security, and the Role of U.S. Diplomatic Posts in Iraq**

The State Department has been using three sites for embassy-related needs. The sites are the Chancery, formerly a Baathist residence which was later occupied by the U.S. Army; the Annex (the Republican Palace) previously used by the Coalition Provisional Authority (CPA); and the Ambassador's residence, once occupied by Ambassadors Bremer, Negoponte, and Khalilzad. The U.S. government is not paying Iraq for the use of property and buildings, according to the State Department. The Iraqi government has reportedly requested that these facilities be returned to it, with improvements, which State Department officials say will happen when the New Embassy Compound (NEC) is completed in 2007. On October 31, 2004, the United States and Iraqi Ministry of Foreign Affairs signed an agreement on diplomatic and consular property. Among other things, this agreement transferred to the United States title to a site for the new American Embassy compound and future consulate sites in Basra and Mosul. State's Overseas Buildings Operations (OBO) identified a 104-acre site for a NEC on a site adjacent to the Tigris River in the Green Zone. OBO reports that construction of the NEC is at the final inspection stage and is expected to be certified by the end of December, 2007. Once it is certified, it will be up to Ambassador Crocker to determine when State Department personnel can move in.

First Kuwaiti General Trading and Contracting Company (a Kuwaiti company with ties to Kellogg, Brown, and Root [KBR] in some Defense Department activities) was selected through a competitive bidding process to build the U.S. Embassy in Baghdad, according to State Department officials. Current controversy surrounding construction of the embassy involves news accounts of First Kuwaiti's construction defects, using improper labor practices, and possibly trafficking in people to build the embassy. According to a State Department official, an Inspector General report determined that reports of improper labor practices by First Kuwaiti are unfounded.<sup>1</sup>

Overseas Building Operations officials claim that construction of the NEC was on time and on budget, according to the original plan. What has caused delays and increased cost, they say, is follow-on requirements that surfaced in a mid-2007 report by State's then Director of Management and Planning, Patrick Kennedy. Included in the follow-ons is space to locate General Patraeus and an estimated 221 military staff, as well as IT personnel, and additional dining facilities. Having a General's headquarters and military staff located within an embassy compound is unprecedented in the post World War II era, according to State Department officials. These new requirements are expected to cost \$150 million above the original \$592 million for the NEC. Officials at State had claimed that \$75 million of the projected \$150 million would come from the FY2007 Supplemental and another \$75 million, they hoped, would be provided in the FY2008

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<sup>1</sup> Telephone conversation with a State Department official in the Office of Acquisition Management, July 12, 2007.

supplemental. According to State, Congress has put a hold on the \$75 million from the FY2007 and did not provide any construction money for the NEC in Baghdad in the FY2008 supplemental for the add-ons.

Regional teams are located in Mosul, Kirkuk, Basrah, and Hillah; each consists of limited staff representing DOS, as well as other agencies and contractors in designated locations. Altogether, about 46 people are spread among the regional offices. Each regional team's mission is primarily advising and coordinating with local officials and interacting with citizens to better understand the attitudes of the Iraqi people toward America. Both in Baghdad and in the regional offices, American Foreign Service Officers are conducting public diplomacy — promoting American values and policies in Iraq.

Beyond the official consulate posts in Iraq, the Department of State has Foreign Service Officers embedded in major U.S. military commands located outside of Baghdad. DOS and DOD civilian employees also are at these locations. The State Department reportedly plans to have a total of 50 personnel in the Iraq provinces, including diplomatic security personnel.

Security is key to establishing diplomatic relations. The current facilities used by DOS in Baghdad have been subject to attacks, some of which have injured and killed Americans. According to the Department of State, Diplomatic Security (DS) is responsible for embassy security. Overall security in the country, however, continues to be the responsibility of the commander of the multinational forces; DOD and contractors play a major role in attaining a secure atmosphere. Regarding funding of security activities, the Administration has determined that security for the embassy will come from a combination of DOD's budget, as well as State's Diplomatic Security funds.

## Funding

For embassy construction: As recently as September 2007, Department of State officials continued to say that the funding is sufficient and the NEC is on track to being completed before the end of 2007.<sup>2</sup> State Department documents indicate that the cost could increase by as much as \$150 million and completion could be many months behind schedule.<sup>3</sup> Earlier, Congress had authorized \$20 million (P.L. 108-287) for housing and other expenses incurred prior to construction of the new compound in Baghdad and \$592 million (P.L. 109-13) for construction of the NEC on the 104-acre site. An additional \$150 million is expected for new requirements added in mid-FY2007. These funds were to come from the FY2007 and FY2008 emergency supplemental appropriations, according to the Department; Congress, however, has put a hold on the FY2007 funds and did not provide any funds for add-ons in the FY2008 emergency supplemental.

For U.S. operations in Iraq: The FY2008 budget request included \$65 million for regular funding for operations in Iraq. In addition, the Bush Administration requested \$823.9 million in its FY2007 supplemental request for operations in Iraq and in the FY2008 emergency request the Administration is seeking an additional \$1.9 billion for

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<sup>2</sup> Telephone conversation with a government official at Department of State's Overseas Building Operations Bureau, December 12, 2007.

<sup>3</sup> State Department meeting on the NEC in Iraq, November 30, 2007.

operations in Iraq. If Congress were to approve all three requests, it would provide a total of about \$2.8 billion for U.S. State Department operations in Iraq within a year.

Congress passed its FY2007 supplemental appropriation (H.R. 2206) with \$750 million for State Department operations in Iraq, \$73.9 million less than requested. The funding is for mission security, logistics support, overhead security (reinforcing roofs and ceilings to protect against bombs), and information technology. Congress provided \$575 million for Iraq mission operations in the FY2008 supplemental, which was in Division J of the consolidated appropriation (P.L. 110-161).

## **Congressional Responsibilities**

While conducting foreign policy is the constitutional prerogative of the President, Congress maintains three important responsibilities with respect to U.S. foreign policy: (1) confirmation of political appointees (held by the Senate), (2) appropriations, and (3) oversight. Congressional opportunities to have input on U.S. diplomatic relations with Iraq and the embassy can occur within the nomination confirmation process, the annual State Department appropriation legislation, and biennial foreign relations authorization.

The position of Ambassador to Iraq was initially filled by John Negroponte, previously the first Director of National Intelligence (DNI) and currently Deputy Secretary of State, who served as Ambassador from May 2004 to March 2005. Zalmay Khalilzad (currently the Permanent U.S. Representative to the United Nations and formerly the Ambassador to Afghanistan) was the U.S. Ambassador to Iraq from March 2005 to early 2007 when President Bush nominated the current U.S. Ambassador to Iraq, Career Ambassador Ryan Crocker. The Senate Foreign Relations Committee held a nomination hearing for him on February 15, 2007, and he was confirmed on March 7, 2007.

Appropriations for the new U.S. Mission in Iraq have come from a variety of sources. To date, no funds for either the interim buildings or new embassy construction have come from the regular appropriations process, according to the Department of State. The initial phase of establishing the U.S. post in Baghdad involved the Administration finding funds without specific appropriations for the embassy. Subsequently, much of the total required funding appeared in emergency supplemental requests, CPA funds, and DOD appropriations rather than in the regular budget. Many have had difficulty in discerning exactly what the Administration has already received and what is still needed; what has been spent and what is in the pipeline; what is available for operational activities of the Mission versus activities related to construction of the new compound.

Oversight includes congressional monitoring of how the embassy represents American foreign policy and cultural and commercial interests. The 108<sup>th</sup> and 109<sup>th</sup> Congresses were criticized in the media for doing too little oversight in general, and specifically for transferring supplemental funds from Afghanistan to Iraq. The 110<sup>th</sup> Congress asked administration officials questions about the embassy in appropriation hearings and held an oversight hearing on First Kuwaiti's labor issue and its quality of construction of the U.S. Embassy in Iraq. Only since early October 2007 have cost overruns and delays in opening the embassy come to light.