



## **CRS Report for Congress**

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

Susan B. Epstein  
Specialist in Foreign Policy and Trade  
Foreign Affairs, Defense, and Trade Division

#### **Summary**

Concerns about the U.S. Embassy in Iraq have surfaced regarding the potential rising cost, delay in opening, quality of construction, and reported assertions of trafficking-like labor practices by First Kuwaiti General Trade and Contracting Company, the primary builder of the U.S. Embassy in Baghdad. On October 4, 2007, the Chairman of the House Foreign Affairs Committee, Representative Tom Lantos, sent questions to Deputy Secretary of State, John Negroponte, regarding concerns about the embassy construction defects, possible increasing costs, and delays.

Construction costs for the U.S. Embassy in Iraq have been met through supplemental appropriations. Embassy operations also have been met primarily through supplemental appropriations, with some embassy operation funding provided by the regular appropriation process. This year, the Bush Administration's FY2008 budget request includes \$65 million for base funding for operations in Iraq. In addition, the Administration requested \$823.9 million for mission operations in an FY2007 supplemental request and another \$1.9 million for mission operations in an FY2008 emergency 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.

As recently as September 2007, the Department of State claimed that the \$592 million from a previous emergency supplemental appropriation (H.R. 1268/P.L. 109-13), signed into law on May 11, 2005, was all that was needed for construction of the U.S. Embassy in Baghdad. In addition, administration officials claimed that completion of the embassy was still expected soon. 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 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.

## **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. Until September 2007, OBO claimed that the NEC was on schedule to open in late summer, 2007.

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, a recent Inspector General report determined that reports of improper labor practices by First Kuwaiti are unfounded.<sup>1</sup>

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

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

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 soon.<sup>2</sup> Reportedly, however, State Department documents indicate that the cost could increase by as much as \$144 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.

For U.S. operations in Iraq: The FY2008 budget request includes \$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 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 has not yet considered the FY2008 supplemental request. Some funding for State Department operations in Iraq also is included in the State, Foreign Operations Appropriation for FY2008 (H.R. 2764, H.Rept. 110-197, S.Rept. 110-128).

## 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)

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<sup>2</sup> Telephone conversation with a government official at Department of State's Overseas Building Operations Bureau, September 27, 2007.

<sup>3</sup> CNN.com, "Huge U.S. Embassy compound delayed," October 5, 2007, [<http://www.cnn.com/2007/WORLD/meast/10/05/iraq.embassy.ap/index.html>] and *Washington Post*, "Iraq Embassy Cost Rises \$144 Million Amid Project Delays," by Glenn Kessler, October 7, 2007, p. A01.

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.