The past year has been one of significant progress in Iraq. Since last summer, the Multi-National Force-Iraq (MNF-I)—in partnership with its Iraqi counterparts and members of the U.S. Embassy Mission Iraq, the UN Assistance Mission for Iraq, and other key elements of the international community—has helped achieve important gains in security and the economic, diplomatic and political lines of operation in Operation Iraqi Freedom. To be sure, the gains remain fragile and much hard work lies ahead. The progress of the past year, however, has been heartening, and it encourages us as we press forward in our critical endeavor to help the Iraqi people build a new state in an ancient land.

A key development over the past year has been Iraqi institutions progressively taking the
lead in many areas. Having grown considerably in size and capacity, Iraqi Security Forces (ISF) have slowly but steadily assumed more responsibility for security tasks. Similarly, reconstruction has become increasingly Iraqi-led and Iraqi-funded, with U.S. and Coalition efforts shifting from funding and overseeing brick-and-mortar construction projects to governmental capacity building—that is, helping Iraqi ministries develop their ability to use the increasing resources generated through greater oil production and higher oil prices. Finally, Iraqi leaders have forged important domestic political progress and established themselves increasingly in the diplomatic realm. Iraqi progress in all of these areas, though not uniform and not always as fast as all would like to see, has built encouraging momentum even as we have drawn down U.S. and other Coalition forces significantly and as we have also reduced the number of Iraqi detainees in Coalition custody by more than 5,000.

Security Gains

Substantial improvement has been achieved in the security environment in Iraq during the past year. As of early August, overall security incidents were at their lowest levels in more than four and a half years (Figure 1). We and our Iraqi partners have reduced considerably the capability of al Qaeda in Iraq (AQI), Sunni insurgent groups and violent Shia militia elements. Ethno-sectarian violence has decreased dramatically as well, reflecting Iraq’s step back from the brink of civil war, where it found itself in the winter and spring of 2006–07 (Figure 2). To be sure, more progress is clearly needed in certain areas. But the feel on the streets of Baghdad and in many other areas of Iraq is qualitatively different, and we are working hard with our Iraqi partners to build on the accomplishments of the past year.

GEN. DAVID H. PETRAEUS assumed command of Multi-National Force-Iraq (MNF-I) in February 2007. Prior to this assignment, he commanded the U.S. Army Combined Arms Center and Fort Leavenworth, Kan. Gen. Petraeus was commissioned in the Infantry upon graduation from the U.S. Military Academy in 1974. He has served in airborne, mechanized and air assault infantry units in Iraq, Haiti, Europe and the United States. He commanded a company in the 24th Infantry Division (Mechanized); a battalion in the 101st Airborne Division (Air Assault); and a brigade in the 82nd Airborne Division. He commanded the 101st Airborne Division (Air Assault), leading the unit in combat throughout the first year of Operation Iraqi Freedom. He also served as the first commander of both the Multi-National Security Transition Command-Iraq and the NATO Training Mission-Iraq. Other assignments included service as a battalion, brigade and division operations officer; assistant professor of International Relations at the U.S. Military Academy; aide-de-camp to the Chief of Staff of the Army; military assistant to the Supreme Allied Commander Europe; chief of operations of the United Nations Force in Haiti; executive assistant to the Chairman of the Joint Chiefs of Staff; assistant division commander (Operations), 82nd Airborne Division; chief of staff, XVIII Airborne Corps; and assistant chief of staff for Operations, NATO Stabilization Force and Deputy Commander, U.S. Joint Interagency Counter-Terrorism Task Force-Bosnia. He graduated from the Command and General Staff College, completed a fellowship at Georgetown University, and earned master’s and doctorate degrees in International Relations from Princeton University’s Woodrow Wilson School of Public and International Affairs.
Progress against al Qaeda in Iraq has been particularly impressive. Coalition and Iraqi forces have broken AQI’s grip in Anbar Province and the Euphrates River Valley, have liberated Iraqis from AQI’s oppressive presence in Baghdad neighborhoods and in the southern approaches to the capital, and have pursued AQI leaders in the Diyala and Tigris River Valleys and north to Mosul. These military actions—together with a host of nonkinetic initiatives—have significantly damaged AQI, disrupted infiltration routes from Syria and kept AQI’s members on the run. Where AQI once aimed to create an extremist state in Iraq, it is now largely rejected by the Iraqi population. AQI currently operates in the shadows and conducts mafia-like activities to generate funding, seeking simply to survive as a terrorist organization. It does remain lethal and dangerous, however, and its criminal actions fund not only al Qaeda in Iraq but also al Qaeda elements in several other countries. Thus we cannot let up. We must maintain pressure against AQI to build on the positive developments of 2007 and 2008 and to prevent AQI’s return to areas from which it has been cleared.

Militia activity has also been substantially reduced. Motivated not only by the Iraqi people’s growing frustra-
tion with militia violence and criminal activity, but also by significant losses and recognition of Coalition and ISF tactical superiority, Jaysh al-Mahdi (JAM) fighters have in large part laid down their arms, and many of their leaders have fled to Iran. Although there have been several significant flare-ups of militia violence since Muqtada al-Sadr declared the original JAM cease-fire in August 2007—most notably when Prime Minister Nouri al-Maliki launched operations in Basra in March 2008—the militia cease-fires have contributed to a substantial decrease in the number of security incidents. ISF operations in Basra, Sadr City and Maysan Province have both spurred and capitalized on these cease-fires, inflicting heavy losses on militia fighters, considerably reducing militia weapons stockpiles and replacing criminal, often extortionist, militia presence with uniformed soldier and police presence. These operations and follow-on nonkinetic activities have largely marginalized militia influence and will be important in helping to ensure that Iranian-supported militia “Special Groups,” in particular, are prevented from reestablishing themselves in Baghdad and elsewhere.

A number of factors have enabled and contributed to progress against AQI and the militia. Most familiar is the “surge” of more than 30,000 additional U.S. troopers that provided the combat power needed to pursue AQI and militia extremists relentlessly and to clear and hold extremist safe havens. Less recognized is the accompanying Iraqi surge that added more than 100,000 soldiers and police to the ranks of the Iraqi Security Forces in 2007 and another 50,000 to date in 2008. In addition, more than 100,000 local citizens now support Iraqi and Coalition forces through the Sons of Iraq program, which employs local Iraqis to help keep their communities secure until Iraqi army and police elements are available to maintain security in the area. These efforts provided the strength in numbers necessary to confront the elements that stoked the violence to such horrific levels in the fall and winter of 2006 and the first half of 2007, when sectarian violence in Baghdad, in particular, made sheer survival the focus of many Iraqis and nearly brought the city to its knees.

Another factor has been the Coalition and Iraqi focus on securing the population. To accomplish that task, we deployed our troopers, together with Iraqi Security Forces, to Joint security stations and patrol bases located in Iraqi neighborhoods, where they live among, protect and serve the lo-
cals whose trust they seek to earn. For example, there have been 77 such Joint security stations, patrol bases and combat outposts established in the Multi-National Division-Baghdad area alone. The hard-won trust that results from living with the people we are protecting has proven critical in improving security, as local citizens—reassured that Iraqi and Coalition forces are in their neighborhoods to stay—have increasingly alerted troopers to malign activity and led them to weapons caches. In fact, more than twice as many weapons caches have been found in the first seven months of 2008 than were found in all of 2006 (Figure 3).

The steady development of the Iraqi Security Forces has been another critical factor behind the progress achieved in the security arena. The number of Iraqi soldiers and police increased substantially over the past year. As the ISF have grown in size, Coalition and Iraqi leaders have increasingly focused on developing professionalism and tactical expertise and on generating critical enablers. The results have been encouraging, as many more Iraqi units have moved into the lead in planning and conducting operations (Figure 4). Numerous other Iraqi units, though not yet leading in operations, are effectively partnering with Coalition elements, fighting alongside our troopers. Though much development in the ISF is still needed—including in the areas of command and control, professional development, air support, and various other combat support and combat service support activities—the ISF has grown not only in size, but also in effectiveness over the last year, as is evident from ISF operations in Basra, Mosul, Sadr City and Maysan Province in the first half of 2008. While Coalition forces provided important enabler support in each of the operations—and took the lead, in particular, in much of the tough combat in and around Sadr City—Iraqi units displayed steadily increasing competence and confidence. For example, Iraqi leaders were able to deploy more than a division’s worth of personnel and equipment across the country to Basra, where, despite a shaky start, they conducted clear-hold-build operations throughout the city to reduce the militia’s destructive grip. The ISF quickly capitalized on their successes in Basra by executing operations in Mosul, Sadr City and Amarah, which further degraded AQI in the north and significantly reduced militia influence in Baghdad and Maysan Provinces.

Another important factor behind the security gains of the last year has been the increasing rejection of violence by the Iraqi people. Starting with a few brave sheikhs in Anbar Province in late 2006, the so-called Sunni awakening spread throughout 2007 and into 2008, with more and more Sunnis rejecting the extremist ideology, oppressive practices and indiscriminate violence of al Qaeda in Iraq. In some cases, such as the operation launched in March 2007 to clear Ramadi, awakenings helped with the conduct of offensive operations. In other instances, Coalition and Iraqi forces had to clear an area before those who would come to be known as Sons of Iraq could step forward and help keep areas clear.

### Caches Found and Cleared

<table>
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<tr>
<th>Year</th>
<th>2004</th>
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<th>2006</th>
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<th>2008 through July</th>
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<td>2914</td>
<td>2690</td>
<td>6956</td>
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Figure 3.
of al Qaeda and their extremist allies. More recently, a simi-
lar trend of rejecting violence has emerged in Shia commu-
nities as beleaguered citizens have tired of the violent,
mafia-like activities of criminal militias in many neigh-
borhoods. Prime Minister Maliki’s courageous decision to
launch operations against militia elements in Basra was an
important catalyst for this development, and the subse-
quent operations in Sadr City and Maysan Province capital-
ized on the growing rejection of militia groups.

Coalition forces acted quickly to take advantage of the
growing rejection of al Qaeda and militia violence. As the
deployment of our surge forces proceeded and as con-
cerned citizens stepped forward to defend their neigh-
borhoods, we formalized the Sons of Iraq program, which in-
corporates local volunteers in helping ensure security in
their areas through temporary contracts. More than 100,000
Iraqis—Sunni and Shia alike—now help protect their com-
munities through this program, with nearly 21,000 others
having transitioned to serve with the Iraqi Security Forces
or to other employment, and with thousands more engaged
in programs to prepare them for that transition. These ini-
tiatives have helped reinforce the growing recognition
among Iraqis that they need to participate in the new Iraq
in order to gain from it.

We have also sought to further the rejection of violence
through widespread efforts with our Iraqi partners to fos-
ter reconciliation. Coalition and Iraqi commanders have,
for example, facilitated local meetings to bring together ri-
val leaders to work in partnership for their communities.
Also, the MNF-I/U.S. Embassy Force Strategic Engage-
ment Cell has worked closely with the Iraqi Implementa-
tion and Follow-On Committee for National Reconciliation
to reach out to individuals who have opposed the Iraqi
government—from insurgents to Sadrists—encouraging
them to participate in the political process and helping the
Iraqi government provide incentives to become part of the
solution. In addition to engagement, these organizations
provide information on amnesty programs, help transition
the Sons of Iraq to other employment and provide skills
training to disenfranchised military-age males.

We have also implemented counterinsurgency concepts
“inside the wire” at our detention facilities. Central to this
initiative has been identifying “irreconcilable” detainees—
the truly hard-core al Qaeda leaders, for example—and
separating them from the “reconcilables,” the rest of the
detainee population. We then provide job training, civic
education and basic skills training to the reconcilables with
the goal of returning them to society as productive citizens.
Trends to date indicate that these initiatives have had a powerful effect, as the detainee population continues to decrease and recidivism rates have significantly decreased. Indeed, our detainee population has been reduced by more than 5,000 since October 2007, and the recidivism rate of those released since then has been under 1 percent.

Each of these factors has helped reduce violence even as we have drawn down the combat elements of the surge. As of the end of July, all five surge brigades, two Marine battalions and the Marine Expeditionary Unit had withdrawn, as had the Australian battle group. (The Polish contingent will redeploy in October.) As Coalition numbers have been reduced, we have worked to thin out Coalition force presence in areas rather than simply hand these areas off to Iraqi forces. This is in line with our objective of a continuum of transition rather than abrupt “break points.”

Our goal in the coming year will be to continue the steady transition of security responsibility to Iraqi forces while pursuing remaining AQI and militia extremists and supporting activities that seek to exploit the improvements in security. Beyond that, of course, we will continue to reduce the number of Coalition forces in Iraq as conditions permit.

The intent of the effort to produce increased security has been to provide an opportunity for progress in other lines of operation. There has been reasonable success in that regard, as well, in that the breathing space we’ve created over the last year has enabled positive developments on the economic, diplomatic and political fronts.

**Economic Improvement**

Heartening economic development has occurred over the last year, beginning with infrastructure and energy sector improvements. Iraq’s transportation infrastructure has expanded, with the Iraqi Republic Railway more than tripling the rail movements of a year ago and with airports opening in Mosul and Najaf. Also, electricity generation is averaging 12 percent higher this year than last, despite the loss of 10 percent of hydroelectric capacity due to a severe drought. Perhaps most importantly, infrastructure improvements and the opening of the northern oil export line have significantly increased Iraqi oil production and export. Oil production has risen 400,000 barrels per day since September 2007 and, in the last quarter, surpassed preliberation production levels. Coupled with the rise in crude oil prices, the increase in oil exports has substantially augmented the funds available to the Iraqi government for improving essential services and providing for its people.

Significant commercial development and investment has accompanied these infrastructure improvements. The private banking industry has expanded, with 32 private banks now operating in Iraq (up from 12 in 2002) and holding assets of more than $830 million (up from $41 million in 2002). Investors recently broke ground on a $300 million, five-star, 300-room hotel in the International Zone. Elsewhere in Baghdad, development of another five-star hotel, an 85-store shopping mall and a major commerce park—all funded by private investment—is under way. Commercial partnership is increasing, with the Iraqi government reaching a $5 billion deal with Boeing and a $400 million deal with General Electric. Iraq’s Ministry of Industry and Minerals is pursuing 35 joint-venture partnerships with foreign companies to revitalize state-run factories. All of these developments should help with job creation, which remains a focus for the Iraqi government.
due to persistent unemployment and underemployment. A variety of Iraqi initiatives that will further benefit the economy are now under way, as well. Iraqi leaders have initiated a microloan program to foster small businesses, launched a literacy campaign and technical training program to create a more skilled workforce, allocated hundreds of millions of dollars of emergency assistance and reconstruction packages to spur recovery in areas damaged by violence, and created jobs through employment-generation programs. Iraq’s 2008 budget includes $13 billion for reconstruction to fund current and future initiatives, and, as I write this report, Iraq’s Council of Representatives is considering a $21 billion supplemental budget for the ministries and provinces.

In the near term, Coalition efforts will focus on supporting visible growth that provides immediate opportunity for Iraqis. We have increasingly sought to foster this growth through helping to build Iraqi governmental capacity rather than through direct funding and building. Coalition and USM-I advisers have assisted Iraqi leaders in developing and directing macroeconomic policy, while Coalition unit commanders and provincial reconstruction teams have helped local leaders as they identify, prioritize, fund (using Iraqi money) and execute projects with immediate impact. As Iraqis increasingly shoulder the financial burden of rebuilding their country, we will continue to assist in increasing their capacity to provide essential services and develop their economy. The challenge at this point, in fact, is limitations in Iraq’s ability to spend its growing oil revenues.

**Diplomatic Involvement**

Iraq has also achieved progress in the diplomatic arena, enjoying growing support from and increased engagement with the international community. The United Nations has expanded its presence in Iraq and has provided vital support on disputed internal boundaries, election issues and the return of displaced persons. Jordan, Bahrain, Kuwait and the United Arab Emirates have named ambassadors to Iraq. Recent visitors to Iraq have included Turkey’s prime minister, the foreign ministers of France and the United Arab Emirates (UAE), the finance minister of Oman, the British prime minister and a prominent member of Lebanon’s parliament. In turn, Iraqi leaders have increasingly engaged their neighbors and other important countries: In the past three months, Prime Minister Maliki has visited Kuwait, Jordan, the UAE, Iran, Germany, Italy, Sweden and Belgium. In addition, through a series of expanded neighbors conferences and international compact with Iraq meetings, many nations and organizations have come together to help Iraq address economic development, corruption, border security, energy and refugee issues. The UAE and several other countries have written off or reduced Iraqi debts from the Saddam era. Increasingly, Iraq is seen as a country to be engaged, not avoided.

**Political Progress**

Significant political progress has been achieved over the last year in Iraq, as well. Iraqi leaders have worked through contentious issues to enact 20 pieces of major legislation, including a pensions law, the so-called Accountability and Justice Law (deBaathification reform), a provincial powers law, an amnesty law and the 2008 budget. Also, following operations in Basra this spring, leaders from across sectarian and political divides united in their resolve to disarm the country’s militias and in their opposition to malign Iranian involvement in Iraq. In July, the operations against the militias also led to the return to the Iraqi cabinet of the Sunni coalition, whose ministers had walked out nearly a year earlier. In the coming year, we hope to see the Iraqi government enact a hydrocarbons law and draw disenfranchised Sunni and Shia groups into the political process by conducting provincial elections. The political road ahead is likely to remain bumpy, but the progress of the last year has been heartening.

As Iraqi leaders have demonstrated increased unity and willingness to compromise, we have worked with them to support their efforts to advance good governance practices.
as well. These practices include nonsectarianism, adherence to the rule of law, and greater governmental efficiency and capacity. We have seen some progress in these areas, though a considerable amount still needs to be done in each. The once disturbingly sectarian National Police, for example, have completed an aggressive “re-bluing” initiative that, together with wholesale changes in their leadership, produced impressive results. The Iraqi justice system has benefited from the combined U.S. and Iraqi initiative to create rule of law complexes, which bring detention, investigative, judicial, correctional and police facilities into secure environments to increase efficiency and reduce intimidation. Slowly but surely, managerial capacity in the Iraqi government has expanded as budget execution has improved in 2008, following the improvement seen in 2007. Nonetheless, there is a long way to go in each of these areas, especially in the rule of law arena.

More than Ever—Our Troopers Get It

Our leaders and our troopers have made a tremendous impact over the past year across the full spectrum of operations. Their performance clearly reflects the hard work of our institutional Army to change our doctrine, the education of our leaders, the training of our units and the preparation of units for deployment. Our servicemembers have demonstrated impressive expertise in targeting and engaging dangerous enemies—including in major operations, when required—and they have shown equal skill in convening reconciliation meetings, advising local governance councils, mentoring Iraqi military leaders and helping new businesses. They are bringing to bear their significant experience and professional competence to help create a more promising future for Iraq.

As a result of our troopers’ efforts this past year, many tangible signs of progress have emerged. Some of these are clearly visible as we walk the streets of Iraq’s cities and see patrons flooding previously abandoned markets, soccer games played on long-empty fields, amusement parks coming back to life and traffic flowing on once-deserted streets. In the coming year, we will seek to solidify and build on the gains of the past year as the government of Iraq increasingly shoulders the responsibility for forging a secure, productive and proud Iraqi state.

As always, our troopers have been critically important to all that has been accomplished. In so doing, they—and their families—have made considerable sacrifices. Their many impressive qualities in combat include a selfless willingness to serve that should inspire all Americans. This was never as evident as on July 4 in Baghdad, when 1,215 of our soldiers, sailors, airmen and marines gathered at MNF-I headquarters to raise their right hands and recite the oath of enlistment, standing strong and united in their resolve to continue serving our nation and to carry on with the tough, critically important work required. Their inspiring commitment—given while deployed in a combat zone—sent a powerful message to friend and foe alike. It is because of their hard work, exceptional skill and indomitable will in soldiering together with our Iraqi partners that there is increasing hope in the Land of the Two Rivers.