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Thank you. Thank you. Thank you very much. Thank you very much.

Thank you, Gene, for that nice introduction.

I've been in San Diego now for a couple of days, and I have been impressed by the growth of the economy here. I was with the last night, and they were talking about how much they have increased employment here. And one of the CEO's told me a story about a recent job application at his company where three people applied for a job. There was a mathematician, an accountant, and an economist who applied for the job. And the HR guy called the first applicant in who was the mathematician and asked him a simple question:

He said, "What does $2 + 2$ equal?"

And the mathematician said "4."

And the HR guy said, "Exactly 4?"

And the mathematician in exasperation said, "Yeah, exactly 4 -- always, all the time."

So then he called in the accountant and said same question: "What does $2 + 2$ equal?"

And the accountant said, "Well, 4 plus or minus 10%, depending on the circumstances."



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And then they called the economist in -- same question: "What does 2 + 2 equal?"

And the economist went over to the window and pulled down the shades, closed the curtains, went over and locked the door, came and sat down next to the HR guy, right beside him at the desk, and said, "It depends on what you want it to equal."

So, I hope there are some economists among you out there.

Let me, begin, if I can, by just making you participate in a simple question and answer. With a show of hands, I'd be interested to see how many of you remember where you were on September 11th, 2001 -- just a show of hands.

Well, look around the room. It tells you what you need to know: September 11th was, as the President said in his 2nd Inaugural, "a day of fire." It was a day which basically changed America forever. And like everybody in this room, I was shocked by what happened on September 11th, but I was not surprised.

Gene mentioned that I had been privileged to Chair the bipartisan National Commission on terrorism. That Commission predicted to President Clinton and to the Congress of the United States fifteen months before September 11th that we should we should anticipate mass casualty attacks on a Pearl Harbor scale by Islamic extremists on the American homeland.

How did we reach that conclusion? We reached that conclusion by studying the evidence and by coming up with the facts. And before I talk about that I want to say that today I want to try to connect my view of the war on terrorism with what is happening in Iraq. I want to try to cover both subjects. But first let me tell a story on myself.

I was, as Gene mentioned, Ambassador-at-large for counterterrorism -- in charge of our country's counterterrorism programs in the late 1980's. And in that position we worked very closely with our European allies against the old kind of terrorists that we were facing.

In 1987 the French police found a large cache of explosives buried in a secret place in the Bois de Boulogne in Paris.¹ They staked out the cache and arrested some men who came to pick up these explosives. The French Minister of Interior called me that afternoon and said, "Mr. Ambassador, you better come over to Paris right away. I have to tell you about this arrest we made." So I flew over that night and the next morning he told me that these men had admitted to being members of Hezbollah, a Lebanese terrorist group, and that they were going to use these explosives in attacks, trying to kill many, many Frenchmen. But what was interesting was not that. It was their objective. Their stated objective was to create the Islamic Republic of France. Now, in 1987 this struck me as something of a fantastic idea. But, in fact, these men -- though I didn't know it at that time -- represented the face of the new terrorism that the National Commission reported on.



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By way of background, the old terrorists, the people we fought in the 70's and 80's were groups of men who used terrorism as a tactical device to draw attention to their cause. They didn't want to kill a lot of people. They just wanted to kill enough to get [in] the newspapers there, so they could talk about their objectives. In effect, the old terrorists practiced self-restraint in the number of people they killed.

When we on the National Commission started looking at the facts of terrorism in the 1990's, we found three disturbing trends which contradicted the old kind of terrorism. The first was that, while the number of terrorist incidents in the 1990's was going down, the number of casualties was going up. The second fact was that suicide bombings and suicide deaths in terrorism were increasing dramatically -- whereas there'd been almost no suicides before in the 1970's and 80's. And thirdly we found that the states which supported terrorism, prominent among them Iraq, were all developing weapons of mass destruction. And so, it was our view, in The National Commission on Terrorism, that these three trends in the 1990's told us something about a new kind of terrorist -- a trend towards mass casualty terrorism.

What did we know and what do we know now about the motives of these people? Who are they? Well, first of all they've been remarkably open in their objectives. We, in the National Commission, studied their statements, their fatwas, their press conferences, and, of course, now you can study what they say on their web sites. And they are very clear: For more than a decade these people have said that they have the objective of converting, by force if necessary, all of the world to their extreme vision of Islam. And their extreme vision of Islam is an Islam which is necessarily at war with the West, at war with the West not just because they hate the superficialities of western civilization, but because they hate the very foundations of western civilization: the separation of Church and State, universal suffrage, women's education, and above all, they hate democracy. And rather than showing restraint in their terrorism, these terrorists intentionally want to kill as many people as possible.

You may remember that after the first attack on the World Trade Center which as in February of 1993, we captured a number of the perpetrators. And they confessed that their objective had been to kill 250,000 Americans. So, they've been very open about their objectives. They've been very open about wanting to kill thousands of people. And the new dimension which makes these terrorists particularly terrifying is the possibility that they could get their hands on nuclear, biological, chemical, or radiological agents which would give them the capability of killing us in the hundreds of thousands. In effect, these new terrorists have declared a civil war inside Islam. They are trying to define Islam as inevitably at war with the West. And most of the victims around the world have in fact been fellow Muslims. I will get back to that when I talk about Iraq.

Now, when I speak to a group like this almost always there comes a question afterwards about the root cause of terrorism, so I'll spare you that question by answering it now: What is the root cause? Why can't we do something about the root cause of terrorism. Well, ladies and gentlemen, it should be clear from what I've said that the root cause of this terrorism is nothing less than our existence, the existence of western civilization. They make this very clear. You can go to the book and look it up. They hate us for what we are, and there's no compromise with these people. There's no neutral ground.



It's a fair question, then, to follow up and say, "But why do they hate us so much?" It's certainly not because of poverty. They're not joining these groups out of poverty. Those guys who killed 3000 Americans on September 11th were all well-educated, upper middle-class Arabs. Bin Laden is a centimillionaire. His chief ideologist, Al-Zawahri, is a well-educated, upper class Egyptian doctor. Bernard Lewis, who is Professor Emeritus at Princeton University, and, I think, one of the most observant followers of Islam in this country, believes that a lot of this hatred is self-hatred and it comes out of the fact that in his view the Arab-Islamic countries have not found a way to reconcile themselves to the modern world. And he goes back and traces it over the last 300 years. This envy and self-hatred is the swamp out of which the hatred comes, he says. And I think it's a fair assessment. And if it's true, it has important implications for the situation in Iraq, and in the Arab world in general that I will get back to.

But, just to conclude on terrorism, this nexus between these world-hating Islamic extremists and their desire to kill us by the hundreds of thousands and the possibility of weapons of mass destruction is *the* national security threat to the United States at the beginning of the 21st century. They are deadly serious; they are prepared to die for their cause; and we have to be just as serious ourselves. Now let me turn to Iraq.

President Bush has said that the war to liberate Iraq is part of the war on terrorism. And he's right. Let's let the facts speak for themselves. First of all, American administrations of both political parties for more than two decades have identified Iraq as a state which supports terrorism. And it did, under Saddam Hussein. They supported Palestinian terrorists. He gave safe haven to notorious Palestinian terrorists like Abu Nidal. He supported Iraqi-Iranian terrorists groups. And as the 911 Commission reported this fall, there were contacts between Al Qaeda and members of Saddam's government running back a decade. Moreover, since 1998 it had been the stated policy of the American government to seek regime change in Baghdad. That was a policy which was passed in a bill by both houses of Congress, by both Parties -- overwhelming majorities of both Parties -- in this country in 1998, and signed into law -- it was the law of the land to seek regime change -- signed into law, not by Bush, but by President Bill Clinton.

So I think with the situation being what it was at the end of 2002 -- sanctions eroding, no inspections in Iraq for four years, the conclusion by the United States but also the intelligence services of Britain, France, Germany, Russia and other countries that Saddam was still developing weapons of mass destruction -- President Bush did the right thing in seeking to carry out the law by seeking regime change. The status quo was simply not stable.

Now, let me turn, if I can, to Iraq and answer two questions I often get: What was it like? And, how are we doing? What was it like? Well, you will have read that we worked and lived in a palace, one of many dozens of palaces that Saddam Hussein wasted money on. But it was certainly not easy living. We had, when I arrived, no electricity, no running water, no telephones. On the plus side of having no electricity, we had no communications from Washington for some time -- which is the good news. The bad news was there was no air conditioning.



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And when I arrived on May 12th, the temperature was already 115 degrees regularly during the day. And that meant that in the palace, if you were lucky, the temperature was only 100. On June 14th the temperature hit 138, and as a good New England boy this felt kind of warm to me -- until an Iraqi friend said, "Wait till summer comes."

We lived in a world of Meals Ready to Eat for some time -- the military issue Meals Ready to Eat -- until we were able to get a mess hall established in the palace where we served 10,000 meals a day. It was healthy food; it was good for you, but it was not very imaginative. And I used to say to my colleagues, "You know you've been here too long when you start looking forward to your next meal."

My staff in the CPA grew to more than 3000 civilians from more than 25 different countries, by the way. It was a fully international operation. Every one of them was a volunteer. They came to Iraq for no reason other than to help the Iraqis rebuild their country. They worked 18 to 20 hours a day, 7 days a week for 14 months. It was an exhausting operation, and they did it in very dangerous circumstances with regular mortar and rocket attacks on our compound, attacks on our convoys, as we moved around the country. As Gene mentioned I was able to survive a number of assassination attempts myself.

Now, let me turn to what kind of an Iraq we found before I talk about where I think we are. It sometimes is neglected now with all the discussion about the elections and the security problems -- it's important to go back and remember what kind of a brutal tyranny was upon this land. And the evidence of Saddam's brutality was everywhere. Saddam Hussein, when he came to power, made it very clear that he modeled his control of society on Adolf Hitler and Joseph Stalin. He admired the Nazis and the Soviet Communists for their capacity to control the entire society. And so his Baath Party, his army, his security services were all dedicated to single-minded control over his own people. And if you stepped out of line, torture or death were likely to be meted out quickly.

My first week there, I traveled about 50 miles south of Baghdad to the first of the many mass graves which we uncovered in Iraq. You may remember that after the 1991 war -- the first Gulf War -- the Shia, who inhabit most of the area south of Baghdad, rose up against Saddam. He crushed this rebellion mercilessly, having his armies sweep through the towns and pick up men, women and children indiscriminately and taking them out into pastures, machine-gunning them, and putting them into large open pit graves.

The grave that I visited in Al-Hillah south of Baghdad that day we estimated had 20 to 30,000 bodies in it. Some of them very small babies. As we looked over this grave -- which is the size, say, of three times of a football field -- you could see women scrabbling at the dirt with their bare hands trying to find evidence of whether this pile of bones was a relative. Was there a faded identity card, a piece of jewelry, a fragment of clothing that identified the person? Human Rights Watch estimates that during his reign Saddam killed at least 300,000 of his own citizens. Nobody will ever know what the true number is because there are more than a million and a half Iraqis still missing.



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During the next few weeks, as I moved around Iraq, I found other signs of Saddam's tyranny. I visited the small Kurdish town of Halabja in the northeast of the country up on the Iranian border where, on one sunny March morning in 1988, Saddam Hussein used chemical weapons to kill 5000 of his fellow countrymen -- all of them Kurds. And I talked to the survivors, many of them horribly disfigured by having survived these chemical attacks. In every one of the 151 police stations in the country there was a torture chamber. I saw those. And in most police stations there was a rape room, including in the Baghdad central police academy. And talked to the survivors of the rape rooms. As I moved around the country, I also saw the human shredding machines that Saddam used against his opponents. His instructions to his cronies were to put the victims in feet first, so they they'd die more slowly.

Now, I am sorry to say things like this while you're eating lunch. But I suppose there are some of you in this room who didn't support the war, as would not surprise me. But let me give you a challenge, ladies and gentlemen. Let me just ask you this: Go to Iraq and visit those mass graves. Go up to Halabja and talk to some of the survivors of the chemical attack. Talk to some of the women who survived the rape rooms. Talk to the relatives of the people killed over a period of almost four decades. And then come back here and tell me you think we were wrong to liberate this country. We did the right thing.

Now when we hit the ground there in early May, we faced a staggering range of issues. This had been the most dramatic collapse of any regime in recent history, far more rapid and dramatic than the collapse, for example, in Central Europe and the Soviet Union in 1989-1990. Because in the case of those countries the collapse had really started -- the reforms had started as early as the 1970's, for example, in Hungary -- and certainly by the mid 80's even in Russia. But in Iraq they went from this pitch black tyranny to freedom in three short weeks. And that had profound implications for the challenges we faced, and, by the way, for the expectation of the Iraqi people. We needed to get action in three areas right away: We needed to take steps to get the economy going; we needed to begin the process of political reform; and, of course, we had to deal with the security problem.

Let me say a word about each of these three points: First, on the economy, which may be of interest particularly to this audience. It's hard to express how devastated this economy was -- not by the war, not by the sanctions, but by Saddam's incompetence. In a way, the system combined the worst features of tyranny, which always leads to corruption, and a blind faith in bureaucratic control that's characteristic of Socialism. They had had this for 35 years and the result was a spectacular misallocation of capital across the entire economy -- with very devastating impact on the economy of the country.

Let me give you just a few metrics. The UN found that between 1979 -- which was when Saddam finally consolidated total power -- and 2002 per capita GDP dropped more in Iraq than any country in the world, including the countries of Africa, which did not have a great 1990's either. During the 1990's, Saddam cut health care spending in the country by 90%, so that I found -- when we got the documents -- in a population of 27 million people Saddam had allocated in 2002 seventeen million dollars for health care.



The World Bank reported that Iraq then had the lowest life expectancy and the highest infant mortality rate of any country in the region. Education fared no better. A UN report said that all of Iraq's schools needed refurbishing. At least half needed to be completely rebuilt. Student overcrowding was such that often there was as many as 180 students in a room.

In this fabled land between the rivers, Mesopotamia, there was a water crisis. The World Bank found that everyday at the end of 2002 -- this is all before the war -- some 500,000 tons of raw sewage everyday were being dumped into the Tigris and Euphrates rivers. Almost all of Iraq's state-owned enterprises were bankrupt -- at a direct cost of a billion dollars a year to the budget, and of course uncountable billions more in misallocated capital and labor. The banking system was bankrupt. The banking system basically was like the system in the Soviet Union or today in China. It made its loans on the basis of bureaucratic and political dictates, not according to commercial dictates.

We knew we had a budget crisis, but we didn't know how big it was because as in the Soviet Union the budget under Saddam Hussein was a state secret. As we dug into it we found to our surprise that only 8% of the budget was actually run through the formal structure of the government -- through the ministries. Ninety-two percent of the budget was spent directly out of the presidential offices by Saddam and his cronies. We did know that we were likely to go broke by the end of 2003 or by the first quarter of 2004. Subsidies for food and energy themselves accounted for 60% of likely revenues. We faced the consequences of Saddam's extraordinary fiscal indiscipline. During the 1990's, to cover his budgets he simply ran the printing presses. His own ministry of planning told us that at the end of 2002 inflation in Iraq was running at the annual rate of -- get this -- of 115,000%. I could go on, but you get the picture. If Iraq had been a corporation, we were deep in Chapter 11 and headed for Chapter 7 very soon. We faced an economic crisis every bit as great as this country faced in the Great Depression.

I immediately set out a plan of action in the economy on two dimensions. First, in the immediate sense to get consumption going and get the economy turning over; and second, to make steps toward long-range economic reform. Getting the economy going was urgent because unemployment was between 50 and 60%. It was not clear exactly where it was, but it was high. Incidentally, before the war it was also 50%. But since much of the industry -- the state industry -- was closed down by the war, we had to assume the number was now probably more like 60%. The trouble was, as the government we were the largest employer. Millions of people in the civil service depended on us, as did pensioners. But they hadn't been paid for almost three months.

As my advisors went through the ministries to try to find out what the payroll system was, they found chaos. There was no unified grade system for paying people in the civil service. Every ministry had its own system and every system had its own kickbacks, bonuses, commissions, and bribes built into it. It was obvious that it would take us months to sort it out and we couldn't wait months to start paying people. So I simply decreed a 4-grade, a very simple 4-grade civil service pay system the week after I got there, and we started paying the civil servants.



But, as always is the case in Iraq, nothing is that easy, because, as I mentioned, the banking system was not only bankrupt, it was closed down. None of the banks were open.

So, we had, in order to pay the civil servants and pensioners, we had to effectively move cash around the country to pay people out on their payrolls. This meant moving about 175 million dollars a month out in a country with lousy roads and a war going on. It was not easy -- to put it mildly. I also immediately allocated several hundred million dollars from the Iraqi budget for urgent public works programs to stimulate jobs. And we created several hundred thousand jobs over the next three months. We established a "crash" program to reform and establish good, essential services. We -- I increased health care spending in 2003 by 3,200%. We reopened all 240 hospitals and 95% of the health clinics. We increased drug distribution by 400%. All of this was done within three months. We increased power generation tenfold by July 1st. 75% of the bank branches were opened by July 15th. And by the time the school year opened on October 1st, we had rebuilt over 2000 schools, and school enrollment jumped 20%.

But in the long run, we also knew we had to reform the underlying macroeconomic policies of this country. And here, too, we made some bold decisions. First, we established a policy of zero tariffs at the borders. We simply did away with all import duties. This had the effect of stimulating consumption by encouraging the importation of cars, television sets, white goods, and for the first time in history satellite dishes for television. We eliminated Saddam Hussein's prohibition against foreign direct investment in Iraq. And I signed into law on September 16th, 2003, what the Economist Magazine says is the most liberal foreign direct investment law anywhere in the world. I established, for the first time, fiscal responsibility by approving balanced budgets for both 2003 and 2004. And I put them on the path to monetary responsibility by making the Central Bank, again for the first time in Iraq's history, independent of the government on July 7th, 2003. We freed interest rates, so the Central Bank no longer determined interest rates -- they're determined by the market. And we licensed foreign banks to enter Iraq.

We cut taxes on both businesses and individuals, and we simplified business procedures. Business procedures used to be the typical cumbersome thing -- if you wanted to set up a business -- of going from ministry to ministry to ministry and, no doubt, paying a bribe and then a bribe and a bribe. You can now register a business -- one stop shopping -- in ten days in Iraq. By the way, that last I checked it still takes 45 days in Germany. We modernized and strengthened the patent, copyright, and trademark laws and we reopened the stock market this June.

One of the early problems we had was what to do about the currency. As I mentioned, the currency was, of course, greatly depreciated and there were competing and illegal foreign exchange dealings going on. We decided we had to replace the entire currency, the entire stock of currency. This involved thousands of tons of currency being brought in and thousands leaving. The new currency alone filled twenty-seven 747's. We distributed this currency around the country in a three month period from October 15th to January 1st -- January 15th, in a country at war with no roads, no telephones, and no banks without a single incident.



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By the way, during that period the new Iraqi dinar, as it's called, strengthened 20% against the dollar. We floated it freely.

The balance sheet on the economy, I think, is rather good. The economy has great underlying strength because of the wealth of the country and the skill of its people. Reconstruction is going forward. During the fourteen months I was there, we completed some 20,000 individual reconstruction projects; many of them small -- rebuilding a school, or putting windows in a municipal center, or giving a generator to a hospital, but those are the kinds of reconstruction projects that change people's lives. Oil production is running above two million barrels a day. We got it above prewar levels of 2.6 million barrels a day, but sabotage in the last couple of months has brought it back down. Power generation runs at 50% above prewar levels now. Inflation, which had been a major problem when we arrived in December, was 3%. The annual rate was a little less than 30%. Unemployment, measured unemployment, is now less than 20%, probably a third of what it was at liberation. And in the urban areas, I think it's at probably half of that. Thanks to U.S. leadership, Iraq's huge foreign debt run up by Saddam Hussein has been largely forgiven. So with better security, I am confident investment will come in. A lot of domestic capital has already been mobilized. And Iraq will have again a great leading place in the economy with better security.

Let me turn to the second area, political reform, which, of course, is much in the news these days. We first had to clean out the old system, to get rid of these killers of Saddam Hussein['s] and his army, his security forces, his Bath Party and usher in a process for new political reform. Fifteen months ago, working with Iraqis, I laid out a clear path to take Iraq from where it was to representative government. And we have followed that path, every step of it, since then, including most recently, of course, the great victory of the elections this Sunday. Pundits here consistently underestimated both the Iraqi's determination to carry this path out and the American government's determination to help them.

We are, I think, -- particularly, I am -- proud of the Constitution, which I signed in March last year -- the interim constitution -- which has the most robust Bill of Rights of any country in the region, providing for complete equality of all individuals irrespective of gender, race, nationality, or religion, complete freedom of expression and assembly, freedom of religion, the right of the innocent to be considered innocent until proven guilty, the right to a free and open trial, the right to habeas corpus, the right to legal council. I outlawed, the second week I was there, torture. Torture is no longer allowed. And the Constitution provides for a balance of power among the three branches of government, similar to ours but different, and, of course, confirms the independent judiciary, which I had established a year ago.

Now there will be bumps in the road ahead. And no doubt there will be tricky negotiations now in the aftermath of these elections. But the path from tyranny to freedom is never smooth. It's often characterized by the following kinds of things: Looting, where you have crime and mobs storming government buildings, the breakdown of government structures and institutions that used to maintain civil order, rampant inflation, supporters of the former regime prowling in the cities and in the countryside, and delays and bickering over the formation of the new government.



Ladies and gentlemen, if those characteristics sound familiar to you, they should. What I just described was the United States of America in 1783. And I tell this story because I think it's important for Americans to be a bit more patient and have a slightly longer historical view of the situation in Iraq. After all, it took us seven years to win our independence and twelve years before we wrote our Constitution. We didn't develop political parties for twenty years. Iraq has done all of that in less than two years. There will be problems, but the key is the process is started; there is a path ahead, and I am confident the Iraqis will follow it.

Let me talk, finally, about the security situation. People ask who it is we're fighting there. Well, there are two groups: There are the ex-Saddam supporters, the sadists and killers from Saddam's regime whose only vision is to take Iraq back to the tyranny of Saddam. In fact, their Party is called "The Party of Return." It tells you all you need to know about their vision; it's a the vision of the past. And there are the professional killers and terrorists from Al-Qaeda whose vision is equally simple and very clear. They make it clear. They want to establish a government like the Taliban in Afghanistan -- with all that means. Neither of these parties has a vision that appeals to the Iraqi people. And both of these parties are at heart avowedly anti-democratic. So it's no wonder they opposed the elections and tried to intimidate the Iraqi people.

It is extraordinary, I think, when you consider the kind of courage the Iraqi people have showed, not just on Sunday in the elections, but in the run-up. Despite all the intimidation, the Iraqis went to the polls. They were poll-watchers. They continue to come to be recruited into the police and the security forces. They are literally dying for democracy. It is, I think, a profound statement of the Iraqi view of the future.

From the outset, our job was to get the Iraqis, as quickly as possible, able to defend their own country. So we set up the largest police training program in world history. We established a program to reestablish an Iraqi army, and we came up with the idea of creating a National Guard. These three forces today have something like 136,000 men on their rosters. And as Secretary Rumsfeld says in his piece today in the Wall Street Journal they performed, on the whole, extremely well during the election and the run-up to the election. But they are of variable quality. There's no doubt about it. And he quoted George Washington's concern in the midst -- the depth, really -- of our own revolution as pointing out that it takes time to create effective military forces.

Now, let me bring it back to where I started and talk a bit about terrorism and the terrorists in Iraq. The 911 Commission, as I said, found evidence of contacts between Al-Qaeda and Saddam's government going back throughout the 90's. The leader of Al-Qaeda there is this fellow you've been reading about Abu Musab [Al] Zarqawi, a Jordanian. He was granted safe haven by Saddam in 2001. He's called by Bin Laden the "Prince of Al-Qaeda" in Iraq. And these terrorists understand fully that Iraq is on the frontline of terrorism. They understand and admit the dangers of a pluralistic Iraq to them. In a press statement that he released on December 27th, Bin Laden condemned these elections as un-Islamic, because they would put man and not God in charge of Iraq. Zarqawi, seven days before the election, declared what he called a bitter war against this evil principle of democracy.



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As long ago as 15 months ago, Zarqawi, in a message to his followers said, "There is no place for us in a democratic Iraq." So the terrorists understand full well what the stakes are there, and that where tyranny thrives terrorism thrives.

[The] President the other night in his State of the Union Address put it this way: He said, "The only force powerful enough to stop the rise of tyranny and terror and replace hatred with hope is the force of human freedom. The Iraqis understand that; the terrorists understand that. And Al-Qaeda's leaders understand that when we succeed in Iraq, terrorism fails. And when they fail the impact will go way beyond Iraq, because if Bernard Lewis is right, then an Iraq which can be both Islamic and modernizing, which can reconcile itself to the modern world and to peace with the western civilization will be a beacon of hope for Iraqis, but also for other Muslims in the area. This has huge potential, geo-political benefits for the United States and for the people in the region.

Let me conclude with two final observations. First of all, I'm optimistic, as you probably can understand, about the prospects for Iraq. I accept that there will be hard times ahead. But Iraq is rich country, rich in water and oil, and most of all rich in people, as we saw on Sunday -- courageous people. The vast majority of Iraqis are delighted to be liberated. They do not want to go back to the past. They have no truck at all with the terrorists. The balance of power in Iraq today is with democracy. Again, the President said it well on Wednesday night. He said, "We will succeed in Iraq because Iraqis are determined to fight for their own freedom and to write their own history."

Second observation: We Americans are involved in a just and noble project in Iraq, one which is vital to the war on terrorism. There's good news and bad news about this struggle against terrorism. The bad news is that we are really only at the beginning of it in my view. We stand in many ways at an historic crossroads that is similar to that we faced in 1945 when we could begin to see emerging a new enemy -- in that case it was Soviet Communism -- and we had to find the strategy to deal with it. So, too, now we can see emerging a new threat and we have to find the strategies to deal with it. The struggle is likely to define American national security policy for a generation, just as the struggle against Soviet Communism did. That's the bad news.

The good news is, we can do this. We did it before. We just need be patient, tough-minded, and consistent, as we were in the war against Soviet Communism. My study of American history suggests that we will succeed and that we will not fail the challenge that has been presented to us here at the beginning of the 21st century.

Thank you very much.

[Q & A]