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### **Alan Larson on "the Untold Story" of Iraq's Economic Progress**

**Article by Under Secretary of State for Economic, Business and Agricultural Affairs**

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Iraq -- the Untold Story  
By Alan Larson

There is a story about Iraq that has not been told. The latest chapter was written November 21 when the Paris Club creditors agreed to write off 80 percent of Iraq's external official debt owed to its members. As President Bush said, this agreement represents a major international contribution to Iraq's continued political and economic reconstruction. But there is more to say about the economic successes in Iraq -- a lot more.

#### A STRING OF ECONOMIC ACHIEVEMENTS

In 1979 Iraq had a per capita living standard on a par with Italy. By the fall of Saddam Hussein's government, Iraq had the GDP of an impoverished developing country and had become the most heavily indebted nation in the world. This grim legacy, compounded by a serious security situation, poses big hurdles to economic development.

Despite these problems, the Iraqis are persevering and succeeding. Iraqi policies made it possible for economic output in the first ten months of 2004 to be 51.7 percent higher than in 2003. Per capita income in 2004 is projected to be \$780, up from approximately \$500 in 2003.

The Iraqi government has set forth a solid medium-term economic plan. The newly independent Central Bank is keeping inflation in check, with the Consumer Price Index rising only 5.7 percent in the first eight months of 2004 compared with 46 percent in 2003. The new Dinar has appreciated 27 percent against the dollar in the past year.

Meanwhile, the Iraqi Oil Ministry is doing an excellent job of restoring production, despite continuing attacks on oil infrastructure. In September 2004, Iraq's crude oil production averaged 2.54 million barrels per day, which equals pre-war levels.

#### REINTEGRATING IRAQ INTO THE INTERNATIONAL ECONOMY

The Iraqi government has been working hard to reintegrate the country into the international economy. Iraq obtained observer status in the World Trade Organization in February 2004, and is taking the first steps toward full membership in the organization.

After months of in-depth negotiations, the Iraqi government signed in September 2004 an agreement with the International Monetary Fund worth \$436 million. This agreement -- the first interaction between Iraq and the Fund in over 20 years -- is a signal that Iraq's economic policy is on the right track.

Iraqi reconstruction has broad-based international support that includes the United Nations, the Group of Eight Developed Nations, and major donor countries who pledged over \$14 billion in grants and loans to Iraq in Madrid in October 2003, in addition to the over \$18 billion pledged by the United States. This extraordinary level of assistance is an acknowledgment of Iraq's economic potential and recognition of its regional importance.

#### IRAQI COMPETENCE AND COURAGE

In September, I led a U.S. delegation to participate in Joint Economic Commission meetings with Iraqi counterparts in Baghdad. I came away from the meetings impressed with the Iraqis' expertise and commitment. The economic progress Iraqis have achieved so far, under very difficult circumstances, testifies to their competence and courage. This holds especially true for the men and women who make up the new Iraqi government, who, at great personal risk, are busy building their vision of a democratic and free Iraq.

#### IRAQ NEEDS OUR HELP

Iraq still needs assistance, especially from industrialized nations. Such assistance should include support for security operations, the lynchpin to success in the near, mid- and long-term, as well as reconstruction and investment. Help from developed countries would be especially welcome now as the Iraqi government paves the way for the country's first democratic elections on January 30, 2005. As Iraq's Deputy Prime Minister Saleh said at an October donors' meeting in Tokyo, assistance is not charity, but an investment in a better future for a country in a vital region.

(Alan Larson is U.S. Under Secretary of State for Economic, Business, and Agricultural Affairs.)

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