

Iraq's Successes and Challenges as it Rebuilds its Economy and Rejoins the World Marketplace

Alan Larson, Under Secretary for Economic, Business and Agricultural Affairs; Adil Abd Al-Mahdi, Iraqi Minister of Finance; Peter Hickman, Vice Chairman, NPC Newsmaker Committee

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MR. HICKMAN: Well, good afternoon, ladies and gentlemen. "Salaam aleikum." Thank you very much for coming. Welcome to the National Press Club and another NPC Afternoon Newsmaker.

My name is Peter Hickman. I am a former USA Foreign Service officer, although never lucky enough to have been stationed in one of our speakers' countries; not yet, anyway. Now I'm a freelance writer/editor and vice chairman of the club's Newsmaker Committee.

Before introducing the speakers, let me let -- make the usual announcements. One is that there will be a sound file or an audio file made of the newsmaker, as with all of them, and will be available on the club's website to members only at press.org, and you click on "newsmakers" and follow it from there. For non-members, the Press Club will sell you a cassette from the library. And if the Federal News Service is covering this -- and I think they probably are -- they will sell you a transcript. They're here in the building. I don't know the number, but it's in the phone book. Also there is a list of other speakers we have coming up, and I hope you might want to come to some of those, and some information related to this afternoon's newsmakers.

And those newsmakers, as you know, are, on my immediate left, the U.S. undersecretary of State for Economic, Business and Agricultural Affairs, Ambassador Alan P. Larson.

(To Amb. Larson.) Mr. Ambassador.

And the minister of finance of Iraq, His Excellency Adil Abd Al- Mahdi.

(To Min. Al-Mahdi.) Mr. Minister, welcome. (In Arabic) -- if that's reasonably close.

Very glad you could both be here.

And I also want to welcome to the Press Club -- or welcome back because I suspect he's been here before -- the person who originally suggested and helped arrange this newsmaker with Minister Al-Mahdi and Secretary Larson, the public affairs officer for the Iraq office of the State Department's Bureau of Near Eastern Affairs, Mr. David Staples, who is somewhere.

(To Mr. Staples.) David, thank you very much. "Shukran."

Well, copies of both our newsmaker's bios are available, so I won't go into the details of their very impressive backgrounds. But let me just pick out some of the higher highlights.

Minister Al-Mahdi is an economist, has graduate degrees in politics and economics from French universities, and has worked for several French think tanks. He was active in Iraqi politics at an early age, which earned him prison time, torture and at least one death sentence, not something most of us would want to have on our resumes, I don't suppose. He was also a deputy to Mr. Abdul Aziz al- Hakim on the Iraqi Governing Council and is a member of the Supreme Council for the Islamic Revolution in Iraq, known as SCIRI.

Secretary Larson is, among other things, the first career Foreign Service officer to serve in his present position. And from another ex-FSO, congratulations. He is the senior economic adviser to Secretary of State Powell on international economic policy. Mr. Larson also was ambassador to the Organization for Economic Cooperation and Development in Paris, and served in the economic sections of the American embassies in Jamaica, Zaire and Sierra Leone.

Well, our newsmaker's topic this afternoon, as you know, is "Iraq's Successes and Challenges as it Rebuilds its Economy and Rejoins the World Marketplace." Indeed, a work in progress. And after they speak, our newsmakers will take your questions. And please let them know your name and affiliation when asking them. And when you do have a question, if you'll give me the signal I'll call on you in turn the best I can and as many of you as time permits. And finally, if you haven't already done so, on your way out please add your name to the sign-in sheet.

And I was asked to tell you that on this document, which some of you may have -- I don't know. If you want more detailed questions, on the second page there is a name of a Carol Thompson who can help you out.

Thank you very much. Mr. Ambassador?

UNDER SECRETARY LARSON: Good afternoon. Finance Minister Al-Mahdi and I have just presided over a very productive two-day meeting, the second meeting of the Iraq-U.S. Joint Economic Commission. The first meeting was held in Baghdad in September. Right now we'd like to brief you on the results.

I'd like to begin by pointing out that the interim Iraqi government has established a solid track record of initiatives to support economic development and to reestablish links with the world economy. In October the government concluded an enhanced post- conflict facility with the International Monetary Fund, a program that is bringing \$420 million of financial support. In November the finance minister negotiated in the Paris Club an unprecedented agreement to cancel at least 80 percent of Iraq's external debt.

Recently Minister Al-Mahdi pushed through a budget that advances Iraq's security and reconstruction objectives while at the same time meeting the guidelines of the International Monetary Fund. And just over a week ago, the General Council of the World Trade Organization agreed to begin negotiations with Iraq to make it a member of the WTO. During the JEC meeting this time we focused on concrete measures to develop the economy and to create jobs.

Last Friday the United States and Iraq concluded a bilateral agreement to write off 100 percent of the \$4.1 billion that Iraq had owed to the United States. We both call on other creditors around the world to follow this example and to quickly negotiate bilateral arrangements that would forgive 100 percent of the debt that Iraq owes to them.

This week during the JEC, the United States Agency for International Development agreed to support Iraq's agricultural sector, including by establishing over 100 demonstration sites throughout the country to reinvigorate crops and to boost rural jobs. USAID is also proceeding with projects that will provide 16,000 loans to micro-, small-, and medium-size businesses by the middle of next year. The United States Treasury and USAID agreed to support Iraq's housing fund, which will start lending in January of next year and which plans to add 30,000 new residential units in and around Baghdad during the course of 2005.

Our two countries also signed memoranda of understanding on energy cooperation and also on oil-sector training and exchange opportunities for the Ministry of Oil. These agreements will enhance Iraq's technical and managerial expertise. We also had the opportunity to discuss how to help Iraq benefit more fully from the general system of preferences -- a one-way free trade arrangement that the United States concluded or made available to Iraq in September.

We had detailed conversations about the programs that are available from the United States through the United States Export-Import Bank, the Overseas Private Investment Corporation, and the United States Trade and Development Agency.

We plan a vigorous follow-up. We look forward to having a video conference, perhaps in February of next year, and we expect to hold the third meeting of the JEC next spring in Baghdad. Thank you.

Mr. Minister?

MINISTER AL-MAHDI: Thank you, Mr. Larson.

Good afternoon, ladies and gentlemen. "Salaam aleikum," Mr. Hickman.

MR. HICKMAN: (Off mike.)

MINISTER AL-MAHDI: (In Arabic.)

Well, as Mr. Larson mentioned, we had a very fruitful two days' meetings. The topics that he mentioned have been discussed fully. We had very good discussions on financial/monetary policies --

QUESTION: We can't hear you.

MINISTER AL-MAHDI: -- on financial/monetary policies, microeconomics, on the banking system, on subsidies --

MR. HICKMAN: Get the microphones a little bit closer there. (Technical adjustments.)

MINISTER AL-MAHDI: -- on the subsidies issue; in Iraq, many agreements with certain agencies, such as USAID, OPIC, Ex-Im Bank, et cetera. Those meetings will be followed up for more cooperation, economical/financial cooperation between Iraq and the United States.

We discussed other issues concerning housing and the oil sector. So all those issues have been discussed fully, fruitfully and in a very constructive way. And we are looking forward for the third meeting, and we'll have a video conference early February.

Thank you.

MR. HICKMAN: Thank you very much, Mr. Minister, Mr. Ambassador.

We are open for questions now. Please hold your hands up long enough for me to see you. The first right there, second, third.

Okay. Go ahead.

QUESTION: My name is Dmitri Kirsanov. I'm with the Russian news agency TASS. Mr. Minister, when you do think -- (off mike) -- Iraq would be a self-sustained -- in economic terms -- country? And I also would like Secretary Larson to also address this question.

MINISTER AL-MAHDI: What do you mean, self-sustained?

QUESTION: Well --

MINISTER AL-MAHDI: On what basis?

QUESTION: Completely independent of foreign creditors --

MINISTER AL-MAHDI: It's independent.

QUESTION: No, of foreign aid, let's say.

MINISTER AL-MAHDI: Okay. Well, all our budget is financed by Iraqi money. Of course we need a lot of money to invest, to reconstruct and develop Iraq, a ruined country because of wars and sanctions, periods of really bad economic policies.

That's why we had the Madrid conference for donors. There was a grant coming from the United States of about 18.3 billion (dollars). Those would go to investments, projects, really to assist Iraq and its reconstruction efforts. But all our budget is financed by our own money, by the Iraqi revenues. We consider ourself as independent, but needing foreign investments to come to Iraq and really to participate in the efforts of reconstruction.

MR. HICKMAN: Mr. Ambassador, do you want to add to that?

UNDER SECRETARY LARSON: I'd just add two points to the excellent points the minister made.

One is that we have been very impressed with the quality of the economic team in the interim government. We think that there are strong and effective policies being put forward. There's a strong vision for the economic future.

The second point that I would make is that, of course, because of the devastation that was brought to Iraq's economy by 25 years of mismanagement, a period during which Iraq's GNP fell to less than a fourth of what it had been in 1970, that there is a need for help from Iraq's friends for reconstruction assistance. But as the minister rightly pointed out, this is

assistance that will be delivered in accordance with the government's priorities and under the direction of the government of Iraq.

MR. HICKMAN: Yes, sir. You and then --

QUESTION: (Name and affiliation inaudible). I wonder if you could give us an update on your conversations with the IMF regarding the standby agreement. Of course, you have the elections in the middle, so I don't know -- what is the timeline that you are working towards?

MINISTER AL-MAHDI: Yes, with IMF we already had some meetings in Amman. We met them here; we had meetings here in Washington. And we think we -- (they can ?) report early February really to -- regarding our -- the situation, the (APCA ?) that we are applying, and we work on the standby agreement maybe by the -- before the middle of next year.

MR. HICKMAN: Mr. Secretary, did you want to add anything to that?

UNDER SECRETARY LARSON: No.

MR. HICKMAN: Yes, sir?

QUESTION: My name is Said Arikat from Al-Quds daily newspaper. Sir, there were allegations under the CPA that billions of Iraqi oil money revenues were not accounted for. Have you done any progress on accounting for that money? Could you update us on this issue?

MINISTER AL-MAHDI: Well, as you know, the IAMB is monitoring and auditing the DFI accounts and there were reports published on this issue. The first report up to the end of 2003. The other report will be from -- starting January 2004 up to 28th of June, 2004.

There are other auditing on this issue I think even here in the States, so we have to wait for those reports and then to comment on them.

QUESTION: But you don't have any figures?

MINISTER AL-MAHDI: No, we don't have any figures.

MR. HICKMAN: Ron?

QUESTION: Mr. Minister, Rob Warren (sp), a consultant. Would you care to discuss the current levels of production of oil in Iraq, what the prospects are? Have you recovered to your pre-war levels? And when do you think you'll reach your capacity?

MINISTER AL-MAHDI: Yes. Well, our actual production is -- it varies. It depends on whether the northern wells or pipelines are working or not. When they are functioning, we could achieve 2.5 million of production and almost 2 million -- sorry, 2.5 million barrels a day of production and maybe 2 (million), sometimes less, sometimes more. So we are around 1.8, really, million of exportations.

We do expect really to raise our production and our exportations to reach 3.5 maybe by the end of 2005, and we are ambitious, really, to raise our productions to more than that within the coming decade, the 10 coming years, yes.

MR. HICKMAN: Let me take you in order. This gentleman over here is next, then you're next.

QUESTION: Mohamed Setouhi with the Egyptian Television and Nile News Channel. How about the cost of the Iraqi insurgency on the Iraqi economy, and Iraqi oil exports and industry in particular? If you can just give us any figures.

MINISTER AL-MAHDI: Well, you have two costs there, what we are spending to assure security and to build our National Guard and police, et cetera, and the (acts ?) -- really the costs that really they cost our installations in all aspects -- electricity, water, oil.

So it's an enormous cost, costing really the Iraqi people and the Iraqi economy.

QUESTION: Any figures?

MINISTER AL-MAHDI: Well, we can't have really figures because, hurting our infrastructures, we can't assess them exactly. But we are paying a lot of money there really to repair what they damage, and of course on the security issue we are also allocating a lot of money there.

MR. HICKMAN: Mr. Larson, did you want --

UNDER SECRETARY LARSON: Just one brief comment to add to what the minister said. I think, while it's quite true that one doesn't have an estimate of the cost, it's important to bear in mind that, notwithstanding the cost, the Iraqi economy is expected to expand this year by 40 (percent) to 50 percent over the level of 2003, and we fully expect double-digit economic growth in 2005. Notwithstanding the costs that were mentioned by the questioner and that the minister commented on, the Iraqi economy is actually working through that and is recovering.

QUESTION: Leslie Wroughton from Reuters. I want to question Iraq's capacity at the moment to implement the conditions on the IMF post- conflict assistance, which we know -- that hasn't -- isn't -- got that strict conditions as it would stand by. But how do you see the economy going into this election and the impact of the violence, if it continues beyond the election?

MINISTER AL-MAHDI: No, we -- really, we saw the people of the IMF and they were very happy with what we have already done, so I think Iraq will meet those commitments. I think this is a necessity for the Iraqi economy. There are not really real conditions on Iraq. We really need to work on our subsidy side. Subsidies are taking almost 60 percent of our budget. So this is something we have to work on. We have to be more transparent in our economy. Other measures really are a real necessity for the Iraqi economy before being conditions asked by the IMF.

MR. HICKMAN: Mr. Larson, anything to add to that? (No audible reply.)

Ron?

QUESTION: Ron Baygents, Kuwait News Agency. Could each of you briefly comment on how you see the relationship, the economic relationship, between Iraq and Kuwait going these days, and what you would like to see in the coming years in that?

UNDER SECRETARY LARSON: I'd just make a couple of observations. It's going to be very important for Iraq to be part of a thriving regional economy, and we've put a lot of emphasis on developing -- working with our friends in Iraq to develop good economic partnerships with its neighbors.

Certainly in the very early stages -- Kuwait is a creditor, and one of the first steps that will be necessary is for Iraq and Kuwait to put into place arrangements to formalize between the two governments the basic principles of the Paris Club arrangement that have been negotiated. And we hope that Kuwait will do as much as possible to lessen the load of debt that is owed by Iraq to Kuwait.

Beyond that, I think one gets into the area of trade and investment and the role that the private sector can play. And here we had, you know, an excellent conversation over the last two days about the real strengths that Iraq's economy has: the human capital, the rich tradition in areas like banking, strong agricultural background. And there's a great deal of potential for mutually beneficial relationships between Iraq and Kuwait and between Iraq and its other neighbors. And I think that's going to be very good for Iraq, but it'll also be very good for the entire neighborhood.

MINISTER AL-MAHDI: Well, I think Kuwait participated from the first day after the overthrow of Saddam Hussein in assisting Iraq and really tried to trade with Iraq.

We have many issues to discuss with our brothers in Kuwait, especially the debt issue. We have a lot of commercial transactions to accomplish with them. We know that they were between -- one of the first foreign banks to apply to work in Iraq. They applied in the cell phone project. I think now they are -- they have certain plans to expand their ports, because they think that Iraq's potential and that development will bring a lot of transaction and trade to Iraq. So Kuwait is really -- is well placed to play a very important role in cooperation with Iraq.

QUESTION: (Name and affiliation inaudible.) Mr. Minister, what should be done for security of the business people, foreign investors, in Iraq? You know, if there is not enough security, all the economic developments will delay. So did you talk about the security issue with your partners through the meeting? And what will you do about Turkish truck drivers' security?

MINISTER AL-MAHDI: Well, as you can imagine, security is a very important issue for us. We are giving it a lot of our attention, a lot of allocation of money in the budget, from other sources. Really there in Iraq, those people, they are trying to do obstacle to hurt the development going on. That's why they are attacking on our lines of transportation, to stop this process from taking place. We are doing everything possible, really, to secure -- to assure security for foreigners, for investors, for truck drivers. I think conditions today, although they -- it's much better than before, after the fall of Fallujah and other strongholds in the country, as you can see. No more -- since a few weeks, no kidnapping, no hostages. So this shows that there is a blow to the terrorists in this aspect -- in this respect. I think they will try to continue their acts, but their operations, their profile is lower today than it was before.

MR. HICKMAN: Mr. Larson, do you have anything to add to that?

UNDER SECRETARY LARSON: No.

MR. HICKMAN: Oh, then let's go right here.

QUESTION: Brian Purchia with VOA. First, you are running for a position in the government, and I'd like to know what that position is. Second, the average income of Iraqis -- I don't know if you have any ideas of what an Iraqi is making today compared to, say, before we went into Iraq. And a follow-up with that, if you have any unemployment numbers for Iraq.

MINISTER AL-MAHDI: Okay, the per-capita income, to start with, raised from \$400. Today we are around \$1,200 maybe. So it raised threefold than before.

About employment. Certain official statistics speak about 25, 27 percent of unemployment. I personally think it's lower than that because in certain areas really they are looking for -- in the north, for example, and certain parts of the south, they are looking from workers coming from other provinces, so that means there is a lot of jobs offered.

Your third question was?

QUESTION: Are you running for a position in the upcoming election?

MINISTER AL-MAHDI: Yes, I am running.

QUESTION: What is that position?

MINISTER AL-MAHDI: Sorry?

QUESTION: What position are you running for?

MINISTER AL-MAHDI: I am in the list of the -- united list, the national list. The big Shi'a list. Okay?

MR. HICKMAN: Martin. Then this woman. Go ahead.

QUESTION: A lot of the --

MR. HICKMAN: Name and affiliation.

QUESTION: Ah. Martin Leibstone (sp), Global Security and Trade Journal. A lot of the nice predictions here assume that a great deal of infrastructure reconstruction has been accomplished. To what degree now are public services available for business to take place? Highways, electricity, new buildings and so on.

MINISTER AL-MAHDI: Well, we have a lot to work on the infrastructure. So on electricity, we are returning back almost to the standard of before the war, the last war. On highways, there are some constructions there, but this is not the first necessity. The first necessities are health, education, water, sewage, and on those fields there are some works going on, not as we would have preferred or expected, because of the security issue, but in many parts of the country, in the north and the south, even in Baghdad, you can see a lot of work of really rehabilitation and then construction.

QUESTION: On a scale of 1 to 10, 10 being worst, where are you infrastructure-wise?

MINISTER AL-MAHDI: (Laughs.) Well, we are not yet in the standards of what was before the war. We are not yet on that standard.

MR. HICKMAN: This gentleman, then this gentleman, the lady over there and then this lady here.

QUESTION: Ken Guggenheim from the Associated Press. And speaking of regional trade, could you tell me a little about trade relations with Iran and what the U.S. position is on Iraqi trade relations with Iran?

MINISTER AL-MAHDI: Well, on trade it's still one-sided trade. Really, today we import and mostly -- the only good that we are exporting is oil. This is the main good that we are exporting. Other goods, really, we are importing them from various countries, from Asian countries, from neighboring countries, from Europe and from the States also.

QUESTION: Are there hopes of expanding --

MINISTER AL-MAHDI: Yes, of course. Of course, we --

QUESTION: And how does the U.S. feel about Iraq expanding trade with Iran?

Ambassador?

UNDER SECRETARY LARSON: I think it's going to be natural for Iraq to expand trade with all of its neighbors. We had a discussion over the course of the meetings today about how to increase the productive capacity within Iraq -- the capacity to produce more in the agricultural sector, to start small businesses, things of that sort. And I know from conversations with governments like Jordan and Turkey that they also are looking forward to an expanding trade relationship. As I said in my earlier remarks, we think that expanded regional trade is going to be good for Iraq but also good for the neighborhood.

QUESTION: Ki Yon Kuk with the Segye Times Korean daily. What kind of specific contributions do you want from foreign countries like South Korea in construction efforts in your country?

MINISTER AL-MAHDI: Well, South Korea had one of the important participation in Iraq. They participated in the donor conference in Madrid and in Tokyo. They have troops in Iraq. Now they are really working on many projects on small and medium size and the projects that had been allocated by the donors. So we really expect from Korea to continue this work and also to work with us on the debt relief, which is very important for Iraq. As you know, we reached an agreement in the Paris Club agreement, and South Korea will be one of the countries that we'll hold bilateral negotiations with. Thank you.

MR. HICKMAN: (Off mike) -- in the rear over here.

QUESTION: (Off mike) -- Economic Institute.

My question is if, believing all things improved, infrastructure is assumed to get better, and Iraq has double-digit growth in 2005, assuming that trade will also grow --

MR. HICKMAN: I don't think they can hear you.

QUESTION: I'm sorry. I'll start talking louder. Assuming that trade will increase as the economy improves in 2005, how much more trade will you be doing with outside countries, like Korea, and Asia, those countries there?

MINISTER AL-MAHDI: Well, as I explained, Iraq now is open to -- really to foreign countries. And now we are not applying a high tariff on our imports. So really on all aspects, on our reconstruction efforts or on daily necessities, we need other countries really to trade with us. We are open to them to invest in Iraq.

Korea, of course -- if that was the question, because I heard you so badly -- really has a great capacity really in trading with Iraq. And I think they are looking forward to do this, to achieve this.

MR. HICKMAN: Mr. Larson, anything --

UNDER SECRETARY LARSON: Well, the only thing I'd add on trade is, it's worth reemphasizing how important it is that Iraq has reached so strongly towards the international trading system. It moved very early to establish an observer relationship with the World Trade Organization. As we mentioned, earlier this very month, the World Trade Organization has agreed to initiate the process of accession for -- so that Iraq can become a member of the World Trade Organization. And as that happens, it will help Iraq not only put in place but lock in place a sort of trade regime that will make Iraq a very good trading partner for the rest of the world -- Korea, to be sure, but also all of other -- all of Iraq's other potential trade partners.

MR. HICKMAN: Right here.

QUESTION: Hi. Joanna -- (off mike) -- Financial Times. Just following up on an earlier question, what role do you imagine you'll play in your government? And what do you think the future Iraqi government will look like?

MINISTER AL-MAHDI: Well, we have to await elections to see what role we can -- (soft laughter) -- otherwise --

QUESTION: Well, what -- (off mike) -- imagine you will play?

MINISTER AL-MAHDI: Well, I don't know. We have to see the result of elections to decide what role we can play. Otherwise, we'll be accused of false elections.

QUESTION: Do you have any idea what structure the future government would look at?

MINISTER AL-MAHDI: Well, I don't think it will look far from the actual current.

The main forces really there in elections are the forces who fought the ex-regime, who participated in the political process from the beginning. So maybe there will be a certain shift in weight and numbers, but the whole current, for me it might seem more or less similar of what we have today.

QUESTION: Can I just ask one more question? What do you think will happen with the Transitional Administrative Law after the January --

MINISTER AL-MAHDI: It will be respected. It will be -- it is respected now, and it will be respected in the new parliament. The mission of this parliament is to draft a new constitution, then to have general elections according to the new constitution by the end of 2005.

MR. HICKMAN: Mr. Larson, do you have anything to add to that?

The gentleman right here.

QUESTION: Yes, Tu Tomishai (ph), Asahi Shimbun. I have a question about debt-reduction negotiations with non-Paris Club members, especially with Saudi Arabia and Kuwait. Did you reach any agreement in principle, and do you expect the similar result with the Paris Club members?

MINISTER AL-MAHDI: Yes, of course the Paris Club agreement is a benchmark for us, and we are committed really to this principle of comparability treatment with others. So we wouldn't negotiate others on terms better than we did with the Paris Club countries, our creditors.

So we are approaching the Saudis, the Kuwaitis, the Gulf states. We already have preliminary contacts with them. We are trying to reconcile to see their claims, and we'll have direct bilateral negotiations with them.

MR. HICKMAN: Bob, I'll get you later, but you usually have -- (off mike).

Yes? Yeah, right there.

QUESTION: Me?

MR. HICKMAN: Yeah, you. Yes, please.

QUESTION: Bill Grayson (sp), PRS Publications (sp). To what extent is the Iraqi budget financed by Iraqi revenues? Is all of your revenues coming from oil, or do you have some from income taxes, from other sources?

MINISTER AL-MAHDI: Well, as I said, 100 percent of our budget is from our revenues. Oil revenues is dominating. It's more than 95 percent of the revenues to finance the budget. Other resources are, as you said, from taxes, from other sources, profits of certain state-owned enterprises, et cetera.

MR. HICKMAN: Mr. Larson?

Yes, sir?

QUESTION: Mr. Minister, I have two questions. I'm from VOA. First of all, the role of Iran in constructions of Iraq. And the second question, what is the status of debt reductions with Saudi Arabia and Kuwait and other Arab countries?

MINISTER AL-MAHDI: Well, Iran participated in the Madrid conference and then participated in the Tokyo conference. That's the role of Iran in the construction.

About the debt relief of the Gulf states and concerning Saudis and Kuwaitis, I already

mentioned what we are trying to do. We are trying to open those bilateral negotiations, first to reconcile the debt and to have bilateral negotiations. I already saw the two ministers in Morocco last week, and we decided to meet soon to hold discussions on those issues.

QUESTION: Mr. Milliken (sp), affiliated with Washington Independent Writers. For those concerned about oil, what more should Americans and the world know about future production, availability? And how have Russians, French and others who had dealings with Saddam Hussein before the liberation been affected with oil available for them?

MINISTER AL-MAHDI: Because of the importance of the issue, we had in our delegation a high-ranked official from the Oil Ministry, and he already held certain meetings with his counterparts and with agencies here in the States. This is an important issue for Iraq. Iraq is now working on the Iraqi national oil company. Iraq is trying to issue a new oil law. It will be open to investment, to foreign investment downstream, maybe even upstream. So I think this is very promising to the American investors and to American enterprises, certainly to oil companies.

As for the deals with the French and the Russians, those deals should be restudied and we will see later what we can do about them.

MR. HICKMAN: Mr. Larson?

UNDER SECRETARY LARSON: I'd just add two points on this issue.

One, we found it very useful and interesting to hear the representatives of the government describe some of the preliminary thinking about structuring of the state-owned oil sector in Iraq. And that's something that the Iraq government, of course, will decide for itself, but it was interesting to hear the thinking at the present time.

Secondly, we did follow up during this meeting on a request that we received in the first Joint Economic Commission meeting in Baghdad, and that was to try to flesh out some programs and possibilities to provide training for oil-sector personnel. And we signed a memorandum of understanding on that on Monday. This will provide opportunities for training through government programs through universities in the United States.

As many of you probably know, the country of Iraq has some very, very skilled petroleum engineers; many of them have been out of touch with developments in the field for 20 or 30 years. And so what we are going to try to do in cooperation with the government is to provide opportunities for these people to update their knowledge and to improve their skills through short- and medium-term training opportunities.

QUESTION: Mr. Minister, I appreciate the fact that as finance minister you are focusing on economic problems, but you can't divorce that from the security situation obviously. Would you care to discuss the current situation in the terms of the insurgency, your ability to carry out your programs, and why only a small fraction of the aid funding obligated so far has been extended?

MINISTER AL-MAHDI: Well, we had a terrorist state; now we have a terrorist opposition. The war is still on, the battle is still on. I think we gained the last battle and that was very important. We cleared all the strongholds in the hands of insurgents all around the country. You know, in June many of the cities of Iraq were under the control of insurgents or

terrorists. Now none of them is in the hand of them. So this is a very important blow. We don't think that this will stop operations or car bombs, assassination. Maybe they will try to show that they are more resolute to break our will, but I think there was a real blow to this terrorist opposition and the Iraqi people is more resolute than before to really win this battle.

MR. HICKMAN: Mr. Larson -- (off mike).

Any more? Yes, sir?

QUESTION: I have one more question on Iraqi money in Syrian banks. I mean, some say \$3 billion, others say \$300 million. And could you tell us where you are in terms of negotiating with Syria, because it's a sour point between the United States and Syria?

MINISTER AL-MAHDI: In the Syrians' --

QUESTION: Yes. Iraqi money in Syrian banks. Could you give us a figure? And where are you in negotiating getting the money back?

MINISTER AL-MAHDI: Well, to be frank with you, I don't have the last figures, you see. And it is not clear for me how much there are -- 500 million, 300 million or 700 million.

QUESTION: Have you received any, let's say, guarantees or promises or assurances from the Syrian government --

MINISTER AL-MAHDI: Yes.

QUESTION: -- that they will turn that money --

MINISTER AL-MAHDI: Yes, yes. Yes, we are -- there are some negotiations. The minister of trade is heading for -- is leading this negotiation. And the prime minister in his last visit discussed this question with the Syrians. And we will continue to do -- but I personally, I don't have exact figures.

MR. HICKMAN: Mr. Larson, do you have anything to add to that?

UNDER SECRETARY LARSON: I think the only thing worth adding is that we had a good discussion between the two delegations about this important issue of tracking down and repatriating assets that belong to Iraq. We're going to continue to cooperate on that issue, under the framework of the United Nations, which has really made this a matter of international obligation for the country -- countries that are presently holding these assets.

MR. HICKMAN: Any more questions? Yes. Oh, yes. I'm sorry. Couldn't see your hand. Go ahead.

QUESTION: Well, in a related follow-up, there are some court cases --

MR. HICKMAN: Can you give your name and affiliation?

QUESTION: I'm Farah Stockman with The Boston Globe. In a related follow-up, there are some court cases which have been filed in the United States against companies that have been accused of fraud in their dealings with the CPA. And I'm just wondering if that was mentioned at all during these meetings and if the Iraqi government is following those cases

or is interested in trying to get money back that might have been defrauded from the CPA.

MINISTER AL-MAHDI: No, this issue has not been discussed. We are interested to follow such issues, of course. Whatever concerns corruption or money, we are interested.

MR. HICKMAN: Yes, Reuters.

QUESTION: (Off mike) -- from Reuters. Just to come back to an issue on -- it appears what you were saying is that you believe that the government has gained the upper ground in this -- these insurgencies. And how do you think that is going to affect the election? I mean, how important is it, do you think, that the election moves forward and is done and seen as fair, free and fair?

MINISTER AL-MAHDI: Well, you can see there is a tremendous momentum in elections. So many lists, thousands of people are candidates. Thousands of other people are working in the preparation of elections.

As you know, we are holding three elections: the National Assembly, the provincial councils and the parliament of Kurdistan.

So it's a really tremendous work. Thousands of people are participating to show you they're really -- the momentous of this process. Iraqi are resolute to hold those elections. The polls show that the great majority of people want to participate in those elections.

Yes, I think, on the security issue, as they tried to stop the Governing Council, then the transfer of sovereignty, they would try to stop those elections because this will really give more legitimacy to our government, more representation. And that's what they fear, that things will really get a legitimate profile.

QUESTION: Then how do you feel about it being -- you know, that for all Iraqis, that it's seen as a free and fair election to move forward for --

MINISTER AL-MAHDI: Well, I think even if we will have fair elections, some people would accuse those elections of being unfair. We have to keep this process going on, to accumulate positive elements. Iraq lived 35 years under a dictatorship regime. We didn't have an easy delivery. So we need some time, but I think we are going on the right way and road.

MR. HICKMAN: Mr. Larson?

UNDER SECRETARY LARSON: Nothing to add to that.

MR. HICKMAN: Yeah, Al?

QUESTION: Al Milliken (sp) again. Are there comparable economic buildings or symbols in Iraq like the World Trade Center in New York that could be targeted by terrorists for symbolic purposes?

MINISTER AL-MAHDI: Well, our oil installations are very, very important and they are targeted.

MR. HICKMAN: Any more questions?

If not, two announcements. I have two more of these if anybody wants one.

MR. : And one.

MR. HICKMAN: One more left. Thank you. And also, if you haven't already done so, please add your name to the sign-in sheet outside.

Mr. Minister, thank you.

MINISTER AL-MAHDI: Thank you very much.

Mr. Ambassador, thank you very much.

UNDER SECRETARY LARSON: Good. Thank you, Minister.

END.

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