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**Presenter: Deputy Under Secretary of Defense for Business
Transformation, Acquisition, Technology and Logistics Paul Brinkley**

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DoD News Briefing with Deputy Under Secretary Brinkley from the Pentagon

COL. GARY KECK (director, Pentagon Press Office): Good morning, all, and welcome again to the Pentagon briefing room. As you all know, I'm Colonel Keck, the director of the Press Office. And we'd like to welcome to the briefing room today Undersecretary of Defense Paul Brinkley.

Mr. Brinkley has just returned from Iraq, where he is working with the Iraqi government, business leaders and others in Iraq industry revitalization. Over the past few months -- and more time than that, and I'm sure he'll let you know -- Mr. Brinkley has traveled to Iraq taking business executives and agribusiness experts to meet with local Iraqis, political and business leaders. And he has assisted in factory restarts across the country in DOD-led efforts to give the country more economic independence.

So, with that, I'm going to turn it over to Mr. Brinkley, and he will be able to provide you with information on what he's done.

Mr. Brinkley.

MR. BRINKLEY: Thank you, Colonel.

Good morning. I'll start with a brief statement and then I'll open up to questions.

As the colonel indicated, beginning in May of last year, the Department of Defense has undertaken a comprehensive effort to engage industrial operations -- some idle, some state-owned, some private sector -- across Iraq in an effort to identify potential sources of goods and services that can be consumed in support of U. S. government efforts in the region, in addition to connecting those industrial operations to international markets, where it's appropriate.

Iraq has an industrial base of almost 200 large factories that manufactured goods covering the gamut -- from mineral processing, cement, hydrocarbon processing, to textiles, to consumer goods. And as we've engaged in assessing these operations, we placed a team on the ground who have worked around the country going to factories, cataloguing, identifying available capacity, available skilled workforce, and working to restart these operations and create and restore employment and economic prosperity to the Iraqi people.

We're pleased to report that we've made significant progress in this effort, and we see an acceleration of this, and that's why we wanted to come and talk to you today.

Our effort has included, as I mentioned, the effort of the senior manufacturing executives and experts who are actually based in Iraq today, who go out in support of our civil affairs groups and work with the Provincial Reconstruction Teams in collaboration with our State Department to visit factories, to meet with managers to get an understanding of constraints that prevent factories from executing operations. Those constraints range from obviously security in some cases, available electrical power, restoration of supply, available market demand, and we're working to identify those constraints and address them and restart those factories as quickly as possible.

Beginning in December, we've also been taking sizable contingents of industry leaders from American and international business to Iraq and taking them out to engage the Iraqi business community around the country, not just in Baghdad. In December, we took six executives from American industries to Iraq; in January, we took 20; in February, we had over 50 senior business executives from a variety of major corporations, both American and international, taking them out to places -- Fallujah, Iskandariyah, Baiji, Taji, Erbil, Baqubah -- getting them out to see the reality of business execution in Iraq today in areas where stability exists and investment opportunities exist and in areas where things are unstable but goods are being manufactured that could be potentially consumed in the world market.

We've been doing this since last May. I've been in Iraq myself almost two weeks a month since last May. This last visit was a(n) extended time over, five weeks. I have had the opportunity to meet with Iraqis all over the country -- every sect, every tribal region. And uniformly what we see among the business community there and among the population is the desire to engage in economic activity, to have normalcy restored, to have employment and the benefits that accrue from employment, from an economic prosperity perspective.

And so we believe this year we're going to be reopening dozens of factories. And we've reopened three already, and I'll talk to you about those. And we'll be putting thousands of Iraqis back to work.

I want to share with you a little bit of data on unemployment in Iraq. This data comes from the U.S. Agency for International Development, USAID, working with U.N. groups who do field-level survey work. And typically, unemployment data in Iraq that's reported is in the neighborhood of 20 percent. And that statistic comes from a measure -- pure unemployment, in other words; I have no job, I have no income whatsoever -- and that's where the 20 percent comes from.

But in their effort to identify people at risk in Iraq, they've also measured another category called the underemployed. And the underemployed in Iraq measure almost 30 percent. And an underemployed person is defined as someone who's working less than 15 hours a week and therefore may or may not be making a living wage, may be at risk of hopelessness, may be at risk of hunger. And USAID identifies these populations so they know who to target with social safety net programs.

Now, if you think about that net, that's almost 50 percent of a(n) economically challenged portion of the population.

Now, I mentioned that Iraq had almost 200 factories. Most of these were declared state-owned enterprises. And as a result of a variety of factors, most of them have been idled for the past four years. Those factories employed hundreds of thousands of people in Iraq, and those people are not counted in those statistics I just cited. They're not counted because they've continued to receive a 40 percent stipend as a pay instrument to prevent hunger. However, the vast majority of those people are not working. And so elsewhere we would consider them unemployed and on a social welfare type system. So this pool is also a pool of people who, one, don't see an economic opportunity for themselves, who have not experienced a prosperity in the past few years and are a part of a population that experiences great frustration.

It is the belief of our command, whom we support in all of our efforts, that this economic factor goes hand in hand with security, and as security is established, it is critical to follow and to restore economic opportunity for the population.

And with a(n) economically distressed population as large as I just described, it is easy to understand. I think any population in the world experiencing that level of economic distress would be sympathetic to violence and insurgency. I think that's human nature.

And so we believe this year as we restore employment in the industrial sector and you begin to see the secondary and tertiary benefits of that on the economy and the uplift that creates, not just for large industrial operations but for all the surrounding private businesses that used to sell their goods and services to those large factories, that this will begin to create an uplift of economic opportunity for the Iraqi people.

I have a couple of graphics I want to share with you to give you an idea of the geographic distribution of these factories. If we could pull up the first. Again, these are all over the country. We have engaged and reviewed in a very forensic-style assessment 56 of these factories since November of last year, and we've identified a path to restarting those 56 operations. We believe of the almost 200, which includes the 56, 140 are potentially viable; in other words, were not looted, were not destroyed. there's a potential working operation there.

There are some interesting facts about these factories I want to share with you. We expected when we went in to find, based on what has been written, you know, kind of a Soviet style, centralized, state-planned economy, old factories, old equipment. But if you think about what went on between 1991 and 2003 under the sanctions regime, Iraq couldn't import significant amounts of consumer goods, and so these factories, many of them had very new equipment, relatively modern equipment, heavy industry with equipment that's less than five, 10, 15 years old, textile mills that literally have state-of-the-art production equipment.

And what's also been interesting to us is some of these factories are in areas of great unrest, or that have been in great unrest. We've gone to factories where literally gunfire has been going off in the surrounding neighborhood, and one would expect the factory to have been looted, and yet you go in and there's computer equipment, robotic, brand new production machinery sitting idle. And the doors are chained and dust has settled over everything and the workers aren't working, and yet the factory hasn't been damaged, which is indicative of the fact that there is a level of control and a level of awareness even in areas of great unrest, that future economic prosperity is critical to the population. And for those reasons, even in areas of great unrest, industrial operations remain intact. And, of course, there are some that have been damaged.

So again, we believe up to 140 of these are potentially viable. We've looked at 56. Our team, as we speak, they're continuing to go out into the country to engage the business community, to assess these factories, to assess their ability to be restarted, what the challenges are. As we restart them, we will re-employ the population.

We do have some good news to report based on our efforts to date. And again, this is a contribution of our partnership with the Iraqi Ministry of Industry and Minerals, the Iraqi Ministry of Finance and our executives who have been engaging, coming to the country, being exposed to opportunities to buy goods from Iraq, which is all we're really asking.

If the Iraqis can make a good that you're acquiring today on the international market and it can be shipped, we're asking you to buy it. We're asking you to consider sourcing you're material from Iraq, and open up Iraq to the global economy. And the embrace that the Iraqi business community is taking to this is significant.

We can say we have restarted a large textile factory in Najaf. I'll show you some pictures of it in a moment. It's a surprising factory, one of those that you look at and say, how has this place, you know, been idle for the time that it has been? We've restarted that factory in partnership with our Multinational -- MNSTC-I, the

group that's doing the training for the Iraqi military and the Iraqi security forces and police, by purchasing Iraqi uniforms at this factory, for the military and the police.

So that factory is restarted. Clothing from that factory will be in American retail outlets by this Christmas. We have major American retail distributors who have engaged in that operation.

I'll show you a couple of pictures if we can go forward. This is a cutting machine. It's a laser fabric cutting machine. It's been sitting in that factory. That's a state-of-the-art piece of equipment, sitting unused in that factory.

Next slide. There are thousands of brand new sewing workstations, each staffed by hard-working, local, 75 percent female -- including many war widows working in that factory, currently running one shift a day, able to run three shifts a day. That factory will be loaded, making goods, textiles, clothing for consumption in American, and potentially global, retail outlets by this Christmas.

Next slide. This is a picture from a large industrial operation that has been reported on before, south of Baghdad, manufactured tractors, manufactured buses. DOD has restarted this factory by placing orders for armored vehicles on this factory. That enabled it to get restarted.

Next slide. Back up. I'm sorry; I thought we had a different one. Go back. This factory now -- one of the industries that visited Iraq with us just placed -- has committed to place an order for 120 trucks on this factory, which will help continue to accelerate and restore employment. 3,000 Iraqis used to work at this factory. It had been idle since 2003. It's one of the first ones we visited last summer.

And it's exciting to go there, because people now come out and greet you. They want to meet you, Americans walking through. They're feeling a sense of energy now, because their employment has been restored, and they see a potential path to normalcy return.

Next slide. We're also pleased to announce, this is pictures from a ceramics factory in Ramadi -- this factory was featured, actually, in some reporting that went on when we had some reporters embedded back in December -- this has state-of-the-art Italian ceramics manufacturing equipment in it dated 2001.

They make bathroom fixtures. They make ceramic tiles. They used to employ 650 people in Ramadi. This factory has now been restarted. Electrical power has been restored. The workforce is back on the job, and they're going back to work. What's most exciting about this is who are they going to sell to? It's hard to put U.S. government contracts for ceramic tile; we don't buy a lot of ceramic tile, directly at least, in the DOD.

So how are we doing this in this case? Well, these Iraqi factories used to sell to other Iraqis. Prior to 2003, this was the commercial web that helped the commerce that took place in and among these operations, helped form a commercial fabric that created a state of stability in society. Sunnis sold to Shi'a, Sunni sold to Kurds, Shi'a sold to Kurds; businessmen did business with each other. It's the same anywhere in the world. And as these factories have gone idle, those commercial ties have been severed.

Well, in this particular case, Kurdish construction firms have committed anything that particular factory can make, they've committed to buy. Why? Because they need these goods and they're having to import them from outside the country today, and they can get them cheaper.

So as we begin to (ramp ?) these factories, we're also reconnecting businessmen in Iraq and reforging commercial linkages within that society. And again, I have seen examples a lot. Imagine America, where we suddenly declared we couldn't have interstate commerce, and we didn't have people trading with each other. Trade is the thing that binds -- it's 101 of the key factors that binds together a society. So we believe as we restart these factories and we restart this process of goods flowing in and among regions in Iraq, this will help

support our security efforts and the security plans for the country.

So the Ramadi ceramics factory has been restarted. That is good news. The other effort we have under way is in the Kurdistan region. If you went back to that map -- if we jump back to see slides of that map -- you'll notice in the Kurdistan region we've done a factory assessment for a food processing plant that was put in place by the U.N., but it was relatively small. These large industries were not placed in Kurdistan. Saddam Hussein's regime didn't build factories in the Kurdish region -- Kurdistan region.

So what do we do to help create economic opportunity there? This month we have a team landing, and the concept that we believe has great potential in the Kurdistan region is the creation of call centers and customer service capability. We will be putting in place a customer service center in the Kurdistan region. Many of these factories didn't have customer service capability. So as we ramp these factories, our objective is -- just as India has become a major customer service center and when you pick up the phone and call, certainly most technology companies today and you ask for customer service, you're speaking to someone from India who's been trained to speak in an American accent -- we believe the Kurdistan region affords a similar opportunity.

There's Arabic-speaking, Farsi-speaking, Turkish-speaking people there, a bright energized population eager to engage in economic development. We're going to put in place a customer service center there, and we're going to start by having it provide a customer service function for factories in Iraq that need that. We believe this can grow, and so there's not a pan-Arabic capability like this in the region today, and we believe that this can grow into a service economy model for the Kurdistan region and create employment opportunities, very similar to what's emerged in India over the past 10 to 15 years.

So these are the things, these are specific steps we've taken. The most important news that I think we have to report, this effort, the cost to restart these factories, we committed from the beginning, partnering with the government of Iraq, that Iraqi money will be used to fund these small amounts of money to restart these factories. To restart the 56 factories we've looked at today, we estimate would cost in the neighborhood of \$50 million.

Why such a small amount of money? And this would put thousands of people back to work. Why such a small amount of money? Well, because the factories already exist; there's 56 that exist. They have equipment. You're not making major investments. But all of them need something. Some need a generator, some need some supply, a little bit of working capital to get started again. This is just a little infusion of either supplies, spare parts, raw materials to help them get going and begin selling and putting people back to work.

Our intent has been to use government of Iraq money to do this. Last week, we were thrilled to announce the release through loans to the 10 -- our first 10 factory -- our next 10 factory restarts. The minister, Bayan Jabr -- Finance Minister Bayan Jabr participated in a joint press availability event at Adnan Palace, where we announced the release of the funds to cover the restart costs for those first 10 factories. And that's exciting because that's going to enable us now to accelerate our efforts.

And so again, we returned Friday night. We wanted to get together with you today and provide you an understanding of what we're doing. We believe, again, over the next several months dozens of factories will be restarted, and thousands of Iraqis will have their employment restored.

And the cascading effects that will have on the economy are going to be significant.

Final comments. On our last team trip, we had embedded with us senior representation from the U.S. Department of Agriculture, the Department of State, and USAID in an interagency collaboration as we went around the country and pursued these activities and took these business executives out to see and to engage in this commercial activity in Iraq.

In our USDA partnership, we took representatives on this trip from major land grant universities focused on international agricultural development. Many of the factories we're looking at were food-processing factories or fertilizer factories. And as we restart them, they will help reinvigorate the agriculture sector. If you've had the opportunity to visit Iraq, you can't fly over the country without being amazed. Between the Tigris and Euphrates, it should be the bread basket of the Middle East. And the agriculture sector has struggled to get back on its feet. In our partnership with USDA in their efforts to establish extension capability and bringing U.S. land grant university expertise to Iraq, getting them out with our forces and with our Provincial Reconstruction Teams as a resource to these PRTs, we believe we can see an acceleration of agriculture development in Iraq as well, and that is just getting under way.

So with that, I will cease talking, and I will be happy to take questions.

And we'll start with you.

Q Can you tell us a little bit more about the corporations, both American and multinational or international that you brought over there, and which ones of them have made commitments to buy products from these facilities?

MR. BRINKLEY: We are -- let me think if there's any I can actually specifically name, because the negotiations with the Iraqi ministries are under way, and I don't want to release names ahead of that. It's the classic. These are predominantly American Fortune 100 corporations and international large corporations of similar size and scale, who we partnered with U.S. Chamber of Commerce to issue an invitation, to say we will provide security, we will take you to Iraq, we will introduce you to Iraqi business people -- and I should also mention in partnership with the U.S. Department of Commerce -- to create these relationships that we believe will forge, over time, the free market that everyone envisioned for Iraq to emerge and take hold.

I'm not at liberty to actually release names of companies to you today, but as you see actual orders being placed, that information will become public.

Go ahead.

Q (Off mike) -- you had an agreement, at least on the retail end.

MR. BRINKLEY: Yes. Discussions are -- I want to be very clear, discussions are under way, samples are being exchanged to acquire goods from that particular textile factory.

I can say with confidence goods from that textile factory will be in American retail outlets by this fall. But the ink is not on contracts to execute the large purchases that will enable that at this point, and so we've been asked not to release names of those companies at this point in time.

Q Same with the 120 vehicles?

MR. BRINKLEY: Same with the 120 vehicles, till the contract is signed.

Q Two points I want to ask, one on the security around these factories. Obviously, stuff like this can be targeted by insurgents. How are you dealing with the security? And the other question is, with this low amount of power brought throughout the country, how is that affecting these factories as well?

MR. BRINKLEY: First question, with security. The prioritization of where we've gone, and everywhere we go, we're a command resource under General Odierno and General Petraeus. And the civil affairs groups, in partnership with the Provincial Reconstruction Teams, have identified and prioritized factories and areas where they believe either will support -- by restoration of employment will support security objectives or are in a situation

where they're secure enough that commerce, commercial activity, can be undertaken.

This is a partnership, a very tight partnership with our command. And as we've restarted factories, there have already been efforts to disrupt those. And we expect, just as there have been with reconstruction and recruiting of police, insurgents will target these things. And our only recourse there is -- our command's only recourse is to redouble our efforts to make sure that the security umbrella that's provided in these areas is tight and that we're working to counter these efforts as they take place. I think it's indicative of the nature of the enemy we're fighting that they would target this kind of activity.

I'd also make the point, though, that unlike a construction contract, a factory is in a neighborhood. The people who work in it live nearby. They know. And no one's forcing them to come back to work. So when you open a factory back up and people show up for work, they know the security situation better than anybody. The Iraqis know exactly what the threats are in their particular neighborhood, and we have to give them the opportunity to make that decision, to make that choice. And as they've been given that choice, we've seen them, as they've done so many times, whether it was voting or whatever else, the Iraqis have yet to not step up to take advantage of opportunity that's provided to them to embrace an opportunity for a better life.

And so I think because these factories are in local areas, they're understood by the local area to be providing sustained employment, unlike a construction project, which is temporary, we have some optimism that there will be a lesser degree of violent activity targeted to these.

But I'm not naive, and I worry about this all the time, as we all do. And we'll see how it unfolds. But the most important thing that is we are resourced at the commands.

Now, your second question had to do with --

Q The power --

MR. BRINKLEY: Power. If were to go back to my map, if you draw an arc from the Kurdish border with Iran and swing all the way around to the southern border of Al Anbar, just about every factory has a power constraint, very difficult. And it's a combination of both the nature of many of the factories and the electricity situation in these areas.

A lot of the factories, especially in Al Anbar, are large mineral-processing plants -- cement, phosphates -- huge consumers of power. You can't just drop generators in to run a cement plant. Many of them take 20 to 30 megawatts of sustained power. And if the power goes down on a cement plant, you got guys going in with chisels, to chisel things out.

So in those cases, we are constrained. The ability to get the power grid restored obviously is a key focal area for the Corps of Engineers, working in conjunction with our State Department, with the minister of Electricity, and that continues to be a challenge. It's going to take time. There's no quick solution to that. And that's been briefed elsewhere, and it's a big challenge.

But then there's a lot of these factories in that area that -- you know, including textiles and light industry -- that -- and food processing and other things -- that can't -- don't require that much power, and we can drop generators in, right, and restore power to enable production to be restored. And in those cases, that's what we're doing.

If you look south, if you go from the Al Anbar border, now swing south all the way to the Iranian border, see them at the south, we find very few that are power-constrained. Most of those factories have the power required. And so in those cases, what they need in many areas are just demand. They don't have customers. They've been shut down, their demand went away, or there are spare parts constraints. And so in

those cases it's relatively easy to restart them. The trick there is to just identify sources of demand and recreate the intra-Iraqi linkages that used to exist, that provided them customers for their goods.

Yes, ma'am?

Q On the security, you had a car bomb, I think, that killed 11 at your bus factory, and I wondered if -- what the effect was on that. Did people come back to work the next day, or --

MR. BRINKLEY: The -- to clarify it, the -- there was a terrorist attack on a bus taking people to work at the bus factory. They didn't actually hit the factory itself. And our immediate reaction was probably what everyone -- "Oh, my goodness, they've attacked the bus factory."

But the reality is, when we looked at the data around the country, this is a relatively common thing. We were in Diyala recently -- we've not restarted anything in Diyala yet, but one of the plant managers there talked about the buses that bring his workforce to work had been attacked twice. And so his workers --

Q (Off mike) -- specifically targeted?

MR. BRINKLEY: The general view was, in that particular case, it was just generalized violence that's happening all over the country. But irregardless, it did not hit the factory itself, and they continue to engage in production there, and we worry --

Q Have your employees there been scared off?

MR. BRINKLEY: They continue to come. They've continued to engage in their production activity.

Q You have three factories up and running now. What's the employment numbers, and where is that --

MR. BRINKLEY: In -- make sure I get these correct -- in Ramadi, the Ramadi ceramics factory -- both the tile factory and the fixtures factory, we've employed 650 people.

Q Are they currently employed?

MR. BRINKLEY: They're -- 650 people are coming back to work. And Iskandariyah used to employ 3,000 people; today, just over 500 are back. But as these large orders are placed, more employees will begin coming back to work.

The factor in Najaf, the textile factory -- and this is the one I got to be careful on -- just under 2,000 people worked at that factory, but they're only running one shift today. And so the orders that have been placed there, again, are for the military uniforms, but they make really some remarkable clothing there -- a computerized design lab, and they make suits and so -- all kinds of consumer clothing. And so our expectation, again, as we begin to place demand on them, that they will ramp their employment there.

Q Are they at 700 now or --

MR. BRINKLEY: Again, I don't have that exact number. I mean, it was a -- but the math roughly works, I think, that way.

Q And I have one more question, if I may. While you guys were over, the hydrocarbon law made it through committee, and I know that you guys were out west. What movement have you seen on opening up the oil fields to foreign investment or exploration?

MR. BRINKLEY: We have steadfastly avoided petrochemical engagement on our team in terms of petroleum companies, I think for two reasons.

One, I don't think the petrochemical industry's going to need any encouragement to invest in Iraq once the petrochemical law passes. That's not an industry that's going to need anybody's help. There is a lot of money sitting on the sidelines; I think that's well-known by all the major petroleum companies. Once they believe a legal framework is in place and necessary security is in place, they won't need encouragement to invest in Iraq. And so we've intentionally avoided engaging there because we think our value added is in these other industrial sectors that are large employers.

And so I am excited about the prospects when the hydrocarbon law passes, not just for the petroleum sector but because those companies, as they invest, will be large consumers of goods. And a lot of those goods can be acquired from these factories. And so I think the secondary and tertiary benefits that are going to come from the petrochemical investments that will eventually take place in Iraq will have the opportunity to further revitalize the industrial sector, and we look forward to seeing that.

Yes, sir.

Q Last year, 2006, we had a corps commander, General Chiarelli, who talked about this very issue, you know, every time he did an interview or came here to brief us.

MR. BRINKLEY: Yes.

Q It seems like you've been doing this for a little while. You only have three factories so far. Could you outline sort of the challenges to opening more of them, and what you're trying to do to sort of overcome that?

MR. BRINKLEY: Well, the background on that, and you brought up General Chiarelli. General Chiarelli was the individual, when we were visiting Iraq last May, who asked us to go look at a factory. It was not our intent at the time to do that. He knew our backgrounds, knew we had run industries before. And so he asked us to go look at a factory, and that's really what -- his passion for this, and his understanding the importance of this, really triggered this whole effort.

What ensued then was a discussion among the interagency, because policy up to that time had been to discourage the revitalization of state-owned industry. We wanted to encourage a free market to emerge in Iraq, from reasonable points of view. And that discussion took place for a few months.

We were working with Joint Contracting Command, to enable them to place orders more effectively on Iraqi businesses. But the effort to actually engage in revitalizing specific Iraqi factories didn't begin in earnest, and we didn't put a team of industrial experts on the ground, until November of last year. And that's when we first announced, you know, this -- we identified 10 that we wanted to go after.

The constraint up until then has been the releasing of funds, the ability to get funding. There's not a defense appropriation that's been set aside to fund restart of factories. And so that's why, again, we work with the Iraqi government. And I think it's appropriate to work with the Iraqi government, and they want to do it.

And so much of our effort -- the pace has been gated by the availability of funds from the Iraqi government. And they've had to work through their own legal framework. Much of the legal framework -- some of it was put in place as early as 2003 by CPA. That restricted their ability to make investments in state-owned factories or any factories.

And so that's taken time. And that's why I think last week, the first release of these loans to these factories to help us get going was a great day and a good event. And I think that's what's going to enable us to accelerate

this effort.

Yes, ma'am.

Q The three factories you talked about -- they received U.S. government contracts for the uniforms, vehicles, trucks. Do you expect that all 56 that you intend to open will need U.S. government contracts to get off the ground?

MR. BRINKLEY: Right, only two of the three. So the Ramadi ceramics factory did not receive any U.S. government contracts. And so in that case, we've been working across with the business community to identify sources of demand to acquire their goods. That particular factory needed electricity. We had to get the electricity grid restored for that particular factory to get them running again.

But two of the three, we've used U.S. government contracts. And obviously, our goal there is to acquire the goods needed to support our troops at the best cost to the taxpayer. And importing goods costs money. If there's a factory in Iraq that can make something to sustain our force, and we're already buying it or importing it from the surrounding region, it just makes good sense to buy it from Iraqis. It stimulates their economy, and it saves the U.S. government money.

And so that's the model we're using. We don't buy anything just for the sake of buying it. I mean, we follow a stringent -- General Darryl Scott-- Major General Darryl Scott of the Joint Contracting Command is the lead for this aspect of our effort, and follows due diligence in terms of what we buy based on its ability to support our forces. That's our first and foremost objective. But where we can support our forces and acquire goods from an Iraqi company that will reemploy Iraqis, as opposed to importing it, we undertake that. And in those two cases, we've done that. And we'll continue to do that where it's appropriate among those 56 factories.

Q Can you say what projections you have for maybe future factories that may be able to provide more stuff for the U.S. --

MR. BRINKLEY: Certainly things that are making -- anything that's construction related, electricity related, electrical related, light industry. We're currently looking at where we can source trailers. We obviously house our troops, and as we consolidate bases and do work there to house our troops, we're looking at acquiring trailers from factories that -- light industry in Iraq that are able to do that. So those industries certainly are kind of the no-brainer industries.

What does it take to sustain a force of 140,000 of our men and women? When you think about that and you look at the list of the factories, you kind of think, okay, well these might be targets. But there's a lot of diligence that has to go on before those contracts are executed.

Yes, ma'am?

Q Speaking again about the corporations that you're bringing over, what are they telling you about the price discounts they're going to demand to offset the supply risk from buying?

MR. BRINKLEY: Sure.

Q And then what impact is that having on the wages that Iraqis are earning compared to prewar wages?

MR. BRINKLEY: Got it. As factories are restarted, those that are owned -- that are state-owned under the Ministry of Industry and Minerals, they get their full pay restored. So as you go back to work, you go from that 40 percent that they've been getting as a stipend, kind of a welfare payment, they have full pay restored.

We are working to set prices with the minister of industry at market. So what the -- and market are -- we have a consulting team that's doing analysis of this: What is market rate, global market rate for particular goods? And so we'll set the price at market, because a lot of these factories don't know their cost structure yet. And so -- but today they're sitting idle and the workers are being paid anyway, so they're a net drain on the Iraqi budget.

As you begin building and manufacturing goods, knowing what market is helps them understand what they have to hit, as they begin to understand and we rebuild their cost structure, and partner with the minister of industry to create privatization strategies, this helps them know what they have to hit in terms of where their line is drawn: What's my cost? What am I bringing in? This will facilitate an identification of the most rapid areas where privatization could take place, and are there industries that they may choose to subsidize over time, just as the U.S. chooses to subsidize some of its industries. I mean these are things sovereign governments do. And so that's the approach we're taking.

The companies that we've taken so far, we've asked them to make no -- we're not asking them to make any sacrifices. We're saying if they make a good that you can buy, consider buying it from Iraq.

Don't cut a -- I don't want them to cut them a break, don't want to give away anything. We don't want to say, "Hey, take a discount." Set the price.

And in terms of distribution, another interesting observation -- there's a lot of commercial goods flowing into Iraq today. There's a lot of commercial shipment going on into Iraq today that goes on. A lot of it's not interdicted. And so the ability to get distribution established from a particular site, to get things in and out of the country, is very site-specific.

And so there's not a general -- you asked about a risk premium, for example, in terms of shipment of supply. That has to be built into these contracts as they're negotiated. But in the areas where we're focused today -- like take Najaf -- there's not a great deal of concern about the ability to get finished goods in and out of Najaf today, in that textile factory.

Q (Off mike) -- significantly below market --

MR. BRINKLEY: No, we don't want to do that. We want to set pricing at market. We want to engage the Iraqi economy in a natural process of competing for international business and open up that opportunity. And then they have to seize that. We just want to restore and offer opportunity for Iraqi businessmen to seize that opportunity. I don't want to -- we're not trying to do anything to give them away.

Yes, sir?

Q What about getting supplies? I mean, to get a factory started, you have to have input --

MR. BRINKLEY: Absolutely.

Q -- raw materials --

MR. BRINKLEY: Absolutely.

Q -- maybe semi-finished products, whatever is required.

MR. BRINKLEY: Absolutely.

Q How are you getting these supplies into the country?

MR. BRINKLEY: Factories today -- some factories are supply- constrained, and that's one of the gating factors we're having to address. And it's very specific, site by site.

Some have all the supply they need. They have their preexisting relationships. They know where to get raw material. They don't need our help. They're very direct in terms of having us understand that, and we do the due diligence to confirm what they tell us.

And so this has been a learning for us. And it's one of the reasons why we're doing these detailed site-by-site assessments with our civil affairs groups. Every factory has its unique story, has a unique set of issues. And again, this is also one of the challenges. Iraq wasn't kind of a ubiquitous state-run economy, Soviet style. Every factory had its own relationship with the central government, and you know, in some cases, they were very autonomous and just had to give up a bunch of their profit every month to Saddam Hussein or his sons or someone. And in some cases, they were very centrally managed. You -- thou shalt build so many of these products every month and ship them to the minister of Trade or Transportation or Agriculture.

And so each had its own unique operating model, which means each had its own unique set of constraints. And that's the due diligence we're having to do to identify how to get them restarted again.

Yes, sir.

COL. KECK: (Off mike) -- question. Yeah.

Q You had mentioned restrictions that were imposed by the CPA in 2003. How much of a challenge has been -- has overcoming these restrictions been?

MR. BRINKLEY: I want to be careful. This -- a general philosophy, which is completely understandable to encourage the emergence of a free market economy -- and I think that was the intent of any restrictions that were imposed by CPA, and we believe in that. I would say that the approach that was taken in 2003 was kind of an Eastern Europe lessons learned approach, where the countries in Eastern Europe that thrived the fastest after the fall of the Iron Curtain -- Poland, Czech Republic -- they were very dramatic in how they were going to address their state-owned industries. They really did everything they could to constrain and shut them down as fast as possible to allow the free market to emerge. It was kind of a shock therapy approach.

Personal experience on the team that we have there now draws on a lot of time spent in Asia -- China, places like this -- where transition from a state-owned economy is more transitional. And so that's the effort we think we're undertaking today, which is not -- it's not a critique; I just think the situation that one expected in 2003 didn't emerge as planned, and so the approach we're taking today is more transitional.

But we're not really running into -- other than the issues -- again, well-intended efforts to avoid reinventing a state-owned economy through funding of state-owned industry. There are some restrictions, again, that are still being debated and CPA orders and Iraqi law that we're still working through. But there's no real restrictions, I would say.

Yes, sir.

Q A couple of numbers questions, and then I'll go on to one other question. Of the three open of 56 now, by the end of this year, what's your goal, stretch goal --

MR. BRINKLEY: Well, my goal -- I'd love to have all 56 open. I mean, that's our intent.

Q (Off mike.)

MR. BRINKLEY: I say dozens. I believe we will have dozens. I mean, I -- again, because I am dependent on a variable I don't control, which is the ability to release the funds and the Iraqi government, as it continues to stand up and improve its ability to execute its bureaucratic functions. I know the intent and the passion among the ministers -- Minister Jaber, Minister Hariri, Deputy Prime Minister Barham Salih, among the others -- they're very passionate and focused and supportive of this effort. But it's a constraining factor in terms of funds availability.

Q With textile -- the goods to the U.S. by Christmas is the most tantalizing example you threw out.

MR. BRINKLEY: Absolutely.

Q Why would a U.S. company -- and this not an area I write a lot on, retail clothing --

MR. BRINKLEY: Sure.

Q -- why would a U.S. company that already has ties in China, you know, Costa Rica, Singapore for cheap clothing --

MR. BRINKLEY: Sure.

Q -- you know, Liz Claiborne or whatever -- (laughter) -- want to take a chance on the textile sector? What could it offer besides patriotism?

MR. BRINKLEY: Well, I think, one, I wouldn't underestimate that. Patriotism led to a lot of great things in this country's history, including things like the Marshall Plan and other efforts. So one, I wouldn't dismiss that, because patriotism has been an important motivator for our economy for a long, long time. And we've certainly not avoided playing that card. And the response to that has been very favorable, and I will continue to do that.

But the second point is, we are -- the global economy is always looking for new sources of supply. And as a marketing prospect, I think it's very interesting, personally. I think a marketing campaign around, buy Iraqi goods; support the troops -- I think you'll sell everything you put on the shelves in the United States if that kind of a marketing campaign is put together. And so I think this could be a very lucrative opportunity for American retailers if they find goods and services in Iraq that they can sell.

And so those are two motives. I mean, I could probably rattle off a few more. But again, as you said, clothing is sourced globally. It's a global market. Wages are competitive in Iraq, relative to other countries, today. Capacity exists, modern capacity. And what we're seeking is people to come and look at this capacity, and decide themselves as to whether there's a business case for them to engage in commerce. And so far, the reaction to this has been pretty favorable.

(Cross talk.)

MR. BRINKLEY: The gentleman here hasn't had a chance to ask. I'm sorry.

Q Yes, a question about incentives for these workers to go back to work -- you mentioned full pay as opposed to 40 percent pay. Is that full pay -- is that higher wages than they were earning under Hussein's regime? What other incentives are you bringing in for these workers --

MR. BRINKLEY: We haven't found yet -- I mean, again, I think -- I believe it's a human nature thing. If you've been three or four years earning 40 percent of what you used to make, and probably working odd jobs, whatever you can find on the side, including an unfortunate case of potentially violent activities, which is what

motivates our command, and you have a chance now to have your full payment restored and to go back to work, and the honor of that, and another statistic I didn't share with you that I think is extremely compelling.

In the West -- a breadwinner in the West, Europe or North America, supports on average -- 4.2, I believe, is the exact number -- 4.2 people. A breadwinner in Iraq today -- and there's two statistics, and I always cite them both; I don't know which one's right, but -- supports, depending on your number, either eight or 13 people. I've seen both.

So a person losing their job or not having full employment has a much broader impact on stability and familial well-being than it does in the West. So the motivator, I think, for people to have their employment restored -- it's a stabilizing factor not just for themselves, but for their family. But also, I just ask you to consider your own situation.

I mean, if you had the chance to go back to work and you've been -- you haven't had that opportunity, I think they're like anyone else, they take that opportunity.

Yes, ma'am?

Q Actually, I have a follow-up. Do you have a number for the average daily wage for these --

MR. BRINKLEY: I could get that. I don't have that to rattle off for you because it's factory-specific.

Q And my next question was a little bit of a mixed message. Is it -- are you actually saying that you are less encouraging of free market economy now and more just getting people into factories, getting them open? Is that the higher goal now?

MR. BRINKLEY: Absolutely. I mean, I'm from Silicon Valley, okay? I am a huge believer in free market economics. So there's no Stalinist tendencies embedded here. I mean, we are not trying to recreate a centralized economic model for Iraq. I believe the difference we're taking here -- and it's a collective agreement from an interagency perspective -- is an approach difference; how does one get to that end state?

And clearly, there's been very little private sector industrial emergence in Iraq. We have an industrial base -- this is a good story, because we have this industrial base that we can reinvigorate and restore employment to a sizeable number of people, and that's good news, and then begin a transition to a private sector state. And we believe that transitional model will result in a faster end point of a free market than the current trajectory had been.

I believe -- and there are already companies in discussions of joint venture opportunities with some of the factories that we've restarted. I believe by the end of this year, serious efforts will be under way to begin privatizing some of the factories we've restarted. As regional investors and people in Iraq begin to engage and understand when you see a work in operation, that's something you're willing to invest in.

I also have -- it's kind of a funny thing. I don't think you have to encourage free market economics. I mean, free market economics is taking hold all over the world. It doesn't need encouragement, it will emerge. What needs to exist is a skilled workforce, an industrial base of some sort, and access to demand. Free market economics has taken hold all over the world. I don't personally spend a lot of time worrying about whether the Iraqis, like very other nation in the world, will embrace free market economics. I think that trend of history has already swung. And so I don't worry too much about the free market versus centralized economy. There aren't a whole lot of thriving, centralized economies in the world today to serve as examples for people to try to follow.

And with that --

COL. KECK: Thank you much. We appreciate it.

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