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Presenter: Deputy Secretary of Defense Gordon England, Deputy Undersecretary of Defense, Business Transformation and Director, Task Force to Improve Business and Stability Operations-Iraq Paul Brinkley, and Iraq's Minister of Industry and Minerals Fawzi Hariri

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DoD News Briefing with Secretary Gordon England, Paul Brinkley and Minister Fawzi Hariri at the Pentagon, Arlington, Va.

To see briefing slides click [here](#) or go to www.defenselink.mil/news/Sep2007/taskforceslides.pdf

GORDON ENGLAND (deputy secretary of Defense): So good afternoon, everyone. It's a pleasure for me to be here. If we haven't met, I'm Gordon England, the deputy secretary of Defense.

I'm pleased to have with me today Mr. Paul Brinkley. I expect most of you know Paul. He is the deputy undersecretary of Defense for Business Transformation. But more importantly, Paul is the director of the Task Force to Improve the Business and Stability Operations in Iraq.

I'm also pleased to introduce Minister Fawzi Hariri. He is the minister of Industry and Materials from the government of Iraq, and he is visiting with us today. And Minister Hariri, welcome to Washington.

And Paul Brinkley and the minister will be providing you an update on their efforts to restart Iraqi factories and to get Iraqis back to work.

By way of background, this effort started over a year ago -- in fact, June of last year, 2006 -- and it's now a multi-partnership effort within the Department of Defense, with the Department of State, the Treasury Department and the government of Iraq.

This partnership also includes the U.S. Chamber of Commerce and the membership of the Department of Defense's Defense Business Board.

Since this program began last year, measurable progress has been made. About 5,000 Iraqis are back to work in sustainable jobs, and as you will hear in a few moments, other factories are about to open, with more in the works.

Just last week there was an Iraqi business and investment conference, which was held in Dubai. That conference brought together Iraqi businesses and government officials with foreign corporations. The objective of

conferences like these is to encourage foreign direct investment in Iraqi companies and to increase the demand for Iraqi goods. The conference had about 600 attendees, with about 75 potential investors.

Now the efforts of Paul's team have been and are an important dimension of General Petraeus's plan for Iraq.

All societies need sustainable jobs. People need to be employed to have income to provide for their families, and Iraq is no different. This has been and will continue to be hard work, but it is important that we move Iraq from the front pages to the business pages of our newspapers.

Now I'll let Paul and Minister Hariri give you their perspective.

Paul, Mr. Minister, please?

MR. BRINKLEY: It's a very great honor today to share a podium with my colleague His Excellency Minister Fawzi Hariri from the government of Iraq. We've worked in close partnership with his ministry over the past year's time, and as Secretary England indicated, have made significant progress in our efforts to restore sustained employment to the people of Iraq. And we'll talk about exactly what that progress is, what the challenges are -- and there are challenges -- and how we're addressing those challenges going forward.

Specifically today, some points I want to highlight are we've had a material impact -- and by material impact I mean people working in factories today who were not working prior to our collaborative efforts with the minister of Industry on 17 operations in Iraq. Those range from heavy industrial operations that manufacture complex goods, industrial goods, vehicles to factories that employ predominantly women doing things like manufacturing clothing and weaving carpet, and they range all over the country. And I'll walk through some graphs with you here.

Our efforts in Iraq have three primary focus areas. The first is -- and this was the beginning of our undertakings last summer -- to enable joint contracting command in an initiative called Iraqi First to award contracts to Iraqi businesses that are currently being awarded in the region for material goods, services that are needed to sustain our physical presence there in Iraq today. A year ago very little was falling to Iraqi businesses; today we've registered and awarded contracts to over 3,000 private Iraqi businesses, and last month over \$180 million in contract awards were given to Iraqi businesses. That is a significant economic stimulus. This is done in partnership with Major General Darrell Scott (sp) of Joint Contracting Command for Iraq and Afghanistan. He estimates that has generated employment in excess of 50,000 Iraqi workers. That is a key focal area for the task force's effort.

The second area is to partner with the minister of industry to reinvigorate and to restore employment where it has been lost, in the industrial base of Iraq. We've shared statistics on this before. We've shared statistics on unemployment in Iraq, which is rampant and a major contributor, in the opinion of our commanders and in the opinion of our Iraqi counterparts, a major contributor to instability in the country today.

There's no human population in the world that can withstand high levels of unemployment. By high levels of unemployment and underemployment, I'm talking in excess of 50 percent. There's no human population in the world that can withstand that level of economic distress and not experience attendant violence, unrest, sympathy with violent actors.

This is what our commanders have encountered. This is why this effort is so important to the Department of Defense. As our commanders adjust force posture to address the kinetic needs of the operations in Iraq, our ability to support that with economic development that brings a reward to areas where stability exists is absolutely critical to enabling defense forces, be they U.S. defense forces or Iraqi defense forces, to establish and sustain security. I'm going to just go through some slides very quickly if we can bring those up.

The first is a review of our efforts with joint contracting command, showing the progress we've made over the past year in generating and awarding business to private industry in Iraq. Much of the focus is always on our large efforts with the ministry on state- owned industry. But this is also a major part of what we're undertaking in Iraq, and we believe it's a significant stimulus for economic growth.

Next slide. We placed a team in November of manufacturing experts, accountants, certified public accountants, business consultants in Iraq, working with the ministry of industry, in support of his vision to assess the factory operations in Iraq. Much was written about factories in Iraq. These factories are old; they're out of date; they should be shut down.

There are factories all over the world that are in no worse condition than factories in Iraq that currently build and manufacture products that the world market consumes.

We believe passionately that there's no excuse for factories in Iraq to be sitting idle when the global economy is capable of absorbing -- and the Iraqi economy is capable of absorbing the goods and services that those factories produce. We assessed over 70 of these operations, and you can see the geographic distribution is very wide across Iraq.

Next slide.

We've impacted, I've said to you, as of today 17 -- materially impacted -- and that's a conservative number. We've very conservative in what we announce in terms of factories that have been impacted. The numbers are actually -- could be claimed to be higher, but we're extremely conservative when we say a factory has been impacted. That means people have gone back to work and it's unquestionable; you can take a camera in there, you can videotape, and there are workers working who were not working before. They're being extremely conservative in this claim.

Next slide.

Those 17 factories were impacted without a single dollar of U.S. government investment. We did not receive any funding appropriations from the U.S. Congress for restarting factories: buying the material, buying spare parts, restoring equipment, training workers. We didn't receive anything until June of this year. In the FY '07 supplemental budget, \$50 million was appropriated to accelerate our efforts. In partnership with the minister of Industry, we have now identified where we're going to grant a portion of that 50 million to over 30 factories, which include major industrial operations.

So when you think about the 17 factories that have been restarted, that hasn't been done with U.S. taxpayer money buying things for those factories. That's just been done through the creative efforts of our team in partnership with our command, in partnership with the ministry to drive demand to factories where demand is needed, to identify alternative sources of working capital where they can be identified, and that's how those 17 have been impacted to date. What the \$50 million enables us to do is accelerate this effort, and through investments in small amounts -- machine maintenance, tooling, training, in some cases raw material -- we expect to see an acceleration of this effort through the end of this year.

Next slide.

The factories that are receiving those funds out of that \$50 million are indicated geographically here; again, a dispersion across area, tribal regions, sectarian area, and most importantly -- and then I'll turn over to my colleague -- next slide.

As we spend this money, one of the points we made before is that commerce in any society is the fabric

that holds a society together, that underpins people's ability to get along. This is true in any society. In Iraq, as commercial activity has been negatively impacted, in some cases by security, in some cases for a host of reasons, that has negatively impacted reconciliation.

We believe in partnership with the ministry that as people begin doing business together, it helps support the objectives of political reconciliation in Iraq.

And in the case of these investments, where we need equipment for a particular factory, and it can be purchased from another Iraqi factory, we're creating that link. We're reconnecting business relationships using this stimulus to help rebuild, across clear tribal or sectarian borders, the business relationships that were very rich and that did exist in prior times in Iraq. And that's a key motivator when you look at a chart like this. How do we reforge together the interconnection that existed among commercial entities in Iraq? And that's extremely important.

That's a high-level overview of where we are. I'm going to turn it over to my colleague -- again, a very great honor to have you here today -- his excellency, Minister Hariri.

MIN. HARIRI: Good afternoon, ladies and gentlemen. Thank you, Paul, and my sincere appreciation and thanks for the introduction by Undersecretary Gordon.

Iraq's industry, as probably most of you well know, was the basis through which sustained the former regime for many, many years. Even during the years of boycott and sanctions, it was the basis which fixed most of the broken elements of that regime after the liberation of Kuwait. And Iraq's industry actually happens to be the fourth- largest employer in the country at the present time, after the security services, education and health. And today on its books, it employs over 190,000 people up and down the country.

The infrastructure of the industry in Iraq spans over six specific sectors that uniquely come together to provide a totally capable and independent industry that very rarely requires assistance and support from foreign interventions and foreign supplies. And that is what sustained the former regime. The sectors of construction, engineering both heavy and light, food and drugs, textiles, chemicals and petrochemicals and, of course, R&D -- those six sectors include over 60 facilities up and down the country. These state-owned enterprises or companies have a total of 240 factories that were operational pre-2003, fully operational in -- to the extent of 70 to 80 percent productivity levels.

After the liberation of Iraq on the 9th of April, at that particular point, just like the rest of the country, the industry of Iraq came to a standstill. Much of the infrastructure was affected through a military campaign. The rest of it was severely damaged by looting and other popular unrest that took place immediately after the fall of the former regime.

It is to the detriment (sic) of the employees and the senior management of industry at that time that they quickly came back together and reorganized the infrastructure of the various companies and brought back most of the senior management to try and manage and secure whatever facility that were left. Today, out of the 240 factories, over 175 are operational. The present production levels are between 10 to 30 percent of the designed capacity of these facilities. It does sound low, but in real terms, they started from zero, and with almost zero funding throughout this period, so far as the government is concerned.

The area that affected the industry, just like it affected other aspects of employment and life in Iraq, were some of the decisions that were taken back then in 2003 by the open border policy, which flooded Iraq with cheap goods that really resulted in the direct suffocation of the existing industry that had previously only operated in what was a monopolized market.

Iraqi government's policy is to move the industry from the state- owned, monopolized economy into a free

market economy. And basically that means moving everything that's state-owned into the private sector. We believe that is the right way to go.

We believe that that should be phased in, and we need to take into consideration the -- a number of impact factors; that are the human factors, the social and cultural factors of Iraq and the people, and the fact that for over 35 years that had lived under a very totalitarian regime that had -- totally dependent on government handouts. We need to teach the culture and build and develop the culture of private enterprising in that. And we have really taken very, very long strides in that in the past three or four years.

It is a fact that of all the funding that the U.S. government -- and our great -- our thanks to the funding that has taken place to Iraq -- none of the funding to date had actually found its way to supporting the infrastructure of the industry.

This was until the efforts that Mr. Brinkley and his team started, and we in the Ministry of Industry and my senior staff, of which I must introduce my deputy minister, Dr. Sam al-Aragi (ph), had evaluated and identified a very fresh look at how we can assist the industry in Iraq to get back on its own two feet, revamp itself, model itself on new ways of doing business in a challenging environment that is an open market policy, that is a free market economy, and then get to a stage down the road where you can then privatize and open it up to the local investor, the Iraqi investor, as well as the foreign international investor.

We believe that the effort of the present donation on the part of the U.S. Congress and the Department of Defense of 50 million will go a long way in sustaining tens of thousands of jobs and existing operating factories. Our priority in Iraq and Iraqi government is to sustain what at the moment exists in terms of employment. We believe there will be new jobs created as a result, but my priority is to sustain and keep what we have and continue to develop the capability and the skills, and therefore, for that we are grateful. We believe it is a drop in the ocean in terms of the numbers we hear of the funds that is generally targeted towards assisting Iraq, and we will be looking for greater assistance that field. And we will believe that our operation and our planning is extremely transparent, seamless and it will be open and available for any one of you to come and check and see how this money is funded.

I will stop at that and let you have your say also, but thank you very much for the opportunity.

Q Mr. Brinkley, you mentioned the \$50 million appropriation. What has been the total cost of this initiative, and where has that money come from? And has any of that money come from oil revenues?

MR. BRINKLEY: Yeah, so total cost of the task force effort since established by Deputy Secretary England last June has been approximately \$70 million. That has been to cover the cost of the resources, the people doing the assessments, and that has been U.S. government funds not oil revenue, no funding from government of Iraq on the operating expenditures of this. This has been in support of our commands, the civil affairs teams, as well as our Provincial Reconstruction Teams. It's a resource. We describe ourselves as a command resource augmenting with civilian skill sets in business; the command groups working on economic lines of operations within each of the multinational divisions in Iraq today.

But \$50 million has a specific appropriation that allows that funding to be spent on the revitalization or the re-engagement of idled industrial capacity in the factories that Minister Hariri described today are operating at very low levels of production capacity.

And so that's the distinguishing number.

Yes, sir.

Q Mr. Minister, with your effort to create new jobs in Iraq, what is the status of the unemployment in

Iraq? Do you have any figure, any numbers you can give us?

MIN. HARIRI: It is -- at the moment, the unemployment is estimated at around 40 percent. Based on the figures that were published by the minister of planning, who is responsible for the statistics in this field, this is a reduced number from last year, by up to -- between 7 to 10 percent of what was last year. And remember, the population in Iraq is very, very young. I mean, up to 40 percent of the population are at the moment estimated to be under 15 years of age. And we have, in total, what is estimated to be between 55 to 60 percent of women in Iraq today, and that is yet another major supplier to the workforce in Iraq. And many of our factories have predominantly a female staff. What is amounted to be more than 80 to 85 percent of the actual workers are women in various parts of the country.

Yeah.

Q Excuse me, just to follow up, how -- what's the number? How many jobs you are offering every month? Like, do you have any number?

MIN. HARIRI: In -- as a country or -- well, at the moment, we have almost reached saturation point as far as the ministry is concerned. We are obviously -- we had quite a great investment in these efforts. And this is why we feel the effort that is being made here, with targeting of up to 30 facilities, they would be in a position to create additional jobs. It's not enough, we need more. But we believe that with an investment of something in the region of between -- up to half-a-million -- half-a-billion dollars, we can create tens of thousands of new jobs. That is our effort.

But in parallel, it should be noted that we are also encouraging the private sector, which was always under the thumb. There was no room for the private sector in Iraq, pre-2003, to operate. It is our intention not to create anew state-owned enterprises, but do that in partnership with the private sector. We believe there is a great deal of mileage to be had from private entrepreneurs. And there are hundreds of them all over the place who would come in. And we are encouraging them, through these conferences which the undersecretary highlighted in Dubai and previously in Amman and other regional locations, to come in, invest their money. And we are providing the infrastructure and facilities for them to be successful.

Q Mr. Brinkley, I wonder if you could go over the employment numbers for me again. As I understood what you were saying, there are 5,000 people who have been employed through contractors with U.S. military. Okay.

MR. BRINKLEY: Oh, no, no, no -- (off mike) -- let me be very clear, so, of the 17 factories we've have a material impact on, and this ranges from factories that were literally among the factories he described -- on average, 20 to 30 percent of capacity.

Some of the factories we initially engaged were literally idle. Some had production but at low levels. Some had production at higher levels, but we've added. So this has nothing to do with these people going to work as U. S. government contractors, per se, but these 17 factories, the net benefit in terms of employment, manufacturing sustained employment, is approximately 5,000 workers to date.

Now in -- I want to augment that statistic a little bit. A manufacturing worker -- it's not like a construction project. I mean, much of our efforts -- good efforts in Iraq to date have been in construction. Construction job lasts until a construction job's complete, right? They're important element of an economy, but they don't sustain and grow an economy.

A manufacturing job, as we know very well in America, has a multiplier effect. And in America that multiplier is six or seven. Every manufacturing job generates six or seven additional jobs. In Iraq, the number may be lower. I don't know. Good data on that isn't necessarily available.

But manufacturing is the core engine of an economy, and as he described, under the prior regime, manufacturing was a core element of their economy. And so getting it moving again helps stimulate all the other things we talked about and has secondary effects on agriculture. Much agricultural production in Iraq flowed into state-owned factories that processed food, that -- state-owned factories that manufactured irrigation equipment, tractors, fertilizers, all supported the agriculture sector.

So an economy is a web, and pulling a piece or having one piece depressed, especially the manufacturing base, has a very negative impact. And so the multiplicative effect, we feel confident, as we rebuild and reinvigorate the industrial base and put it on a path to transition to privatization, we believe will have a cascading effect and help drive those staggeringly high unemployment numbers down to reasonable levels, where a stable population can exist.

Yes, sir?

(Cross talk.)

Q Could I follow that up about the -- excuse me -- the 30 facilities you've got your eye on? What's the potential --

MR. BRINKLEY: Of the 30 -- we've identified investments for 30 additional facilities, as we described, that the focus is on -- and you know, if you looked at the list -- and we can share that information with you -- buying a machine or upgrading a machine or a piece of equipment that's been idle for years or something -- in other words, a small investment is required to enable them to restore production, which makes them attractive as privatization candidates. There's not a company in the world that wants to buy an idle factory full of equipment that's not operating. If we get it operating, then we make it possible for --

Q They do it cheaply --

MR. BRINKLEY: Very cheaply. That's right.

Sir, yeah.

Q What are the incentives and financial support that is being provided, and under what circumstances? Who qualifies for that? Some of the Iraqi businessmen --

MR. BRINKLEY: The incentives for the -- like in the 30 factories, how did we decide which 30 factories were --

Q If there is a new businessman who wants to open a business, what the government does to support them?

MIN. HARIRI: Yes, we obviously -- we have in October of 2006 passed the investment law, Law Number 13.

It's a small step in international terms. It's a giant step in Iraqi terms. It is the first time in the history of Iraq that we have such an initiative. And it is a detriment (sic) to the policy of the government.

Obviously there are infrastructural incentives and land incentives and no restrictions in terms of capital movement, profit movement, not very restricted in terms of the number of local staff that are employed, because especially on that particular point, that's very important, because most countries restrict the investors that they should employ an X percentage of local people in this. We've highlighted a percentage that is extremely low, in

our confidence that we have some of the highest caliber in terms of personnel in the region that will hands-down compete with any regional employees.

And in terms of capital movement, completely free and no ceiling to the level of investment that they will -- and Iraq is also negotiating the -- joining the MIGA, IMF guarantee of investments. And we are also at the present time considering an Iraqi government guarantee. We are debating that issue. We haven't decided as yet.

And to be honest, we -- in every opportunity that we have had, we notice very, very large interests in terms of businesses and in terms of private entrepreneurs, both local as well as international, that identify and perceive Iraq as the next place for investment, because of its huge mineral as well as human resources that is available.

MR. BRINKLEY: Yes, ma'am?

Q Just a quick point -- one point of clarification. On your 50 million (dollars), you said that part of that has been allocated to those 30 businesses. Can you specify how much has been allocated so far?

And then a second question is on the U.S. government as a consumer. Do you have any totals on how much the U.S. government is spending buying Iraqi goods or services, and how that compares to a year ago?

MR. BRINKLEY: Yes. On the first question, the -- approximately 40 million (dollars) of the 50 million (dollars) has been targeted for these factories. Now, there's a set of extremely stringent conditions that must be met that we've defined in partnership with the ministry of Industry that involve -- we have an international accounting firm with us in Iraq who are working and monitoring the transactions, to ensure that as we announce an award to a given factory, that the need is immediately addressed with that funding and that the transactions to execute that are completely transparent through the closure of that transaction, and if it's acquiring equipment or raw material or training, that that is completely transparent.

And so those conditions have to be met. We had a remarkably -- I thought, a remarkable meeting together right before I left Iraq in August, where all of the factory managers came together in Baghdad, and this process was walked through and communicated. And they signed comprehensive agreements on the receipt of these funds and commitments to the strategy that the minister, His Excellency, accounted a moment ago to transition to business plans and to put in place growth strategies for their businesses.

And so this is being used to incent the transitional -- the transition that Minister Hariri described as opposed to just an award of money and there you go. I mean, we're using these funds to help both -- I described to you the interconnecting of business, but also to incent the kind of transitional behavior that the minister envisions for industry in Iraq to move into the direction of a free market.

Q And a second question, on the --

MR. BRINKLEY: Oh, I'm sorry. Total. Total to date -- and that initiative began last year -- last month, in July, \$180 million in U.S. contracts for a variety of materiel, services and goods that were being procured in the region have instead been directed to Iraqi businesses, and I mentioned over 3,000 Iraqi vendors have been recipients of those contracts for, again, just a whole variety of goods and services to sustain the physical presence that we have in Iraq today and using for their -- and we're spending those funds, let that money be a stimulus to the local economy, as opposed to just flowing into the region and not flowing into the local economy. And so the total value of actions to date, Joint Contracting Command reports, is \$760 million over the past year.

Q Seven hundred 60 million for the year and 180 million --

MR. BRINKLEY: A hundred and 80 million last month, so it's been --

Q (Off mike) --

MR. BRINKLEY: That's correct.

MIN. HARIRI: Just to follow on that point, that amount which Mr. Brinkley just highlighted is really targeted to the private sector in Iraq, which is, again, within this strategy of supporting an evolving private sector.

The -- in terms of productivity of the existing facilities in Iraq, the majority of it is designed to support other ministries, and therefore, all the production that today is achieved in Iraq goes into the Iraqi market. And it is obviously potentially the largest market in the region. If we take Iran out, it's comparable to probably to Saudi, if not even larger than the Saudi market, and our efforts are to develop the capabilities to meet the needs of the domestic and the local market.

Our pharmacy -- our pharmaceutical factories produce -- and 100 percent of their production goes to the Ministry of Health.

Our fertilizer facilities, both in the North and the South, all of their production is sold to the ministry of agriculture. That is then subsidized to the farmers to encourage the development of agriculture. Obviously as you move into the realms of the WTO, these subsidies will be on a down level, until they disappear.

And other production -- other products are again -- they -- we -- the construction, cement factories: All of the, or 80 percent of our production is allocated to the various governors to help local people with subsidized cost of cement. And we believe that the market in Iraq will sustain 80 percent, maybe 100 percent growth in the existing industries, without even worrying about export. However, we believe that we have the right quality and the right price for our product, and we will be seriously looking at finding buyers abroad. We're looking at Middle East, at Europe, as well as North America and the United States, to supply some of our products to.

MR. BRINKLEY: One thing we didn't talk about and that -- I don't know, I am not effective, I would say, in communicating, is to his point about selling internationally. One of the things we do believe is important in many ways symbolically, less operationally but important, is to provide a channel for the Iraqi business community to connect to the global business community, to begin to have commercial relationships in the region. These were denied under U.N. sanctions. They were locked down. There's a vibrant business community, Western- educated business leaders all over Iraq who are eager and expected to take their place in the global supply chain, and they've been waiting for that opportunity. And so it isn't necessary.

To his point, there is a market in Iraq. They can consume their products. But that's probably true in any country. I mean, there's a market in America to consume everything we make in America. There's a market in China that could easily consume everything made in China, but China doesn't choose just to choose its local goods. There's competitive benefits that accrue to international trade. You learn the quality expectations; you build business relationships that help you grow over time.

We're working to connect the Iraqi economy to those business relationships. We think it's extremely important. And there's not a businessman I've met with anywhere, in all those places we looked at in Iraq, who isn't eager to have access to that opportunity. And they've kind of expected to have access to that opportunity. We're trying to provide it to them.

Obviously in many cases, that's, you know, not intuitive to people outside of Iraq. People see images of Iraq today that belie the sense that Iraq is a place where business can be done. But the majority of Iraq today -- there is business being done. And again, to General Petraeus's strategy and to our shared commitment, we must follow the establishment of security that's taking place in Iraq with economic development, to ensure that things don't fall back.

It's -- again, I come back to you and I just ask you to ask yourself. The level of unemployment we've described today -- anywhere in the world, any human population experiencing those levels of unemployment would have violence, unrest, sympathy with bad actors. That's a human condition. And again, I think together we're beginning to address that condition. And I have optimism that as we work together, we will continue to make that situation better.

Yes, sir.

Q (Off mike) -- the barometers of success that you've laid out in a couple briefings for us was to have Iraqi products in U.S. stores by Christmas; we're not sure which Christmas. But to what extent have your expectations been somewhat tempered over the last year in terms of a lack of U.S. -- U.S. company participation -- for many reasons, but what's the state of play?

MR. BRINKLEY: I think we -- and this has been beaten to death -- one company placed some orders for some clothing sourced out of a factory in Mosul, and that was a great news story -- and again, a mid-size retailer. When we began this effort, there was more energy, a sense of optimism. The -- certainly the state of play in public opinion in the United States has an influence over willingness to engage in that type of activity with Iraq, and I have no intent -- I wouldn't mislead on that.

But I also think more of this is about operational timing. We began this effort in terms of attempting to bring goods and make them visible to the Iraqi -- from Iraq to America totally out of cycle with the normal buying cycle for standard goods in a supply chain. We're moving -- and so our -- I've not been disappointed in the reaction. I think we're going through a normal process of -- I mean, I used to -- my own private life ramp a supplier. It takes a long time to ramp a new supplier in a normal situation. We're offering goods from Iraqi suppliers, and so all the extra questions that come with that people ask and you expect them to ask. And they're cautious and they take their time.

So I have a maintained sense of optimism that as American companies -- or more importantly, regional international companies are familiar with Iraqi goods and the nature of their price points and the competitiveness they offer and the quality of the goods they offer, that you will see an increased flow of those goods into international markets. And we did achieve the stores by Christmas thanks to my friend in Memphis, so that promise was met, but I mean, we are not ever satisfied with where we are.

I don't -- add anything to that. I know this is a very strong vision that the Iraqi ministry has on this topic.

MIN. HARIRI: I think when the offer was made and we welcomed it gladly, and we would like to do that based on quality and price, and not as a sign of charity in any way, that. We are confident that what we can produce can compete with the levels of the products that is available today in some of the markets, including that of the U.S. But also we have, and we are talking in terms of the textiles and clothing for that. But we also have products that are regionally renowned if not world. And Samarra, which is a hotbed for trouble, produces some of the best drugs in the whole of Asia. And most of them --

MR. BRINKLEY: Pharmaceuticals.

MIN. HARIRI: Pharmaceutical, yes, I mean pharmaceuticals, yes, not -- (laughter).

But -- (word inaudible) -- our pharmaceutical firm, will be producing, by the end of the year, another cancer drug that only four other companies worldwide are producing. It has been granted that license and it will be -- it'll be the fourth or the fifth location that is producing -- (off mike).

So we have great potential. As I said, we have -- our greatest asset are the people who are working these

facilities. And my job, and thanks for the effort of Mr. Brinkley and his team, is to provide the right environment for these people to be far more creative in their abilities.

And this is a start. This is just, in my assessment, a drop in the ocean, but I think it has a great mileage. And if I had my way, I would encourage the Congress and the U.S. administration that if they were seriously looking at allocating funds that will affect and that will make a direct change in Iraq, then they should seriously consider the ministry of industry as a vehicle for that purpose.

Thank you.

MR. BRINKLEY: And the only thing I'd add as a closer on the well-worn question is, these are symbolically important things but not tactically important. There's a relative small number of factories in Iraq that manufacture goods that could be consumed by retail. Retail is a small element of our overall effort. Again, most of the effort, as he described, heavy industry, construction material, pharmaceuticals, things that employ far more people, but it is important symbolically to the Iraqi people and to, I believe, American people to --

Q (Off mike.)

MR. BRINKLEY: Absolutely, it's a important but small element of our overall effort.

One more, one more question. (Off mike.)

Q (Off mike) -- come back to security for a moment, because -- to what extent are these companies vulnerable to insurgent attacks if they're affiliated with a Pentagon-and-an-Iraqi-government-backed initiative?

And if they are vulnerable, how are they protected?

MR. BRINKLEY: I'll give my answer and then you give your -- I mean --

MIN. HARIRI: Yeah, you can.

MR. BRINKLEY: -- you want to lead off? I mean, I --

MIN. HARIRI: Yeah.

MR. BRINKLEY: Actually, maybe you should.

MIN. HARIRI: Well -- I mean, we are really affiliated with the United States government, and we do not differentiate which part of the funding and the assessment. And the decision for the funding came from the Congress, and we are grateful for the DOD and they seem to actually be on the ground and physically doing the field work to identify the locations. This team has spent more time visiting facilities -- and in many cases at a personal danger to their own safety -- than any other team that has worked in Iraq from foreign governments, and to that extent, most of the facilities were selected with a number of requirement criterias.

Security was just one of those. You will find that most of these locations are in areas that are relatively secure and where the area has a little bit of difficulty. We have the Ministry of Industries on internal security that protects the facilities, who will secure them. But we -- there were a proposal for one or two other locations to be funded with that, and I, as the minister, and my advisory team advised against that for the moment until there is a clearer indication as to the security in those particular area. The vast majority of the locations that we've identified and the facilities that have been identified are secure as far as we are concerned.

MR. BRINKLEY: The only thing I would to add to that is no one knows better if they're safe or not in a

factory than the employees who work there. No one makes the employees come back to work; the employees choose to come back to work, and I think this is a consistent learning that we've all taken. Everything in Iraq is local -- security is local, factories are local, businesses local. And so working in support of our commands and the ministry in a factory in an area that's been identified as secure enough to support commercial activity and giving people back the opportunity to return to normal life is a security enhancer at the macro local level.

But we worry all the time. I mean, I tell people --

Q (Off mike) --

MR. BRINKLEY: None of the actual -- none of the operations have been attacked to date. We worry all the time, but so far no. And --

Q Can I just follow up on that? How much of it's affecting the overall project that you're trying to do if you're picking factories that are secure areas? Are you working with the MNF-I or the Iraqi government --

MR. BRINKLEY: We are command --

Q -- (off mike) -- your other factory areas?

MR. BRINKLEY: We are a command resource, so the process that -- the command identifies to us: This area's secure, there's a factory here we'd like you guys to command. They take us everywhere. We don't go anywhere they don't want us or aren't willing to take us.

When they take us to a place -- so that the thinking is secure an area, immediately follow with rapid restoration of normal life, economic development. If there's a factory that's been idle or negatively impacted by security, get it up and running, get the community back engaged in normal life because then they're motivated to sustain. There's a universal -- I don't know -- view everywhere I've been in Iraq. People want to see normalcy restored, and as that normalcy's restored, people's sympathy for, again, unrest lessens greatly.

And so it's a follow-on, a command resource process that then he -- we partner, we say, okay, they want us to go here, what do you think, and the partnership, then, with the government of Iraq say, we're not there yet or this is not consistent with our strategy. So it's kind of a --

MIN. HARIRI: Yes, I agree. I mean, sometimes we as the government of Iraq don't agree that an area is safe even if the command suggests it's so, and we've stopped a couple of locations in this particular even though we would like that to be true. And Diyala, as an example. We have one of the largest employers in Diyala, and it had been standing idle for three months, prior to that was one of the biggest supplier of electricity generators to the Ministry of Electricity.

And because of the al Qaeda presence, it had stopped for three months. Now that that is cleared, within 10 days of the slowing down of operations, that we visited the location and determined to restart it. And it had been allocated, I believe, half a million dollars of this funding as incentives for the employees to do so.

So therefore there is -- and what makes this relationship work? That everybody does listen to the other person's opinion, and we have consensus when to move on.

STAFF: Thank you.

MR. BRINKLEY: We're done. Thank you so much.

Q Can we have copies of the slides?

MR. BRINKLEY: Yes, yes, those are available in the back. Yes. Thank you.

MIN. HARIRI: Thank you.

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