

AMERICAN CONTRACTOR

Newsletter

12 July 2010

Iraq Information & Other Topics

Iraq Dates

24 Oct 2010	Iraq National Census
31 Dec 2010	DFI expiration date Extended (True)
1 Aug 2010	IMF payment due
11 Aug - 9 Sept	Ramadan Muslim Holiday Celebration
Dec 2010	3rd Review Stand-by-Agreement (SBA) Loan
March 2011	Kurdistan Regional Government (KRG) elections

American Contractor Intel AC-I

This newsletter is commentary and opinion from the American Contractor about Iraq and is sent out to subscribers who have requested the information.

First off, I would like to make it known that I do not intentionally write the newsletters to be negative. I know I get accused of this every time I publish and really it is not my intention of the newsletter. The information I send is factual as I see it on the ground in Iraq and on occasion it is not what my fans and critics would like to read. I write about what I believe you would be interested in knowing regardless if it is a positive or negative. I do disclose up front on every newsletter that it is my opinion and commentary and it is up to you to confirm or deny what I have published. I do double check my information the best I can. The purpose of the newsletter is just to give you a different perspective on Iraq and hopefully we can all learn something.

The r v updates that I give are factual and an honest assessment of what is happening and developing in Iraq. I still stand by no r v in July 2010 based on what is happening on the ground and what is or not developing such as.

Short Term:

1. No Prime Minister or other primary officials in the Iraqi government selected
2. Payment to the IMF on 1 August 2010

Long Term:

1. Iraqi government budget deficits for the year 2010 and 2011
2. Greater Transparency in the Oil sector ie. docs and install meters
3. Banking sector Reform
4. Better budget execution and financial management of government funds
5. Subsidies of the Public Welfare System, transparency and accountability
6. Education of the public on IQ
7. Remove debt from state banks of Rasheed and Rafidain and complete audit

There are info guru's, and the 'Poser', who continue to state false claims about Iraq. Especially, when talking about the Office of Foreign Assets Control (OFAC) list of the U.S. Treasury department and stating Iraq is on the U.S. Treasury OFAC list and because of this listing would not be able to have an International currency. This is completely false!

The Iraqi dinar, will not be and has never been in the history of Iraq a currency of international status. It does not need to be since the Iraqi dinar currency is convertible to any currency within Iraq. Most people in Iraq just exchange the currency to one of the known international currencies such as the U.S. Dollar, or Euro, because those currencies are more manageable and accepted

anywhere in the world. Contracts in Iraq that are less than a few million dollars are denominated in Iraqi dinar, and any contract more is usually in U.S. dollars.

It has taken several years for the U.S. Treasury to update the OFAC government sanctions terrorism list because of the red tape of the U.S. government. Things like this take time and its not going to hinder any economic development or currency transactions in Iraq since the invasion to the present time. If it did then Iraq would not be able to conduct purchases of anything from the United States or any other country as it has been doing since September 2003. The CPA order 39 dated 19 Sept 2003, allowed Iraqis to conduct business outside of Iraq and with any foreigner as it was forbidden under the previous regime. Most people confuse this with it allowing Americans to conduct business in Iraq which is allowed however, the CPA order 39 was written for the Iraqis to jump start there economy and get commerce activity started.

I have included the url link for the pdf from the U.S. Treasury office for you to read that Iraq has been removed as of May 2009.

US Treasury removing Iraq from OFAC Schedule, page 23112
http://www.treas.gov/offices/enforcement/ofac/legal/regs/fr74_23111.pdf

Small Denominations of Iraq Currency

This rumor has been around a long time. The thought of smaller denominations of Iraqi currency being locked up at the Central Bank of Iraq (CBI) or at Iraqi banks just waiting to be issued makes good conversation in forums. This is just not true, there are no smaller denominations lower than the 50. In October 2004 the lead Army General (Retired) Hugh Tant, the civilian in charge of the exchanging of the Iraq currency, had given this interview and mentioned eight denominations and additional coins that could have been printed and did not say for certain the total printed was eight.

Army General (Retired) Hugh Tant Interview,
<http://www.usip.org/files/file/resources/collections/histories/iraq/tant.pdf>

Another piece of information that keeps this small denomination rumor alive is the Aldiyar Satellite Broadcasting, an Arab media organization in the Middle East. The flyer stated talks with representatives from the CBI and they were going to talk about 14 denominations of the Iraq currency. The information was not correct in the published flyer.

Exchange Rate Restrictions (Iraq Dinar)

I have stated this many times before in my newsletters that Iraq does not have any restrictions on its currency. If you take a moment and read the IMF report it plainly states the following:

Iraq has a generally unrestricted current account regime and a significantly liberalized capital account.

The IMF states unequivocally that the Iraqi government maintains an account at the IMF that is UNRESTRICTED and a CURRENT account that is significant liberalized. However, it does have measures to assist in making sure Iraq follows the U.N Charter, Anti-Money Laundering Laws (AML) and government obligations by having the four measures below.

The information is found on Page 3, of the IMF Country Report Dated March 2010

1. The requirement to pay all obligations and debts to the government before proceeds of investments of investors, and salaries and other compensation of non-Iraqi employees may be transferred out of Iraq.
2. The requirement to submit a tax certificate and a letter of non-objection stating that the companies do not owe any taxes to the government before **non-Iraqi companies may transfer proceeds of current international transactions out of the country.**
3. The requirement that before non-Iraqis may transfer proceeds in excess of ID 15 million out of Iraq, the banks are required to give due consideration of legal obligations of these persons with respect to official entities, which must be settled before allowing any transfer.
4. An Iraqi balance owed to Jordan under an inoperative bilateral payments agreement.

After reading the four measures you can agree that there are no restrictions on the Iraqi Dinar currency imposed by the International Monetary Fund (IMF). The CBI and Iraqi banks who are set up for international transactions (9 Iraqi Banks Currently) are able and with out restrictions as stated in number 2 of the guidelines. After several years the four measures will be either lifted all together or modified to suit the needs of the Iraqi government.

If you're an Iraqi contractor and wanting to obtain a U.S. Government contract you as the in country contractor you first must set up an account with one of the ETF enabled private Iraqi banks. The DOD wires the U.S. funds from the U.S. Treasury office directly to the Iraqi contractor company bank account. This saves money and is more secure because you don't have to handle a lot of cash like back in the old days. This allows the Iraqi contractor to make payments to the supplier any where in the world by electronic transactions safely. In the old days there was a courier that would carry your million dollars

in cash to purchase supplies or materials for your construction project. The Iraqi contractor had to hope and pray that the courier didn't get robbed along the way. It has come a long way since those dark days in Iraq.

The Iraqi banking Industry is heading in the right direction to get to the 21st century or modern banking practices up to date. You can read an excerpt of this in the Restoring Hope Newsletter. International currency transactions are occurring as you can read below. Most of the transactions are being done in us dollar.

The operating model for this shared service was defined and agreed to by the private banking consortium in January 2008. A key next objective is the establishment of a transaction regulatory body, the Iraqi Payments Association, accountable to the Central Bank of Iraq for oversight. The establishment of this body is planned for the summer of 2008. To directly stimulate the rapid capitalization and expansion of private banking, and also to stimulate the migration away from a strictly cash-based economy toward EFT and management, steps were taken to again leverage DOD spending as a market incentive. Under policy that took effect in November 2007, and as a next step in the Iraqi First program, businesses in Iraq receiving new U.S. contracts are required to open accounts with one of the EFT-enabled private banks, from which they will receive all payment from DOD. – Restoring Hope Newsletter March 2010

IMF Country Report No. 10/72, March 2010

<http://www.imf.org/external/pubs/ft/scr/2010/cr1072.pdf>

Restoring Hope – Economic Revitalization in Iraq Moves Forward
Newsletter March 2010

http://usacac.army.mil/cac2/call/docs/10-34/ch_6.asp

TV talk show discusses US vice-president's visit to Iraq

Al-Iraqiyah Television in Arabic carries at 1815 gmt on 5 July a new episode of its "Al-Iraqiyah and the Event" programme on US Vice-President Joe Biden's recent visit to Iraq.

Anchorman Nusayr Haydar Lazim introduces his two guest speakers in the studio as follows: Kamal al-Sa'idi, member of the State of Law Coalition; and Muntasir al-Imarah, member of the Iraqi National Alliance.

Asked if this was a surprise visit, Al-Sa'idi says visits by US officials are continuous due to the Iraqi situation and the nature of the US-Iraqi relationship. The Americans, he adds, are very concerned about the Iraqi issue, as they have a troop withdrawal that will take place soon. He says I believe the Americans are concerned about two issues; the first is withdrawal, which means that they want to make sure that the political and security situation in Iraq will allow the withdrawal. The second issue, he says, is the formation of the government. As a major player in Iraq that sponsored the political situation and toppled the regime, the United States feels that it has a big responsibility towards a successful formation of this government, he says.

Replying to a question, Al-Sa'idi says: "As far as I know this visit does not entail any US plan on the formation of the government or the imposition of any viewpoint or anything of the kind. I believe that it is a normal visit to express concern. It is the right of the United States to be concerned about its forces and position in Iraq as well as the government and the plan, which it believes it was its godfather."

He adds: "Incidentally, the issue is not just the arrival of Americans. If you enter the lobbies of the political process you will find that at least some regional states are involved."

"We will talk about this subject," the anchorman says, adding: "The Biden visit has a special aim. The US Administration says they want to remove the concern and fears of some Iraqi politicians, including some who are pessimistic about Biden's visit. Why, Muntasir?"

Al-Imarah says: "It is understood in US politics that the Democrats consider the Iraqi file a secondary issue while the Republicans consider it a basic issue in their foreign policy. The democratic interest to the point of sending a big congressional delegation and the vice president shows the democratic US Administration's concern about the Iraqi situation. We could see it from another angle, which is that the conditions in Iraq have improved a great deal and the democrats are trying to exploit what the republicans have done in Iraq with few losses and more benefits."

He adds: "What concerns the United States is the formation of the government. Actually, the statements that Biden made to the news media

all say: We do not interfere in Iraqi affairs. We hope that Iraqis will quickly form the government. This matter concerns Iraqis. We are not interfering in Iraqi affairs. But in the backstage, who knows what went on between Dr Iyad Allawi and Biden in the quarter of an hour in which they sat together without the other members of Al-Iraqiyah List?”

The anchorman asks Fayizah al-Ubaydi, member of Al-Iraqiyah coalition, about this quarter of an hour which Biden spent with Allawi. He says: “Many people say that Joe Biden did not carry any plan on the formation of the next Iraqi Government or any pressure. But some observers consider his call for a quick formation of the government an indirect interference. How do you read it?”

Al-Ubaydi, speaking on the phone says: “First I have a comment on what the brother from Al-Iraqiyah Coalition said that Biden met for about a quarter of an hour with Dr Iyad Allawi. I believe that these matters and details do not serve the political process. The formation of the government is the basic issue.

She adds: “What caused Biden’s interference, foreign interference, or the internationalization of the issue? It is the failure of the blocs to unite and expedite the formation of the government. How many months have passed since the elections? Besides, major obstacles were placed in the way of Al-Iraqiyah List, which had the right to form the government on constitutional and parliamentary bases? I believe that this interference is due to the failure of the political blocs to expedite the formation of the government at a time when Iraq is facing a bad security situation and a constitutional vacuum and having to cope with a caretaker government.”

Continuing, she says: “As for Biden’s visit, I believe that this issue does not go beyond giving advice and perhaps narrowing viewpoints between the political blocs.” She also says: “Regarding Al-Iraqiyah List, it is open to all blocs, as it does not distinguish between them. It calls for the formation of a national partnership government.”

Asked to comment on what Al-Ubaydi said, Al-Sa’idi says I regret that I did not hear what she said, “but certainly, as I told you, Biden and the United States are perturbed by the delay in the formation of the government. This is clear in US statements. The Congress message also expresses this anxiety.”

Al-Sa’idi says that anxiety now affects everyone, including the political blocs, due public and international pressure and questions about when the government will be formed. He says: “I believe that the United States aims through Biden’s visit to achieve two main aims: First, conveying a message that expresses its anxiety; second, trying with the parties to produce a new stand. Therefore, I affirm that Biden does not have a plan. This is contrary to what is being said in the media that he came to impose something.”

Is it possible that in private meetings with Biden, the Americans have exerted pressure, but it is not in the interest of the blocs to reveal that, the anchorman asks?

Al-Sa'idi says: "It is possible for the Americans to make proposals, but as to making threats or imposing things, I say no."

Addressing Al-Imarah, the anchorman says: "Regarding the US congressional message, did it contain proposals or appeals?" Al-Imarah says: "It neither contains proposals nor appeals, but clear interference in Iraqi affairs and a tacit threat. The message began by addressing the prime minister as follows: 'In your capacity as prime minister of the Iraqi caretaker government.' I believe that this expression is significant and hurting actually, and is a threat. We must not separate the message by the members of the US Congress to Nuri al-Maliki from the inclinations of the United States as a major power that wants something for Iraq."

"Please explain this to me," the anchorman says.

"I will explain it," Al-Imarah says, adding: "I believe that the message was an open and clear interference and I will read some of it. It says: On 7 March, the Iraqi people voted in favour of a unified Iraqi state by supporting the two non-sectarian coalitions: Al-Iraqiyah List led by former Prime Minister Iyad Allawi and the State of Law Coalition under your leadership. All the other lists are sectarian, nationalist or whatever."

Commenting, Al-Imarah says: "This is an insult to many Iraqi lists. It also says that the message of the elections supports a unified Iraqi state and a national unity government will provide an opportunity for all the Iraqi spectra to work under one flag and it will make it possible to hear all the voices. Such a positive step would enable the State of Law Coalition and Al-Iraqiyah List to come to an agreement and prove the need for the political leaders in Iraq to understand the importance of stressing the future and overcoming their differences."

"On what basis did they read it this way," the anchorman asks?

Al-Imarah says: "I will come to the point. There is another point which sounds like a directive. They (the Iraqi people) have proven that democracy does not mean that winners of the majority must control everything alone. But instead they gave an example to sound rule which reflects the will of the majority while it respects the rights of the minorities."

He adds: "The other interference says if this government was formed by Al-Maliki and Allawi it would be non-sectarian." He adds: "They wrote in the preamble saying we hope for positive relations between the United States and Iraq and we believe that a national unity government - they always stress it and in the details it means the premiership of Dr Iyad Allawi - would help us in our efforts. If this national unity government was not formed, any non-sectarian government in Iraq will have a positive impact on our efforts to strengthen cooperation between the United States and Iraq and in the

ongoing efforts to end what is left of the Chapter Seven sanctions. In other words, they were saying if you did not form this government under Al-Maliki and Allawi we will not help you on the subject of Chapter Seven. This would also jeopardize the strategic framework agreement between our two countries.”

Continuing to read from the Congress message, Al-Imarah says: “The message says we believe that peaceful succession to power from your government.”

“This was towards the end of the message,” the anchorman says.

“Yes, towards the end,” Al-Imarah says, adding: “Peaceful succession to power from your government to a national unity government with the list of Dr Iyad Allawi will be a clear sign that you have heard the Iraqi people’s call for building a democracy that respects all voices.”

Asked if they read the message the same way, and if there is indeed interference by the US Congress, Al-Sa’idi says: “I have some observations. Of course, some of the points raised by my colleague Montasir are clear. First, let us see how many congressmen sent the message, very few.”

“Thirty four,” the anchorman says.

“Yes, thirty four and this is a small number,” Al-Sa’idi says, adding: “The second thing is that it is not necessary for the congress viewpoints to agree with those of the US Government. Take the Iraqi example, does the Iraqi parliament agree with the government’s stand? It does not agree on many stands. In the United States the position is even clearer. Therefore, the message expresses a US viewpoint. I don’t think that it expresses the full official stand of the United States. It expresses a viewpoint in US policy, and this is possible in the United States.”

“Yes, there are insinuations that the agreement and the form of government are being exposed to something,” Al-Sa’idi says.

“Are they threats or insinuations,” the anchorman asks?

“Why should they threaten us,” Al-Sa’idi says adding: “I told you a while ago concerning Biden’s visit and other US officials I have never heard that they came to make threats. But when the United States adopts a plan in the Middle East, Iraq, and elsewhere, of course it sponsors the plan and uses pressure tools. Nobody denies that. It cannot stand by as a spectator.”

The anchorman says: “Is it clear that these pressure tools include a proposal, Kamal, such as the merger of Al-Iraqiyah with the State of Law? After all, this is their proposal in the message.”

Al-Sa’idi says: “They announced this desire openly. They announced it in more than one place and through more than one official, saying that they

will be closer to an alliance between the State of Law and Al-Iraqiyah list for reasons which they explained. They believed that the two lists represent a bigger spectrum of the Iraqi people. This is what they see not me. They believe that the State of Law is a list that is characterized by moderation and the other list is a broad representation of Iraqi society. Therefore, if these two lists agreed and the Kurds also joined, it would be a government in their opinion that would be acceptable on the domestic, Arab, and international levels. This is the analysis presented by the US politicians.”

Turning to Al-Ubaydi, the anchorman says: “Madam Fayizah, this message which contains such a proposal for a merger between the State of Law and Al-Iraqiyah, how did Al-Iraqiyah read it and how did it explain it?”

Al-Ubaydi says: “Al-Iraqiyah list and the State of Law list were the largest blocs produced by the elections. There can be no argument about that. This is first. Second, Al-Iraqiyah bloc does not marginalize any other list, no matter how small, even the lists that did not win. It says that they could participate in running the Iraqi state in the future. Therefore, there must not be marginalization of any particular list. We read what came to us from the US Congress and the advice from Biden. As you said they do not go beyond giving advice and narrowing viewpoints between the lists.”

The anchorman asks: “During his meeting with Dr Allawi, Biden proposed a hot line with the White House. How true is this and why?”

Al-Ubaydi says: “What we hear is different. In every election and phase it is said that the Americans are close to Dr Iyad Allawi and are trying to give power to Dr Iyad Allawi. And now I hear this from you. There is a big contradiction on this subject.”

The anchorman says: “No, madam Fayizah, today’s papers say that Biden proposed to Allawi the establishment of a hot line for communication between him and the White House. I am asking about this subject. How true are these press reports? Second, why should there be a separate hot line between Dr Allawi and the White House?”

Al-Ubaydi says: “There is no hot line or separate line between Dr Allawi and the White House or any other foreign quarter. Dr Iyad Allawi has a national plan. He was joined by a big bloc and well-known national lists with one colour. They have not changed their programme since 2003. There are no secret communications between Dr Allawi and any quarter. His discussions, proposals, and plans are very clear on the Iraqi arena.” She adds: “Our demands are that he should form a national government with the Iraqi lists on firm bases.”

The anchorman asks: “Muntasir, did Biden carry the same proposal as the one sent by the 34 members of Congress?”

Al-Imarah says: “No, I actually said at the beginning of my talk that it seems that Biden has made good statements. He wished that Iraqis would expedite

the formation of the government. He also wished that the decision would be Iraqi and that no one would interfere in it. He believes that the political process in Iraq can only continue with a national plan. They are good statements. As to behind stage, we do not know what he proposed.” The anchorman says: “Biden met with the leaders of the blocs or communities in this order: first Dr Allawi, then Al-Maliki, and then President Talabani and Ammar al-Hakim. Did he want to say that the largest bloc is Al-Iraqiyah followed by the State of Law? Is this the message he wanted to convey by his visits?”

Al-Imarah says: “I asked two of the four parties that you mentioned. They said that he conveyed a friendly message. He was interested in expediting the formation of the government and nothing more. What was proposed was the US Government’s desire to continue with the cooperation despite their decision to withdraw the forces on their set schedules. They want to maintain and develop the relations to the fullest extent and hold general discussions.”

Following another short break, the anchorman says: “Is 31 August a sacred day for withdrawal? Is everyone committed to it; the Iraqi side and the US side, and will the Iraqi side press for the implementation of this agreement?”

Al-Sa’idi says: “I personally believe that the United States will abide by everything it signed for reasons pertaining to its internal circumstances, the conflict in Afghanistan, the improved Iraqi situation, and Iraqi rejection of a number of conditions.”

Turning to Al-Imarah, the anchorman asks “Muntasir, have we begun implementing the strategic framework agreement; is it seriously being implemented, or are we waiting for a new government to implement it with the US Administration?”

Al-Imarah says: “The strategic framework agreement is very good. It has different aspects plus US aid in the different cultural, construction, and services fields. It is a good agreement.”

“Good or important,” the anchorman asks? “It is good and its importance will be in its implementation,” Al-Imarah says.

Al-Imarah asks if Iraq has a plan, Al-Sa’idi says: “I believe that this is not a political question. This question is of a social, political, and cultural connotation. If you mean a cultural plan, I do not believe [Interruption] Interrupting, Al-Imarah says: “I mean a political plan precisely.”

Al-Sa’idi says: “I believe that there is a political plan, but there are failures. The political plan normally has a theoretical aspect dealing with the constitution, democracy, and peaceful succession to power. By theoretical, I do not mean academic. No, there are democratic liberal values that must be strengthened. On the practical side, there must be political forces up

to the level of this plan. These forces are affected by failures. Why these failures? This requires a long talk and I cannot answer you in one or two minutes.

He adds: "But the plan is proceeding well. I believe that despite the slackening the US plan in Iraq is proceeding well.

The anchorman says: "Kamal, we said that we will enter the Iraqi house and see the US plan. Yesterday, I believe that the nine-plus-nine leadership in the National Alliance held a meeting." "The leadership," he adds, "held a meeting, which was perhaps the first to attain quorum; nine members from the National Alliance and nine members from the State of Law Coalition. Has this meeting produced anything?"

Al-Sa'idi says: "Quite frankly, up to this moment we have not reached full agreement on the mechanism on choosing the prime minister. We hope to achieve that soon. Otherwise we would face a constitutional problem. We still have nine days. I regret to say that this does not concern the two coalitions but the political process in Iraq; it is a process which when we reach the last moments the margin of manoeuvring will drop and all will be compelled to make concessions. All might reach this point."

The anchorman asks: "Kamal is the National Alliance unified?"

Al-Sa'idi says: "Up to this moment I cannot say that it is completely unified, but it is not about to break up, as some said."

Concluding, the anchorman says: "I hear something about Al-Imarah and I want him to answer me so that we can conclude with you Al-Sa'idi. The National Alliance, Al-Fadilah bloc, the People's Freedom bloc, the Supreme Council have sent a letter to Al-Maliki."

Al-Imarah says: "Actually, they have not sent a letter." He adds: "The joint committees between of two coalitions have completed their work with regard to the government programme and even discussed details on certain important ministries, ministry programmes, and the media discourse, and proposed basic law for the next cabinet; in other words, they covered everything. There remains one point, which is the disagreement on the prime minister."

The anchorman says: "I thank you for this explanation. Kamal you have 30 seconds to reply."

The episode ends at this point.

Source: Al-Iraqiyah TV, Baghdad, in Arabic 1815 gmt 5 Jul 10

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