Thank you very much, Senator.

I really thank you for inviting me to speak at

this August meeting——

Thank you very much for inviting me to participate

in this hearing to speak about what I think is needed for the

Iraq economy. I’m going, actually, to be brief, despite the fact that

actually the subject is not at all brief. And what——

Thank you.

I just actually want to give an idea about the characteristics of

the Iraqi economy today. I mean, I’m not going to actually go into

detail on this, but I’m going to enumerate certain characteristics in

order to move on a certain actually strategy what is needed to be

done in the short term and—in the longer terms and the short

term, which is actually medium and long term.

There are Iraqis now actually living under a situation where

there is a huge resource deficit due to sanctions. There is actually,

to a certain extent, negative or low growth rate, despite the fact

that the growth rate has increased, but this is basically due to the

increase in oil production, which is actually not real, because, I

mean, what we mean here is the growth in the non-oil sector.

There is actually a deteriorating social situation and human development,

in general, and they’re characterized basically by the

disappearance of the middle class, once vibrant middle class. There

is a collapsing exchange rate. There is rampant inflation and huge

external debt and a big bill of war reparations. All these things

are—I mean, we can, of course, speak in detail about these things,

but they are actually the characteristics of the Iraqi economy.

Those characteristics did two things to the Iraqi economy. First,

they made the Iraqi economy unstable—unstable in economic

terms, because, I mean, my colleagues are talking about political

instability. I’m talking now about when you have inflation, when

you have deficit, when you have all these things, we are actually

talking about economic instability, and they are actually retarding

the growth. And, of course, the political situation is a constraint—

is a general constraint on all these things.

So what is actually needed to be done? In order to grow, you

need to do certain things immediately and, as you say, the day

after, but immediately and in the very short term. And in order,

actually, for Iraq—and I’m going to read part of things which I

have done before. For Iraq to resume growth, it must first restore

economic stability and create the conditions to sustain this stability.

Restoring economic stability. Top priority must be given to raising

the external value of the dinar—of the Iraqi dinar, the national

currency—and controlling high inflation because of the adverse effects,

social and political, consequences of this. In other words, the

immediate priority is to restore microeconomic stability.

If inflation is not reduced, it is likely that political protest will

take place. Repressive measures must not be used to quell those

protests in a new setup. A resolute effort to address that question

of inflation as explained below should help stabilize the situation.

So what is needed in this regard? Basically, what is needed, mobilization

of substantial volume of financial resources. This mobilization

has two dimensions, international and regional and domestic.

What is needed on the international and the regional level? After

the lifting of the sanctions, Iraq should be allowed to reach or approach

its maximum oil export capacity. Its reentry into the oil

market should be accommodated without adversely affecting the oil

price level. This will require maximum cooperation by OPEC members,

even though many of them are suffering from budget deficits.

These countries are certainly aware of the suffering Iraqis have

gone through and should also be aware that the economic and political

stability of Iraq will have favorable repercussions on regional

security. Agreement on a new oil production level in Iraq should be

a process of dialog and negotiation with other OPEC members, a

process by which Iraq can reintegrate into the region and the international

community.

Second, a standing should be granted to Iraq on the payment of

debt reparation. Actually, Iraq is not paying its debt now, but, if

conditions arise, probably there will be some questions in order to

pay that debt.

Well, the debt actually is divided in two parts.

I mean, there is actually a debt owed to gulf countries, which is

interest free, and there is also a debt which is to non-gulf creditors.

And, I mean, estimates vary. All the official estimates about this

is actually—an Iraqi statement in 1991 submitted to the United

Nations, which says it’s about $42 billion.

Yes.

But, of course, I mean, because if it is not paid,

it is accumulated.

So reparation, of course, is a different thing. I

mean, they are—the statistics are there, and there is a Web site,

a very good Web site, in—that claims there is about $300 billion.

But, of course, these are verified, and what is paid is very much

less. But the claims are still there.

So there should be a standstill on these things.

If this is not done, then Iraq may remain in deficit.

While sanctions are currently causing their resource deficit, payment

of debt reparation may later become its principal cause. The

question is, of course, is that even when you lift sanctions and you

get all oil exports back to the country, but there is a payment of

debt reparation, then, of course, there is another leakage in the

economy. Therefore, actually, you might go back to a deficit situation,

and it is the deficit that is causing inflation and causing the

lower value of the dinar. So it’s actually a package.

What Iraqis need is lifting of the sanctions coupled with relief

from debt and reparation. Experience shows that high debt-service

payment engender economic instability and fuels inflationary pressure.

Third, the regional and international community should extend

substantial financial assistance to Iraq. This assistance should be

on concessional terms or preferably in the form of grants, would assume

particular importance in the event that the reentry of Iraq

into the oil market was only partially accommodated or if there

was actually—no standstill agreement arrived at in terms of debt

reparation.

Those three measures actually are related to the fact that they

are part of financing. They do not relate—they are measures by the

international community. They do not relate to production—to actual

production or trade. A lot of countries, I mean, go to financing

before they start their growth policies and investment policies. And

the situation is no different in Iraq.

So these measures will actually indicate that there is a commitment,

and there should be a commitment on serving all these—the

debt problem and the reparation problem. And, of course, the financial

assistance will depend—volume of financial assistance will depend

on the extent to which these problems are solved.

I have an estimate here—I mean, the question of financial assistance

depends on the deficit of resources. I have, actually, an estimate

which—in the next 5 years, the annual deficit could be about

$7 billion—depending on the payment of debt, depending on how

much the country will get in terms of exports.

And, as you know, all these variables are subject to many assumptions.

Therefore, this is one of the estimates, and this will indicate

how much the international community should actually

make available to Iraq.

But if there is a solution to the other problems, like debt reparation

and the reentry of Iraq into the oil market is guaranteed, the

picture would be changed. Therefore, the question of actually negotiation

of a question, studying the figures very well—but this is actually

something of the order of magnitude.

These measures, if undertaken, would indicate good will, of

which Iraq needs, on the part of the international community toward

and would contribute in an important way to assist ability.

Success in the mobilization of resources depends on Iraq creditors

in the region and/or outside the region, the U.N. and other exporting—

other oil-exporting countries.

What I mean to say here is, actually, that it’s a process of dialog,

a process of negotiation which actually brings Iraq back into the

international—into the regional and international—it’s not only actually

the financial merit of it, but the fact that Iraq will again sit

down with all those stakeholders and actually discuss all these

issues.

This is actually on the international and regional scale, which is

very important, extremely important in the beginning. And, as I

said, it doesn’t require production or trade, because Iraq doesn’t

have the capability to go into—in the first 6 months, let us say,

into production and trade. And then this will help, giving Iraq a

breathing space, in order to proceed for growth policies.

But still, on the domestic level, Iraq should compliment the actions

of the international community by refraining from money

printing to finance its expenditures since it does not have, at this

stage, the short term, the productive capacity to back this additional

money supply. Money printing can, however, be tolerated if

foreign exchange flows into the country. But it should be carefully

synchronized with the growth in the domestic production on foreign

exchange.

Now I want to jump to—where should we use these resources—

the resources which are mobilized from the relief from the obligations,

from financial assistance, from oil exports—what are actually

the outlets they are used for? First, they should be used for imports,

especially for consumer goods and food, as a matter of priority.

This is not inconsistent with the policy of supporting—because

I suggest this—the latent demand for agriculture products

and food in Iraq is almost certainly so huge that supply from imports

and domestic production will be needed during the short term

for the provision of social services, especially in the fields of health

and education. Your reports stressed the poor state of hospitals and

the shortage of medicine and medical equipment and school materials,

for the construction and rehabilitation, especially of power

and water plants, sanitation, sewage facilities, and telecommunications.

And I want to give you an idea about actually some figures which

I saw about reconstruction bill. There is an official figure written

in Arabic—one of the Ministers mentioned that. It’s about $400 billion.

If we want actually to estimate—this is very difficult to estimate

it while you are not on the ground. The question is, of course,

in the oil sector, the lost output of oil from 1980—since the war

with Iran—up to now, it was estimated to be about $150 billion.

I mean, we had to take actually—what would Iraq have produced

if there was no problems, no wars and these things, and then

what—this is as far as the oil sector—as far as the forgone oil output,

which actually needs to be recouped.

Huh?

Yes, well, I mean, this is actually—it needs to

be—well, that’s why I’m mentioning about the reintegration of Iraq

into the oil market and the cooperation from other oil-exporting

countries. Then, of course, the non-oil sector, which is almost the

same level, because it represented about 50 percent of output in

Iraq.

We are talking about a reconstruction bill estimated in a methodological

way, not actually the actual way, about $300 billion. But,

of course, this needs actually to be verified on these things.

So the other outlet for the spending of the resources, for a new

program of human development and technological rehabilitation so

that Iraq can abridge the technological gap as far as access to information

technology in concerned. This gap has been caused by

sanctions and government policies which prevents access to information,

in general. Information technology will be an essential requisite

for growth in the next decade.

Of course, when you restore—this, we hope—these measures

should restore economic stability. Then we will have actually—

when we restore the economic stability, we will have to maintain

that stability, and this will depend actually on actions basically by

Iraqis. The first phase action by the international and the regional

community is a phased approach, is a sequenced approach. Is it a

cooperation by the regional and the international community. Now

actually it is basically a proactive policy by Iraqis.

Here in this phase, which is a phase to maintain the economic

stability, is—Iraq should cooperate with OPEC—should initiate cooperation

with OPEC to maintain a stable price level that guarantees

good level of revenues but yet doesn’t hurt actually the consumers

of oil.

In the first phase, we agreed on a standstill, then Iraq should

propose negotiation of the claims, whether it is debt or reparation,

which means actually negotiation with the creditors and negotiation

with the U.N. And this, of course, you need a very well-integrated

government in order to discuss all these issues.

Then, of course, after you maintain stability, economic stability,

you have the preconditions now and the conditions to resume an

orderly growth. And this, of course, not related to the short term.

And in this case, you have to—in Iraq before—because of the

availability of oil revenues, the government and the authorities

were not actually using and relying on economic policies to mobilize

resources. We are suggesting here the policies first to create stability,

but we are suggesting policies, macroeconomic, like monetary,

fiscal, and these things, to mobilize resources for growth.

And in this way the government should rely on macroeconomic

policies, because—in the past, because of the fact that oil revenues

are available if you—the thinking that if there is oil—if there is resources,

why should you need policies to mobilize resources? And

this is wrong, because mobilization of resources through policies is

a capacity-building process in Iraq.

And then, on redefining the priorities both in terms of production

structure and ownership. And, of course, here we are suggesting

that Iraq use its agricultural potential. It should concentrate on

human development, it should concentrate on telecommunication

and telecommunication sector, because at least actually our sectors

which help Iraq integrate into—from a development point of view

to integrate it into the globalization process.

Last, Mr. Chairman, is that this program, which I haven’t actually

explained totally, but the thing is, this program really runs

counter to a war against the Iraqi people. I mean, this is very important.

All of us actually would like to end dictatorship and end

oppression. There is definitely no question about that. But all these

assumptions, all these proposals will break down if we have a scenario

where there is war against, eventually, the Iraqi people or a

war that destroyed the infrastructure. So actually this is very important,

because we don’t want to increase all the bills which we

need to mobilize in order to get economic stability and economic development.

I thank you very much, and I will be very happy to respond to

any questions.

Thank you, Senator. Well, actually I mentioned

in my presentation about the resources that need to be mobilized

to address the very one of the outlets of these—the resources are

used—to use them for alleviating the humanitarian situation. Of

course there is in Iraq now—I mean, there are problems relating,

of course, to availability of medical services. There is—I mean,

all—the reports abound about these issues.

But, of course, what might emerge also, there will be a lot of

Iraqis who wish, probably, to return to Iraq from neighboring countries

and all these things. And, of course, there will have to be provisions

to address all those problems. They will create, of course,

a lot of humanitarian consequences.

So definitely this is one reason to pay close attention to the fact

that the international community should help Iraq to mobilize their

resources to address this very important question.

Well, I would like to come back about to the

question of governing Iraq on these things. And, of course, I mean,

we are Iraqi—we Iraqis, we speak always about the future, about

Iraq and the government and these things. But the question here

is Iraqis are very much aware and cognizant about the fact that

they have really lost a lot of opportunities in terms of simple economic

development and growth. This is since the beginning of the

1980s and even before. And if they compare this with their potential,

I mean, they realize how much loss they have incurred.

The question here I wanted to allude to is, I don’t think, apart

from, actually, the defense—legitimate defensive means, that Iraq

would like to concentrate on the future on things which are a part

from its economic development aspirations. Basically, I mean, they

would like probably to look at a smaller scale, the example of Germany

and Japan after the Second World War. And they have the

potential to do that.

This brings me to the question, is—I know that politicians actually

are very much concerned about the government of Iraq, and

the fact that we have to find people that govern Iraq from the

groups that exist. But the question here is actually that Iraq

should give unfortunately to the people, specialists in various

fields, actually, to give higher say to the future development in

Iraq—technocrats in the field of legal system, constitution, health.

I know the—I mean, of course, they’re—one can say that these are,

of course, management, but they have to actually have a stronger

say, and their opinions should be heeded by the politicians in future

Iraq. This is the only way where all the resources that may

emanate or will emanate to Iraq will be put into economic development,

which actually we lost in terms of decades the case of this

development and we will have to recoup all these things.

Well, Senator, this is, indeed, a very specific

question. The question, of course, will have to be studied to see

whether it will have to be compared with the Iraqi oil capacity or

whether the two countries should be involved in the development

of the oil sector. And, of course, in my presentation, I put, as one

of my points whereby the resources to be mobilized is that Iraq will

have to reach its maximum capacity of oil. Because, you know, Iraq

is one of the countries which actually did not produce a lot of oil,

because a lot of past conflicts and these things. And I think, I

mean, these things will have to be looked at where different countries,

of course, can be evaluated in order to raise the capacity of

Iraq on these things.

I don’t know, of course, politically what will be the situation. I

mean, this, of course, will have to be decided. But I think that the

Russian are—if they want—I mean, probably—they want to trade

their debt with their investment, this is another question. I mean,

the question is, of course, there will be a situation where Iraq can

win, if, for example, Iraq can get foreign investments, which actually

brings technology and, at the same time, I mean, the debt is

relieved because the country is allowed to——

Well, then this——

Yes. This is a matter of, of course, for negotiation.

This is what we call——