

17

(b)(6) (CIV)

From: (b)(6) (CIV)

Sent: Friday, November 21, 2003 2:03 PM

To: (b)(6) (FO-1)

Cc: Jones, Richard H. (AMB)

Private Sector Dev: other

(b)(6) My response to your e-mail of yesterday:

Private Sector Development's most important priorities are:

- Private Sector Development Initiatives:
 - Directing Supplemental work to Iraqi businesses and workers
 - Developing Private Sector access to credit and capital
 - Modernizing the commercial and private property laws
 - Streamlining corporate registration and other permitting processes
 - Opening business offices and other technical assistance resources
- Foreign Investment
- SOE resumption of operations
- A Privatization plan
- An Oil Trust plan
- An Energy Subsidy Reform plan
- Corporate Sponsorship

The private sector development initiatives are being developed in conjunction with the Ministries of Planning, Trade, and Finance. Program development will be completed and implementation underway by year end. Private Sector Development is developing within the Ministries the capability for carrying-out these programs beginning in several months. Foreign investment activities are focused on amending the company law, developing an information and referral capability, and developing and implementing a foreign investor direct solicitation program. These efforts will all have been completed and handed-off to the Ministries of Trade and Planning by July 1. The SOE resumption of operations effort is completed and has already been handed back to the SOE's respective Ministries. A privatization plan has been developed and is being modified in an effort to respond to initial input from the Governing Council. Privatization implementation is commencing at the Ministry level and Private Sector Development is assisting the Ministries in building their capability for implementing privatizations. An Oil Trust proposal and an Energy Subsidy Reform proposal will be completed by mid-December. Who will be responsible for implementation, if any, of programs resulting from these proposals is as yet undetermined. The corporate sponsorship program we are overseeing at Private Sector Development will be handed-off to a combination of CPA's US successor and a Washington-based coordinator. We anticipate no problems meeting these goals before July 1.

(b)(6)
 Director, Private Sector Development
 Coalition Provisional Authority (CPA)
 (b)(6)
 (b)(6)
<http://cpa-iraq.org>

11/21/2003



UNCLASSIFIED//

From: ou:MFI,cn:DKMFIHEFL001
Sent: 20:27:51 12/05/2003
Cc: COALITION PROVISIONAL AUTHORITY(UC)
Cc Precedence: Priority
Subject: ITALIANS TALK BUSINESS ON MARGINS OF TRADE BANK OF
Message Type: Other-Organizational
Extended Auth: 17:18:00 12/05/2003 (UTC)
20:18:00 12/05/2003 (Client/Local)
Security: This message has been digitally signed and encrypted

PTTUZYUW RUEHROA5488 3391718-UUUU--RHMFIUU.
ZNR UUUUU ZZH
P 051718Z DEC 03
FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHMFIUU/HQ COALITION PROVISIONAL AUTH BAGHDAD
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHKO/AMEMBASSY TOKYO
RUEHBY/AMEMBASSY CANBERRA
RUEHFL/AMCONSUL FLORENCE
RUEHMIL/AMCONSUL MILAN
RUEHNP/AMCONSUL NAPLES
BT
UNCLAS ROME 005488

PARIS PLEASE PASS OECD

E.O. 12958: N/A
TAGS: EINV, ETRD, EFIN, BEXP, IT
SUBJECT: ITALIANS TALK BUSINESS ON MARGINS OF TRADE BANK OF
IRAQ LAUNCH

1. SIXTEEN EXPORT CREDIT AGENCIES - INCLUDING EXIM BANK/OPIC, GERMANY'S EULER HERMES, JAPAN'S NEXI, AUSTRALIA'S EFIC AND ITALY'S SACE - SIGNED AN AGREEMENT IN ROME TODAY WITH THE NEWLY-FORMED TRADE BANK OF IRAQ (TBI) TO PROVIDE APPROXIMATELY \$2.5 BILLION IN SHORT-TERM TRADE CREDIT. A CONSORTIUM OF SIXTEEN BANKS LED BY JPMORGAN WON THE CONTRACT TO SUPPLY LETTERS OF CREDIT THROUGH THE TBI, PROVIDE CREDIT FINANCE TECHNOLOGY, TRAIN IRAQI BANKING PERSONNEL AND ATTRACT MULTILATERAL LENDERS. ON THE MARGINS OF THE SIGNING CEREMONY, THE CONSORTIUM'S ITALIAN MEMBER, SANPAOLO BANK, HELD A BRIEFING FOR ITALIAN INDUSTRY REPRESENTATIVES ON THE BUSINESS CLIMATE IN IRAQ AND THE ROLE OF THE TBI.

2. IRAQ'S TRADE MINISTER, THE PRESIDENT OF TBI, AND THE COALITION PROVISIONAL AUTHORITY'S DIRECTOR OF ECONOMIC POLICY JOINED REPRESENTATIVES OF JPMORGAN, SANPAOLO AND SACE TO DESCRIBE ECONOMIC CONDITIONS IN IRAQ AS WELL AS THE RELATIONSHIPS BEING FORMALIZED AMONG FINANCIAL INSTITUTIONS. ITALIAN INDUSTRY WAS WELL REPRESENTED AT THE MEETING BY FINMECCANICA, TELECOM ITALIA, ENI, ENEL, AUTOSTRADA, PARMALAT, FIAT, AND FINCANTIERI, AMONG OTHERS.

3. THE IRAQI TRADE MINISTER ALI ALLAWI GAVE AN HISTORICAL OVERVIEW OF THE ECONOMIC DISTORTIONS LEFT BY THIRTY YEARS OF BAAATH PARTY RULE. HE DESCRIBED THE EVOLUTION SINCE THE 1970S OF IRAQ'S BLOATED, OIL-FINANCED PUBLIC SECTOR; ITS DEBT FINANCED WAR-MAKING DURING THE 1980S; AND FINALLY, THE REGIME'S MASSIVE EFFORTS TO CIRCUMVENT UN SANCTIONS DURING THE 1990S. AGAINST THIS BLEAK BACKDROP, THE MINISTER HIGHLIGHTED THE NEW LEGAL FRAMEWORK FOR CORPORATE FORMATION AND INVESTMENT; THE ONGOING REHABILITATION OF INFRASTRUCTURE; AND CRITICALLY IMPORTANT REVENUES DERIVED FROM OIL EXPORTS

UNCLASSIFIED//

UNCLASSIFIED//

AND FROM INTERNATIONAL SUPPORT. FOR HIS PART, TBI PRESIDENT HUSSEIN AL-UZRI UNDERSCORED THE POTENTIAL OF THE IRAQI ECONOMY BY NOTING THAT DESPITE ITS HAVING ONE OF THE LOWEST LEVELS OF PER CAPITA GDP, IRAQ POSSESSES THE SECOND LARGEST PROVEN OIL RESERVES IN THE WORLD. HE WAS OPTIMISTIC THAT AN EFFICIENT AND TRANSPARENT FINANCIAL SYSTEM IN THE COUNTRY WOULD ALLOW IRAQ FINALLY TO TAP INTO ITS GREAT POTENTIAL.

4. DURING THE QUESTION AND ANSWER SESSION, INDUSTRY REPRESENTATIVES EXPRESSED FRUSTRATION WITH THE LACK OF TRANSPARENCY OF THE PROCUREMENT PROCESS. THEY URGED THE FINANCIAL INSTITUTIONS TO TAKE A MORE ACTIVE ROLE IN FURNISHING BETTER INFORMATION ABOUT OPPORTUNITIES AND RISKS, WHICH WOULD ENABLE BUSINESSES TO MAKE INFORMED DECISIONS ABOUT HOW AND WHEN TO ENTER THE IRAQI MARKET. IN RESPONSE, THE ITALIAN FINANCE MINISTRY REPRESENTATIVE SAID THAT SACE'S AGREEMENT WORTH EURO 250 MILLION WILL HELP ITALIAN COMPANIES TO SECURE AGAINST POLITICAL RISK. SANPAOLO, WHICH WILL BE ISSUING LETTERS OF CREDIT, PLEDGED TO PROVIDE MORE INFORMATION AND SUPPORT TO ITS CUSTOMERS FROM NEWLY-OPENED FACILITIES IN KUWAIT AND THE UAE.

SEMBLER

BT

#5488

NNNN

UNCLASSIFIED//





COALITION PROVISIONAL AUTHORITY
BAGHDAD

CPA

Trade

ACTION MEMO

December 17, 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6) – Director, Private Sector Development
(b)(6) – Deputy Director, Private Sector Development

SUBJECT: OPIC/Citigroup Letter of Credit Facility

Private Sector Development is working with OPIC and Citigroup to develop a \$350 million letter of credit facility. The Trade Bank facility is targeted toward and in its current form will only serve the Ministry Business. The Citigroup/OPIC facility is targeted toward both the Ministry business and private sector businesses. Rather than using a consortium of foreign banks, the OPIC/Citigroup facility will use the private banks as local credit intermediaries. By structuring the facility this way, private sector businesses not only get letters of credit, but the private banks are getting the letter of credit business which will enable them to develop the credit culture, skills, and systems to support letter of credit business in the future. To succeed, the OPIC/Citigroup facility will need the same Reimbursement Certificates ("RC's") and guarantees for Iraqi Ministry purchases provided by CPA to the Trade Bank. In addition, it will need to provide a DFI guarantee for Letters of Credit provided by a private bank on which the bank fails to perform. This guarantee would only be called if the bank failed, and therefore, should be a modest contingent liability.

Recommendation 1: It is recommended that CPA provide the same RC's and guarantees to the OPIC/Citigroup as it does to the Trade bank for Ministry purchases and a DFI guarantee that does not exceed the lower of \$10 million for any single bank or the maximum credit risk Citigroup sets for any individual bank's credit, and does not exceed \$35 million in total.

Approved _____ Disapproved _____ Approved with Modification _____

COORDINATION: OMB

ATTACHMENTS: None



COALITION PROVISIONAL AUTHORITY

BAGHDAD

Ⓟ PSD - Trade

INFO MEMO

December 10th, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) CPA Senior Advisor for Trade
SUBJECT: Update on Iraqi delegation's discussion with WTO officials

An Iraqi delegation led by Fakhrldin Rashan, Deputy Minister of Trade, visited with the World Trade Organization's (WTO) Director General Supachia and other WTO officials in Geneva on December 4th and 5th. The focus of the meetings was Iraq's interest in applying for WTO observer status. Other issues addressed included potential challenges with Iraq's application and technical assistance. The overall view of most officials was extremely positive and supportive of Iraq's interest (with the slight exception of the EU.)

The officials agreed with Iraq's plans to submit a letter of application for WTO observer status in early January (then proceed with preparing for application for WTO accession sometime after July 2004.) This would permit the issue to be included as an agenda item for the mid-February General Council meeting. Most officials indicated that Iraq's success at obtaining observer status depended upon Iraq's efforts to lay the groundwork for WTO member support prior to the issue being raised at a WTO General Council Committee meeting. If that work is done, most officials predicted a successful outcome for Iraq at the February meeting. The groundwork would include confirming the support of key WTO members including Arab neighbors and the EU via visits in Geneva and relevant capitols. Some of these members may try to use Iraq's application as leverage to boost support for other entities that have not been able to obtain observer status including Iran, Syria, and Libya and of less concern--the Arab League.

As a signator to the Havana Convention in 1947, Iraq had previously been an observer to the WTO's predecessor, the GATT. This should enhance Iraq's efforts to gain observer status now.

Highlights from Select Meetings

Director General Supachai expressed his full support and admiration for Iraq's interest in applying for WTO observer status. He indicated that Iraq's application should be approved without incident unless a member tried to use Iraq to promote other interests, like Iran. Supachai stressed the important role the Arab Group played in the WTO and urged the Iraqis to meet with the Group and individual Arab countries. He also stressed the importance of technical assistance from reputable organizations like the WTO and the Arab IMF.

WTO Accessions Division Director Arif Hussein enthusiastically supported Iraq's interest in WTO observership, stressing the importance of strategically calibrating the application as politics at times interfered with the trade function of the organization. Technically the process is simple, an application letter and supportive paper on Iraq's trade regime, economic development plan, WTO observership expectations and Iraq's presence in Geneva is submitted to the Director General. The Chairman of the General Council then consults with member countries and determines if the application should be placed on the agenda for the next General Council meeting. If cleared the issue is raised at the meeting and a senior representative for the country (in this case most likely Minister Allawi) would be there to accept the approval for WTO observer status. Hussein stressed the importance of meeting with member countries, ensuring WTO compliant laws and regulations, a strong diplomatic presence in Geneva and participating in technical assistance programs (note: Hussein and others were critical of UNCTAD's WTO related programs, though some other programs particularly those focused on investment are reputable.)

Jordan Ambassador expressed strong support for Iraq's interest in the WTO and offered to provide advocacy support with other Arab countries, advisory assistance and technical assistance. The Ambassador hosted a luncheon meeting for the Iraqi delegation and the Arab Group on Saturday, December 6th.

Japanese Ambassador Oshima offered Iraq Japan's full support including technical assistance. (note: Oshima is rumored to become Chairman of the WTO General Council in February.)

UK Minister Neil McMillan offered Iraq Britain's full support including assistance with the process. He suggested that the two work together throughout the WTO observership application process and beyond to ensure that any potential roadblocks (i.e. Iran, the Arab League or the EU) are addressed.

EU Deputy Chief of Delegation Peter Thompson queried the delegation on the views of other WTO officials regarding Iraq's interest in WTO observership. He was particularly interested in the delegation's discussions with other Arab countries and the Secretariat. Thompson indicated he was not in a position to offer the EU's support until member countries are consulted. He indicated that before providing support, the EU would need answers on Iraq's governance (prospects for democracy) and trade regime (including IPR, standards.) He also expressed the EU's potential concerns with other entities interest in participating in the WTO including Iran (the EU has supported Iran's application and some members have economic ties with the country) Syria, and Libya (not concerned with the Arab League.)

Next Steps

To support Iraq's interest in participating in the WTO I recommend that the following steps be implemented as soon as possible.

1. Enhance Iraq's presence in Geneva by January 15th. Ensure that officials linked to the previous regime are removed from office. Increase the number and rank of staff. A high-level, seasoned trade diplomat (someone of Rashan's caliber) should be appointed as Iraq's Ambassador to Geneva. In addition, at least one other trade official should be placed in Geneva. Consider refurbishing Iraq's Mission in Geneva as it is small, dirty

and dated. There is an Ambassador's residence there which reportedly is on the lake and impressive.

2. Continue to gain the support of WTO members, particularly Arab countries and the EU, by encouraging high-level Iraqi visits to these countries over the next month. Rashan plans to accept invitations to meet with officials and business groups in Germany and France as well as meet with the EU in Brussels.
3. Create inter-ministerial cabinet and deputy-minister level groups by January 5th. I recommend that the cabinet level group be chaired by Trade Minister Allawi. Other members should include Foreign Affairs, Interior, Finance, Industry, Agriculture, Oil, Planning and Standards. The CPA advisors should support the Iraqi led effort.
4. Complete draft "Overview of the Economic Policy and Foreign Trade Regime of the Republic of Iraq" by January 10th. Brian Murphy can assist Rashan with this effort.
5. Develop and implement multi and bi-lateral technical assistance programs. This should include sending promising Iraqi staff to Geneva for WTO sponsored training programs, participating in Arab IMF programs, and developing Iraq specific programs with reputable sponsors (i.e. WTO, US, UK, Australia, and Japan.)
6. Send an Iraqi delegation to Geneva to submit the letter of application for WTO observer status from Minister Allawi to DG Supachai by January 15th. Then if the application is accepted as expected, the issue would be raised at the General Council meeting in mid-February and Minister Allawi should be present to accept.

Other meetings included US Ambassador Linnet Deily, Australian Ambassador Spencer, Polish Ambassador Jakubowski, WTO Deputy Director Rufus Yerxa, and the UN Conference on Trade and Development (separate report to follow.) The Iraqi delegation also met with the Ambassadors for Kuwait and Egypt as well as the Arab Group.

Delegation Members

Ministry of Trade: Deputy Minister Fakhrlidin Rashan, DG for Private Sector Development
Abdul Hadi Abid, Director Abdul Salma
Ministry of Foreign Affairs: Ahmed Jewad
CPA Senior Advisor for Trade Susan Hamrock

cc: Amb Greenstock
Amb Jones

(b)(6)





Trade 031210-41

COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

December 10, 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6) CPA Senior Advisor for Trade

SUBJECT: Update on Iraqi delegation's discussion with WTO officials

An Iraqi delegation led by Fakhrlidin Rashan, Deputy Minister of Trade, visited with the World Trade Organization's (WTO) Director General Supachai and other WTO officials in Geneva on December 4th and 5th. The focus of the meetings was Iraq's interest in applying for WTO observer status. Other issues addressed included potential challenges with Iraq's application and technical assistance. The overall view of most officials was extremely positive and supportive of Iraq's interest (with the slight exception of the EU.)

The officials agreed with Iraq's plans to submit a letter of application for WTO observer status in early January (then proceed with preparing for application for WTO accession sometime after July 2004.) This would permit the issue to be included as an agenda item for the mid-February General Council meeting. Most officials indicated that Iraq's success at obtaining observer status depended upon Iraq's efforts to lay the groundwork for WTO member support prior to the issue being raised at a WTO General Council Committee meeting. If that work is done, most officials predicted a successful outcome for Iraq at the February meeting. The groundwork would include confirming the support of key WTO members including Arab neighbors and the EU via visits in Geneva and relevant capitals. Some of these members may try to use Iraq's application as leverage to boost support for other entities that have not been able to obtain observer status including Iran, Syria, and Libya and of less concern--the Arab League.

As a signator to the Havana Convention in 1947, Iraq had previously been an observer to the WTO's predecessor, the GATT. This should enhance Iraq's efforts to gain observer status now.

Highlights from Select Meetings

Director General Supachai expressed his full support and admiration for Iraq's interest in applying for WTO observer status. He indicated that Iraq's application should be approved without incident unless a member tried to use Iraq to promote other interests, like Iran. Supachai stressed the important role the Arab Group played in the WTO and urged the Iraqis to meet with the Group and individual Arab countries. He also stressed the importance of technical assistance from reputable organizations like the WTO and the Arab IMF.

WTO Accessions Division Director Arif Hussein enthusiastically supported Iraq's interest in WTO observership, stressing the importance of strategically calibrating the application as politics at times interfered with the trade function of the organization. Technically the process is simple, an application letter and supportive paper on Iraq's trade regime, economic development plan, WTO observership expectations and Iraq's presence in Geneva is submitted to the Director General. The Chairman of the General Council then consults with member countries and determines if the application should be placed on the agenda for the next General Council meeting. If cleared the issue is raised at the meeting and a senior representative for the country (in this case most likely Minister Allawi) would be there to accept the approval for WTO observer status. Hussein stressed the importance of meeting with member countries, ensuring WTO compliant laws and regulations, a strong diplomatic presence in Geneva and participating in technical assistance programs (note: Hussein and others were critical of UNCTAD's WTO related programs, though some other programs particularly those focused on investment are reputable.)

Jordan Ambassador expressed strong support for Iraq's interest in the WTO and offered to provide advocacy support with other Arab countries, advisory assistance and technical assistance. The Ambassador hosted a luncheon meeting for the Iraqi delegation and the Arab Group on Saturday, December 6th.

Japanese Ambassador Oshima offered Iraq Japan's full support including technical assistance. (note: Oshima is rumored to become Chairman of the WTO General Council in February.)

UK Minister Neil McMillan offered Iraq Britain's full support including assistance with the process. He suggested that the two work together throughout the WTO observership application process and beyond to ensure that any potential roadblocks (i.e. Iran, the Arab League or the EU) are addressed.

EU Deputy Chief of Delegation Peter Thompson queried the delegation on the views of other WTO officials regarding Iraq's interest in WTO observership. He was particularly interested in the delegation's discussions with other Arab countries and the Secretariat. Thompson indicated he was not in a position to offer the EU's support until member countries are consulted. He indicated that before providing support, the EU would need answers on Iraq's governance (prospects for democracy) and trade regime (including IPR, standards.) He also expressed the EU's potential concerns with other entities interest in participating in the WTO including Iran (the EU has supported Iran's application and some members have economic ties with the country) Syria, and Libya (not concerned with the Arab League.)

Next Steps

To support Iraq's interest in participating in the WTO I recommend that the following steps be implemented as soon as possible.

1. Enhance Iraq's presence in Geneva by January 15th. Ensure that officials linked to the previous regime are removed from office. Increase the number and rank of staff. A high-level, seasoned trade diplomat (someone of Rashan's caliber) should be appointed as Iraq's Ambassador to Geneva. In addition, at least one other trade official should be placed in Geneva. Consider refurbishing Iraq's Mission in Geneva as it is small, dirty

and dated. There is an Ambassador's residence there which reportedly is on the lake and impressive.

2. Continue to gain the support of WTO members, particularly Arab countries and the EU, by encouraging high-level Iraqi visits to these countries over the next month. Rashan plans to accept invitations to meet with officials and business groups in Germany and France as well as meet with the EU in Brussels.
3. Create inter-ministerial cabinet and deputy-minister level groups by January 5th. I recommend that the cabinet level group be chaired by Trade Minister Allawi. Other members should include Foreign Affairs, Interior, Finance, Industry, Agriculture, Oil, Planning and Standards. The CPA advisors should support the Iraqi led effort.
4. Complete draft "Overview of the Economic Policy and Foreign Trade Regime of the Republic of Iraq" by January 10th. Brian Murphy can assist Rashan with this effort.
5. Develop and implement multi and bi-lateral technical assistance programs. This should include sending promising Iraqi staff to Geneva for WTO sponsored training programs, participating in Arab IMF programs, and developing Iraq specific programs with reputable sponsors (i.e. WTO, US, UK, Australia, and Japan.)
6. Send an Iraqi delegation to Geneva to submit the letter of application for WTO observer status from Minister Allawi to DG Supachai by January 15th. Then if the application is accepted as expected, the issue would be raised at the General Council meeting in mid-February and Minister Allawi should be present to accept.

Other meetings included US Ambassador Linnet Deily, Australian Ambassador Spencer, Polish Ambassador Jakubowski, WTO Deputy Director Rufus Yerma, and the UN Conference on Trade and Development (separate report to follow.) The Iraqi delegation also met with the Ambassadors for Kuwait and Egypt as well as the Arab Group.

Delegation Members

Ministry of Trade: Deputy Minister Fakhrlidin Rashan, DG for Private Sector Development
Abdul Hadi Abid, Director Abdul Salma
Ministry of Foreign Affairs: Ahmed Jewad
CPA Senior Advisor for Trade Susan Hamrock

cc: Amb Greenstock
Amb Jones

(b)(6)





Trade
COALITION PROVISIONAL AUTHORITY
BAGHDAD

031130-30

INFO MEMO

NOVEMBER 30, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) OFF Coordinator
SUBJECT: The Umm Qasr Cargo Flow

(b)(6)

what is this about?

Summary

As Iraq's sole major port, Umm Qasr is important to the success of our OFF shipments as well as to our national reconstruction efforts. CJTF-7 MG Figgers and I traveled to Umm Qasr yesterday for a firsthand look at the situation. The port has potential to be a world class import channel – but that potential is not about to be realized. It can sustain a modest, steady level of container throughput. On grain imports, it will be pressed to handle the rising level of OFF wheat imports – but has a fighting chance to keep pace. Infrastructure deficits and weak Iraqi management are keeping its commodity throughput low.

Key Factors

CPA and its contractors have worked well in getting the port up to a basic level of operations. Dredging has been successfully completed. We have built a new commo link with our Coordination Center. But the workload is set to climb. Goods from 2500 OFF contracts are headed for Iraq in the months ahead, with 40% set for Umm Qasr.

The port needs to increase its container offload capability: only two of four container cranes are working; there is a \$2M request in the supplemental for repairs. Onward transport is a constant challenge, but the mix of GOI-owned trucks plus private trucking firms has been equal to the OFF demand. Port management is exploring ways to increase rail grain shipments.

The top challenges are security and grain offloading. Our Umm Qasr contractors are concerned at the impending pullout of British forces and at problems they foresee in managing their security contractor. They believe there is potential after January 1 for increasing theft, degenerating into frank looting. CPA and CJTF-7 should reappraise and if needed, rework the security plan. We will follow up with CJTF-7 and CPA/Transport.

We are encountering delays in offloading of food, due to Iraqi Ministry of Trade shortcomings. One sugar shipment has sat in port since November 11 at a demurrage cost of \$10,000/day due to MoT footdragging. Slack MoT maintenance of the grain silo is another

problem. Yesterday, one of two conveyor belts -- 50% of capability -- was down due to lack of a spare part. It is MoT employees at Umm Qasr who are in charge of commodity offloading. We need to be forceful with MoT in pushing for efficiency, and I have begun this in a meeting with the acting minister today, but my expectations are muted. The potential grain offloading capacity is 8,000+ MT/day. We should plan for 4-5,000 MT/day. We should therefore tilt more OFF grain shipments toward Aqaba and to Syrian and Turkish gateways. We will work this with WFP this week.

Overall, the equities involved in Umm Qasr extend far beyond OFF. I have met with Darryl Trent and with Dave Nash and we are, cordially, finding ways to coordinate our individual operations.

COORDINATION: Transportation, Amb. Trent -- ok

UNCLASSIFIED

031219-30



World
Food
Programme

Programa
Mundial de
Alimentos

Programme
Alimentaire
Mondial

برنامج
الغذية
العالمي

The
Executive
Director

Via Cesare Giulio Viola, 50/70
00143 Rome
Italy

Phone: +39-06 5513 5030
Fax: +39-06 5513 2724

Internet: www.wfp.org

19 December 2003

Mr. L. Paul Bremer III
Administrator
Coalition Provisional Authority
Baghdad
Iraq

Dear Ambassador Bremer:

Since your letter of 10 November requesting WFP's continuing assistance to the Iraqi people in a number of areas, WFP staff from our Iraq Country Office have been engaged in discussions with counterparts from the Coalition Provisional Authority with a view to finalizing a tripartite agreement between the Ministry of Trade, the CPA and WFP. I am writing to emphasize the importance of finalizing that agreement as soon as possible, and to share with you as openly and helpfully as possible some of our concerns about the Iraq operation.

We understand that the final draft agreement provided by WFP to the CPA on 30 November as a result of intensive consultations between the two parties was discussed formally between Ambassador Mann and WFP's Representative for Iraq last Friday (12 December) in Amman. While significant progress was made on several points of detail, Ambassador Mann informed us that only US\$110 million is currently available from the CPA.

We are concerned about the size of this first allocation, since it corresponds to only 11 percent (or approximately 15 days of consumption needs) of the estimated 983 million dollars required to establish the three month buffer stock that is proposed. Moreover, due to the time required for procurement and shipping, the food purchased with these immediately available funds will only arrive in March/April, and will not address shortages that are currently expected for February. We are worried that any additional delays will only aggravate the situation further.

Finalizing the arrangements for funding of this operation as soon as possible is also important for maintaining WFP's operational infrastructure. We are indeed able to use the first US\$110 million as an urgent interim measure to ensure the smooth functioning of the PDS. However, the uncertainty surrounding the resources for this operation makes it very difficult for WFP to plan adequately in advance for the considerable amount of work involved in the

(T. nade)

WFP

2

envisaged. Without the assurance of further resources, WFP would be forced to scale down our support systems for the present operation, including staff and offices which are currently on stand-by.

Let me say that we are confident that the CPA will identify the resources to implement the full plan of assistance for Iraq, and I am writing this letter only to be as helpful and as clear as possible about our current situation, and the need to move as quickly as possible. We hope that the tripartite agreement covering the entire period of WFP's requested assistance can be completed by 10 January 2004 at the latest. After this date, our ability to fully support the PDS will be compromised.

We are grateful for our cooperation thus far in this massive undertaking, and we look forward to continuing our work together in ensuring adequate food security for the Iraqi people.

Sincerely,

J. Morris
James T. Morris

*all the best to you —
Grateful for all you are trying to do! —*



COALITION PROVISIONAL AUTHORITY
BAGHDAD

Φ T. radon

December 20, 2003

Mr. James T. Morris
Executive Director
U.N. World Food Program
Rome, Italy

Dear Mr. Morris:

Thank you for your letter of December 19. I have valued the role the World Food Program has played in assuring a reliable food supply to the people of Iraq, and I welcome WFP's willingness to continue a role in the period ahead. My colleagues and I in the Coalition Provisional Authority have enjoyed close and productive cooperation with WFP's representatives, and we hope and expect that this cooperation will continue.

I have been following the progress of our negotiations on the Memorandum of Understanding, not merely with WFP, but also with the Iraqi Ministry of Trade, since we must achieve a tripartite understanding. I believe, as you observe, that after some weeks of discussions, we are close to achieving a mutually-satisfactory outcome.

I understand, however, that there is a question about the willingness of the WFP to undertake one of the key responsibilities in the Memorandum, that of renegotiating existing Oil-for-Food (OFF) contracts to amend delivery terms and so give suppliers greater confidence that they will be able to fulfill their contracts. It was our belief that this was a responsibility that had long since been mutually endorsed in the draft text. Ambassador Mann advises, however, that WFP representatives have raised questions about this important provision. In consultation with our Mission in New York, we have examined the concerns WFP representatives have raised, and we believe there is no impediment to proceeding in the manner we have originally envisioned. But I must ask your assistance in bringing this important responsibility back on track within the framework of our Memorandum.

Regarding the issue of procurement level, I also favor a higher level of buffer stock procurement, but the budget situation has imposed real constraints on the amount I can authorize at this time. We have, however, moved to address the shortfall issue by moving forward Syrian and Australian wheat contracts. Trade Minister Allawi advises as well that Iran has offered 100,000 tons from reserves. These measures, combined with the new procurement, give me confidence that we will achieve our goals. Nevertheless, I wish to move forward on the \$110 million procurement as soon as possible, and I have directed Ambassador Mann to conclude immediately a separate Memorandum with WFP on this procurement, if we can be assured that this will not prejudice agreement on the full package of WFP involvement, as we had originally envisioned.

Please note also that we have worked intensively with the Ministry of Trade to gain their agreement on additional WFP procurement activities. Our Memorandum requests WFP to perform regular monthly procurements until at least March 31, and this will further assist in filling the Iraqi food basket. I believe the financial arrangements connected with these subsequent procurements will provide the resources WFP must have in order to keep its structure in good order. If this is not the case, please let us know the financial requirements in detail that will be needed to perform the work.

I have directed Ambassador Mann and our colleagues to work through the holiday period so that we can bring to closure this centrally important endeavor. Let me close with my gratitude for the professionalism and effectiveness that WFP has demonstrated in these challenging years, and let me express my warm thanks for your personal involvement.

I wish you the very best for the holidays.

Sincerely,

L. Paul Bremer III
Administrator
Coalition Provisional Authority



COALITION PROVISIONAL AUTHORITY
BAGHDAD

d/Trade

ACTION MEMO

December 19, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) - Director, Private Sector Development
SUBJECT: Implementation of CPA Order 39 on Foreign Investment

Foreigners trying to register corporations are still being treated under the old registration laws which are very restrictive. Dr. Abdul Hadi Abid Al-Hamiri, the Director General of Private Sector Development within the MOT, claims the reason is that no implementation instructions have been passed down to the Registrar from the Ministry of Finance or the Ministry of Planning as required in CPA Order 39. Rather than wait for the ministries of Finance or Planning, we recommend the Ministry of Trade be given authority to issue its own regulations for registering foreign companies. Although we agree that no new order is needed, we don't think the Ministry of Trade is willing to proceed without a new order to give them protection.

RECOMMENDATION (1): Amend CPA Order 39, Section 7, Article 3 on Foreign Investment to grant foreign investment implementation powers to the Ministry of Trade.

Approve: _____ Disapprove: _____ Approve with modification: _____

RECOMMENDATION (2): Issue a new order to grant foreign investment implementation powers to the Ministry of Trade.

Approve: _____ Disapprove: _____ Approve with modification: _____

ATTACHMENTS: NONE

COORDINATION: Musab Alkateeb, Ministry of Trade
Abdul Hadi Abid Al-Hamiri, Ministry of Trade
(b)(6) Private Sector Development

Coalition Provisional Authority UC

Subject: FW: MESSAGE FOR CHRIS PATTEN FROM SECRETARY POWELL

OTTUZYUW RUEHCAA6477 0250439-UUUU--RHMFIUU.
ZNR UUUUU ZZH ZZK
O 250436Z JAN 04 ZFF4
FM SECSTATE WASHDC
TO RUEHBS/USEU BRUSSELS
INFO RUEHGV/USMISSION GENEVA
RHEHNSC/NSC WASHDC
RHMFIUU/HQ COALITION PROVISIONAL AUTH BAGHDAD
BT
UNCLAS STATE 016477

BREMER
~~JONES~~
TRADE
\$ Trade

FOR THE AMBASSADOR FROM SECRETARY POWELL

E.O. 12958: N/A
TAGS: ECON, ETRD, IZ, PGOV, PREL, WTO
SUBJECT: MESSAGE FOR CHRIS PATTEN FROM SECRETARY POWELL

NIACT JUSTIFICATION PER SECRETARY POWELL'S INSTRUCTIONS.

1. SUMMARY AND ACTION REQUEST: USEU SHOULD DELIVER THE FOLLOWING, TIME-SENSITIVE MESSAGE TO EC COMMISSIONER CHRIS PATTEN. END SUMMARY AND ACTION REQUEST.

2. BEGIN MESSAGE:

CHRIS,

I AM CONTACTING YOU TO ALERT YOU TO A SERIOUS PROBLEM.

THIS PAST WEEK IN GENEVA, AN IRAQI TRADE DELEGATION SUBMITTED A FORMAL REQUEST FOR OBSERVER STATUS TO THE WORLD TRADE ORGANIZATION (WTO). THE IRAQIS ARE ANXIOUS TO SECURE APPROVAL OF THIS REQUEST WHEN THE WTO GENERAL COUNCIL MEETS ON FEBRUARY 11. THIS IS SOMETHING THAT THE IRAQIS VERY MUCH WANT AND WE WHOLEHEARTEDLY SUPPORT THEM. THEY HAVE BEEN ACTIVE IN CONSULTING WITH WTO MEMBERS AND WE HAVE BEEN GRATIFIED THAT THE EU MEMBER STATES THEY HAVE SPOKEN WITH, INCLUDING FRANCE AND GERMANY, HAVE BEEN VERY SUPPORTIVE. THE ARAB STATES AND OTHER KEY DELEGATIONS HAVE ALSO BEEN SUPPORTIVE.

HOWEVER, I UNDERSTAND THAT AT THE EU'S 133 COORDINATING COMMITTEE ON JANUARY 23, THE COMMISSION PROPOSED DELAYING A DECISION UNTIL A NEW GOVERNMENT IS IN PLACE. IRAQ IS ONLY ASKING TO BE AN OBSERVER SO THAT IT CAN BEGIN TO LEARN ABOUT THE WTO AND START DEVELOPING ITS TRADE REGIME. AT AN APPROPRIATE POINT, IRAQ WILL HAVE TO MAKE A REQUEST TO BEGIN THE PROCESS OF NEGOTIATING MEMBERSHIP IN THE WTO.

I ALSO UNDERSTAND THAT MEMBER STATE TRADE MEMBERS WILL MEET IN DUBLIN ON JANUARY 25. IN ADVANCE OF THAT MEETING, I STRONGLY URGE YOU TO INTERCEDE WITH COMMISSIONER LAMY SO THAT THIS CRITICAL ISSUE CAN MOVE FORWARD.

THE TEAM VISITING GENEVA THIS PAST WEEK ARGUED STRONGLY THAT WTO MEMBERS ACT NOW ON THE REQUEST. THEIR MESSAGE WAS SIMPLE: OBSERVERSHIP WILL PROVIDE AN IMPORTANT SIGNAL THAT IRAQ IS READY TO REJOIN THE INTERNATIONAL FAMILY OF NATIONS AND READY TO PROMOTE COOPERATION AND INVESTMENT BETWEEN IRAQ AND THE TRADING WORLD. HOW CAN WE ARGUE AGAINST ADOPTING THE RULE OF LAW, FOSTERING HOPE AMONG THE IRAQI PEOPLE, AND PROVIDING AN OPPORTUNITY FOR THE IRAQI TEAM TO BEGIN LEARNING WHAT IT WILL NEED TO KNOW TO BECOME A WTO MEMBER? ASIDE FROM BEING ABLE TO "OBSERVE" THE WORKINGS OF WTO

MEETINGS, THE IRAQIS WILL ALSO BENEFIT FROM WTO TECHNICAL ASSISTANCE
IF THIS STATUS IS GRANTED.

IT WOULD BE HARD TO UNDERSTAND WHY THE COMMISSION WOULD WANT TO DELAY
THIS DECISION UNTIL MAY, THE NEXT OPPORTUNITY FOR GENERAL COUNCIL
ACTION. THE WTO GENERAL COUNCIL AGENDA CLOSES ON JANUARY 29, SO IT IS
IMPORTANT THAT THE COMMISSION PROVIDE THE RIGHT MESSAGE TO THE IRAQIS
ON THIS REQUEST. I KNOW THAT WE SHARE THE SAME GOALS AND TRUST YOU
WILL HELP WITH A PROBLEM THAT COULD EASILY BE AVOIDED.

WITH WARM REGARDS,

COLIN POWELL

END MESSAGE.

POWELL

BT

#6477

NNNN