

12

World Trade Organization (WTO)

03/25/04 WTO meeting counseled. Met with (b)(6) Trade-Senior Advisor, (b)(6) and (b)(6) (Trade) (b)(6) (b)(6)

To become a member of WTO Iraq will have to comply with certain requirements of the WTO. The process could easily take 4 to 5 years before Iraq becomes a member.

Key trade issues deal with

CPA-Trade wants the CPA-MOE to work with the Iraqi MOE in identifying any laws that would have a restrictive impact on three primary areas:

National Treatment seems to deal with foreign individuals / companies doing business in Iraq. Exceptions for equitable treatment must be quantified.

- What are the basic laws governing education?
- Are there any laws that would prohibit foreign schools from being established in Iraq?
- Are there different requirements for foreign teachers to teach in Iraq vs. Iraqi teachers.
- If schools are started do they have to meet the same requirement as Iraqi teachers.
- Are there any restriction of subject content? Are some subjects required?
- Are foreign certifications / degrees recognized in Iraq?
- Are there any professional laws / rules governing education in Iraq?

Most Favorable Nation – seems to deal with primarily with the purchase of goods. Basically countries must be treated the same.

- Can foreign text books be purchased duty free? Not subject to import tax.
- Are purchases of all books school supplies from foreign sources treated the same as Iraqi sources?
- Are there any restrictions on cross border delivery?
- Are there any restrictions / requirements of what must be included in or excluded from course content? Example, pledges, pictures, specific content.
- Are there any cross boarder issues such as internet / distant learning?

Due Process is cross cutting WTO core requirement and basically addresses the issue of all organizations / people have the right to be heard.

What education laws govern education in Iraq?

Senior Adviser said to forget this task, there are other tasks more important to MOE



CPA-Trade wants CPA-MOE to submit a list of laws to them.
The Iraqi Ministry of Trade will also be requesting the Iraqi MOE to do the same.
CPA-Trade will compare and explore differences.

CPA-Trade will be sending out a questionnaire in a couple of days to be answered
by the Iraqi-MOE. This will reportedly guide the Ministry through the process.

-----Original Message-----

From: (b)(6)
Sent: Thursday, March 25, 2004 1:22 PM
To: Arsht, Leslye (SES); (b)(6)
Subject: WTO

World Trade Organization (WTO)

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Process - CPA -Trade wants the CPA -MOE to work with the Iraqi MOE in identifying any laws that would have a restrictive impact on three primary areas: (1) National Treatment, (2) Most Favored Nation Status, and (3) Due Process.

(b)(6)

From: Maguire, Robert T. (SES)

Sent: Tuesday, March 30, 2004 8:59 PM

To: (b)(6)

Cc: Luft, Rolf D. (SES-2)

Subject: WTO

Dear (b)(6)

Thank you for meeting with Senior Advisor (b)(6) and myself on Iraq's accession to the World Trade Organization. As we discussed, the Iraqi government needs to identify all of its internal policies and laws which will be affected by the WTO Agreements. Based on your observations, I have significantly cut down the extremely long questionnaire to include just questions of discriminatory treatment in your area of responsibility. The depth of your knowledge in the area of education is a priceless help for Iraq to complete this process.

The WTO requests actual copies of Iraq's existing domestic laws, CPA orders, regulations, memoranda, and public notices. Electronic copies are preferred; but please provide at least a full identification of the document by name and date. Finally, please feel to call (b)(6) with any questions you might have.

Thank you for your assistance.

Best personal regards,
Robert Maguire

3/31/2004

WORLD TRADE ORGANIZATION

~~RESTRICTED~~

WT/ACC/1

24 March 1995

(95-0651)

ACCESSION TO THE WORLD TRADE ORGANIZATION

* * *

Foreign Trade Régime¹

9. The Applicant submits a Memorandum describing in detail its foreign trade régime and providing relevant statistical data for circulation to all Members. The Secretariat should check the consistency of the Memorandum with the attached outline format and inform the Applicant and members of the working party of its views. At the same time, copies of the Applicant's currently applicable tariff schedule in the harmonized system (HS) nomenclature and other laws and regulations relevant to accession are made available to members of the working party. The customary practice in this respect has been that the Applicant send a complete and comprehensive copy of the relevant laws and regulations to the Secretariat. If the textual material is short, it should be entirely translated by the Applicant into one of the WTO official languages (English, French and Spanish); if it is long, the Applicant should provide a detailed summary in one of the official languages. The summary or the translated textual material is circulated to members of the working party with the original copy being retained for consultation in the Secretariat. The Secretariat should ensure that the above documentation is available in accordance with the guidelines set out in paragraph 8.

* * *

ATTACHMENT

Outline Format for a Memorandum on the Foreign Trade Régime²

* * *

4. Domestic trade in services including value and composition of foreign direct investment.
5. Information on financial movements related to nationals working abroad, remittances, etc.

VI. TRADE-RELATED SERVICES RÉGIME

1. General

General description of the overall market and regulatory structures of the most prominent services sectors (e.g., financial services, telecommunications, professional services, construction, tourism, transportation). A complete list of services sectors is found in document MTN.GNS/W/120, the "Services Sectoral Classification List" (Annex 7 refers).

¹WTO procedures relating to the use of the WTO official languages will apply to documentation submitted.

²This outline may be revised and amended, as necessary, in the light of experience.

2. Policies affecting Trade in Services

General reference to main laws, regulations, rules, procedures, decisions, administrative action and other legal instruments and a description of specific measures affecting trade in services. Distinctions based on modes of supply and/or sectors could be made whenever relevant:

- (a) Government departments, agencies, professional associations or other bodies with authority or a role relevant to the conduct of service activities;
- (b) Judicial, arbitral or administrative tribunals or procedures providing for the review of, or remedies in relation to, administrative decisions affecting trade in services;
- (c) Provisions, including those in international agreements, concerning qualification requirements and procedures, technical standards and licensing and/or registration requirements for the supply of services;
- (d) Provisions governing the existence and operation of monopolies or exclusive service suppliers;
- (e) Provisions relating to safeguard measures as they apply to trade in services;
- (f) Provisions relating to international transfers and payments for current transactions of services;
- (g) Provisions relating to capital transactions affecting the supply of services;
- (h) Provisions governing the procurement by governmental agencies of services;
- (i) Provisions concerning any form of aid, grant, domestic subsidy, tax incentive or promotion scheme affecting trade in services.

Market Access and National Treatment

Limitations or conditions applied to market access and national treatment. Please specify, whether applied on a horizontal (e.g., measures relating to foreign investment régime, movement of persons supplying a services, real estate ownership and conditions of establishment) or a sectoral basis:

- (a) Limitations on the number of service suppliers;
- (b) Limitations on the total value of service transactions or assets;
- (c) Limitations on the total number of service operations or on the total quantity of service output;
- (d) Limitations on the total number of natural persons that may be employed in a particular service sector;
- (e) Restrictions on, or requirements of specific types of legal entity through which a service may be supplied;
- (f) Limitations on the participation of foreign capital;

- (g) Measures providing for less than the treatment accorded to national services or service suppliers.

Most-Favoured-Nation Treatment

Indicate any existing measures inconsistent with m.f.n. treatment.

ANNEX 7

SERVICES SECTORAL CLASSIFICATION LIST

* * *

V. EDUCATIONAL SERVICES

1. Primary education services.
2. Secondary education services.
3. Higher education services.
4. Adult education.
5. Other education services.

ANNEX 8

- A. List of Foreign Trade Agreements.
- B. List of Trade Agreements or parts of them which contain preferential trade provisions, indicating by HS (2 digit) the tariff lines involved, the margin of preference granted, reciprocity provisions and details of any other preferential treatment.

MEETING THURSDAY 11:00 AM
Rm M213M



COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

March 18, 2004

TO: ALL SENIOR ADVISORS
FROM: (b)(6) Ministry of Trade
SUBJECT: Preparing the Trade Policy Memorandum for WTO Accession

The World Trade Organization granted Iraq Observer status in February. Iraq is now embarking on a two-to-five year "accession" process to become a full member of the WTO. WTO membership involves taking on the legal obligations contained in hundreds of pages of complex treaties which address virtually every aspect of how a country regulates its commerce.

Iraq's compliance with these treaty obligations will ensure that the goods and services of other WTO member countries will not only reach the Iraqi market, but will find fair treatment here. The main benefit for Iraq will be that it will have reciprocal rights regarding Iraqi goods and services reaching, and being fairly treated, in the markets of the WTO's other 146 member countries. Taking on the rights and obligations contained in the WTO's treaties will require Iraq to bring its statutes, regulations, procedures and practices into substantial compliance before becoming a member of the organization and a party to those treaties.

Perhaps most valuable for Iraq, however, is that the WTO accession process itself will be a powerful ally of existing forces for reform. With WTO Observer status and active participation in the WTO's accession process will come incentive, structure and technical assistance for reform of every aspect of Iraq's commercial regime.

Changes to Iraqi statutory and regulatory law, and to other procedures and practices necessary for WTO compliance purposes will be an Iraqi-driven effort, to take place after July 1. Between now and June 30, however, CPA will be directing two efforts to help Iraq build a foundation and a framework for moving forward with the technically complex, and politically difficult, task of coming into WTO compliance.

First, CPA will be directing an effort to train Iraqi officials from all Iraqi ministries that formulate policy addressed by WTO obligations. Second, CPA will be assisting an Iraqi inter-ministerial committee to begin to prepare its Trade Policy Memorandum, which will support Iraq's formal application for membership. Attached is a list of all of the policy or law subject-areas that must be reviewed to determine whether they conform to WTO obligations.

Each CPA Ministry is respectfully requested to:

1. Review the entire list and advise CPA MOT (a) which policy or law subject-area is the responsibility of your CPA ministry, and the corresponding Iraqi ministry; and (b) whether there are any areas that should be covered by your CPA ministry, or your corresponding Iraqi ministry, which have been omitted. For each subject-area not presently regulated, please consider whether your ministry would be responsible for it, if it were to be regulated in the future.
2. Advise your respective Iraqi minister that the Iraqi Minister of Trade will be convening an Iraqi inter-ministerial committee for WTO accession issues, and that CPA requests that each Iraqi ministry will give the Iraqi Minister of Trade its full cooperation.

If you could complete this work by March 31, it would be enormously helpful.

ATTACHMENT: Iraq and the WTO – List of Policy or Law Subject-Areas

IRAQ AND THE WTO

This paper attempts to provide a brief snapshot of Iraq's existing rules and practices, as well as orders issued or planned by CPA, that have WTO implications. It includes a preliminary assessment of the relative importance of providing training in each area, rated according to low, medium, and high priority. I have not aimed for pinpoint accuracy or comprehensiveness in the descriptive section, and the recommendations are intended merely to serve as a starting point for discussion.

I have followed the basic outline of the legal texts themselves. Where I have left a section out, it is because the section has no relevance for Iraq, or I am not aware of any laws or practices in Iraq that are relevant.

For a good description of Iraq's commercial laws as they stood under the prior regime, readers should consult the Compendium of Iraq's Commercial Laws at www.export.gov/iraq.

Finally, for the sake of simplicity, I have used the term "laws" for legal actions taken by CPA, even though CPA does not technically promulgate laws (it instead issues a series of orders, regulations, memoranda, and public notices).

TRADE IN GOODS

GATT 1994

[HIGH PRIORITY]

Iraqis will need to be trained in such basic GATT principles as MFN status, national treatment, transparency, reciprocity, due process, and administrative and judicial review. As a general matter, these principles have been respected in all of the orders that CPA has issued.

National Treatment

Under the former regime, the hallmark of Iraq's commercial regime was that Iraqi, and in some instances, Arab, firms were given certain privileges, while foreign (especially non-Arab) firms were either denied those privileges or given lesser treatment. Because the principle of national treatment is so fundamental to the GATT and so critical to sound international trade and investment relationships, special attention should be given to training in this area. CPA has enshrined this principle in many of the commercial laws it has issued. The CPA orders that require national treatment are:

CPA Laws Issued:

- *Foreign Investment* (Order 39)
- *Tax Strategy Law of 2003* (Order 37)

CPA Laws In Draft:

- *Labor Law*. Amends existing law to provide far greater flexibility in job creation, employment conditions, and labor mobility, including equal treatment of Iraqis and foreigners.
- *2004 Tax Strategy*
- *Foreign Companies Branch and Representation Office*. Will provide equal treatment of Iraqi and foreign investors and simplifies procedures for setting up a branch or representative office.
- *Commercial Agencies and Distributorships*. Will provide equal treatment of Iraqi and foreign investors and more flexible contractual relations.
- *Amendment to Company Law No. 21 of 1997*. Facilitates conduct of privately held business in Iraq by both Iraqi and non-Iraqi companies. Eliminates most of the centrally planned and controlled aspects of the existing company law and facilitates the infusion of capital in private business.

These are the ones I have found so far. There may be others, please advise.

Due Process

Iraq's entire legal and administrative system is woefully deficient in the types of due process protections that are embedded in nearly all of the WTO agreements. Procedures for notice and comment, public hearings, *ex parte* meetings, publication of official rules and decisions, administrative and judicial review, and appellate review, are very spotty in Iraq. Where they exist in law, they are administered in a discretionary and inconsistent fashion. Furthermore, the court system is weak and perceived as not being independent. From a commercial perspective, lack of due process protections – such as industry regulations appearing out of the blue – can have a devastating impact on business decisions. The concepts of stakeholder participation and legal redress in the administrative and legal process are very foreign to Iraq. Extensive training in this area, with an emphasis on the dire consequences that lack of appropriate due process protections can have on trade and investment, would be extremely fruitful.

CPA Law Under Consideration:

- Administrative Procedures Act

Tariffs

No one has been able to find a published tariff schedule in Iraq. However, at least one source indicates that, under the former regime, import tariffs were based on the Customs Cooperation Council Nomenclature, with duties generally applied on an *ad valorem* basis, ranging between 10 and 200 percent. Other anecdotal evidence suggests that, under the previous regime, import duties may have been negotiated individually for particular contracts. In addition, a lot of informal "transit fees" were applied at various border crossings, and these varied widely. They could be quite steep – as much as 80 percent at the Kurdish border crossings. The fees were, and continue to be, particularly prevalent in the Kurdish provinces. In fact, many reports indicate that the transit fees

were the main source of revenue for the two semi-autonomous Kurdish governments in the last few years. They may still be.

It is difficult to predict what the Transitional Administration will do with the tariff issue. CPA has extended the tariff holiday to March 1, 2004. At that time, a general "reconstruction levy" of 5 percent was supposed to take effect for almost all imports. But this 5 percent levy has been delayed until April, 2004 because there are no trained customs officials at the border and there is no system set up for collecting the duties. Finally, negotiations are currently underway amongst the Iraqis about the status of the Kurdish provinces. It is likely they will retain some autonomy – whether this extends to border control is an open question.

CPA Law Issued:

- *Trade Liberalization Policy 2004 (CPA Order 54)*. Extends tariff holiday to June 30, 2004.

State-Trading Enterprises

The Ministry of Trade has an STE for virtually everything that is imported into and exported from Iraq. In the past there were virtually no notification and review procedures, and zero transparency. Since the war, many STEs have become dysfunctional, and they basically control nothing entering or leaving the country. But they have not been disbanded or privatized, so there is a question of what role they will play under the Iraqi Transitional Administration. The only two STEs that continue to function are the ones involved in distributing food rations. These are the Grain Board, which imports wheat and grains, and the Foodstuffs Company, which imports food products, soap, detergent, and other items included in the food basket.

CPA Notice Issued:

- *Administrative Procedures for Establishing Trading Agencies*. Simplifies and facilitates administrative procedures for Iraqis to establish direct trading relationships with international trading companies.

Customs Unions and Free Trade Areas

Iraq is not a party to a customs union, but has bilateral FTAs in effect with many Arab countries. In addition, Iraq is a party to the Greater Arab FTA, which is being phased in. The concepts of third party compensation and bound tariffs are probably not familiar to Iraqis.

AGRICULTURE

[MEDIUM PRIORITY]

The agriculture sector is highly subsidized and highly inefficient. The subsidies are primarily in the form of cheap energy and material inputs (price controls on oil, gas,

water, fertilizer), not price supports for the agriculture products. There are no export subsidies. As such, one might argue that the subsidies are not especially trade-distortive.

In addition, despite its natural comparative advantage in agriculture, Iraq has become a net importer of agricultural products.

Currently, there are no tariffs or quotas on agriculture imports.

USAID has issued a major contract to plan and implement reforms in this sector. The reforms are in the planning stages.

SANITARY AND PHYTOSANITARY MEASURES [HIGH PRIORITY]

Plant and animal health inspections in Iraq are somewhat in a shambles. Iraq does not appear to have had a bona fide system for testing imports, and what little system there was was very corrupt and subject to manipulation. Since the implementation of the oil-for-food (OFF) program in 1996, a Swiss company, COTECNA, has been solely responsible for checking and certifying all food and humanitarian imports into the country. Although the OFF program was terminated in November, many shipments are still arriving under contracts signed during the pendency of the OFF program. For these shipments, COTECNA is continuing to act as authenticator. For new contracts signed, goods are entering Iraq with no inspection at all. As such, there is very little capacity in Iraq to perform this function.

TECHNICAL BARRIERS TO TRADE [HIGH PRIORITY]

The Central Organization for Standardization and Quality Control is responsible for all health, safety, and quality controls at the border. Apparently, Iraq has over 3,000 product standards. However, at present, this organization is understaffed and lacks equipment. In most instances, the trading community is not sure what standards and certification procedures apply. While no one suspects that standards and procedures will become TBTs, Iraqis do need to be trained to adopt internationally recognized standards. A lot of work is being done on industrial standards now, and there is a proposal afoot to have Iraq accept the industrial standards and certifications of major trading nations, at least until Iraq can either develop its own standards and procedures, or implement existing standards. But this has not happened yet.

TRADE RELATED ASPECTS OF INVESTMENT MEASURES [LOW PRIORITY]

TRIMS have not been an issue in Iraq, but this might just be because foreign investment, other than Arab, was not allowed in Iraq until CPA issued its investment order (see below). CPA's order does not specifically address things like local content requirements or export requirements as conditions of investment, but it does provide that foreign and domestic investors shall be treated equally. At this stage, TRIMS are not likely to be a

major issue for Iraq, even if the Transitional Administration lifts the CPA investment order, because there are too few local input industries in Iraq, and Iraq has never tried to become an export platform for anything other than oil and gas.

CPA Law Issued:

- *Foreign Investment (CPA Order 39).* Liberalizes the foreign investment regime, provides generally for equal "national treatment" for foreigners and Iraqi investors; some deposit requirements prior to engaging in retail sales activity.

ANTIDUMPING

[LOW PRIORITY]

Iraq has no AD law and does not need one at this time.

CUSTOMS VALUATION

[HIGH PRIORITY]

See the discussion under Tariffs above.

CPA Law Issued:

- *Creation of Department of Border Enforcement.* Creates a Department to handle customs processing, customs inspections, customs police, as well as other border functions, such as immigration issues and passport issuance.

CPA Law Planned:

- *Customs Law.* Institutes WTO-consistent customs controls.

PRE-SHIPMENT INSPECTION

[MEDIUM PRIORITY]

As stated above under the SPS section, Iraq has employed a Swiss firm, COTECNA, to review all shipment details since the start of the OFF program in 1996. While COTECNA's role is gradually being phased out, it still "authenticates" (the term used in UN Resolution 986 of 1995, which established the OFF program) a large percentage of the shipments currently entering Iraq. Authentication basically involves verifying the contents of the shipment. With respect to food shipments, COTECNA makes some kind of determination about whether the stuff is fit for human consumption, but it does not test medicines or verify industrial standards. Because Iraq has little capacity to perform an inspection function at the border, it is conceivable that the Transitional Administration may contract out these activities to a private firm.

RULES OF ORIGIN

[LOW PRIORITY]

At present, we have little information on Iraq's past or current practices in this area, but I would surmise that this would be a low priority for now.

IMPORT LICENSING

[HIGH PRIORITY]

Under the former regime, Iraq had an onerous system of licensing for both imports and exports. The system was opaque, subjective, and corrupt. It appears that licenses were issued at the discretion of the Trade Ministry. While Iraq's borders are currently open and no licenses are required, there may be a danger that the Ministry might revert to its old ways.

CPA Law Issued:

- *Trade Liberalization Policy 2004 (CPA Orders 12 and 54).* Suspended all import license fees (though not the licenses themselves). As a practical matter, no import licenses are currently required because there is virtually no commercial control of the borders.

SUBSIDIES AND COUNTERVAILING MEASURES [MEDIUM PRIORITY]

Iraq does not have a countervailing duty law and does not need one at this time. However, Iraqis will need extensive training in understanding what constitutes a subsidy, which subsidies are especially trade-distortive, and why certain categories of subsidies, notably export subsidies and import substitution subsidies, are prohibited. The point here is not that Iraq threatens to flood the world with subsidized goods, but that Iraqis need to understand the seriousness with which the WTO approaches the issue of subsidies and the controversy that subsidies can engender in international trade. Government involvement in the economy -- including food rations sold for a song, cheap energy and material inputs, price controls -- is so deeply engrained in the Iraqi system that people may not appreciate its effects or the inefficiency it leads to.

SAFEGUARDS [MEDIUM PRIORITY]

Iraq does not have a safeguards law. We need to think about whether to advise them about how to institute one. There are several non-oil industries where Iraq will have a natural comparative advantage, especially in the region. These include agriculture, agriculture inputs (fertilizers, phosphate and sulfate products), food processing, all kinds of construction materials (cement, bricks, glass), and miscellaneous raw materials. Without some protection early on, these industries will all be crushed by foreign competition. A safeguard mechanism may not be the most effective way to do this, but some modest tariff protection may be in order.

TRADE IN SERVICES

FINANCIAL SERVICES [HIGH PRIORITY]

CPA Law Issued:

- *Banking Law.* Allows 100% foreign ownership for 6 foreign banks; 50% ownership for all others. Allows repatriation of capital.

CPA Laws In Draft:

- *Iraqi Securities Law Order.* Applies certain aspects of modern securities law to assist Iraqis in transitioning to a market economy.
- *Central Bank of Iraq Law.* Provides detailed rules for Central Bank's operations and supervision of banking system.
- *Bankruptcy Law.* Modernizes dissolution, liquidation, and bankruptcy proceedings and creditor rights protection.

CPA Laws Planned:

- *Secured Transactions Law.* Modernizes secured lending regime.

TELECOMMUNICATIONS

[HIGH PRIORITY]

CPA Law Issued:

- *Licensing Telecommunications Services and Equipment.* Authorizes the Ministry of Transport and Communication to allocate the frequency spectrum and issue licenses for commercial services. Requires the Ministry to follow International Telecommunication Union standards and its Radio Regulations.

CPA Law In Draft:

- *[A draft law is circulating that basically creates an Iraqi FCC.]*

OTHER

CPA Law Issued:

- *Suspension of Exclusive Agency Status of Iraqi State Company for Water Transportation.* Suspends the right of this state enterprise to act as the exclusive maritime agent in Iraqi ports.

TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

[HIGH PRIORITY]

While Iraq has in place decent patent, trademark, and copyright laws, enforcement and legal recourse are problematic. Furthermore, under the former regime, the laws were largely ignored. Many foreign companies were burned by trademark and patent infringement, and there are many compensation claims regarding intellectual property pending before the UN Compensation Commission. It is important to provide training in this area. Many foreign industries interested in investing in Iraq will not do so unless they can be assured of adequate intellectual property protections. At present, this is particularly relevant for the tourism (hotels) and pharmaceutical industries.

CPA Law Planned:

- *Intellectual Property Law.* Strengthens protection of patents, trademarks, trade names, and copyrights.

DISPUTE SETTLEMENT

[MEDIUM PRIORITY]

It may be worth training Iraqis in the dispute settlement provisions of the WTO to enforce upon them the importance of due process procedures, and to ensure that they understand the concept of nullification and impairment, the consequences of disregarding commitments made in signing on to the WTO, and the interplay between domestic law and international obligations.

PLURILATERAL AGREEMENTS

GOVERNMENT PROCUREMENT

[HIGH PRIORITY]

At the end of the Saddam Hussein regime, Iraq did not have a national law or set of regulations covering government procurement procedures. Some administrative guidelines existed in several individual ministries but apparently they were not really implemented or enforced due to corruption.

CPA Law Issued:

- *Contract and Grant Procedures.* Establishes open and transparent bidding procedures for government contracts that are issued by CPA and Iraqi ministries, unless existing ministry procedures are already adequate, and that are funded through vested and seized assets and through the Development Fund for Iraq (the repository for oil revenues).

Some Closing Thoughts

While the goal of many of the WTO agreements is to ensure that government programs are not used to block or impede imports, the primary goal of much of the training needed in Iraq is to ensure that adequate programs, such as border procedures, inspections and certification procedures, exist in the first place. The programs need to be set up in such a way that they cannot be manipulated to block imports, but Iraq is generally in need of imports, has few viable domestic industries other than oil and gas, and is not expected to have any motivation to use the programs to impede trade, at least not in the immediate future.

The state sector. Iraq's state sector employs about 450,000 people, or about 7 percent of the workforce. As such, the state sector is no where near as large as it was in Russia,

Eastern Europe, or China. Still, government involvement in the economy is fairly pervasive.

Arsht, Leslye (SES)

From: (b)(6) (GS-15)
Sent: Thursday, March 25, 2004 10:48 AM
To: Arsht, Leslye (SES); (b)(6)
Subject: OFF Allegation

Leslye,

(b)(6) and (b)(6) (Trade) stopped by to follow-up on Ambassador Bremer's memo requiring records relating to the OFF program to be inventoried and safeguarded. I told them that you had discussed this matter with senior MOE personnel last week and again yesterday and that you were pushing very hard to ensure that the MOE complied. They indicated the Ambassador is very interested in this matter. They would also like to schedule sessions at MOE early next week to introduce the Board of Supreme Auditors (BAS) staff to pertinent Iraqi Ministry officials who will oversee the collection of OFF documents/records. BAS is apparently willing to inventory/help inventory the records. I told them I would talk with you when you return.

We also discussed the status of the IG's appointment and they thought this would be a good project for the IG to be involved in.

(b)(6)

(b)(6)

(b)(6)
16)
, Ass DG Audit

3/25/2004

MINISTRY OF EDUCATION

QUESTIONS & ANSWERS

Q: What does the "transition" mean for the Iraqi Ministry of Education?

A: The Ministry has entered its final stage toward sovereignty. The Iraqi Education Ministry is now virtually autonomous as a result of steady and measured progress made during the past seven months. This formal organizational change recognizes the fact that during the past several months the Ministry, and the Minister, have assumed greater responsibility for the administration of the nation's primary school system – as witnessed by the Senior Advisor offering advice when requested, rather than giving direction. With the formalization of the transition, the Senior Advisor's office will shift from an advisory office to a technical assistance resource for the Ministry.

In order to reach this stage/milestone the Ministry has developed:

- Short and long-term strategic plans;
- A budget based on that plan;
- The Ministry is reorganized to meet these priorities;
- Fundamental management systems are being put in place e.g. EMIS and,
- A system of checks and balances to deter and root out corruption.

Q: How much financial support has been given to Iraq's primary educational system since liberation?

A: In 2003, more than \$70 million was applied to help rebuild Iraq's educational infrastructure. Funding was utilized to train more than 30,000 teachers, distribute millions of new textbooks and school supplies and refurbish more than 2,400 schools. In 2004, the United States will contribute \$170 million with \$88 million allocated for school construction and \$82 million for on-construction related expenses such as teacher training.

Q: For generations, Iraq's educational systems were utilized by the regime to disseminate propaganda to advance the goal of the oppressive dictatorship. What has been done to clear away the former ba'ath elements and to improve the quality of instruction?

A: As was the case for all ministries, Furqa-level and above personnel were removed from the Ministry. Throughout Iraq's schools, teachers, principals (referred to as headmasters and headmistresses) and supervisors were also removed. Approximately 12,000 in total were removed and provided two options, either to appeal or to take retirement. Upon completion of de-ba'athification, the Coalition and the Ministry embarked upon an aggressive teacher training program that has trained more than trained over 32,000 secondary school teachers and 3,000 supervisors in effective instructional delivery and classroom management.

Q: There are many teachers still trying to get back to work what is the Ministry doing about this?

A: For de-ba'athification the Ministry has instituted an appeals process established by the Governing Council. If former employees successfully appeal, they are re-instated. Those with longer service have the option to retire rather than appeal.

Q: *The Ministry has engaged a national dialogue on curriculum reform highlighted this past week during a national conference in Baghdad. What progress has been made on this subject?*

A: The Ministry began the process of reforming Iraq's politically charged and outdated curriculum last October with a national dialogue covering the philosophical aspects of the education system. Governors in many of the Governorates held their own meetings around the document developed by the Ministry which contained a series of questions for consideration. During the ensuing weeks and months, discussion and feedback came from throughout Iraq's civic, business, religious and political sectors. This week's second national conference examined that feedback and presented a framework and process for undertaking reform of the curriculum. On curriculum reform, three principles were adopted:

- 1) the process will be evidenced-based
- 2) the Ministry will consider international experience, recognizing the benefit of learning from other countries efforts; and
- 3) the process will be completely Iraqi-led.

Q: *How will the curriculum change be addressed in the next year? How will the curriculum reflect current history – will the Coalition be treated as liberators or occupiers?*

A: As stated by the Minister at the completion of the second national conference on curriculum reform this past week, the Ministry has recognized the immediate need for an interim curriculum for civics, religion, and history for the coming year and will make the creation of these curricula the immediate priority. The curriculum will reflect the reality that many view the removal of Saddam Hussein as a liberation from an oppressive regime while simultaneously placing the Coalition in the role of an occupying force during the interim period prior to the transition of sovereignty. The important factor is that this decision will be made solely by Iraqis.

Q: *With the lead up to the full transfer of sovereignty to the Iraqi people on June 30, what is the most difficult challenge facing the Ministry?*

A: There are many complicated issues facing Iraq's education system that have been made significantly easier to address with the completion of the Ministry's long range plan. The Ministry has a plan to repair 10,000 schools in just four years and to address much needed professional development for Iraq's teachers, a process that has already begun. With tens of millions of dollars in funds from the United States and international partnerships with the British Council, UNESCO and World Bank, the Ministry is well positioned to meet these challenges as it works to build incentives for parents to put children back in school and for the system to keep them there.

Q: *What is being done to combat fraud and corruption in Iraqi Government ministries?*

A: Minister Alwan takes the subject of corruption very seriously. The Inspector General of the Ministry of Education has been named and has begun to take a broad look at all Ministry programs and policies to ensure that they are being implemented as intended. The objective is to deter and root out future corruption.

Allegations of misallocation of funds within an Iraqi Government Ministry should be reported to the Iraqi Government's Board of Supreme Audit and also to the Inspector Generals. We are in the process of appointing these to all Ministries. Their role is to maintain oversight, ensure financial compliance procedures are followed and investigate allegations of corruption. The newly established Iraqi Commission on Public Integrity may also investigate allegations of corruption.