

**THE ECONOMIC PARTNERSHIP BETWEEN
IRAQ AND THE UNITED STATES**

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**IRAQ BANKING CONFERENCE
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Ladies and Gentlemen, I am pleased to see such a large attendance for this very important event. The banking sector forms the foundation of the Iraqi economy, and this conference will help to reinforce and further develop the banking industry. This is the first time that Iraqi public and private sector representatives as well as regional and international partners have come together to discuss and make recommendations on the current status and future growth of financial services in Iraq, and I look forward to seeing positive results following this meeting.

At the U.S. Embassy in Baghdad, we have emphasized the need for an economic partnership between Iraq and the United States. This

partnership has evolved and strengthened over the past four years.

Currently, our focus is on economic reform legislation, international and regional economic integration, and economic growth.

The high-level attendance at this conference from both the Government of Iraq and the U.S. Government is an example of the positive relationships that have been established between our two nations. New business linkages have also been formed since 2003, and I would like to see even more American companies working with Iraqi businesses.

Another symbol of our partnership is The International Compact for Iraq, the final draft of which was distributed on March 16 at the United Nations Headquarters in New York. The Compact calls for Iraq to commit to specific economic benchmarks, including a series of reform efforts such as transparency in the hydrocarbon sector, private-sector development, investment promotion and ensuring sound fiscal policy. In the banking sector, the Compact calls for promotion of private banking, a nationwide

electronic payments system, and other important reforms. In turn, donors will provide technical assistance, debt forgiveness and other financial support to help reintegrate Iraq into the international economy and complete its reconstruction.

Iraq is committed to economic reform and has met the guidelines set out by the International Monetary Fund since 2004 to encourage growth. The U.S. Government supported Iraq's signing of a Stand-By Agreement with the IMF in December 2005. Since then, the Iraqi Government has implemented prudent monetary policies to control inflation, liberalized official fuel prices and imports, limited government spending on employee wages, improved a fiscally unsustainable pension law and made important strides in developing an electronic payments system to increase financial intermediation. I would like to commend Governor Shibibi as well as our colleagues from the Ministry of Finance for their strong leadership and hard work in implementing this crucial agreement with the International Monetary Fund.

It is promising that the reforms enacted thus far have been successful. The IMF estimates the growth of Iraq's economy at 3 percent over the past year, with oil revenue totaling \$29.5 billion. The Iraqi cabinet's recent approval of a new hydrocarbons framework law is a vital piece of legislation which will strengthen the economy. The hydrocarbon law is critical because it shares oil revenue proportionally among all Iraqi citizens, sets the ground rules for managing oil production and sends a strong signal of economic liberalization to the world.

Budget execution is another economic issue for the Government as well as the citizens of Iraq. In February, the Iraqi Council of Representatives passed the government budget for 2007. Iraqi officials have emphasized the importance of using the \$10 billion set aside for capital investment and reconstruction to bring tangible benefits to all Iraqis. To encourage budget accountability, they have stipulated that ministries and provinces that fail to perform by midyear may have a portion of their funding

transferred. Iraq held a conference earlier this month to outline these new budget procedures for approximately 200 officials from both the central government and the provinces, including cabinet ministers, ministerial officials, heads of anti-corruption bodies, provincial governors and council chairmen. The U.S. Government supports Prime Minister Maliki in his Government's efforts to effectively spend the current budget in order to increase security, implement infrastructure projects, and provide social services across Iraq. Perhaps there is a role for the Iraqi banking community to work with the Government of Iraq to improve budget execution?

Trade is another element of U.S. – Iraqi economic relations. The United States was Iraq's largest export partner and the third highest amount of imports to Iraq came from the United States. We want to broaden and deepen our trade with Iraq and diversify the products and services being sold between our two countries. Banking services and information technology products are two highly competitive sectors in the United

States, and American companies such as Citibank, Cisco, Microsoft, Visa and others who are with us today should consider expanding into the Iraqi market.

We are also encouraged by the Government of Iraq's progress toward becoming a member of the World Trade Organization. On April 19, Iraq will have its first WTO Working Party meeting in Geneva. The WTO accession process will lead to important economic reforms in areas such as customs, intellectual property, and sanitary and phytosanitary standards among other trade facilitating measures. After becoming a member of the WTO, the Government of Iraq will send yet another strong message to the international community that Iraq has a stable, predictable and attractive trade and investment environment.

Finally, the new Iraqi Investment Law that was approved by the Council of Representatives in October last year and officially published in January will help to increase domestic and foreign direct investment in Iraq. This

important piece of legislation establishes National and Provincial Investment Commissions to implement the law. It allows foreign investment in the Iraqi Stock Exchange and protects private property from seizure and nationalization. With this new law in place, multinational companies should consider investment opportunities in Iraq, and Iraqi companies should look at potential areas for expansion as the security situation and the economy improves.

I appreciate having the opportunity to address this conference today, and if you have any questions, please contact me or the Embassy at any time.

Now, it is an honor for me to introduce my good friend, Dr. Sinan Al-Shibibi, the Governor of the Central Bank of Iraq. Governor Shibibi is a graduate of Baghdad University and the University of Manchester focusing on Economics. He has worked in the Iraqi Ministry of Oil and the Ministry of Planning before serving for twenty years with the United Nations Conference on Trade and Development. He has also taught courses at a number of universities. Dr. Shibibi was appointed Governor

of the Central Bank of Iraq in 2003. I am honored to introduce
Governor Shibibi who will present his views on the banking sector in
Iraq. Thank you.

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