

PRESS CONFERENCE:

RDML Gregory Smith, Director, Multi-National Force – Iraq Communications Division

Mr. Paul A. Brinkley, Deputy Undersecretary of Defense – Business Transformation

Maj. Gen. Darryl A. Scott, Commander, Joint Contracting Command – Iraq/Afghanistan

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REPORTERS:

JJ Sutherland from NPR News

Gina Chon from The Wall Street Journal

Doug Smith from The Los Angeles Times

Bruno Silvestre from NBC News

REPORTERS 1-7

***REP1 = REPORTER 1**

***INT = INTERPRETER**

SMITH:

Good afternoon. As-Salāmu `Alaykum. I'm joined today by two colleagues who will update you on reconstruction and economic efforts to help the people of Iraq recover from four plus years of war that has taken a great toll on the social, economic, and political fabric of this country. I'm pleased to welcome back the Deputy Undersecretary of Defense and the head of Task Force for Business Stability Operations, Mr. Paul Brinkley. He has appeared in this forum previously and briefed you on the efforts to assist Iraqis in revitalizing their industrial capacity and creating competitive business operations. I'm also pleased to welcome Maj. Gen. Darryl Scott, Commanding General of Joint Contracting Command – Iraq/Afghanistan. Gen. Scott will outline several key projects and discuss some exciting initiatives for Iraqi businesses. But first, I would like to highlight recent operations by Iraqi and coalition security forces and the growing impact of the many concerned local citizens groups that are operating here inside Iraq. Iraq and coalition security forces are making significant progress against al-Qaeda in the four northern provinces of Ninawa, Salah ad Din, Kirkuk, and Diyala as part of Operation Iron Hammer. This division-level operation began November 5th to further disrupt al-Qaeda and to set conditions for continued reconciliation efforts. In the first weeks of this operation, the combined efforts of three U.S. Brigade Combat Teams and four

Iraqi Army Divisions detained over 200 suspected terrorists and captured three high-value al-Qaeda operatives. They also secured weapons caches that contained hundreds of artillery rounds and rockets, and over a ton of explosives, and a significant amount of material used to make improvised-explosive devices. These operations will continue to capture and kill al-Qaeda, disrupt their networks, and locate and destroy weapons caches. While not safe and secure yet, the areas in and around Baghdad are experiencing increased security. Representative of the progress being made and the challenges that still remain, I want to highlight the Baghdad neighborhood of al-Jamaa, located in western Baghdad's Mansour District. In June of this year, al-Jamaa routinely endured six attacks per week. In the month of October, that number has dropped to less than one attack per week. In response to this dramatic turnaround, this past Thursday, Iraqi Army and coalition forces began to transfer security responsibility to a local, contracted, infrastructure security force; a group of concerned local citizens. This temporary group of concerned local citizens will continue to provide security to the residents of al-Jamaa until many of its members can attend formal training at the Iraqi Police Academy. Each of these volunteers has gone through an extensive screening process and meets or exceeds the Minister of Interior's standards to be an Iraqi police officer. In the coming months, members of this temporary security force will

graduate from training and return to al-Jamaa as official Iraqi police officers. I also want to highlight progress in an area of north Baghdad, called Taramiyah. This has historically been a strategic location that al-Qaeda in Iraq has used to control and launch suicide car and other vehicle attacks inside Baghdad. On November 5th, an intelligence-driven operation resulted in the death of Tahir Maliq, the AQI leader of Taramiyah and the most recent military leader for the northern belt of Baghdad. Tahir Maliq was a subordinate of Abu Ghazwan, the AQI senior leader of the northern belt. He was also a direct associate of Abu Ayyub al-Masri, the Egyptian-born leader of al-Qaeda in Iraq. This is the latest of several operations conducted against AQI in Taramiyah. The removal of Tahir Maliq is just the most recent example of the progress being made against al-Qaeda in Iraq in Taramiyah. Other operations have included: On August 20th, Abu Ibrahim al-Falahi, AQI's military leader of the northern belts, was killed during an operation in Baghdad. The now deceased Tahir Maliq was promoted to replace Falahi. AQI's military leader in Taramiyah, Abud Saaya was killed during an operation on August 30th. Also, the death of Yakout al-Masri, part of the inner circle and leadership of al-Masri, was killed on August 31st. Along with the capture of Ub Wafik, the founder of AQI in Taramiyah on December 4th, he had the local nickname, "The Executioner," because of his barbaric actions against innocent civilians. And finally in Taramiyah,

the locating and destruction of over 20 tons of explosive material on October 20th. The cumulative results of these and other operations conducted by Iraqi and coalition forces along with the support of citizens of Taramiyah, have forced many of al-Qaeda in Iraq to flee. To hold the area, Iraq and coalition forces are working with over 1,200 concerned local citizens who have volunteered to ensure al-Qaeda in Iraq and its barbaric tactics and Taliban-like vision, are not allowed to return to their city. Before I close, I would like to comment on the state of security in Baghdad and the future for Operation Fardh al-Qanoon. There has been significant progress and accomplishments by the combined efforts of Iraqi and coalition forces in the provinces of Baghdad and the surrounding belts. But this progress is fragile and far from irreversible. You only have to look at the past couple of days to understand that the enemy has both the will and the capacity to cause significant loss of life and destruction of property. Just a few hours ago, a coalition vehicle was struck by an improvised-explosive device near the International Zone resulting in multiple military and civilian casualties. And yesterday, in Habbaniyah, 20 miles southwest of Baghdad, coalition and Iraqi security forces, aided by concerned local citizens, turned back a determined force of al-Qaeda...of 30 to 45 fighters who were stopped at two checkpoints manned by concerned local citizens. In the end, 15 al-Qaeda were killed and calm was returned to the city. This attack,

one of the largest by al-Qaeda in recent months, is evidence that Iraq has many enemies whose only goal is to destroy what has been accomplished to date. While all involved in bringing lasting peace to Baghdad hope and pray that one day will come soon, it would be unwise and irresponsible to declare victory and disestablish the security framework that has led to the progress and relative calm we are now witnessing. To that end, the work of Fardh al-Qanoon will continue for the foreseeable future in order to maintain and expand upon the current levels of security. Lastly, long-term security can only be achieved by the establishment of economic stability, employment, and improved services. Many of you participated earlier today in the Baghdad Forum and so you understand the vision of government and civic leaders that they hold for Baghdad. To tell you more about the efforts underway here in Baghdad and across Iraq, we'll turn first to the Hon. Paul Brinkley. Sir.

BRINKLEY: Thank you, Admiral. On behalf of the Department of Defense, I want to thank you for the opportunity to talk to you today about the state of our economic revitalization efforts. It's an honor to be here with my partner and colleague, Gen. Scott, who has worked in such close concert with our team over the past year. Much of...when Deputy Secretary of Defense Gordon England established our task force in June of 2006, there was a recognition that a critical element of

restoring normal life here in Iraq to complement political reconciliation and to complement the establishment of security was economic revitalization; to provide employment to what was and is and can be, again even stronger, the most skilled work force in the Middle East. We began an effort last summer that was multifaceted yet much of our discussions in forums like this have focused on our direct, on-the-ground work with our Multi-National Division Leaders, economic leaders, to restore production operations in largely former state-owned industries here in Iraq in an effort to restore employment to the Iraqi workforce. While that has been much of our public discussion, we have, in fact, been pursuing a multifaceted effort that I want to review with you today and give you a progress report on. And my colleague and I will then take your questions in terms of specifics about the momentum that we're establishing in our efforts to create that irreversible momentum that we seek here in Iraq that incorporates economic development, again, in support of political reconciliation and sustainment of security as it's established. We have one view...graph I'd like you to refer to if we can bring it up. If we start...if we look at the efforts of our task force, we work in close partnership with our interagency groups; specifically within the commands, the Joint Contracting Command for Iraq and Afghanistan, our Defense Information Services Agency within the Interagency, the State Department, the U.S. Internet Agency for National

Development, USAID, and the U.S. Department of Treasury. And as I walk up this stack of focus areas for our economic revitalization efforts, the one consistent theme that was in place when we launched over a year ago was how do we take DOD's spending to sustain our operations and use it as an instrument of economic stimulus in the country at all levels of the economy? If we start with communications infrastructure, we're working and have been working with our commands and with our State Department to take U.S. spending on non-secure communications and contract with Iraqi telecommunications services providers specifically to light fiber-optic, terrestrial networks in Iraq. The bedrock of any economy in the world economy today is optical networking; the ability to transmit data. Much communications in Iraq today...if you fly over, you see the city is still done via satellite. This is costly, it hinders the development of efficient, effective business, and it denies Iraqi businesses the opportunity to seamlessly connect with the global economy. So we are using DOD's spending and U.S. government spending where possible, to stimulate the build-out of network infrastructure in Iraq. Not to build it for them but to enable private Iraqi businesses to build-out a network infrastructure that will support a modern economy. Next tier up. Working with our Treasury Department colleagues and the U.S. Department of State, we've identified and are partnering with a consortium of private banks.

There are well over 100 private bank branches in Iraq today that have electronic funds distribution capability. But that again is done via satellite terminal on top of buildings. Gen. Scott will talk about how we're using our contracting stimulus to steer and encourage the adoption of private banking by thousands of private Iraqi companies that have been registered over the past year in our efforts in the Iraqi First program which Gen. Scott will describe. The next tier up refers to the Iraqi First program which Gen. Scott will discuss. The space where we've received most attention—some positive, some debated—is in the area of industrial revitalization. Iraq had a large industrial sector--hundreds of factories, professionals, engineers, managers, accountants, businessmen all over the country that I've had the honor to meet with over the past year and a half who all seek the same thing; an opportunity to engage in economic development, to have access to prosperity. This is a consistent message I've encountered everywhere here and it's consistent with messages I have seen elsewhere in the world in business relationships. We've sought to reopen and reengage the Iraqi industrial base. And that effort continues. And again, this is a partnership with our colleagues in Joint Contracting Command. We announced in September that through our efforts, with no U.S. taxpayer direct investment, we were able to restart and restore production in over 17 industrial operations in the country. We have dozens more in process. That aspect of our

effort continues but it's part of a multi-tiered effort to uplift the entire Iraqi economy. My last area of focus I'll talk about is our partnership with the Ministry of Industry and Minerals. The stated objective of the government of Iraq is to see the emergence of a free market economy here, to accede to WTO membership, to engage in the same level of access to economic prosperity that other parts of the world now enjoy. The pace at which that is moving is something that we would all like to see accelerate. But they have received and initiated tenders back in February for private investments in joint ventures with existing large Iraqi industrial operations and they received dozens of bids from major multinational corporations that they continue to evaluate and assess in a very structured process that we are partnered with them on. We expect and anticipate that, as we restore production in the country, there will be a transition...a transitional privatization of the existing industrial base that benefits the people of Iraq, that is creating opportunity for the Iraqi business community, but this is done in a transitional way. Finally, after September, we have seen, as an awareness has taken place, that things are getting better here. Cautious optimism has taken hold as the Admiral spoke of moments ago. We have been approached now—solicited—by international investors, private equity regional investors, who are seeking information and opportunities to invest in Iraq. There is an awareness that in time, this will be a very prosperous

nation. And the area where, obviously, everyone focuses is in hydrocarbons and the eventual emergence of the hydrocarbon economy here, but more importantly even than that, from an employment perspective in our opinion, is the industrial base and the agriculture sector here. This nation has the opportunity and will eventually achieve a status as one of the most viable economies in the region. There is an awareness now after September, that that opportunity, the opportunity to invest early and at higher risk but with greater potential return, is causing us to be engaged by international investment communities. So we have cautious optimism today and we've created a team within our task force that are serving to liaise with international investors to put opportunities in front of them, to liaise with the government of Iraq and with our forces and through our State Department, to open up awareness of investment opportunities in Iraq for risk-oriented capital as awareness of gradually improving security and stability takes hold in the international business community. And so those are my opening comments. I'd like to turn it over to my colleague, Gen. Scott.

SCOTT: Thanks, Mr. Brinkley. Continuing on with that theme that our... a number of initiatives that we have in the Joint Contracting Command to support overall economic development throughout Iraq, the Joint Contracting Command provides contracting support to the Multi-

National Force in Iraq and to the U.S. Mission, that is the State Department and other federal agencies that are here operating in Iraq. Along with our mission to support those folks with construction, services, commodities, the things that they need to operate, we have a coequal mission to use that “spend” if you will, those dollars, to promote economic development among the people of Iraq. And I’m pleased today to be able to discuss with you the success we’ve had in transitioning from an economy and a support structure that was largely supported by international firms, to one that’s being supported largely by Iraqi firms. Over 60% of the contracts we awarded in recent months have been to Iraqi firms. Over 47% of the dollars that we’ve spent in the last three months have been to Iraqi firms. Let me give you an idea of the magnitude that we’re talking about. In fiscal year 07, the fiscal year that ended on the 30th of September, we put over \$2 billion into the Iraqi economy. 82% of the construction projects that we directed during that fiscal year went to Iraqi firms. 55% of the commodities that we bought, we bought from Iraqi firms. And that’s everything from things like bottled water to light military supplies bought from Iraqi firms. 25% of the services that we bought, \$170 million in services, were bought from Iraqi firms. In the last three months, from August through October, in those three months alone we spent \$624 million with Iraqi firms. We’ve grown our vendor base from around 1,200 Iraqi companies about 18 months ago

to almost 5,000 companies today—added 3,400 companies in our vendor base. And over 80% of those companies have received at least one contract from us and many of them, indeed a slight majority, over 50%, have received multiple contracts from us. Now we're using these contracts not just to direct the dollars into the Iraqi economy, but we also conduct training in western-style business practices—how to do business with the U.S. government and other western companies. We use that to advance business and technical skills within those Iraqi companies. One of the things we found, as Paul mentioned, Iraq has one of the most highly educated, highly skilled workforces in the middle east. Education is highly valued. Iraqi engineers are resourceful, intelligent, they're extremely capable. The thing that Iraq lacked was, for 20 plus years under Saddam, essentially that they were frozen in the 1980s in terms of technical skills, business skills, and knowledge of what the state-of-the-art was in the west and other developed nations. We're bringing those things to those folks who already have the skill, the capability, the intelligence to use those capabilities through our contracts. We are reaching out and assisting Iraqi entrepreneurs. We have several companies that work with us who do over \$100 million a year in business. These are companies that have grown from very, very small concerns to concerns that are among some of the largest in the Middle East. We're using this spend to drive employment. Since the

beginning of the Iraqi First program, we've created almost 56,000 jobs for Iraqi nationals among the workforce that we employ. Over 81% of the employees that work on our contracts are native Iraqis. We are providing supplies and services to strengthen the Iraqi economy. Many of these companies that began by providing goods and services just to the coalition forces, are beginning to branch out and provide those same services to the government of Iraq, to other private enterprises within Iraq, and in all their expanding. So what we're seeing here is a very, very successful program. I'd like to call your attention to the graphic on my left which gives an indication of the last three months of the economic impact that we've had in the provinces of Iraq. As you can see there, I have the spend, the \$624 million that I referred to, broken down by province. And you can see that, while it's concentrated mainly in areas where the coalition has a presence, there's no denying the impact that this has had in the local economies. Over \$240 million spent in Baghdad in the last three months. Over \$100 million spent in Anbar over the last three months. And of the \$623 million, there's been at least one major contract effort in every province within Iraq, including some provinces where we have very little coalition presence. So overall, we're quite pleased with this. And to put this in context, before we started the Iraqi First program, fewer than 25% of the spend that the United States government does was going to Iraqi firms. Now over 47% of the

money is going to Iraqis. Over 60% of the contracts. And overall, we believe this is an important part of building a vibrant and growing Iraqi economy. That concludes my statement. We're available to take your questions.

SMITH: Yes, sir.

REP1: JJ Sutherland, NPR News. This is a question for you, Admiral Smith. I was wondering if you could tell us anything more about the IED strike this morning...the number of dead or what you know about it.

SMITH: We should have some more information for you later this afternoon but we had a unit that was operating out near a checkpoint and the vehicle came in contact with an improvised-explosive device. The vehicle sustained damage as did the individual occupants. We also had some local civilians in the area that also were affected by that. Again, we'll give you some more details later this afternoon. Yes, ma'am.

REP2: Gina Chon, Wall Street Journal. One question for Mr. Brinkley and one question for Gen. Scott. First, Paul, in terms of the work that you're doing now, at the reconstruction conference this morning to talk about Baghdad and rebuilding it, a lot of the government officials

were talking about the need to improve basic services: electricity, water, sewage systems. How is that working into your efforts to rebuild the economy especially when a lot of the services, I'm guessing, are necessary to do the work that you're doing? And then for Gen. Scott, I was wondering in terms of future contracts that are going to go out, in places where the coalition doesn't really have a presence like in Karbala or Najaf, will you be looking to try to increase contracts in those areas at all or are you still going to be mainly be focusing on places like Anbar and Baghdad's Haladeen, etc.?

BRINKLEY: So the basic services and the infrastructure, to color the response a little bit, World Bank estimated in 2003 that the total investment to create an infrastructure to support a modern economy in Iraq would exceed \$60 billion. The American people have devoted almost... a little over \$20 billion to that over the past four years. There remains a significant amount of investment required which will largely fall to the people of Iraq and other concerned nations over the coming years. As that infrastructure is built, it creates the environment that we need to restore and to create economic vitality. So I would describe the absence of services where those services still aren't available as a constraint for us. We're only able to do the work we're doing in areas where enough basic service has been restored to create an

environment that enables economic development. To be specific in an example where this remains a challenge for us, and it's an interesting geographical fact here in Iraq, you look out west at the great progress that's been made in al-Anbar as the local leadership in al-Anbar has taken essentially control of its destiny in partnership with Multi-National Forces and the Iraqi government. Much of the economic infrastructure there was...were huge consumers of electricity. Cement plants, mineral processing plants, given the natural resource base that existed there. Huge consumers of electrical power, 10-20 megawatts to run a single factory. That level of power is still not sustained in Anbar Province so our ability to restart those production operations is limited due to those basic services not being provided. So this is an example of an area where, as those services are restored, those production operations can restore. And it's interesting, much of the international interest we've seen in initial investment is in some of that—and outside of the hydrocarbon sector, of course—is in that large-scale mineral processing operations; things where there's great natural resource base here and that these are viewed as long-term competitive areas for the Iraqi economy. And so it constrains us but what that does is it directs us to work in areas where basic services have been restored. And I would say the majority of the country today has the basic services necessary to enable the reengagement of the business community and normal economic activity. Darryl.

SCOTT:

To sort of go along with the same themes, obviously it's easier to engage in reconstruction activities and services activities in places where not only is there an infrastructure, but where we have a presence. As I look ahead, most of the contracting we'll be doing in this fiscal year, will be in places where either the coalition has a physical presence or we have partnerships...available partners to work with. For example, we don't necessarily have to have a combat force on the ground in an area. If there is a provincial reconstruction team either run by the American Mission or run by our coalition partners, we're able to make the contacts that you need to have to understand what the needs are. For example, over half of that \$624 million spent, \$331 million, is for reconstruction projects. So we have to be able to engage with the local communities through the provincial redevelopment councils, through the provincial councils, through the provincial reconstruction teams, to understand what the needs of the people are, develop the projects, and then award contracts preferably with local labor, local companies, local general contractors who are able to do that. So the places where we have those kind of partners, are the easiest for us to operate. But I'd like to add that there are a couple of other initiatives that are being supported by the Combined U.S. Mission and Mr. Brinkley's group is involved as well, where we're actually out assisting the provincial

governments and assisting the central government in learning how to tender contracts using money out of the Iraqi budget. Mr. Brinkley's group has provided technical staff and technical assistance for what's called the Procurement Assistance Center. The Procurement Assistance Center has been very, very successful in helping the provinces spend their budgets. At the moment, over 97% of the carryover budget from FY06 has been committed. We're up over 65% of the FY07 provincial budget and that's in large part due to a partnership between us, the government of Iraq through the Ministry of Planning and Development, and Mr. Brinkley's folks that they've brought over to mentor the Procurement Assistance Center. Similar efforts are going on with a variety of the ministries in spending their budgets to provide capital projects out in the provinces.

BRINKLEY: The only little thing I want to add, and Darryl and I discuss this all the time, is our objective here is not to serve as a long-term source of revenue for the people of Iraq. It's to help get them going again. This is a stimulus that will enable the Iraqi business community to take their rightful place in the global economy. And so our effort in using U.S. government contracts is not to serve as a long-term provider of business, but to just help this business community which has, you know, obviously suffered through years and years of difficulty, get up on its feet. As we turn areas over to primary Iraqi control, our

objective would be to leave behind, and they wouldn't achieve this yet, this is a struggle to figure out. But to enable, as we pull back, that business community has been given enough stimulus. I am passionate in the belief that if you give the Iraqi business community opportunity, it'll take care of everything on its own. It does not need additional help. These are very bright business people here. All they're access...all we're trying to do is give them enough business to help them get going again. And then as we pull back, they take this from there. It's in many ways parallel to the security efforts here, to turn over the Iraqi security forces. You have a vibrant potential business community here. Our goal is to just get them going, add a little wind in their sails, and then we can back away and they can take it from there. That's the objective.

SMITH: Question, please. Yes, sir. In back.

REP3: Asks question in Arabic.

INT: [Unintelligible] from Al-Samariya TV. In so far as the Chief of the Integrity Commission accused the military forces of corruption in Iraq among the provinces, do you have any comment about this?

SMITH: Could you be more specific, sir?

REP3: Yes. The Chief of the Iraqi Integrity Commission accused the Multi-National Forces of participating in the administrative corruption inside of the Iraqi ministries. Do you have any comment about this?

SMITH: I've not seen the report so I can't comment specifically but I would point out that we work very, very closely with all the ministries here in the government of Iraq and our operations are very transparent. Again, I'm not certain what you referred to in terms of corruption and support of corruption. Clearly that is not the kind of conduct that our forces participate in. In fact, our efforts are aimed very much at providing a solid, stable development of relationships with the ministries to put them all in a good footing, to put them in a footing where they represent the government and represent the people in a way that we all agree is the proper way to do. So again, I challenge the question; I've not seen the report. Yes, sir.

REP4: Doug Smith from The Los Angeles Times. Have you seen much activity of commercial construction?

BRINKLEY: Private commercial construction or just construction in general? It's extremely dependent upon the region. And so where we obviously have seen a lot of that activity is in the north, in the Kurdistan region. And to travel there, obviously, you see that everywhere. Where I'm

beginning to see this activity pick up as well and we want to stimulate this, is in the southern areas and as prosperity is induced and, I mean, as security is restored in al-Anbar, in al-Anbar. Construction, both housing and commercial construction, seems to be the first area where you see commercial or private investment and private business activity take hold following security operations. And our intent is to try to encourage and foster that. It has great secondary and tertiary effects on employment, consumption of goods and services in a local area. And so, areas where I believe we will see that take off, under the cautious optimism that the security footprint that has been established is sustained, is in the southern areas, obviously areas in Baghdad, and in the west. Darryl?

SMITH: Next question please. Yes, sir.

REP5: Asks question in Arabic.

INT: Question from the [unintelligible] Japanese News Agency. I have two questions. The first question, I notice at this table that there's a contradiction between the provinces about what is being achieved in one province. Like in Salah ad Din, we have 1,020 projects while in Muthanna and Missan we have only one project. Why is this happening? Why is this a contradiction and what is the...concerning the severe competition, how do you think the Iraqi trade or tradesmen

or businessmen can compete with those international...with international businessmen? The second question, regarding the improvement of security in Diyala and Anbar, there are some armed groups that have no relation with al-Qaeda in south Iraq and in central...places in Iraq. Do you have any intention of making any awakening groups like in Basrah? And what after that? What after making an awakening? What will happen after the security has been improved? Will you pull the weapons from the tribes? Will the tribe leaders have an intelligence role or a combat role?

SCOTT:

I'll handle the first question. What you see here is quite a disparity between places like Salah ad Din with over 1,100 and Baghdad with 800 projects. We didn't try to balance projects among provinces. What we're doing here is responding to needs in areas where there's a coalition presence and there is a partner to work with. Some of the provinces in the south, most particularly in Missan and Muthanna, there's very little coalition presence there. And you'll notice that those are the two provinces that have the lowest number of projects and are getting the lowest amount of dollars. This is not...this program is not a grant program or an economic development program. What we're doing is we're providing for the needs of the coalition and for the needs of reconstruction and rebuilding the infrastructure. So in places where there's a large coalition presence

like Baghdad, like Anbar, like Salah ad Din, there's a great need for the kinds of services that you need in order to support a Brigade or a Division and where we have those needs, we would like to fill those needs using an Iraqi firm, preferably an Iraqi firm from the local area, to foster employment and to, frankly, bolster security in those areas. So what you see... what you tend to see is the economic impact going hand-in-hand with the security effort. Where in Baghdad, we had a very deliberate strategy that we would try to restore security to the neighborhoods in Baghdad and then we would also try to bring in reconstruction and economic activity to support that and to show folks that as security improves, the quality of their lives gets better. Similarly in Anbar, as the awakening took place, as security improved, as the tribes drove al-Qaeda out, that provided greater opportunity for economic development. So they go hand-in-glove. There was a second part of your question that had to do with the ability to compete internationally. We're aware that many of the firms are not yet ready to compete on a level playing field with international companies. So we award on a provision that's called "best value" and it says we consider things other than just price. We consider the economic benefit to the community. So in all likelihood, an Iraqi firm is in a much better position to come to us with a proposal that says this is how we will provide benefit to the community than would an international firm. So we pay a little more

in some cases. In the case of supplies and commodities, we pay a little more because we know that that money is being used to help the local community; to generate jobs in the local community. Yes, we could get it cheaper from the States or a firm in the...in some of the Gulf Region states, but we don't get the same benefit. On the other hand, with construction, what we've found is we actually save money by going to Iraqi firms. They are very well able to compete against the internationals. And why is that? One of the reasons is they don't have the security problems that a group of foreigners coming into an area and attempting to do construction would have. They use local labor, they hire local subcontractors, they work with the local sheikhs and the local political establishment and they are able to operate safely in those areas where international firms have to hire private security firms, have to ensure the security of their material sources, and all of those kind of things which raise costs. So in the construction area, for what I'll call medium-scale construction, buildings up to three stories tall for example, Iraqi companies are very, very competitive already. Not quite ready to do high-rises yet, but they can do an awful lot. In the services area, where we're able to use Iraqi services, we find that they are very competitive because they have a labor advantage. Skilled labor in Iraq, as well as unskilled labor is, at the moment, cheaper than labor brought in from outside of Iraq. The only reason why we're not doing better on services than we

are at the moment is security. And as security improves, we believe that we'll be able to increase the percentage of spend we do on services with local Iraqi companies.

BRINKLEY: So I want to color and take that to another level now. If you fast-forward the clock here to the time when we...in-shallah, we have a hydrocarbon law—at whatever point the Iraqi people determine that they're ready, with much encouragement, to get the hydrocarbon legislation in place—and the foreign investment that's taking place here and the investment in that economy is taking off, all of these businesses that today would struggle potentially to compete, those companies that come in to develop that portion of the economy will have to call upon the same services that Gen. Scott described. And getting them moving again, giving them an ability to compete for business, positions them to win. And they will have a competitive advantage as this economy—and I want to emphasize—not just hydrocarbons, but agriculture and other sectors get back on their feet, the service industries, the construction industries, working to get them back on their feet again positions them to compete for intra-Iraqi economic development. And companies will use the same economic motivators, profitability that drives their investments to leverage Iraqi sources of supply, Iraqi sources of services so that is the vision; that we use our spending to achieve an economic affect,

help get their business community back on its feet. It's the most industrially diverse business community, I believe, in the Middle East. Give them an opportunity to get back in business so that as private investment takes hold, they will be able to compete for that. Last point, and I know you had another question, connecting the global economy to the Iraqi economy is very important. And I'll use the Asia-Pacific region as an example. Very large countries—China, India, others—have huge markets. They can service their own markets and never connect to the international economy. But they choose to connect to the international economy and it uplifts and accelerates their economic development because they learn. They adopt...they have access to technology advances. They have access to business practice advances. Connecting the international economy to Iraq, even in areas where initially you think well, they will not be able to compete here. Giving them an opportunity to connect to that helps them accelerate the restoration of competitiveness to the Iraqi workforce. So again, this is part of the reason why it's so important that we continue to encourage the international business community to extend a hand of partnership and connection to the Iraqi business community. To give them access to that technical expertise that they've lacked access to and just opportunity which they, I believe, uniformly felt they would have had access to already. And with that I'll...

SMITH:

The question really, I think, dealt with the, as you term it, “other awakenings.” As you know what began as an awakening in Anbar city led an awakening in which they turned against al-Qaeda and your question really was, beyond al-Qaeda, beyond the other groups here in Iraq, are there other awakenings? Certainly. As we now see over 186 concerned local citizen groups that have been formed, nearly 70,000 across Iraq. In Sunni areas, in Shi’a areas, in Sunni-Shi’a mixed areas. In fact, the most growth of late is, in fact, in Shi’a dominated neighborhoods in which they have challenged with the same kind of fear of criminal gangs in this case. They’re tired of the corruption. They’re tired of the kidnapping and the murder. And they’re beginning to stand up and form their neighborhood watch teams; their small groups of individuals concerned about their neighborhood. And again, these are short term, meant to be transition programs. As I mentioned in my discussion earlier, groups were forming and those that want to transition to become permanent members of the Iraqi security force, mostly police because they want to stay in their local area, are doing so. It’s a program that is starting to generate some fair numbers of individuals entering formal training in the Iraqi Police Academy or in the Iraqi Army training programs. Eventually those individuals will return to their neighborhoods wearing an official uniform. And the requirement there for them...for

the local voluntary group, will cease, will go away. So again, the long-term vision here is that the whole of Iraq will be...security will be dealt with by Iraqi police in the various forms that they operate in and Iraqi Army. These neighborhood groups will no longer be required. They'll have a single security force under the umbrella of both the Minister of Interior and the Minister of Defense. Yes, sir.

REP6: Asks question in Arabic.

INT: Question to Mr. Brinkley. Concerning enhancing the economy, you said at the beginning that the American side promotes and encourages the Iraqi economy and you reopened...opened many Iraqi factories. Could you please give us some details about the names of these factories? Also, question to Adm. Smith, you mentioned in the beginning also that there are additional Iraqi troops that will be added to the Iraqi local police, are they from the awakening or also volunteers? And there are also some news say that the American forces intend to open the Abunuas Street. Is that true? Tomorrow?

BRINKLEY: In prior briefings here, we've provided and I...again, available in the public record are details about the factories we've reopened. We announced as of September, the restoration of production operations in 17 operations in the country. I'll list a few. The largest and the initial we focused on was the Scandariyah Industrial Operations for

the former state company of Automotive Enterprises; restoration of bus manufacturing, truck manufacturing. We've actually booked private sector orders for commercial vehicles from that factory. That factory has restored employment to over 1,000 workers building large-scale, heavy industrial equipment and vehicles. A clothing factory in Najaf put 1,800 largely female workers, 70% of the workforce there is women, many of them war widows, restored operations. That was in partnership with Joint Contracting Command. The American and international media has been in that factory. It's one of the most impressive clothing factories I've ever seen, honestly; modern equipment and a very progressive workforce. Operations in Baghdad including a leather production operation here that's running at high capacity on many of its lines today. A flour mill in Tikrit. We had a ceremony there a little over a month ago. Interesting. That's again, a very important point I always try to make; open a flour mill. It only put 150 people back to work, so why is that a big deal? Well, because it served as a market for grain grown in Salah ad Din Province. Much of that grain had struggled to find its way to market. Cases of grain rotting in silos because it didn't have access to a market. So the secondary affects of a factory, even a factory that you might scratch your head and say why are you reopening that factory? Factory jobs, as Americans know, are extremely important. They have secondary and tertiary economic effects that often outweigh the

direct employment in that factory. And, again, this is why this has been such an important effort for us. The Tikrit flour mill, I think, was an example of that. So there's many examples across industries. Construction material, automotive, heavy industry, food processing, very important to us. Fertilizers. And so we have a detailed list and that's available to you on our Web site and I can give you that after the break if you want.

SMITH: To answer your other question, the requirement for the number of new recruits going into police or the Army will not be met completely by the...those that are in the awakening groups. Out of the 70,000, roughly 20,000 have expressed an interest to be either a police officer or join the Army. The numbers required annually for training in those two disciplines, both police and Army, again, will exceed that number. So you'll have both a combination of individuals who are part of a formed and recognized concerned local citizen group and you'll have other citizens who simply join both the police and the Army in the years to come. Sir.

D. SMITH: Having seen \$60 billion pumped into schools in California, I think the World Bank may be a little optimistic. But money aside, the public infrastructure problems in Baghdad of roads and utilities, seems to present some very interesting engineering

problems...challenges. Is anybody working now on how that might happen and when?

SCOTT: Well, it's not 100% my lane. But we do have some cooperative efforts that we're doing. The city of Baghdad, through the Baghdad Ahmalad, are pretty competent city managers. They know how to repair the roads, they know how to take care of the infrastructure. They have responsibility for the...what we would call roads and grounds in the United States. They do the sewer system, the water system and they're pretty good at it. What they lack is capital to do it and now the government of Iraq has made commitments to provide the money to Baghdad, and the city of Baghdad, and to Baghdad Province, that will allow them to begin the repair. I was not at the Baghdad Forum today. I had other responsibilities. But I understand that there were announcements made today by the government...how they are going to team to rebuild Baghdad both the city and the province.

D. SMITH: I think the issue is that most of this kind of work is done in sort of phases and things wear out and they're repaired in little chunks. And I've never seen a large city like this where essentially everything is broken at the same time.

BRINKLEY: There's no...like everything in Iraq—and as Americans this frustrates us, this frustrates me on multiple facets. And there are no quick fixes here. It's just hard, roll-up-your-sleeves work. And I think the challenge in Baghdad and anywhere from an infrastructure perspective, but especially in Baghdad, is only very recently has there been the level of security restored to enable the provincial Baghdad...the provincial and local government to begin to wrestle with how to address that problem. And now it's just a matter of time. So restoration of security is a foundational aspect, absolutely necessary to enable municipal leaders to begin the necessary work to figure out how to address exactly that challenge. And it goes to the heart of what the Admiral said in the beginning. And that's why all optimism here is cautious optimism because it is important to the citizenry that they see rapid advancements in these areas in order to create this sense of normality. But there's just a human time factor involved to enable people to say, "Okay. Now things are secure enough. We can begin to look at the city holistically and understand how we begin addressing these problems." And then things begin to get better. And it's just so critical right now on every front, whether it's infrastructure or what we're focused on, economic development, that we begin to show tangible progress to build upon the great work that's been done by our forces in terms of security restoration. But there is no easy fix to that because, as you point out, even in a

sophisticated place like our collective home state, this is hard. And we have to be patient as Americans. We are justifiably ready to see rapid progress yet the challenges here don't lend themselves to quick and easy solutions. And so I think progress, incremental progress, is the key.

SCOTT:

I will reiterate something I said earlier but in a slightly different context. The Iraqis are a very resilient and innovative people. They know how to get things done when they have the opportunity. With regard to the restoring of services in Baghdad, there is a body called the Joint Planning Commission that has been meeting for over 14 months. To work, how do you go about analyzing the various sectors; water, sewage, health, and putting together comprehensive plans to address those needs. Now that started about 14 months ago. It was a coalition-led process that was joint with the Baghdad Ahminad with several key ministries and focused on network analysis—a sewer network is a network, a water network is a network, the electrical network—and realizing that there's no point in fixing the point break downstream on a sewer line, for example, if there's no waste treatment plant for the sewers to flow into. So they've been working those problems and after 14 months, that is now a committee that is chaired by Iraqis, it's led by Iraqis. We support and participate and try to coordinate coalition-funded projects with the Iraqi-funded

projects. And most recently, the Prime Minister has named Dr. Ahmed Chalabi as his point man on restoring essential services. And his services' committee, Dr. Chalabi's services committee, and the Joint Planning Commission are in dialog to look up to see how those things can be done. So the point here is, these solutions don't have to be coalition solutions. The Iraqis are more than capable of solving these issues on their own if they have the resources, if they have a boost. And that's been Paul's message. Our job here is not to do it for them. Our job is to give them a boost, get them started, and once there's a little momentum behind it, they are perfectly capable of doing this on their own.

REP7: Bruno Silvestre from NBC News. You've been talking in your statement about the irreversible momentum that you're working in and...to try to get the Iraqi economy working on its own. What's going to be your benchmark, your indicators? When do you say, "Okay. That's it. We have it." And number two, also they've been talking about the oil industry and the fact that you're getting requests from multi...foreign firms. The price of a barrel is about \$100. Why aren't they doing more than just asking for information or are there stumbling blocks there?

BRINKLEY: First, the irreversible momentum. There's two answers. One's a

technical answer and one is a feeling answer and I think the feeling answer is the one I'll give you first. It's a famous definition; you don't know what it is but you know it when you feel it, you know it when you see it. I think that will be the case here with the economy. The sense of economic vitality and restoration, again, I use in many cases the KRG as an example, [unintelligible] the KRG, there is no need for stimulus of investment in the KRG area. Restoring the security situation's been stable enough there for long enough that investment is building on investment. We are monitoring statistics and one of the statistics that I think is interesting comes from one of the partners we have here who works with us in an advisory capacity. And the general number in a municipal area is if you can create 30,000 sustained professional jobs—30,000 seems to be the magic number—in a municipal area. A typical multiplier effect to create 30,000 is four to five jobs for every job you create. That creates sort of a base of about 150,000 sustained jobs, not short-term construction or things like this, but actually sustained employment in an industrial or service sector-type role. That then the economy takes off. That seems to be the break over point where enough entrepreneurial energy takes hold that you can back away and it will sustain itself. So we are looking at measures like this that are understood to kind of set the bar just of where we should really try to see an affect take hold. So there is an analytical approach. But it also...it's sort of a gut

feeling. Now, regarding hydrocarbons, there are billions and billions of dollars, and this is widely known, billions and billions of dollars of reserves that big corporations have taken all over the world in support of eventual partnership with the Iraqi people to help develop and modernize the hydrocarbon sector. That money is not moving in for widely understood reasons in terms of the clarity in the hydrocarbon law, revenue sharing, and those debates which are widely known. But interestingly, the contacts we're getting aren't from those companies. And I would use the analogy and I use the analogy, it's 1849. If people made money panning for gold, people made money selling Levis to the miners. Okay? The people who we're hearing from are the ones who want to sell Levis to the miners. They want to come in—this part of the world like any part of the world is about establishing business relationship. Get in on the ground, taking advantage of business relationships we've built, we'll shepherd them in, introduce them to the Iraqi business community. We'll help facilitate their understanding of the area. And let them begin to start and, in every case, I want them to start small. Right? But get on the ground and start building a business relationship so that when that hydrocarbon economy and, again I believe, the agricultural economy emerges, those supporting industries and those support businesses—they can be extremely lucrative—also take off. And that creates in Iraq what I think everyone has envisioned; a diversified, stable,

prosperous economy built upon transparency and principles that we've seen emerge elsewhere in the world that can serve as a beacon here in the Middle East and that can serve as a model for...not so much a model because there's plenty of models, but that can just take its rightful place in the global economy as a people. Again, I know eventually that's going to happen. I'm very optimistic that, in time, that will happen. Our interest is to help facilitate making that happen as quickly as possible for the benefit of our forces who are here today.

SMITH:

I think on that note we'll end our press brief today at the top of the hour. Again, thank you so much for coming out. An important discussion to understand the dynamics associated with security, stability, and economic development. Tomorrow one of those economic developments is in security and port stability is an opening in the Port al-Qaim ...port of entry al-Qaim ...port of entry in the Syrian border. We've got an opportunity for you all to participate in that tomorrow so hopefully many of you can make it out there with us. And, again, we'll see you, if not then, later in the week. Thank you.