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Iraq Business Report & Middle East News

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Iraq Dates

05 Feb 2015

Iraq Parliament Economic Conference

12 Feb 2015

Iraq Cabinet Implement National Strategy for the Development of the Private Sector

Greetings!

Earlier today I received an email from one of my loyal subscribers. Attached to the email was a newsletter/article written by an individual referring to themselves as "Mtn Goat". After reading this newsletter I noticed many inconsistencies and fictional information. I went through the article to do my usual 'fact checking' and made corrections to the information that I deemed inaccurate. Prior, I did a little research of my own on a few dinar forums and uncovered several articles that were supposedly written by Mtn Goat. The articles were quite comical in some aspect and one might say that they're great for entertainment or, wishful thinking. However, they severely lack credible and factual information about what is truly occurring in Iraq. I have taken the current Mtn Goat article I was emailed and added my responses underneath in black. Please note that I have not altered or changed anything in respect to what this Mtn Goat says. I have only added my comments underneath. By the way, my comments/remarks can be backed up with published articles on the web. Hopefully, this will give you an honest and clear perspective on what is occurring in Iraq.

Beginning of Mtn Goat article:

Mtn Goat: So if we were to go by these earlier dates we would be scratching our heads about now and asking – so where is the RV? We would be right to ask this question too since you are the one believing this so called "intel gurus" -so go ask them!

AC Comment: It is no big secret that for many years there have been several Iraqi dinar guru's on many various dinar forums who repeatedly call a date of the revaluation of the Iraqi dinar. Clearly, these dates and predictions have failed to be accurate or true. These type's of statements occur pretty much weekly. You can read all of these published comments from guru's going back from 2004 to present. Obviously, these false predictions continue on till this day and apparently there will be no relief from these so-called guru's going forward in 2015.

Mtn Goat: *But I am telling you the budget was not "officially announced" for ratification until Tuesday 2/10 and this is the date we must go by. Iraq now has up to 48 hours to post it in to the gazette (their law library) which brings us to the end of today Thursday. Then they have 24 hours to fund the budget once it is officially posted which brings us to Friday 2/13. Don't believe me? Go read the Iraqi constitution for yourself. I have sent you the link for it in my recent past news letters.*

AC Comment: On Thursday, January 29, 2015 the Iraqi Parliament approved the 2015 Federal Budget worth 119 trillion Iraqi dinars or \$105 billion dollars. The budget was set at an oil price of \$56. This is half of what the Iraq federal budget was in 2013 which was set at an oil price of \$113. When the Iraqi parliament finally approved the budget they immediately forwarded it to the President's office. There appears to be some confusion as to when the 15-day timeline begins. It starts when the Iraqi president confirms that he has received the 2015 Iraq budget from Parliament. Until the President acknowledges that he has received the budget the timeline date does not start. On Saturday, February 7, 2015, (ten days after Parliament approved the budget) the Iraq President gave a press briefing stating that he had not received the 2015 Federal Budget. The president is very aware that if he acknowledges the receipt of the 2015 Federal Budget then the 15-day timeline will begin.

02/07/2015 Iraq Press Agency, Iraq President Press briefing

<http://bit.ly/1MiRN1X>

01/29/2015 Iraq adopts revised 2015 budget curbed by low oil prices

<http://reut.rs/1D4vCtl>

Mtn Goat: *WHAT COMES NEXT?*

You all know what comes next. They must fund this budget of 119 trillion dinars. I have to tell you there is not enough dinars in circulation today to cover this budget amount and they know this. So where will they get this much needed dinar with a rate of 1166? They have huge stockpiles of the lower denominations but currently they too are valued at the 1166 rate..

AC Comment: This seems to be a common theme among the “guru’s” about the lower denominations. There is no evidence that the lower denominations have ever been printed. If so, please feel free to provide actual material proof of this. ‘Hear say’ is not acceptable as proof. In order for the Central Bank of Iraq (CBI) to authorize the printing of the lower denominations it would have to receive approval from the Cabinet Ministries as well as the Iraqi parliament.

The CBI does not need approval to continue to print the denominations set forth in the CBI web site with the exception of the coins. The CBI website provides the actual number of dinars in circulation and anyone can have access to this. Believe me, there is no shortage of the Iraqi dinar in Iraq. Currently, there is a large amount of Iraqi dinar’s in Iraq due to the CBI limiting the sale of U.S. dollars in the market. Limit the supply of a currency and everyone wants to have it, not their local currency. It is all perception as the Iraqi people want the US dollar and it is in short supply thanks to the CBI. However, the CBI will reverse their decision shortly and increase the auction dollar sales. In 2014, the CBI sold more than \$49 billion in U.S. dollars. They can’t maintain these types of sales by limiting the auction sales.

On January 15, 2014 the head of the Parliament Economic Committee and a member of Parliament, Najiba Najib stated “there is no draft law in parliament about removing zeros from the Iraqi currency.” Najib said “there was a request from the Central Bank however, her committee refused the request”. This is a strong indicator that the Central Bank does not have the autonomy that the guru’s would lead you to believe in implementing the delete the zeros.

11/01/2014 Amount of banknotes in Iraq CBI documents

<http://bit.ly/1Corp8>

02-03-2015 CBI has issued new instructions to the stability of the dinar exchange rate

<http://bit.ly/1EEfQpY>

02/02/2015 Dinar Fall Against The Dollar After The Central Bank's

<http://bit.ly/1zuQtIP>

02/01/2015 (est.) Statistics: The Central Bank sold more than \$49 billion in 2014

<http://bit.ly/1DtSDTt>

01/15/2014 There is no draft law in Parliament about removing the zeros

<http://bit.ly/17tamAO>

Mtn Goat: From past news letters I have explained to you that they are going to complete the project to delete the zeros. In doing so they are going to pop out the newer denomination bills. These bills or notes include \$5, 10, 20, 50, 100 and metal coins to coincide. The banks already have a limited amount of these newer denominations and the CBI has stockpiles of them waiting to distribute on demand.

AC Comment: They will start to delete the zero's at some time in the future. The latest news that I am getting out of Iraq is that the CBI will hold off for now. It is because the banking intuitions are not all under the control of the CBI. Anyone following up with news and current events can see that the Islamic State terrorists have taken over banks in Mosul and the Anbar province.

The CBI does not want to give up anything to the Islamic State when it comes to Iraqi dinar currency. There has been no printing of the lower denominations from the Central bank. In the future, the Central Bank will be printing new banknotes only with the authorization from the Iraqi

government. The new denominations will be 1, 2, 5, 10, 25, 50, 100 and 200 dinars. All new banknotes will co-exist with the old banknotes for a period of up to ten years. It is also possible that the Parliament Economic Committee and the CBI could very well shorten the window of exchange.

New Iraqi dinar currency soon - Banknotes

<http://bit.ly/1KSvBdl>

Deleting the Zero's waiting on the executive and legislative plans

<http://bit.ly/1ywxHqR>

Mtn Goat: FACT: the citizen of Iraq is using the US Dollar since the CBI has already collected nearly 90% of the three zero notes from circulation. They did this by exchanging the three zero notes for USD over the last couple years. Now they must find a way to once again de-dollarize and convert back to dinar. Why?

AC Comment: The Central Bank has not collected or removed any Iraqi dinar from circulation. You can verify this from the CBI website and review the graph by clicking on the link below. If the CBI removed 90% of the banknotes as Mtn Goat has suggested there would be no Iraq economy. There would be no banknotes.

11/01/2014 Amount of banknotes in Iraq CBI documents

<http://bit.ly/1Corp8>

Mtn Goat: They must now do this to "normalize" their currency away from the provisional currency (3 zero notes) held now since 2003. In other words replace the 3 zero notes with a set of lower denominations.

AC Comment: The Central Bank and the Iraqi government is prepared to delete the zero's and get the economy rolling into the 21st century. Both are waiting for better conditions on the ground. ie., Islamic State, security, dealing with Iranian Shia militias roaming around with no legal framework or oversight.

Mtn Goat: *Since you simply can't just give away FREE money (the lower denominations) to the banks or citizens as a means of distributing them, the banks must now collect the USD (US dollars) from the citizens as they enforce their new currency law - meaning prohibiting the use of the USD in the market place. Now you can see the practicality and timing for enforcement of this law.*

AC Comment: The Middle East countries have no restrictions on the U.S. dollar. You can walk right into any business and use dollars. No Middle East country is giving away "Free Money" and there is no currency law prohibiting the use of USD. In Dubai, they make it very easy to conduct transactions in the local currency. There are several currency exchanges on every block. This I know, because I've been to Dubai many, many times and have personally used these exchanges myself.

Mtn Goat: *The banks then in an exchange for the USD will give them the lower denomination notes. The banks must pay the CBI for these lower denominations notes with exchange for USD. This how they are going to distribute them. This is how the CBI will collect the USD and get it out of circulation. This is called de-dollarization.*

AC Comment: There are no lower denominations to exchange in Iraq. As long as Iraq pays for its oil in dollars the CBI will always have the hard currency to exchange in the currency auctions.

Mtn Goat: *But there must be an incentive for the people to go to the banks and turn in their USD. Since they cling so heavily to this money how will they do this?*

AC Comment: Currently, while the Central Bank is limiting the dollars into the market the Iraqi people along with the banking institutors are holding on to their dollars. It makes sense because it is easier to conduct transactions. In addition, the dollar is actually more stable compared to the Iraqi dinar which fluctuates daily.

02-03-2015 Dinar reissues slightly and some bankers are reluctant to sell the dollar

<http://bit.ly/1zPQPqF>

***Mtn Goat:** Iraq simply must now (like very soon) increase the value to these newer lower denomination notes with more purchasing power than the USD they now currently hold. They must get this exchange process underway. The planning is done but not implemented.*

AC Comment: The Central bank plans on deleting the zero's. This goes back to 2004. In a recent article the CBI stated that it is not the time as they lack security and economic stability.

02-06-2015 It is not the time to delete the zeros of the Iraqi dinar currency

<http://bit.ly/16pN7Gt>

Mtn Goat: So you see there is NO WAY IN HELL Iraq is going to come out with a .10, .20, .30 or even a .40 cent rate. Why would citizens then dump the USD for the dinar since the USD would have more purchasing power?

AC Comment: Heres the deal. The CBI needs to control the exchange rate of the dinar and get it to a more stable rate before they can even increase the value. It is hard to increase the value of the dinar when you have limited the dollars on the market.

Mtn Goat: *Basic economic rules of supply and demand (and a little common sense) tells you they must come out with a higher rate than the USD currently has. Since the USD is now at a decade high value this is especially true.*

AC Comment: The U.S. dollar currency is more in demand than the Iraqi dinar. Also, there is always a possibility of a redenomination, just like what Dr. Sinan al-Shabibi wanted to do back in 2011.

07/18/2011 Iraq's Central bank considers new currency

<http://bit.ly/1J9zo8T>

Mtn Goat: So what I can't figure out is how some of these so called "gurus" are thinking. What idiot rational do they apply to their thinking? I am not hear to bash anyone but I am so tired of hearing all this nonsense about these very low revaluation rates. Even I can substantiate in many ways why the value on a revaluation or reinstatement would come out at least to the pre-war value and nothing less. I have not even studied this information as much as some of these "guru" pretend to have done. They just seem to miss the boat on so many issues.

AC Comment: There is no such thing as a reinstatement (RI) as some people and guru's like to call it. Just like they say HCL, there is no such thing. The Oil and Gas Law will be negotiated but only after the central Baghdad government completes or finalizes the oil agreement with the KRG.

Mtn Goat: *Then to conclude this process of completing the project to delete the zeros, they must collect these old three zero notes from foreign countries that hold them. So what too is our incentive to turn them in (exchange) them for our country of origin currency? Bingo! You guessed it ! The value must be significant in the exchange process. So when will they increase the value of these lower denomination notes?*

AC Comment: There is no country that holds Iraqi dinar at their Central banks. All commerce is done by U.S. dollars in regards to Iraq. Again, also still talking about lower denomination notes that do not exist.

Mtn Goat: *TIMEFRAME?*

I never like to give an exact date or rate but I can tell you the CBI has announced in the past this project to delete the zeros would be completed by January 2015. This date has already passed. This announcement came out in 2012 and was predicated on a 2013 revaluation leaving a two year window for the collection process of the 3 zero notes. We also now know (articles told us) that the CBI did in fact plan to RV in 2013 but the Maliki GOI disapproved it and held it up "indefinitely".

AC Comment: The CBI has stated that the security and the economic situation currently in Iraq does not make it plausible to go forward with any plans or intentions in 2015. Read my comments and look at the reference material in regards to how all banks must be back in control of the Central Bank.

Mtn Goat: *So here we are in February 2015, a new budget is passed, ratified and ready to post in the official gazette. We know Al-Abadi fully supports a revaluation and international investments. In fact he has been on a road trip going to financial and economic conferences during these final days to "prime" the pump for what comes next. So when the budget is posted in the gazette it will become fully implemented and the funding must then be made available. If not Iraq will we seen as insolvent in the eyes of the*

global banking community since lack of liquidity in meeting their obligations. Do they want to portray this image in the midst of everything else going on in their country? The entire world knows about their deficit and the large expenditures incurred for fighting ISIS and DAASH.

Mtn Goat: *Why would anyone now want to go into Iraq and invest at time like this? This is a question they do not want investors to ask themselves. Instead they have repealed the curfew, set up the economic and investment conferences in order to tell the world they are ready for international business. They are on the brink of becoming a member of the world trade organization (WTO). All the need is a tradable currency to comply with a this final requirement.*

AC Comment: The WTO membership is still years away for Iraq. The main reason is that Iraq has failed to pass any law protecting copyright, trademark and intellectual properties.

Mtn Goat: *But wait a second? How can they do this without an international currency? Are they planning to defy all the standard protocols of international banking and financial practices and hold on to almost worthless currency?*

Mtn Goat: *If you have been paying attention to what I have been saying in my past news letters and especially today's news you know that they are about to revalue the Iraqi dinar IQD and it MUST happen in the coming days ahead (not weeks).*

AC Comment: There will not be an overnight revaluation. It will be as the Central Bank has stated numerous times. A gradual appreciation of the Iraqi dinar currency. As long as the Islamic State are inside Iraq it is going to be tough not impossible for the Iraq government to attract direct foreign investments.

Mtn Goat: *Some say they will wait for March 1st to pull the trigger on the revaluation. Personally I do not see them waiting this long since we all know the legalities and the final process for funding the 2015 budget. They simply can not wait this long. They are corned now with this budget issue.*

Mtn Goat: *We see the Federation Council hard at work now reviewing these needed laws I talked about in my last news letter dated 2/9. We still wait for this current session that began on Feb 10th, just two days ago, to pass this 'basket" of laws. I believe this is coming on Saturday Feb 14th, in the next couple days.*

Mtn Goat: *We also hear news about a technical difficulty in paying the KRG staff salaries. This article is very significant to use and it tells us much.*

Here is the article: <http://8th-day.com/?p=95614>

There is a statement made that I need to clarify. Many have overlooked the significance of this statement. "The Finance Ministry said on Wednesday, that the late KRG staff salaries for 2015 will be launched soon after the completion of OVERCOMING TECHNICAL OBSTACLES BETWEEN THE CENTER AND THE REGION".

AC Comment: The problem that the Ministry of Finance (MoF) is talking about is the oil agreement between the Kurdistan Regional Government (KRG) and the central Baghdad government. There is going to be issues with this agreement going forward if both parties can not come to agreeable terms on oil production.

Mtn Goat: *"The Prophet, "there is no problem in the rest to pay its employees salaries that the financial behavior REGARDLESS OF THE FEDERAL BUDGET BASED ON 1/12 OF THE PREVIOUS BUDGET EXCHANGE RATE."*

AC Comment: In the Iraq budget there is a provision that says that they have to pay the salaries of government employee's. The Ministry of Finance has said that they will be paid and that there will be no cuts in their salary or pensions. Trust me, the Iraq government has enough problems with the security situation; they do not need additional riots in the streets.

Mtn Goat: So you see Al-Abadi along with the CBI have to make a decision soon on when to RV this currency. I believe this decision has already been made weeks ago and we are now in the final countdown window now that the budget is truly ratified and ready to be posted in the gazette. It is a process that must play out. We should hear news of this next event (gazette posting) today or tomorrow. Then Iraq must fully fund the budget within 24 hours (partly by a revaluation). Can Iraq be fully positioned with all these events in time to open and begin spending this 2015 budget?

AC Comment: The budget has yet to be ratified. See my notes at the top.

Peace and Luv To Ya All, Mnt Goat

End of Newsletter

Thank you for reading the American Contractors critique of the Mtn Goat newsletter. As always, giving you the most accurate and honest analysis on what is happening in Iraq. If you have any further comments or feedback, please respond via email at ac@americancontractor.com

Rich Morris

American Contractor

<http://americancontractor.com>

Email: ac@americancontractor.com