



## **Doing Business in Iraq: 2013 Country Commercial Guide for U.S. Companies**

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## Chapter 1: Doing Business In Iraq

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### Market Overview

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- The Iraqi economy grew by an estimated 10% in 2012 and is expected to grow at a similar rate in 2013, driven primarily by rising oil production and higher oil prices over the forecast period. Economic growth will be buttressed by robust increases in government expenditures. Iraq's 2012 capital budget was up nearly 35% over the previous year, and with mounting pressure to provide basic services the government is expected to expend a larger proportion than this allocation.
- Iraq's transition from a centrally-run economy to a more market-oriented one has been slow and uneven.
- The World Bank's 2013 Ease of Doing Business survey ranks Iraq 165<sup>th</sup> of 185 economies evaluated, although companies appear to find that doing business in the Iraqi Kurdistan Region, a federated region within Iraq, is significantly easier than in the rest of Iraq.
- Under the 2013-2017 National Development Plan adopted by the Council of Ministers in May 2013, Iraq hopes to mobilize approximately \$400 billion in investment over the next five years. Priority sectors include oil, electricity, agriculture, transportation, telecom, education, health care, construction, and the industrial sector. Non-oil sector growth will be dependent on the reconstruction and development of decrepit infrastructure throughout the country. Improving electricity generation capacity, which currently stands at around two-thirds of estimated demand, is critical to non-oil sector growth.
- Iraq was the United States' 68th largest export market in 2012 (down from 58th in 2011). In 2012 total two-way U.S.-Iraqi trade reached \$21.3 billion, an increase from \$19.4 billion in the previous year. Total U.S. exports to Iraq in 2012 decreased by approximately \$370 million, to \$2.0 billion, from \$2.4 billion in the previous year, while total Iraqi exports to U.S. reached \$19.3 billion, up from \$17.0 billion in 2011, due to increased U.S. purchases of Iraqi oil.
- The Kurdistan Regional Government (KRG)'s investment and trade regime is considered significantly more favorable to the conduct of business than that managed under the laws of the Government of Iraq.

### Market Challenges

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- **Business Visas:** U.S. visitors to Iraq must have a visa before travelling. They can apply for a visa at Embassies of Iraq overseas, including the Embassy of Iraq in Washington, DC: [www.iraqiembassy.us](http://www.iraqiembassy.us). If the visit is only to the Kurdistan Region, a 15-day visa can be obtained at no charge upon arrival at the airport, but visitors cannot travel outside of the Kurdistan Region in Iraq with that particular visa.

- **Corruption:** Iraq is perceived as the eighth most corrupt country in the world, according to Transparency International's 2012 report. Problems in Iraq include bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and the effectiveness of public sector anti-corruption efforts. However, according to some business people corruption seems to be less of, though still significant, problem within the Iraqi Kurdistan Region.
- **Security:** While the 2013 security environment is markedly better than at the height of tensions in Iraq, violent acts against Iraqi people and institutions occur regularly, and the recent trend is negative. This continued violence slows economic development in many areas of Iraq and discourages U.S. corporate security offices from approving travel to Iraq.
- **Arab League Boycott (ALB):** In 2009, the Council of Ministers instructed ministries not to apply Saddam-era ALB laws, but a small number of Ministries, including the Ministry of Health, have often ignored the Council of Ministers' instruction and have inserted ALB-reflective language into patent registration and procurement documents; under U.S. law, this language prevents American companies from bidding on these tenders or registering their patents. The primary boycott against Israeli companies and products still applies.
- **Government Procurement:** The central government's ability to tender projects is fundamentally weak. Across the board, there are institutional capacity issues with regard to due diligence, project award, approvals, implementation, financing and payment. For tenders solely done at the provincial level or in the Iraqi Kurdistan Region, the tender process may differ and is reportedly easier to navigate in many instances.
- **Intellectual Property Protection:** IPR functions are spread across several ministries: the patent registry and industrial design registry is under the Ministry of Planning's Central Organization on Standards and Quality Control (COSQC); copyrights are controlled by the Ministry of Culture; and trademarks are administered by the Ministry of Industry and Minerals. Iraq is a member of the Paris Convention for the Protection of Industrial Property, the World Intellectual Property Organizations Convention, the Arab Agreement for the Protection of Copyrights and the Arab Intellectual Property Rights Treaty. Enforcement of intellectual property rights is difficult to achieve, however. Counterfeit consumer goods and electronics are widely availability. The Iraqi Government has said it is committed to stopping counterfeit products for consumer safety reasons. In July 2011, the government implemented a new precertification requirement for most imported product categories. Products arriving at Iraqi ports are required to have a certificate of conformity issued by Bureau Veritas at countries of origin.
- **Inflation** was not a major concern in Iraq in 2012, though the trend (drifting slightly up to 6.4% from 5.5% in 2011) is not positive. The rate of inflation is not expected to change significantly in 2013. However, the Iraqi Dinar has been depreciating since the beginning of 2013 and can be considered a risk factor.
- **Commercial Disputes Settlements:** The enforcement of foreign arbitration awards for private sector disputes does not meet international standards. The Iraqi government is currently drafting an arbitration law based on UN International Commission on International Trade law relating to international commercial arbitration.

- **Banking:** Iraq is developing the basic infrastructure needed for modern banking and financial markets. The Central Bank of Iraq (CBI) is the main financial regulatory agency for Iraq. There are 23 private sector banks, nine Islamic banks, and 15 international banks operating in Iraq. Additionally, seven state banks dominate the banking system (in particular, Rafidain Bank, Rasheed Bank and the Trade Bank of Iraq), accounting for 86 percent of Iraq's banking sector assets and 69 percent of credits.
- **Standards and Labeling:** The Ministry of Planning's Central Organization for Standards and Quality Control (COSQC) is charged with enforcing standards for imported products and acts as a consultant on quality control and standardization issues for government ministries and state-owned companies.
- **Travel Advisories:** Americans visiting Iraq are advised to check the U.S. State Department's website at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1144.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1144.html) for the latest information on travel to Iraq. Travelers should check this link for any updates to the security situation before leaving the United States. The security situation in the Iraqi Kurdistan Region (IKR), which includes the provinces of Sulaimaniyah, Erbil and Dahuk, has been more stable relative to the rest of Iraq in recent years, though threats remain.

## Market Opportunities

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- Iraq has vast infrastructure development needs. A Ministry of Planning study calls for nearly \$200 billion on infrastructure, energy, education, health care, and agri-business projects for the five-year period from through 2014.
- A third of the country's budget expenditure is earmarked for capital projects
- The government has announced a national housing program to build one million new housing units. Agricultural development, education, and healthcare are also government priorities.
- The Ministry of Higher Education and Scientific Research is funding 10,000 graduate scholarships. As of 2012, approximately 850 Iraqi students registered at U.S. educational institutions, about double from just two years earlier.
- Over the next five to ten years, the total export value for the Iraqi defense market is estimated to be \$10 billion. With the departure of the U.S. military, Iraq urgently needs to close its gaps in Intelligence, Surveillance, and Reconnaissance (ISR) capabilities.
- The government's 2012 budget increased funding for the Ministry of Electricity (MOE) by over 30%. Of the \$5.6 billion provided to the MOE, more than 70 percent is for capital investments. Even greater sums are expected to be spent in 2013.
- In the transport sector, the government has announced plans to develop several new railway lines including cross-border links to Syria, Jordan, Turkey, Kuwait and Iran. The government also plans to double Baghdad's airport capacity and build a number of new facilities, such as the Middle-Euphrates airport, to serve Karbala and Najaf. The government is planning to upgrade existing roads.

- The KRG targets a wide range of economic sectors for favorable investment and commercial treatment, including manufacturing, agriculture, hotels and tourism, transportation, banking and infrastructure. Under the 2006 Kurdistan Region Investment Law, <http://www.kurdistaninvestment.org/docs/Investment%20Law.pdf>, foreign investors receive identical treatment as domestic investors. Foreign investors may own their entire project and profits are freely transferable. Foreign companies may be given free land in the IKR. Foreign staff can enter the IKR without restriction. Moreover, with an import license from the appropriate IKR authorities, the Law allows favorable long-term tax and custom duties exemptions for many items.

## Market Entry Strategy

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- If you are a new-to-exporting company, first contact your local Export Assistance Center for free export counseling at [www.export.gov/home/export.html](http://www.export.gov/home/export.html)
- The Commercial Section of the United States Embassy can give you a balanced assessment of your company's chances for success in Iraq. For more information, please visit [www.export.gov/iraq](http://www.export.gov/iraq) and take the self-diagnostic, "Are you ready for Iraq?"
- Consult an attorney: Many U.S. companies advise that acquiring good legal representation is an important first step to entering the market. This helps you to establish and maintain good business relationships with Iraqi partners. Hiring a lawyer is especially important before concluding commercial agreements. The U.S. Embassy can provide you with a list of law firms currently operating in Iraq.
- Confirm the background and experience of partners: The Commercial Section at the U.S. Embassy and the U.S. Consulate in Erbil offer several services to help you thoroughly vet prospective Iraqi business partners and determine which Iraqi companies would be best to work with. These services include the **International Company Profile**, the **International Partner Search**, and the **Gold Key Service**. These services are described in more detail by visiting: [www.export.gov/iraq](http://www.export.gov/iraq)
- If a U.S. manufacturer wishes to distribute its products in Iraq (without forming a legal entity in the country), it will need to appoint one or more commercial agents to do so except in the Iraqi Kurdistan Region, which does not require a commercial agent.
- While it is not a requirement of Iraqi law that an overseas entity must appoint a commercial agent for the import of goods in Iraq, new-to-market U.S. companies may consider partnering with a local company.
- Although the Iraqi Government encourages foreign investment, a U.S. firm is strongly encouraged to seek in-country legal counsel on the best approach. The U.S. Commercial Service can assist by providing a list of local attorneys, which may be associated with American law firms.
- The rules for investment and trade within the Iraqi Kurdistan Region, defined in the 2006 Law on Investment in the Kurdistan Region – Iraq, are more liberal and easier to navigate than elsewhere in Iraq.



## COUNTRY FACT SHEET: IRAQ

### PROFILE

Population in 2011 (Millions): 33  
 Capital: Baghdad  
 Government: Republic

### ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	69.2	84.1	114
Nominal GDP Per Capita (Current \$US)	2,215	2,624	3,478
Real GDP Growth Rate (% change)	2.9	3.0	8.9
Real GDP Growth Rate Per Capita (% change)	0.19	0.36	6.2
Consumer Prices (% change)	-2.2	2.4	5.6
Unemployment (% of labor force)			
Economic Mix in 2003: 70.1% All Industries; 1.7% Manufactures; 21.3% Services; 8.6% Agriculture			

### FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Iraq Exports to World			
Iraq Imports from World			
U.S. Exports to Iraq	1,772	1,642	2,411
U.S. Imports from Iraq	9,263	12,143	16,960
U.S. Trade Balance with Iraq	-7,491	-10,501	-14,549
<b>Position in U.S. Trade:</b>			
Rank of Iraq in U.S. Exports	59	64	58
Rank of Iraq in U.S. Imports	30	29	28
Iraq Share (%) of U.S. Exports	0.17	0.13	0.16
Iraq Share (%) of U.S. Imports	0.59	0.63	0.77

#### Principal U.S. Exports to Iraq in 2011:

1. Machinery, Except Electrical (26.7%)
2. Agricultural Products (22%)
3. Transportation Equipment (15%)
4. Computer & Electronic Products (12.5%)
5. Fabricated Metal Products, NesoI (7.4%)

#### Principal U.S. Imports from Iraq in 2011:

1. Oil & Gas (99.8%)

### FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Iraq (US \$Millions)	105	26	403
FDI in U.S. by Iraq (US \$Millions)			

### DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 165 of 185  
 Heritage/WSJ 2012 Index of Freedom Rank: N/A

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Iraq Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of Iraq, please click on the link below to the U.S. Department of State Background Notes on U.S. Relations with Iraq.

<http://www.state.gov/r/pa/ei/bgn/6804.htm>

For additional information, click on the link below to the CIA World Factbook page on Iraq:

<https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>

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## Chapter 3: Selling U.S. Products and Services

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### **Using an Agent or Distributor**

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Many U.S. companies choose to enter the Iraqi market with the assistance of a local Iraqi partner. As the country continues to refine its commercial laws and bring stability to its political, security and economic activities, competent local partners serve as a good option to expedite and navigate the legal, regulatory, and political landscapes of Iraq. At the same time, both the Government and local businesses appreciate regular visits by, and direct communications with, foreign business people as a indication of their commitment to Iraq.

Local partners can access vital market knowledge; navigate regulatory requirements; provide labor and other inputs at competitive rates; utilize pre-established sales networks; and maintain other necessary business relationships (banking, legal, and distribution, for example), which are critical to the success of an operation.

The U.S. Commercial Service in Iraq has offices in Baghdad and Erbil and can assist U.S. companies interested in the Iraqi market to find potential local partners. For more information on the International Partner Search service (IPS) please see: <http://export.gov/iraq/>.

There are other organizations in Iraq that claim to help local Iraqi firms match with foreign firms and provide other business services. These include the [Baghdad Business Center](#), the [Kirkuk Business Center](#), the [Ninevah \(Mosul\) Business Center](#), the Iraqi Business Council and the [Basra Business Center](#). The Baghdad-based [National Investment Commission](#) and the Provincial Investment Commissions are also interested in assisting foreign companies interested in operating in Iraq. For U.S. companies interested in operating in the IKR, the Erbil, Dahuk, and Sulaimaniyah Chambers of Commerce & Industry can provide guidance.

A commercial agent in Iraq may be a contract agent, broker, distributor, or any other type of representative for an overseas person or entity. There is no difference in treatment under Iraqi law between an agent (who acts as intermediary between its principal and end customers in exchange for a commission, but where the principal remains liable to the end customer) and a distributor (who acts on its own account and bears its own liability to the end customer and who charges a mark-up on the principal's price).

Iraqi law does not require that an overseas entity appoint a commercial agent for the import of goods in Iraq in a direct sale. Consequently, it is currently possible for a foreign manufacturer to make its own arrangements to bring its products into Iraq, including employing a non-Iraqi to do so. This position differs from other Middle East countries where the importation of goods must be done through a local commercial agent.

If a foreign manufacturer wishes to distribute its products in Iraq (without forming a legal entity in the country), it will need to appoint one or more commercial agents except in the IKR. As noted below, those commercial agents must be Iraqi nationals but there are no restrictions on the appointment of those agents in terms of number, geographic exclusivity or term of appointment, other than as set out in the contract between the parties.

### **Registration**

It is a requirement of the Iraqi Commercial Agencies Law (Law No. 51 of 2000) that a commercial agent is:

- an Iraqi national;
- resident in Iraq;
- at least 25 years of age; and
- a member of the local Chamber of Commerce.

A commercial agent must not be a government official or any person employed in public service. Commercial agents must be licensed by the Ministry of Trade (with the license being renewed every two years) and the agency agreements to which he is a party should be registered.

### **Protections for the Commercial Agent**

The Commercial Agencies Law does not afford any substantive protections for commercial agents. This position differs from many other Middle East countries where the law provides significant protections for agents, including exclusivity and prescribed circumstances in which the



principal must pay compensation to the commercial agent, often including non-renewal of an agreement upon its expiry.

Generally, Iraqi law leaves the terms of the commercial agency to be agreed between the principal and commercial agent. There are no implied terms providing exclusivity to a commercial agent and there are no requirements on the amount of commission to which a commercial agent is entitled. In addition, there are no provisions for compensation on termination set out in the Iraqi Commercial Agencies Law. In relation to the payment of compensation to the agent, the Iraqi Civil Code (Law No. 40 of 1951, as amended) only states that an agent has the right to claim compensation from the principal as a result of termination of the agency agreement "at an inopportune moment" and without just cause.

### **Establishing an Office**

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Companies interested in establishing an office in Iraq or bidding on a GOI tender are required to register as a foreign business. This requirement also covers U.S. companies working on USG contracts. The process differs depending on where you intend to do business. If you are interested in doing business in the Kurdistan Region of Iraq, you will need to register with the Kurdistan Regional Government (KRG). If you are interested in operating in both the IKR and the rest of Iraq, you must register with the GOI Ministry of Trade. You can find detailed information on how to register your company in Iraq [here](#).

### **Establishing a Representative Office (“For business development and market research only”)**

Foreign companies can establish and register a “Representative Office” as the first step to enter the Iraqi market. The documentary requirements are similar to those required to establish a branch as listed below. The representative office allows the foreign company to conduct business development, market research and marketing, but does not allow the company to enter into any contracts or conduct any business.

### **Establishing a Local Company**

To establish a company in Iraq, the following documents should be submitted to the Iraq Companies Registry:

- an application form;
- the Company Contract;
- a statement from an Iraqi bank to show the deposit of the initial share capital; and
- in the case of a joint stock company (JSC), a subscription document signed by the JSC's founders, and a technical and economic feasibility study. Documents must be filed in Arabic except in the Iraqi Kurdistan Region, which permits all documentation to be submitted in English.

### **Establishing a Branch of a Foreign company**

For the establishment of a branch or representative office, further documents must be filed in relation to the parent company, including:

- the parent company's certificate of incorporation/establishment, legalized in the home country of the parent and notarized;
- a legalized and notarized copy of the parent company's articles of incorporation, which applies to all company forms;
- a letter on parent company letterhead:

authorizing the establishment of the branch or office;

consenting to service of process in Iraq in relation to the new establishment; and

naming (i) the senior manager of the establishment in Iraq, (ii) the contact for service of process in Iraq and (iii) the person responsible for the filing of documents with the Companies Registry, all of whom must be resident in Iraq;

- financial statements of the parent company for the previous accounting/tax year;
- a copy of the passport for the person responsible for filing documents with the Companies Registry; AND
- other industry-specific documentary requirements from other government agencies.

For business conducted solely within the Iraqi Kurdistan Region, branch registration documentation requirements are slightly different.

### **Role of the Companies Registry**

The Companies Registry plays a significant role in the establishment and ongoing monitoring of companies and branches in Iraq. Its role is not simply that of a registry of information but rather its approval is required for various company secretarial acts before it will issue certified copies of the key corporate documents and resolutions needed to conduct business in Iraq.

### **Deposit of Capital**

In order to incorporate a company in Iraq, a statement needs to be obtained from an Iraqi bank to show the deposit of the share capital. In the case of a retail business, a minimum deposit of US\$100,000 is required. The process for opening an Iraqi bank account may be time consuming. For incorporation in the IKR, however, there is no minimum share capital amount as long as all business is conducted within Kurdistan.

### **Foreign Investment License**

A foreign investment license will enable the investor to take advantage of some of the key benefits conferred under the Foreign Investment Law, such as protection from expropriation and nationalization, easier repatriation of profits and investment capital, and tax exemptions. To receive a foreign investment license, an advance application will need to be made to the National Investment Commission. Licensing for investment in the IKR is processed through the Kurdistan Region Board of Investment. The Board's licensing rules are considered more liberal

than those of the National Investment Commission. The Board possesses a generally good reputation for assisting investors.

The new company will need to register with the tax authorities and have its accounting records legalized by the General Commission of Taxation.

In addition to registration with the Ministry of Trade, investors are encouraged to apply for an investment license from the appropriate national, regional, or provincial investment commission. Visit the National Investment Commission [here](#).

Companies that provide security are also required to register with the Ministry of Interior (MOI). For additional information, the Private Security Company Association of Iraq has an excellent website that may be of interest to companies in the security field: [www.psc.ai.org](http://www.psc.ai.org). It must be noted that Iraq has little desire to allow additional security companies to operate in Iraq.

Setting up a business in Iraq, including in the IKR, involves several steps and needs to be undertaken by an authorized attorney. The following steps provide a guide to establishing a Private Limited Liability Company. Please ensure you consult an attorney as requirements can change quickly.

Step 1 – Search for a company name; obtain a name reservation letter from the local Chamber of Commerce

Step 2 – Hire an attorney to draft articles of association and other required documentation

Step 3 – Deposit initial capital at commercial bank and obtain confirmation receipt

Step 4 – File for registration at the Commercial Registry

Step 5 – Advertise incorporation notice in the newspaper

Step 6 – Make a company seal

Step 7 – Obtain registration certificate

Step 8 – Report to tax authority to establish tax registration

Step 9 – Legalize accounting books

Step 10 – Register employees for social security (if applicable)

Step 11 – Apply for a trade license

The Kurdistan Investment Board (KIB) manages a streamlined investment licensing process in the IKR that assures an official response within 45 days of the initial license application.

Despite bureaucratic hurdles, on the whole the KIB investment framework seems to work well. As of 2013 over 500 projects have been approved by the Board since the law was passed in 2006. However, there are hiccups. Because of overheated commercial and residential real estate markets, the KIB has moved away from approving licenses in these sectors. Businesses report some difficulties establishing local connections, obtaining qualified staff, and meeting import regulations. However, the KIB receives high marks for being helpful in resolving problems.

The Commercial Service in Iraq can help you through providing services including those listed below:

Market analysis and research;

Strategic advice and realistic market intelligence;

Market risk analysis;

In-market support;  
Excellent links with key Iraqi stakeholders, government and ministries;  
Experienced advisory with key local contacts;  
Identify the right potential partner/agent;  
Keep you updated with leads and opportunities;  
Network you with active regional players in Iraq;  
Evaluate any local contact; and  
Suggest secure method of payments and commercial conditions

### **Franchising**

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In many ways, Iraq is a greenfield market for franchising. The desire for consistent quality products and services is high. However, a poor distribution network, inconsistent electrical power, inadequate water supply and few modern retail or country retail networks are challenges facing potential franchisors. In spite of these concerns, there is growing interest in Iraq to attract U.S. franchises. If you want to franchise your business to Iraq, keep in mind that an attorney with experience in Iraq is a must since Iraqi law does not specifically address franchising. With inadequate intellectual property enforcement, poor delivery of essential services, and difficulty with quality control, franchising in Iraq is difficult but not impossible. Perhaps look to the Iraqi Kurdistan Region as a foothold before expanding to the rest of Iraq.

### **Direct Marketing**

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There is no prohibition on direct marketing to prospective clients. However, given the current fluid and tenuous political and security situation in Iraq, direct marketing campaigns are not prevalent, though catalogs and direct marketing can be used to reach individual buyers in certain provinces in Iraq. Contact the [Direct Marketing Association](#) for more information and information on direct marketing abroad.

### **Joint Ventures/Licensing**

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Except for ventures established in and restricted solely to the Iraqi Kurdistan Region, Joint ventures as usually structured in the U.S., are not legally recognized in Iraq. Instead, companies intending to enter into a joint venture must incorporate a domestic company (almost always a LLC) and assign the intended joint-venture share percentages. Any joint venture agreements between the parties are, therefore, treated as internal agreements between shareholders.

Businesses exploring joint venture opportunities in Iraq should seek the advice of a reliable and experienced Iraqi attorney.

### **Selling to the Government**

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Most major business opportunities are found through GOI public and sole-source procurement. Companies interested in bidding on a tender must be registered with the Ministry of Trade.

There is no central website where tender notices can be found; however, the Commercial Office at the Iraq Embassy in the United States may provide useful leads information. Also contact the Department of Commerce's Iraq Investment and Reconstruction Task Force and sign up for "Tender Alerts" email service. Tenders are generally announced through a specific ministry's websites and offices. Often, notices are placed online, though other forms such as involuntary

solicitation of bids and paper distribution have been cited. Tender notices are almost always published in Arabic and are rarely available in English.

Procurement requirements vary by ministry but often include requests for information covering years of operation, production capacity, financial strength, and any past commercial activity in Iraq. Some ministries require that bidders document any association with Israel, in keeping with the Arab League Boycott of Israel. It is illegal for U.S. companies to comply with such requests.

When bidding on a tender, consider whether to use the services of the Department of Commerce's Advocacy Center. Visit the website [here](#).

For larger projects within the Iraqi Kurdistan Region, the Kurdistan Regional Government issues tenders through its various ministries, for example, the Ministry of Electricity and the Ministry of Agriculture. Since a central KRG repository for government tenders has not yet been established, interested companies should monitor the websites of appropriate KRG ministries. Smaller tenders often are announced at the provincial level in Dahuk, Sulaimaniyah, and Erbil.

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The Iraqi market offers somewhat limited methods for companies to distribute products. Iraq's transportation infrastructure is in need of repair and expansion. The domestic trucking industry continues to advance farther into the provinces as demand for goods increases and security improves. The rail industry is also making headway. Several lines are providing regular freight service and the government plans to repair other lines. Domestic air transportation is limited though expanding. While there is keen interest in the provinces to develop local airports, the focus is more on passenger services than cargo. Projects to improve both Baghdad International Airport and the Port of Umm Qasr in Basra to international standards are ongoing. Many goods first come into the Iraqi Kurdistan Region, particularly Erbil.

### **Selling Factors/Techniques**

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The market still relies heavily on word-of-mouth and established buying patterns and personal relationships. Iraqi consumers are slowly becoming more discerning and sophisticated.

Even though business transactions can be handled electronically, there is no substitute for a face-to-face introduction or referral to an Iraqi by a known contact. Business cards are typically printed in Arabic or, in the IKR, in Kurdish and English.

Although the Government has liberalized the wholesale, retail and franchise sectors, the Government strongly suggests that foreign investors must establish Iraqi-style joint ventures (more akin to a U.S. partnership agreement) with Iraqi partners. All industrial enterprises are open to non-Iraqis, and they can also trade in the products they manufacture. Restrictions on individual professions are in force, such as who can practice law, medicine, accounting and financial services, architects and engineers. An Iraqi joint venture partner is a requirement for any entity or individual to practice the above mentioned professional services.

Many Iraqi companies handle several product lines. Iraqi agents typically expect the foreign supplier to assume some of the market development costs, such as hiring of dedicated sales staff, setting up workshops and repair facilities, and funding local advertising. Foreign suppliers

should detail a sales person to the Iraqi distributor to provide marketing, training and technical support.

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There is wide usage of internet and mobile phone devices among younger generations, especially in urban areas, as well as with larger businesses and government offices, but still relatively low penetration of these technologies into the greater economy.

### **Trade Promotion and Advertising**

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Trade promotion is a developing industry. The local press and television networks are perhaps the two most effective tools for advertising and trade promotion. Billboards are also used as well as magazines. Iraq has about sixteen major newspapers that may serve as advertising media for various products.

### **Pricing**

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There is relatively small variety of local and foreign products in the Iraqi market. While local consumer decisions are responsive to convenience and personal relationships more than price, retail cost is an increasingly important factor in consumer preference. Local distributors of international products often engage in promotions to attract consumers and gain market share, but generally only the larger players do this. U.S. firms should work closely with their local distributor in order to determine appropriate pricing strategies. There is no VAT or sales tax in Iraq. The average importer markup on food products is about 10-20 percent. Retail food prices are generally 25-30 percent above import prices.

For goods entering the IKR, tariffs are generally applied at a flat 3% rate for imported non-food, medical, and clothing consumer items. This is a lower rate than is applied elsewhere in Iraq and may contribute to slightly lower retail prices in the IKR.

### **Sales Service and Customer Support**

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After sales service and customer support is considered to be the responsibility of the local distributor or agent. As a Iraqi entity must obtain a license for all imports, local firms generally maintain a supply of spare parts for distributed products. Local distributors may also establish workshops for after-sales support, as appropriate. Foreign principals often provide regional and international training for technical support staff.

### **Protecting Your Intellectual Property in Iraq**

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Several general principles are important for effective management of intellectual property ("IP") rights in Iraq. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Iraq than in the U.S. Third, rights must be registered and enforced in Iraq, under local laws. Your U.S. trademark and patent registrations will not protect you in Iraq. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or

services in the Iraq market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Iraq. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Iraq law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Iraq require constant attention. Work with legal counsel familiar with Iraq laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

To obtain trademark protection in the IKR, businesses have two options. For trademarks already registered in Iraq, extension of its protection to the IKR is achieved with a letter with trademark details from the Iraqi Trademarks Registrar in Baghdad to the Registrar of Trademarks in Kurdistan. For trademarks not registered in Iraq, application should be submitted to the Registrar of Trademarks in Kurdistan with (a) power of attorney from an Iraqi Consulate, (b) certified copy of the trademark registration certificate, and (c) extract from the commercial registrar or trademark certificate of incorporation notarized at an Iraqi consulate. Trademark applications take between six and eight months for final processing.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Iraq or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

## Due Diligence

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Due diligence must be undertaken by a knowledgeable and capable provider. However, it should be stressed that in Iraq, most local companies and targets of the due diligence will not fully understand the necessity to conduct the due diligence and will treat such with distrust. Moreover, there are no public databases which may be searched by an investigator. Instead, the target company must either turn over the required documentation or grant a power of attorney on behalf of the investigating company on the target company so that it may perform its searches.

When conducting the due diligence, the investigating company should, at a minimum, procure copies of the certificate of registration from the Ministry of Trade, Companies Registrar and the tax clearance certificate from the General Commission of Taxation (GCT).

It is essential to conduct thorough due diligence before considering entering into any type of business relationship in Iraq. Please investigate whether our International Company Profile or



Partner Search is the service for you. More information can be found [here](#). CS Iraq can provide assistance but it is also strongly recommends that U.S. firms engage an Iraqi attorney to conduct thorough due diligence for any potential partner and to make certain that any contract adequately protects the U.S. company's interests.

#### **Local Professional Services**

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CS Iraq may be able to provide names and contact information of local professional service companies such as attorneys.

#### **Web Resources**

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Baghdad Business Centre – [www.baghdadbusinesscenter.org](http://www.baghdadbusinesscenter.org)

Central Bank of Iraq – [www.cbi.iq](http://www.cbi.iq)

Kurdistan Board of Investment – [www.kurdistaninvestment.org/](http://www.kurdistaninvestment.org/)

Ministry of Oil – [www.oil.gov.iq/](http://www.oil.gov.iq/)

Trade Bank of Iraq – [www.tbiraq.com](http://www.tbiraq.com)

National Investment Commission - <http://www.investpromo.gov.iq/>

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## **Chapter 4: Leading Sectors for U.S. Export and Investment**

### **Commercial Sectors**

- [Oil and Gas Equipment & Services](#)
- [Defense Sales](#)
- [Health Care, Medical Equipment & Supplies](#)
- [Construction and Engineering Services](#)
- [Education and Training Services](#)
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### **Agricultural Sectors**

- [Wheat](#)
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### **Oil and Gas Equipment & Services**

Iraq is blessed with vast reserves of oil and natural gas, and is one of the most promising, still largely undeveloped sources of hydrocarbon resources in the world. After decades of underinvestment due to conflict and sanctions, Iraq is actively seeking international investment and expertise to help in the development of its oil and gas sector, where output remains below potential. From efforts to harness associated gas from southern oil fields to the launching and negotiation of Iraq's first post-war oil and gas bid rounds, Iraq has begun the process of substantial reengagement with investors from around the world.

The GOI has held four oil and gas licensing rounds since 2009, in which foreign firms were allowed to bid for contracts to develop a significant portion of Iraq's oil and gas resources. A planned fifth bid round (for gas fields only) is expected in 2013. Iraqi production of crude oil may increase dramatically over the next ten years, although internal infrastructure constraints and other factors may limit full realization of Iraq's potential. Iraq's oil and gas licensing rounds in 2009 and 2010 were widely regarded as transparent and competitive; the 2011 round, however, attracted fewer bidders and resulted in the award of only four of twelve blocks. The government has publicly recognized the need to offer better terms in future rounds, but has not specified what terms might change. The oil contracts awarded are expected to bring billions of dollars in foreign direct investment in the coming years and spur the growth of the foreign and domestic private sector in Iraq.

## Overview

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Iraq was the world's 8th largest oil producer in 2012, and has the world's fifth largest proven petroleum reserves. Just a fraction of Iraq's known fields are in development, and Iraq may be one of the few places left where vast reserves, have barely been exploited. In addition, crude oil export revenues accounted for over 60% of GDP in 2011 (last year available).

According to the GOI, Iraq has proven oil reserves of 150 billion barrels and 126.7 trillion cubic feet of natural gas. Current oil production is just over 3 million bpd and official goals are to produce about 4.5 million bpd in 2014 and 9 million bpd by 2017. In its Iraq Energy Outlook, the International Energy Agency offers a more conservative central scenario projecting Iraqi export volumes of 4.2 million bpd by 2015 and 6.1 million bpd by 2020. Iraq's three major refineries (Bayji, Basrah and Doura) are operational but operate below capacity.

## Oil

Iraq's oil sector has suffered over the past several decades from sanctions and wars, and its oil infrastructure is in need of modernization and investment. According to GOI officials, total investment needed in this sector through 2030 is on the order of \$500 billion, of which about \$80 billion expected to be funded by the private sector. The proposed Oil and Gas Framework Law, which governs oil contracting and regulation, is part of a package of four hydrocarbons laws and has been under review in the Council of Ministers since October 26, 2008. However, it has not received final passage.

## Reserves

According to the GOI, Iraq has proven oil reserves of 150 billion barrels. The majority of the known oil and gas reserves in Iraq form a belt that runs along the eastern edge of the country. Iraq has 9 fields that are considered super giants (over 5 billion barrels) as well as 22 known giant fields (over 1 billion barrels). According to independent consultants, the cluster of super-giant fields of southeastern Iraq forms the largest known concentration of such fields in the world and accounts for 70 to 80 percent of the country's proven oil reserves. An estimated 20 percent of oil reserves are in the north of Iraq, near Kirkuk, Mosul and Khanaqin. There is no reliable estimate of oil reserves in the Iraqi Kurdistan Region (IKR), but some experts believe that the region contains an additional 45-50 billion barrels. Control over rights to reserves is a source of controversy between the ethnic Kurds and other groups in the area.

## **Production**

In 2012, Iraq's crude oil production averaged 2.7 million barrels per day (bpd), just below its estimated pre-war production capacity level of 2.8 million bpd in 2003. The GOI's goals are to produce about 4.5 million bpd in 2014 and 9 million bpd by 2017. About two-thirds of current production comes from the southern fields, with the remainder from the north-central fields near Kirkuk and the IKR. At present, nearly half of Iraqi oil production comes from just two giant fields: North and South Rumaila in southern Iraq, with approximately one-third more from West Qurna I, Zubair, and Kirkuk combined.

Currently, the Ministry of Oil (MOO) has central control over oil and gas production and development in all but the Kurdish territory through its three operating entities, the North Oil Company (NOC), the South Oil Company (SOC), and the Missan Oil Company (MOC), which was split off from the South Oil Company in 2008. According to the NOC's website, their concession and jurisdiction extends from the Turkish borders in the north to 32.5 degrees latitude (about 100 miles south of Baghdad), and from Iranian borders in the east to Syrian and Jordanian borders in the west. The company's geographical operation area spans the following governorates: Tamim (Kirkuk), Nineveh, Irbil, Baghdad, Diyala and part of Babil to Hilla and Wasit to Kut. The remainder falls under the jurisdiction of the SOC and MOC, and though smaller in geographical size, includes the majority of proven reserves. MOC's oil fields hold an estimated 30 billion barrels of reserves. They include Amara, Halfaya, Huwaiza, Noor, Rifaae, Dijala, Kumait and East Rafidain.

## **Kurdistan Regional Government Issues**

The Kurdistan Regional Government (KRG), the official ruling body of a federated region in northern Iraq that is predominantly Kurdish, passed its own hydrocarbons law in 2007. Despite the lack of a national Iraqi law governing investment in hydrocarbons, the KRG has signed oil exploration, development and production sharing contracts with several foreign firms, and has exported some relatively small quantities of oil independently. Norway's DNO, Anglo-Turkish Genel, and private Kurdish-owned KAR Group are currently producing up to 200,000 bpd and could reach 250,000 bpd within a year for export, according to the KRG Ministry of Natural Resources. The Iraqi Oil Ministry has been adamant that oil produced in the KRG will have to be exported by the State Oil Marketing Organization (SOMO), Iraq's oil exporting arm.

## **Development Plans**

Iraq has begun an ambitious expansion program to develop its oil fields and to increase its oil production. Passage of the proposed hydrocarbons laws, which would provide a legal framework for investment in the hydrocarbon sector, remains a main policy objective. Despite the absence of such laws, the Iraqi Ministry of Oil has managed a total of four bidding rounds for oil and gas fields in non-IKR Iraq. In the first round, companies contracted to further develop four giant oil fields that were already producing. Round two contracts were signed to develop oil fields that were already explored but not fully developed or producing commercially. The third round, in 2010, was for three gas fields. The fourth round, which took place in May 2012, was for both gas and oil fields; out of twelve blocks placed for bid by the GOI, only four were awarded. Iraq has announced the fifth tender round which is tentatively an exploratory round for gas fields only, but the specific details and date of the bidding have yet to be finalized.

## **Infrastructure Constraints**

Iraq faces many challenges in meeting its target production goals on its stated timetable. One of the most significant is the lack of an outlet for significant increases in crude oil exports. Both Iraqi refining and export infrastructure currently are old, have suffered from decades of war, neglect, sanctions, and civil strife, and need to be upgraded to process much more crude oil.

Production increases on the scale planned will require substantial increases in natural gas and/or water injection to maintain oil reservoir pressure and boost oil production. Iraq has associated gas that could be used, but more than half is currently being flared. Iraq has recently embarked on plans to utilize the flared gas for power generation and other value-added purposes. Another option is to use water for re-injection, and locally available water is currently being used in the south of Iraq. However, fresh water is an important commodity in the Middle East, and large amounts of seawater will likely have to be pumped in via pipelines that have yet to be built. According to some estimates, 10-15 million bpd of seawater could be necessary for Iraq's expansion plans, at a cost of over \$12 billion. In March 2013, the GOI contracted with CH2M Hill to undertake a project called the Common Seawater Supply Project, which aims to meet at least some of the new demand for water injection in southern Iraq as production continues to ramp up.

Furthermore, Iraq's oil and gas industry is the largest industrial customer of electricity, with over 10 percent of total demand. Large-scale increases in oil production would also require large increases in power generation. However, Iraq has struggled to keep up with the demand for power, with shortages common across Iraq. Significant upgrades to the electricity sector are underway to supply additional power with more projects slated for the future. Iraq also plans to sign delineation agreements on shared oil fields with Kuwait and Iran. Iraq would like to set up joint committees with its neighbors on how to share the oil.

## **Refining**

Iraq's nameplate refining capacity is estimated to be 960 kb/d, with only 80 percent of this capacity is in working condition. Refineries at Baiji, Doura and Basrah account for more than 70 percent of refined product production. Capacity is insufficient to meet domestic demand. Iraqi refineries have antiquated infrastructure and operate at efficiency rates as low as 50 percent. Despite improvements in recent years, refineries produce too much heavy fuel oil and not enough higher value refined products. As a result, Iraq relies on imports for 30 percent of its gasoline and 17 percent of its liquefied petroleum gas (LPG).

To alleviate product shortages, Iraq's 10-year strategic plan for 2008-2017 set a goal of increasing refining capacity to 1.5 million bpd. Iraq is seeking \$20 billion in investments to achieve this target. So far, no new refineries have been built as a result of this plan.

## **Major Export Pipelines**

**To the North:** Iraq has one major crude oil export pipeline, the Kirkuk-Ceyhan (aka the Iraq-Turkey) pipeline, which transports oil from the north of Iraq to the Turkish Mediterranean port of Ceyhan. This pipeline has been subject to repeated disruptions this decade, limiting exports from the northern fields; declining production in the Kirkuk field as well as export stoppages from the IKR have also limited its usage. Iraq has in the past floated plans to expand the Iraq-Turkey pipeline from its current effective capacity of 600,000 bpd to 1 million bpd (original nameplate

capacity was 1.6 million bpd) as well as to build a new pipeline with capacity of 1 million bpd, but those plans are currently on hold.

In order for this pipeline to reach its design capacity, Iraq would need to receive oil from the south via the Strategic Pipeline, which was designed to allow flows of crude oil from the south of Iraq to go north via Turkey, and vice-versa. The existing pipeline, which is not fully operational, requires major upgrades after decades of underinvestment due to conflict and sanctions. Iraq has proposed building a new strategic line from Basrah to the northern city of Kirkuk, with the line consisting of two additional crude oil pipelines.

**To the West:** The GOI and Government of Jordan have signed a preliminary agreement to build a pipeline from southern Iraq that would carry one million bpd of crude from southern Iraq to Jordan, with an eventual destination of the Jordanian port of Aqaba. The tender has not been announced, but preliminary reports say the bid will have two parts: an Engineering, Procurement and Construction (EPC) to build a 2.25 million bpd pipeline between Basrah and Haditha (in western Iraq), and a Build-Own-Operate-Transfer (BOOT) for a one million bpd pipeline from Haditha to Aqaba. The Iraq-Syria-Lebanon Pipeline has been closed and the Iraqi portion reported unusable since the 2003 war in Iraq. Discussions were held between Iraqi and Syrian government officials to re-open the pipeline, which had a design capacity of 700,000 bpd, although actual volumes never reached this level. The Russian company Stroytransgaz accepted an offer to fix the pipeline in December 2007, but no follow-up was made. Iraq has since repaired the line from Haditha to the Syrian border. The GOI has announced its intent to build a 1.25 million bpd pipeline from Haditha to the Syrian coast, but any such plans are on hold pending resolution of the crisis in Syria.

**To the South:** The 1.65 million bpd Iraq Pipeline to Saudi Arabia (IPSA) has been closed since 1991 following the Gulf War. The Kingdom of Saudi Arabia has nationalized IPSA on its territory and currently uses it for its own crude oil industry.

## **Ports**

The Al Basrah Oil Terminal (ABOT) on the Persian Gulf has an effective capacity to load an estimated 1.5 million bpd and can support Very Large Crude Carriers. A second export terminal, Khor Al Amaya Oil Terminal (KAAOT) is only partially operational with export capacity of no more than 200,000 bpd. In February 2009, the South Oil Company commissioned Foster Wheeler to carry out the basic engineering design to expand capacity of offshore export infrastructure by building four single point mooring (SPMs) systems with a capacity of 900,000 bpd each. Two of the four single-point moorings became operational in late 2012, and the other two are expected to come online in early 2014. Additional projects planned for completion in later years will boost total southern export off-take capacity above 6 million bpd. This includes an additional 900,000 bpd of export capacity from the JICA Sealine Program through a fifth SPM, due for completion in 2013, and 1.4 mbpd additional export capacity from another project, which would revitalize the aging ABOT and KAAOT.

## **Overland Export Routes**

Overland routes have been used to export limited amounts of crude from small fields bordering Syria. Iraq currently ships oil to Jordan's Zarqa refinery by road tankers at a rate of 10,000-15,000 bpd.

## **Natural Gas**

### **Reserves**

According to the Government of Iraq, Iraq's proven natural gas reserves are 126.7 trillion cubic feet (Tcf), the twelfth largest in the world. An estimated 70 percent of these lie in Basrah governorate (province) in the south of Iraq. Probable Iraqi reserves have been estimated at 275-300 Tcf, and work is currently underway by several IOCs and independents to accurately update hydrocarbon reserve numbers. Two-thirds of Iraq's natural gas resources are associated with oil fields including, Kirkuk, as well as the southern Nahr (Bin) Umar, Majnoon, Halfaya, Nassiriya, the Rumaila fields, West Qurna, and Zubair. Almost 20 percent of known gas reserves are non-associated; around 10 percent is salt dome gas. The majority of non-associated reserves are concentrated in several fields in the North including: Ajil, Bai Hassan, Jambur, Chemchemal, Kor Mor, Khashem al-Ahmar, and al-Mansuriyah.

Iraq conducted an upstream bidding round in October 2010 for three non-associated natural gas fields with combined reserves of over 7.5 Tcf. This third hydrocarbon bidding round followed two earlier rounds that were held to develop Iraq's oil fields. In May 2012, the fourth bid round included one gas field in Diyala province. All of the companies that prequalified to bid in the earlier rounds were invited. Iraq committed to purchasing 100 percent of the gas.

The GOI is considering a fifth bid round that will focus on gas field development. The GOI is in the process of identifying exploratory blocks that will be on offer. The GOI is also considering revising terms for this new round to take into account the different capital requirements of gas exploration.

### **Production**

Iraqi natural gas production rose from 81 billion cubic feet (Bcf) in 2003 to 660 Bcf in 2012. Some is used as fuel for power generation, and some is re-injected to enhance oil recovery. Approximately 74 percent of gas production in 2012 was flared due to a lack of sufficient infrastructure to utilize it for consumption (largely power generation). As a result, Iraq's five natural gas processing plants, which can process over 773 billion cubic feet per year, sit mostly idle.

To reduce flaring, Iraq entered into an agreement with Royal Dutch Shell in 2011 to implement a 25-year project to capture flared gas and provide it for domestic use. The \$17 billion deal covers development of 25 – 30 Tcf of associated natural gas reserves in Basrah province through a new joint venture, Basrah Gas Company. The agreement, which originally was to cover all of Basrah province, has been modified to include only a portion of associated gas produced from the Rumaila, Zubair, and West Qurna Phase I projects. The Basrah Gas Company came online May 1, 2013 with initial capture rates of approximately 400 mcf/d.

### **Export Plans**

Plans to export natural gas remain uncertain due to increased demand for domestic gas to fuel idle and sub-optimally-fired electricity generation. Prior to the 1990-1991 Gulf War, Iraq exported natural gas to Kuwait. The gas came from Rumaila through a 105-mile, 400 million cubic feet per day (Mmcf/d) pipeline to Kuwait's central processing center at Ahmadi. In 2007, the Ministry

of Oil announced an agreement to fund a feasibility study on the revival of the mothballed pipeline, though current relations may inhibit such a project.

### **Sub-Sector Best Prospects**

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Major sub-sectors in Iraq's oil and gas sector include: drilling and equipment; liquid natural gas equipment; storage and pipelines; chemicals; instrumentation; petrochemical equipment; and oil and gas services.

Oil sector expansion is estimated to total \$300-\$500 billion through 2020. With unprecedented expansion planned for Iraq's oil sector over the next eight years, while not quantified, this represents tremendous potential.

Iraq's plans to increase natural gas capture rates, including the recent \$17 billion Shell gas deal, provides opportunities for pipes, pumps, storage, degassing stations and inputs for the petrochemical industry.

### **Opportunities**

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According to Iraq's National Investment Commission (NIC), Iraq needs significant investments in pipelines, export infrastructure, and refineries.

The Government of Iraq has announced ambitious plans to boost its oil production and exports over the next decade. The Ministry of Oil aims to increase production to 4.5 million bpd by 2014 and to 9 million bpd by 2017 and is counting on international investment as a key driver of this increased production. The main avenue for international investors seeking to enter Iraq's oil and gas market is through the MOO's bid rounds, but there are and will continue to be significant opportunities for companies to sub-contract with field operators for various services.

Iraq is believed to still have vast amounts of unproven reserves throughout the country with estimates ranging between 45 and 215 Bbl. To date, only about 10% of the country has been surveyed for gas and oil deposits, creating a considerable opportunity for investors.

Although less publicized, Iraq's gas is highly coveted, and there remains significant debate over the future of its gas reserves. Prime Minister Maliki signed an MOU with the EU to look at the possibility of supplying Iraqi gas to Europe. Other Iraqi officials have expressed the country's willingness and desire to help meet growing global demand for natural gas. However, aggressive export plans will have to compete with domestic demand of gas for electricity production. Although the GOI has consistently stated that its first priority for gas is focused on meeting domestic needs, exports are seen as an eventual long-term objective. In both scenarios, strong markets exist for Iraq's natural gas.

Iraq's oil and gas is also easily extractable. The cost of bringing oil and gas production on line in Iraq is among the lowest in the world. The country's oil lies in enormous fields that can be tapped by relatively shallow wells. Iraqi oil rises rapidly to the surface because of high pressure on the oil reservoirs from water and associated natural gas deposits. More than a third of Iraq's reserves lie just 600 meters below the earth's surface, and some of Iraq's fields are among the world's largest. A barrel of Iraqi oil can often be produced for less than US\$1.50. This is similar to production costs in Saudi Arabia and lower than virtually any other country in the world.

As Iraq improves its existing infrastructure and new production comes online, the country will need massive investments in the mid and downstream petroleum sector. To substantially handle planned increases in production, significant investments will be required along the country's export routes, particularly in the Basrah port area and along the northern pipeline between Kirkuk and Ceyhan. In the south, the needs are broad including new pipeline to connect existing supplies to refineries, the construction of storage facilities, and port expansion. In the north, pipelines will require significant repair, and border stations will require new or renovated pumping and metering facilities. Iraq also once exported natural gas to Kuwait, and there has been much discussion of developing the infrastructure to allow Iraq to again become a natural gas exporter. In the long-term, a more extensive gas infrastructure will be required in order for Iraq to tap into gas pipeline routes in Turkey that feed European markets.

Iraq is also committed to making massive improvements in its refining capacity over the next decade. Currently, the country's refinery network is outdated and incapable of meeting growing domestic demand. Despite its massive resource base, Iraq relies on imports for a quarter of its refined product demand. However, the MOO's 10-year plan calls for a 150% increase in refining capacity by 2017. To achieve this increase, Iraq is seeking \$15-\$20 billion in investments for the construction of new refineries and sizeable expansions to the existing Doura and Basrah facilities.

The projects below are mostly infrastructure opportunities identified by the Government of Iraq. These projects will help revitalize the oil and gas sector, but also have a multiplier effect on the economy, providing a supply chain of opportunities for the private sector.

<b>Project</b>	<b>Size</b>
Large crude oil refinery	300,000 bpd
Nasiriya Construction of a crude oil refinery	150,000 bpd
Kirkuk Construction of a crude oil refinery	140,000 bpd
Kerbala Construction of a crude oil refinery	150000 bpd
Misan Various Plant Rehabilitation and Construction	6 projects

## **Web Resources**

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[Iraq Ministry of Oil](#)  
[Baghdad Oil Training Institute](#)  
[Gas Filling Company](#)  
[Heavy Engineering Equipment State Company](#)  
[Iraq Drilling Company](#)  
[Iraqi Exploration Company](#)  
[Maysan Oil Company](#)  
[Midland Refineries Company](#)  
[North Gas Company](#)  
[North Oil Company](#)  
[Oil Marketing Company - SOMO Oil Pipelines Company](#)  
[Oil Products Distribution Company](#)  
[Oil Projects Company](#)



[Oil Tank Company](#)  
[Petroleum Research & Development Center](#)  
[South Gas Company](#)  
[South Oil Company](#)  
[South Refineries Co.](#)  
[State Company for Oil Projects](#)

#### EIA Links

[EIA – Iraq Country Energy Profile](#)  
[EIA – OPEC Revenues Fact Sheet](#)

#### U.S. Government

[CIA World Factbook - Iraq](#)  
[Library of Congress Country Study on Iraq \(1998\)](#)  
[Special Inspector General for Iraq Reconstruction](#)  
[U.S. Agency for International Development – Iraq \(USAID\)](#)  
[U.S. Army Corps of Engineers – Gulf Regional Division](#)  
[U.S Commercial Service – Iraq](#)  
[U.S. Department of Commerce Iraq Reconstruction](#)  
[U.S. Government Accountability Office: Iraq Reconstruction](#)  
[U.S. Embassy in Baghdad](#)  
[U.S. State Department Iraq Status Report](#)  
[U.S. State Department's Background Note- Iraq](#)  
[U.S. State Department Consular Information Sheet – Iraq](#)  
[U.S State Department Travel Information Sheet – Iraq](#)

#### Other Links

[AcademicInfo – U.S. Government Resources on Iraq](#)  
[BBC: Iraq Country Profile](#)  
[BBC: The Struggle for Iraq \(News, Special Report\)](#)  
[The Economist: Iraq](#)  
[Government of Iraq](#)  
[IMF Country Information Page – Iraq](#)  
[Information on Iraq from ArabNet](#)  
[Iraq Daily](#)  
[Iraq Ministry of Foreign Affairs](#)  
[Iraq Ministry of Oil](#)  
[Iraq Ministry of Planning](#)  
[Iraq Pipeline Watch](#)  
[Iraq Embassy in the United States](#)  
[Kurdistan Regional Government \(KRG\)](#)  
[United Nations Assistance Mission for Iraq \(UNAMI\)](#)  
[United Nations Office of the Iraq Programme – Oil for Food](#)  
[Washington Post: War in Iraq page](#)  
[Perry-Castaneda Map Collection Relief Web Map](#)  
[United Nations Assistance Mission for Iraq \(UNAMI\)](#)  
[Washington Institute \(Oil Fields\)](#)

## Overview

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The U.S. military strategic partnership with Iraq continues to develop and evolve, reflecting the commitment and strength of the U.S.-Iraqi bilateral relationship. The Embassy's Office of Security Cooperation manages Iraq's Foreign Military Sales and Foreign Military Financing programs, in excess of \$5 billion.

The Government of Iraq is pursuing an active security force modernization program designed to provide for its external security as well as internal counterterrorism concerns. Iraq's Foreign Military Sales cases include the purchase of equipment to strengthen defense capabilities by re-equipping the Iraqi Army, Army Aviation, Air Force and Navy. In addition, there is demand for U.S. military training, education, logistics and maintenance services. In the medium term, the total U.S. export value for the Iraq defense market is estimated to be in the range of \$5 - \$10 billion, which is dependent on increasing government revenues fueled by increasing oil revenues.

## Sub-Sector Best Prospects

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Based on our market expertise, we estimate that the best export opportunities for U.S. defense equipment manufacturers and contractors are in the following product and service categories:

- intelligence, surveillance and reconnaissance systems,
- tactical and non-tactical vehicles,
- rotary wing aircraft for internal security and self defense capability,
- air defense and command systems,
- patrol assets for protecting critical infrastructure,
- contractor engineering and technical support services

## Opportunities

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### 1. Intelligence Surveillance and Reconnaissance (ISR)

The Government of Iraq is experiencing a significant gap in Intelligence, Surveillance, and Reconnaissance (ISR) capabilities. The Government of Iraq (GOI) is familiar with the capabilities provided by ISR coverage, and the assets employed with this system including Unmanned Aerial Vehicles (UAVs), dirigibles, persistent observation towers like RAID BETSS-C, and analytical support. The GOI is in obtaining this capability for its security needs.

#### Best Prospects

- Unmanned Aerial Vehicles
- Persistent Unmanned Dirigibles
- Automated Observation Towers with Cameras
- Advanced Software Solutions for Integration and Surveillance Processing
- Exportable High Resolution Cameras
- ISR Integration and Command and Control Software
- ISR Analysis Training

## **2. Army Modernization**

The Iraqi Army continues to re-equip and modernize to strengthen its defense capability. The recent Foreign Military Sales cases the United States has signed with Iraq included 144 towed-and-self propelled Howitzers, 140 tanks, 1,026 M113 APCs, and a wide variety of both tactical and non-tactical vehicles. In addition to the hardware, there will be a continuing requirement for logistics support, maintenance, and training. Future plans include an Integrated Air Defense System, expanded communications network, and developing intelligence support capabilities. Expanded infrastructure and revitalized facilities will be needed to support the Army's modernization efforts.

### **Best Prospects**

- Armored Vehicles
- Tactical Vehicles
- Small Arms
- Ammunition
- Maintenance Support
- Basic Equipment Loads for Soldiers
- Technology Based Solutions for Communications and Intelligence Support
- Training programs to support operation and maintenance of all vehicles
- Infrastructure construction and support including operating bases and ranges for Army unit operations.

## **3. Army Aviation Upgrades**

The Government of Iraq has identified a robust Army Aviation capability, specifically rotary wing aircraft, as one of the keys to their security and self-defense capability. This resulted in numerous Foreign Military Sales cases with the United States. Examples include: Over 50 attack, utility, and support helicopters, 8 tactical refueling trucks to support operations, in-country and out-of-country training, maintenance support, night vision devices, and infrastructure improvements. The Army Aviation sub-sector will continue to expand and also presents many business opportunities.

### **Best Prospects**

- Light and Medium Rotary Wing Aircraft
- Maintenance and Spares Programs for Rotary Wing Aircraft
- Night Vision Devices
- Infrastructure for Rotary Wing Operations
- Pilot and maintenance training programs
- Infrastructure construction and support including operating bases and ranges for helicopter operations.

## **4. Air Force Modernization**

The Government of Iraq is pursuing an active modernization program for the Air Force, with an emphasis on counterterrorism. The recent Foreign Military Sales cases Iraq has signed with the United States include: 36 F-16s; 9 C-130 transport aircraft, 32 light aircraft for training and 12 for surveillance, air traffic control systems, requests for advanced target acquisition radars; a request for an integrated air defense system package, all indicating a positive future for U.S. defense sales. In addition, there is strong demand for U.S. military training, education, logistics and maintenance services.

### **Best Prospects**

- Air Defense Aircraft
- Ground Attack Aircraft
- Training for Pilots, Air Traffic Control, and Maintenance Personnel
- Infrastructure Improvements to Support these Programs
- Air traffic control systems
- Airfield infrastructure to include navigational aids and airfield lighting
- Maintenance and spares programs for aircraft and air traffic control systems
- Training programs for pilots, maintainers, and air traffic controllers

## **5. Naval Capabilities Upgrade**

Offshore oil production is a major source of oil revenue for Iraq. Providing for the defense of these assets as well as the ports for shipping oil and other domestic goods and receiving goods from other nations is a key factor in Iraq's economic development. Recent Foreign Military Sales cases with the United States to support the Iraqi Navy include 260m Offshore Support Vessels, 12 35m Patrol Boats, Simulators to Support Training, Infrastructure for both a Training Academy and Headquarters, a Ship Repair Facility, and logistics support for maintenance and spares.

### **Best Prospects**

- Littoral and Patrol Class Vessels
- Infrastructure to support both a Naval Training Center and a Naval Headquarters
- Maintenance and spares program for Iraqi Navy vessels
- Training programs for both operations and maintenance Navy assets

## **6. Air Defense Command**

As it rebuilds its self-defense capability, Iraq has established an Air Defense Command to ensure air sovereignty in its skies. This is an emerging requirement with the basis of the system currently being established. Examples of Foreign Military Sales cases with the United States to support the Air Defense Command include Avenger Missile Batteries for point defense and long range radars for early warning. The medium to long term goal is to establish a robust Integrated Air Defense System.

### **Best Prospects**

- Anti-Aircraft Artillery and Missile Systems
- Maintenance and Spares
- Infrastructure to support an Integrated Air Defense System
- Air Defense Radar Systems
- Electronic and Technology Solutions to Integrate the System
- Training Programs for Operations and Maintenance

## **7. Counterterrorism Service**

Iraqi established a separate counterterrorism Service in recent years. It consists of specially-trained commando units tasked to interdict and preempt terrorist activities and organizations. This service is able to independently develop, plan and execute counterterrorism operations using both ground and helicopter assaults. Examples of Foreign Military Sales cases with the United States supporting the Counter Terrorism Service include small arms and heavy weapons, night vision devices, 8 up-armored vehicles, vehicle maintenance support and spares, and training for special operations type forces.

## Best Prospects

- Small Arms
- Heavy and Crew Served Weapons
- Armored and Tactical Vehicles
- Basic Equipment for Special Operations type forces
- Tactical Communications Equipment
- Training for Special Operations type forces
- Night Vision Devices
- Infrastructure and ranges to support special operations type forces
- Secure communications network technology solutions
- Advanced equipment for small units

## Web Resources

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Contact the Office of Security Cooperation of the U.S. Embassy in Baghdad.

## Health Care, Medical Equipment & Supplies

Once considered the best in the region, Iraq's healthcare system has suffered from years of neglect and war. In 2006, the World Health Organization's Iraq Regional Health Systems Observatory (IRHSO) issued a report stating that "health outcomes are now among the poorest in the region." Outcomes have not significantly improved since, although the Iraqi healthcare sector has witnessed substantial investment. However, the gap between healthcare expected by the public and provided by the country's healthcare system remains wide. As indicated by statistical indicators, the healthcare challenges are substantial. About one-fourth of the population falls below the poverty line; roughly 16% have no access to clean water. Iraq's population growth rate for a medium-developed country is exceedingly high: 3.4% in 2010. Among Iraq's provinces there is a wide variation in the percentage of births attended by a skilled healthcare professional.

The rise of treatable conditions coupled with Iraq's once prominent role in regional healthcare has prompted the Government of Iraq (GOI) to take action with a renewed commitment to improving the sustainability and quality of the medical sector.

## Overview

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There are two main players within the Iraqi health industry: the public sector, which covers roughly 75% of all health facilities, and the private sector, which represents the remaining 25%.

According to the Constitution, the Iraqi Government is responsible for providing free health care through public clinics and hospitals to all Iraqis. Nevertheless, a significant number of government physicians also maintain private practices and it is estimated that 50 percent of the Iraqi population use private sector health providers for initial treatment. However, Iraq has no private health insurance provider and patients must pay in full for private health care. Many Iraqis believe the quality of private health care is superior to that available publicly. Private health care is also a popular alternative due to scheduling issues; public health care is usually

only available during the morning hours. Further complicating both public and private health care is the nationwide lack of malpractice insurance.

The 2010-2014 Iraqi National Development Plan highlighted the Ministry of Health (MOH)'s adoption of a health system dependant on “primary health care as a foundation that includes providing quality health services as the primary service level; guaranteeing the integration of those services with the second level (public hospitals) and third level, specialized centers.”

In December 2010, the MOH Director of Planning and Resource Development, stated that the government was planning to carry out major improvements in the sector and had pledged to increase the health budget to \$4 billion primarily through investments in hospitals and clinics. The health budget for 2012, however, remained roughly the same as 2011, and no major changes are expected in 2013

#### Market Data

Iraq has 229 state-owned, government-run hospitals, of which 46 are in Baghdad. The Basrah Children's Hospital opened in October 2010 with full surgical and outpatient services available. Iraq also has approximately 2331 Primary Health Clinics (PHCs) providing a limited range of service scattered throughout Iraq. Generally, all primary care and preventive medicine is provided for free. Power outages are frequent and can last for many hours, however, with diagnostic equipment or well trained staff generally unavailable. A significant portion of the MOH budget in the past few years has been allocated to construction and rebuilding of facilities. Tenders have been announced for the construction of five general hospitals and ten each of teaching, maternity and pediatric hospitals.

Below are key statistics describing Iraq's health care system. 2011 is the latest data available.

	2008	2011
Civil Hospitals	62	96
Government Hospitals	159	231
Total Hospitals	221	327
Public Clinics	334	2,331
Total Number of Beds	31,794	44,464
Number Admitted to Hospitals	2,027,537	2,830,680
Number of Patients	18,215,749	16,011,612
Total Doctors	16,721	26,081
Total Dentists	3,859	5,904
Total Pharmacists	4,399	6,602
Total Medical Professionals	24,979	49,727
Total Nurses	7,307	14,800
Total Nursing Professionals	34,823	55,000
Total in Health Professions	74,081	106,200
Number of Pharmacies		6,000
Number of Laboratories	634	660
Number of Ambulances	1,759	2,824

Population/Clinic	82,924	28,000
Bed Occupancy Rate (%)	47.5	58.6

The MOH has acknowledged the need to create jobs for support personnel instead of overrelying on physicians. This need for skilled professionals also highlights the demand for advanced education opportunities and access to medical resources. The MOH has imported new and modern equipment and standard contracting language for new equipment now includes staff training.

Very few professionals and specialists are trained in English-speaking countries, although some Iraqi physicians speak English and have shown a willingness to engage in continued education and the implementation of new practices. Further, unfortunately few Iraqi professionals trained abroad return the country. In 2010, the government announced an initiative to increase physician compensation, raising the monthly \$3 salary from the Saddam Hussein era, to nearly \$1,600 per month. However, this has not happened to date.

Only about 20 Iraqi medical colleges accept students. Future staffing will depend on continued security improvements and the MOH's commitment to higher compensation for medical professionals.

The MOH has identified a series of actions the GOI should take to achieve national healthcare objectives, including improving healthcare infrastructure and services; reforming the pharmaceutical sector; strengthening capabilities of health care practitioners, including doctors, assistants and managers; and developing and implementing a master plan for the rebuilding of the healthcare delivery system generally. To date, however, reforms have not taken place and capacity in general is low. MOH frequently requests aid and foreign governments for additional training and technical assistance, for which it is willing to pay.

#### Market Issues & Obstacles

Registration requirements for public and private sector sales vary. Foreign companies selling medical or health-related goods are required to complete standard business registration requirements with the GOI as well as several additional steps, including:

1. Registration of the foreign supplier at the MOH Registration Board.
2. For each consignment to the private sector, documents must be presented before an import license will be issued by the MOH.
3. For tenders issued by Kimadia, the MOH's procurement division, a complete set of documents must be presented before an import license will be issued by the MOH.

To identify the current required list of documents referenced above, visit the Kimadia website [www.kimadia-iraq.com](http://www.kimadia-iraq.com), scroll through the list of tenders and view any specific supplies tender. Within the tender document, a list of required documents will be provided.

MOH registration forms for the following list entities and products are [available online](#):

1. Pharmaceutical companies
2. Pharmaceutical products
3. Medical appliances, lab diagnostic kits
4. Drug registration

## 5. Bioavailability or bioequivalent

### Sub-Sector Best Prospects

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The public and private healthcare markets in Iraq drive demand in five broad lines of products:

- Technical training in all health care disciplines
- Medical appliances and equipment
- Laboratory equipment and consumables
- Hospital management
- Pharmaceuticals

Larger opportunities may exist as well in the additional hospitals slated for Qadisiya, Basrah, Al Hillah, and Maysan provinces. These public hospitals were originally planned to be completed and delivered to the MOH by March 2012. However, the optimistic delivery date is now 2014. The MOH and local authorities indicate that they want to build new smaller (200 bed) hospitals but currently many Iraqis are still travelling abroad for quality health care services.

**Pharmaceuticals:** Roughly 160 registered “scientific offices”, headed by a registered pharmacist, are the only authorized dealers of pharmaceuticals sold to private pharmacies, hospitals and clinics. These offices typically represent a number of international firms. Iraq developed a drug policy in 2008 which, if ever implemented, would make it easier for foreign direct investment. Still, joint ventures are possible and should be considered by U.S. companies with a serious, long term interest in the Iraqi health care market.

**Medical Appliances and Equipment:** There are no formal controls on the importation of medical appliances and equipment, other than the standard import documentation requirements. Dealers without specific qualification are allowed to deal in this equipment. Some “scientific offices”, private physicians and dentists also participate in this market sector.

A small market exists for second hand medical equipment.

### Laboratory Equipment and Consumables

**Hospital Management:** Improved hospital management is recognized as an area needing improvement but it is presently unclear how the MOH will move forward on this objective.

### Best Prospects - Investment

The GOI is actively looking for investment in the following sectors and sub-sectors:

- Nursing
- Healthcare Professionals (Hospital staff)
- Medical Device Procurement
- Proper maintaining of medical devices
- Hazardous waste disposal systems



- Disposable medical supplies (sterile needles, tubing, gloves, masks, etc.)
- Pharmaceuticals
- Access to Information (Medical Journals/Internet)
- Dental Equipment and Services

## Opportunities

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### Prospective Buyers

The State Company for Marketing Drugs and Medical Appliances (Kimadia), the government-owned public company managed by MOH, is responsible for the importation and distribution of all pharmaceuticals, medical appliances, laboratory equipment, laboratory consumables, and medical equipment for all public health care facilities in Iraq.

Kimadia operates under a tender procurement system, with tenders appearing almost daily at [www.kimadia-iraq.com](http://www.kimadia-iraq.com). A U.S. company's Iraqi representative should have a thorough understanding of the product line and actively pursued participation in these Kimadia tenders. Detailed information on MOH registration of foreign companies is provided online as well as later in this report. While it is not absolutely necessary to have a local agent or representative to participate in the tenders, Kimadia practices tend to favor companies with local representatives or who sell through a scientific office.

Local private companies also have the right to import and sell pharmaceuticals and medical appliances and equipment to the private clinics and privately owned hospitals. However, private purchases are largely on a clinic-by-clinic basis, without the aggregated demand of the public network. If you wish to promote your products to the private practitioners, ensure that your Iraqi representative has an extensive knowledge of the private healthcare sector.

## Web Resources

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[Iraq Ministry of Health](#)

[Kimadia](#)

[Investment Overview to Iraq: Health](#)

[USAID Health Assistance for Iraq](#)

[Iraqi Commercial Office in the U.S. – Business Registration](#)

## Overview

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Iraq's reconstruction has resulted in significant contract awards worth billions. Rising population growth, a shortage of new housing, and decrepit housing have contributed to the pressing need to bring more housing on-line for the Iraqi population.

Under its National Housing Plan, Iraq has robust goals for building new homes. Given the nascent stage of Iraq's construction sector and paucity of large-scale developers, there are commercial opportunities for international firms.

Under Iraq's 2010-14 National Development Plan, the Government has allocated over \$30 billion to improve housing and derelict buildings. According to the Ministry of Construction and Housing, there are roughly 1 million new units needed countrywide, and hundreds of thousands to be upgraded.

Over the medium term, growth will remain strong although the pace of growth may slow as industry size grows. The industry will be driven primarily by large investments into the housing sector with around \$85 billion in low income and general housing projects having been recorded as underway or in the pipeline in Iraq.

### Sub-Sector Best Prospects

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Iraq is expected to need construction and engineering firms of international standard to reconstruct the residential and commercial sector. Best prospects in this sector include:

- Consultancy and supervision of contracts;
- Master planning;
- Engineering and architectural services;
- Program management;
- Construction management;

### Opportunities

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- Iraq's National Investment Commission (NIC) is trying to induce private investment in several key infrastructure and housing projects. The NIC has pledged to oversee a program to build one million units across Iraq.
- In Basra, the NIC has given a project to Trac Development Group for the construction of 500,000 homes. Hill International won contracts from the NIC worth \$1.5 billion and is to provide project management services for the first phase the development.
- The central government is decentralizing power and allowing each governorate to undertake large housing projects.
- Projects mentioned in the transportation sector.

National Investment Commission -- <http://www.investpromo.gov.iq/>  
U.S. Commercial Service in Iraq-- <http://www.export.gov/iraq>

### Overview

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The Government of Iraq (GOI) in Baghdad and the Kurdistan Regional Government (KRG) in Erbil each operate ministries to oversee primary, secondary and post-secondary education in Iraq. The Ministry of Education in Baghdad manages public primary, secondary, and vocational institutes in most of Iraq, while the Kurdistan Regional Government's Ministry of Education oversees public schools in the Iraqi Kurdistan Region. Colleges and universities in the Iraqi Kurdistan Region are administered by the Ministry of Higher Education and Scientific Research (KRG MHE) in Erbil, while universities in the rest of Iraq are under the control of the Ministry of Higher Education and Scientific Research (MoHESR) in Baghdad. Each ministry is led by a minister.

The two ministries of higher education and scientific research have a cooperative relationship that allows students to study at any public university in Iraq, transfer credits, and receive scholarships from the central government programs. Universities in the IKR must meet standards set by both the KRG MHE and the GOI MoHESR to be fully accredited and recognized in Iraq.

**Post-Secondary Education:** There are 11 public universities, two public technical institutes, and eight approved private universities in the IKR, with a total of approximately 40,000 students enrolled in undergraduate and graduate programs. The Kurdistan Regional Government's Ministry of Higher Education and Scientific Research in Erbil directly controls the publicly funded universities and provides oversight for private universities.

In the rest of Iraq, there are 22 public universities, with six more under construction, and 28 private universities. An estimated 500,000 students are enrolled in undergraduate and graduate programs in Iraq (not including the IKR). The GOI's Ministry of Higher Education and Scientific Research also has 118 medical, engineering, agricultural, veterinary, and informatics consulting centers. The MoHESR in Baghdad directly controls the publicly funded universities, and provides oversight for private universities. It also has 25 cultural offices located in Iraqi embassies overseas, including the Iraqi Cultural Office in Washington, D.C.

There is great diversity across Iraq. This diversity makes a significant impact on higher education facilities and challenges. Universities located in the IKR generally have better facilities, laboratories, libraries, and IT infrastructure compared to universities in other parts of Iraq. IKR universities also receive international experts and academics, host international higher educational conferences, and frequently participate in faculty and student exchange programs. Universities in other parts of Iraq have limited access to these types of activities because the security situation prevents foreign experts and students from visiting, teaching, or studying at these institutions. IKR universities have also benefitted from a significant number of highly educated members of the Diaspora who have returned to the IKR in the last decade.

Demand outstrips supply for post-secondary education, and Iraqi universities are constructing new buildings and even new campuses to meet the growing need for higher education. Infrastructure for IT services remains underdeveloped in most parts of the country. Universities have limited Internet capacity, most university faculty does not have regular access to computers at work; computer labs for student use are inadequate and often non-functional. Some university faculty and staff lack basic computer skills and Internet experience. Outside of major urban centers, some academics and students do not have email addresses.

Younger students are more tech-savvy and are on the Internet. Some have access to the Internet using smart phones, internet cafés, and personal computers at home. However, poor English language skills limit understanding of English-language Internet sites and services.

The GOI MoHESR has gradually implemented requirements that all students must complete a computer certification course and is reviewing its current requirement that students must take the Institutional Testing Programme (ITP) TOEFL test before they can continue with graduate education. The KRG MhE does not have these same requirements.

As IT access is limited and uneven, education remains dependent on printed materials. Books, periodicals, and magazines are highly prized and respected. Each college at a university has its

own library for students in that discipline. Lending libraries do not exist, and most students cannot easily access the resources available on campus, most of which are old and outdated.

The level of English language skills overall is low, even amongst educated professionals and academics. Young people show a strong desire to learn English and access the Western world, both online and in person. The quality of English language teaching in primary and secondary school is slightly improving, but it remains poor overall. English language teaching and training at the university level is also improving, but it is hindered by inadequate training, large class sizes, outdated teaching methodologies, and lack of proficiency amongst teaching professionals.

EducationUSA Iraq works with Iraqi students who would like to study at U.S. universities, with one education advisor and one education advising assistant at U.S. Embassy Baghdad and one education advisor at U.S. Consulate General Erbil. Together they assist students across Iraq through workshops and presentations, individual consultations, social media such as Facebook, online resources like websites and emails, and telephone. EducationUSA is a global network of more than 400 advising centers supported by the U.S. Department of State.

In October 2012, EducationUSA hosted its third U.S. university fair in Iraq, with 21 universities and 800 students participating in the two-day event. A similar event is planned for September 27-29, 2013 in Baghdad. Iraqi students show a strong interest in studying at U.S. universities for master's and doctorate studies, though generally they seek U.S. university "admission with condition" due to the lack adequate test scores on TOEFL and GRE to be accepted outright into competitive academic programs. They are more familiar with the UK application process than the American system.

#### Sub-Sector Best Prospects

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- Undergraduate degrees
- Graduate degrees
- Vocational training Services
- Corporate training Services
- English educational multi-media products

#### Opportunities

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**Scholarship Programs:** There are three official government scholarship programs in Iraq that fund thousands of top students to study abroad for master's and doctorate studies every year. Each scholarship includes funding for intensive English language study, as well as full funding for graduate programs in all fields of study, with each scholarship valued at approximately \$50,000 per student per year.

The scholarships are funded through two national programs and one regional program. The GOI MoHESR in Baghdad recently announced a new initiative to fund 10,000 graduate scholarships for students from all provinces in Iraq, including students in the IKR. The Higher Committee for Education Development in Iraq (HCED) has been selecting and placing scholarship students at U.S. and UK universities since 2009; this national program is funded through the GOI's Office of the Prime Minister. The KRG has awarded about 4,500 scholarships since August 2010 to students living in the Iraqi Kurdistan Region and Kurds living in other parts of Iraq.

As of January 2012, the number of Iraqi scholarship students from these organizations studying in the United States is estimated as follows:

GoI MoHESR: 200  
HCED: 550  
KRG: 100

**Financial Products:** Most U.S. universities charge an application fee that must be submitted online with a credit card. Credit and debit cards are not common in Iraq. Most Iraqi students go through the difficult process of purchasing a pre-paid card in Iraq that can be used online for international transactions like paying the application fee to a U.S. university, or give cash to a friend or family member who has a credit card in exchange for them making the online payment. This adds an additional layer of difficulty for Iraqi students to successfully apply to U.S. universities.

**English Language Learning:** There is strong demand throughout the country for learning English. The need is especially acute for students (16-24) and young professionals (25-45). There are few native, English-speaking teachers in Iraq. Schools or companies that teach English exist, but they are few in number and they provide inconsistent quality and results. There is a growing demand for private schools and for private after-school programs that focus on teaching English to children. English teaching and English learning materials available on the local market are dated and of poor quality. The need for English teacher training in modern pedagogy and English speaking ability is very high. English learners and English teachers need training in technology and access to low-cost resources.

**Standardized Test Preparation and Materials:** There is growing demand for test preparation courses to help students study for standardized tests like TOEFL, GRE, GMAT, SAT, MCAT, USMLE, etc. The TOEFL Test of English language proficiency is given in testing centers throughout the country in both the Internet-based Test (iBT) and Paper-based Test (PBT) format. The IELTS test is offered in Baghdad and Erbil by the British Council. Many testing centers are oversubscribed for English language testing. The Graduate Record Examination (GRE) test is given three times per year in paper-based format in Baghdad and Erbil. The SAT is given several times per year in Baghdad and Erbil. GMAT, MCAT and USMLE tests are not given in Iraq. There is one ProMetric Center in Iraq, located in Sulaimaniyah. Black market copies of TOEFL preparation materials are readily available, but materials for other types of tests are difficult to find and expensive.

**American Style Universities in Iraq:** There is great interest in establishing American university campuses in Iraq, similar to activities like Georgetown University campus in UAE or Cornell Medical School in Qatar.

**Training and Capacity Building:** Local contacts request short-term training programs that meet specific needs and close the gap on skill sets that are needed by government ministries, Iraqi universities, medical hospitals, and private organizations. These training programs could be conducted in Iraq (with translation) in several locations or in neighboring countries in the region.

**Low-cost, high context academic connections:** Iraqi universities request assistance to link or twin with U.S. universities to build connections on a wide range of topics, such as connecting Iraqi and American students online, virtually attending lectures and presentations at U.S. campuses, improving teaching methodologies, supervising split-site research for Iraqi students, and developing joint research projects.

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GOI Ministry of Higher Education and Scientific Research: <http://www.mohe-sr.gov.iq>

KRG Ministry of Higher Education and Scientific Research: <http://www.mhe-kr.gov>

The Higher Committee for Education Development (HCED): <http://www.hcediraq.org>

Iraqi Cultural Office - <http://iraqiculture-usa.com>

The Kurdistan Regional Government in the United States: <http://knowkurdistan.com/>

EducationUSA Iraq: <http://www.educationusa.info/USEmbassy-Iraq>

StudyUSAIraq (Facebook page): <http://www.facebook.com/StudyUSAIraq>

U.S. Embassy Baghdad Study in the USA: <http://iraq.usembassy.gov/studyintheusa.html>

U.S. Commercial Service in Iraq: <http://www.export.gov/iraq>

### Telecoms

### Overview

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Iraqis have enthusiastically embraced wireless telecommunications technology. Mobile penetration, already at over 80%, remains low compared to other oil-endowed states in the region but is expected to increase over the coming years as the mobile firms finish building out nation-wide networks and household incomes slowly increase. The mobile operators currently utilize slower 2G EDGE and GPRS technologies for data service but are planning to take advantage of faster technologies if the national independent regulator--the Communications and Media Commission—moves forward with plans to issue 3G licenses. All three of the mobile operators have benefited from significant foreign investments (Zain Kuwait with Zain Iraq, QTel with Asiacell, and most recently France Telecom and Agility with Korek) that are likely to increase once Korek and Zain join Asiacell in listing 25% of their shares on the Iraqi Stock Exchange as mandated by their licenses.

Iraq's three national and one regional wireless local loop firms have built fixed CDMA networks in most of Iraq's major cities, providing wireless internet and voice access to consumers and businesses. A number of operators in the Iraqi Kurdistan Region run CDMA and WiMAX networks.

The number of internet users is estimated is low, between 1-4 million, and one Iraqi government official informed our office that internet penetration is only about six percent. Seventy percent of Iraq's online population is age 18 to 35. Neighborhood ISPs increasing use amplified Wi-Fi or WiMax over VSAT, but bandwidth remains narrow. Businesses or those with higher incomes can subscribe to WLL, ADSL, and other solutions.

The Ministry of Communications' fixed-line telephone infrastructure remains dilapidated, with the number of subscribers estimated to be about 1 million. The MOC has announced intentions of building FTTH fiber to or near the home via an RFP and the use of public-private partnerships.

Key limiting factors to deploying broadband in Iraq, especially through 3G and 4G technologies, include a weak national fiber optic infrastructure and, perhaps more importantly, the Ministry of Communications' position that it has exclusive authority over fiber. This severely hampers private investment and competition and keeps prices the highest in the region. Additional factors may be ambiguity over the CMC's legal authority to take action and uncertainty over continued debate over a basic telecommunications law.

The Ministry's two state companies, however, have contracted a number of private Iraqi firms to rebuild and expand the fiber backbone and remain focused on linking Iraq to the rest of the world-- Iraq has terrestrial connections with each of its six neighbors, for example. The upgrading of Iraq's fiber optic backbone is likely to continue to be a major problem, especially in advance of anticipated 3G licenses and the Ministry's ambitious plan for fiber to reach Iraqi homes.

Iraqi government officials are also increasingly concerned with cybersecurity, current deficiencies of which are a continuing drag on the development and use of information systems and networks. Recent security incidents such as defacement of government websites, plans for development of new services (e-government) and the new laws are bringing renewed attention to the need to upgrade cybersecurity in all areas: watch and warning, operating procedures, systems hygiene, training and citizen outreach

#### **Sub-Sector Best Prospects**

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Iraq is expected to need a significant amount of technology, software, and hardware to create the new digital infrastructure that the government seeks to develop.

Best prospects in this sector include:

- Training and consulting services;
- Fiber-optic equipment;
- Public exchange upgrades;
- Network protocol software and systems;
- Broadband wireless access systems;
- Wireless computing equipment and related accessories; and
- Cybersecurity.

#### **Opportunities**

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American firms could participate in building-out Iraq's fiber optic sector through not just cable manufacturing but also the development and design of the electronic components, network architectures and system monitoring programs, and operating centers that allow such backbones to function. U.S. engineering and system design firms could take advantage of Iraq's need for the deployment and implementation of IP based communications applications--both business to business (B2B) and business to government (B2G)--that can take full advantage of expected increases in broadband access in the coming years. Plans for e-government, e-health, e-education and e-banking networks and associated programs, are already in the budgets at several ministries. These all are based on, and will require, the deployment of high speed data networks. Training and consultation services almost certainly will be needed at both the MOC and CMC as they expand their work and plan for the future of Iraq's telecommunications sector.



The increased employment driven by improved B2B and B2G communications should raise per capita income in Iraq. Taken together with ability to access the Internet and applications on mobile devices via 3G, consumer spending on communications and communication related products and services should increase. The dominance of U.S.- created smartphone operating systems should position well the American mobile application development community to create programs designed for the Iraq consumer (B2C) and personal entertainment/gaming (C2C) markets.

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### Government Offices:

Communications and Media Commission (CMC): <http://www.cmc.iq/en/index.html>

Iraq Ministry of Communications (MOC): <http://www.moc.gov.iq/demo/index.php>

### Mobile Operators

Asiacell: <http://asiacell.com/>

Korek Telecom: <http://www.korektel.com/>

Zain Iraq: <http://www.iq.zain.com/iq/?lang=en>

Newroz Telecom: [www.newroztelcom.com](http://www.newroztelcom.com)

### Wireless Local Loop Operators

Etisalat Iraq: <http://etisaluna.com/home>

Kalimat Telecom: <http://www.kalimattelecom.com/en/index.aspx>

## Transportation

### Overview

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Iraq's untapped natural wealth, decades of under-investment, and a neglected infrastructure create numerous investment opportunities within the transportation industry. Areas of potential investment include:

### Sub-Sector Best Prospects

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#### **Highways:**

As with most countries, roads and bridges are a primary lifeline for economic growth. Iraq has more than 44,000 km of paved highways as well as an extensive unpaved rural road system. The highway and bridge system provides the primary surface links to its neighbors. Many of the roads and bridges on the national highway system were constructed in the late 1970s and early 1980s and were designed with a 20-year lifespan. Consequently, much of this infrastructure is in need of extensive rehabilitation and replacement. In addition, new population centers have emerged, creating the need for expansion of the highway system on a national level. With funding necessary to rehabilitate or replace paved roads estimated at US\$1M per kilometer, current investment requirements in Iraq's road infrastructure for rehabilitation exceed US\$40B.

#### **Civil Aviation:**

Iraq's Civil Aviation Authority (ICAA) is continuing the harmonization of their organizational processes with the International Civil Aviation Organization (ICAO) Standards. ICAO has scheduled an onsite Universal Safety Oversight Audit Program (USOAP) review with the ICAA



in December 2013. The critical success factor for this level of excellence will be an environment that promotes compliance with ICAO Standards and Recommended Practices (SARPS). The USOAP audit will provide the ICAA a level of understanding from an international perspective that will enable them to continuously improve their oversight capabilities and provide even safer operations.

Iraqi Airways continues to expand their fleet with the introduction of a new Boeing 777 aircraft and orders for new Boeing 737 & 787 aircraft. Iraqi Airways also continues to expand their operations including destinations into Europe and China. Both the ICAA and Iraqi Airways have continuously expressed a desire to eventually fly to and from the United States.

As a developing country, Iraq's potential is bright in the aviation industry. Investment in Iraq's aviation system offers many opportunities, including airline operations and management, airport operations and management, concessions, security, air traffic control and technical infrastructure (including parts and repair).

### **Ports:**

Maritime ports serve Iraq as the primary gateway for its international trade. The Ministry of Transport is promoting the development of a major new port on the Al Faw peninsula in Basrah. Al Faw development is estimated to require US\$25-30 billion over the next 25-30 years. At this time, Iraq does not have passenger ferry service, although terminal facilities are in place and service between Iran and the Iraqi port of Al Maaqal is expected to begin later this year. The ports of Iraq are owned and operated by the Government of Iraq. The Ministry of Transportation and its subsidiary, the General Company for Ports of Iraq (GCPI), envision the ports as a bridge connecting the Far East and the West while serving as an economic catalyst for the welfare of the people of Iraq. The ports of Iraq are generally meeting standards defined by the International Maritime Organization, though improvements in operational efficiency and infrastructure investment are needed. GCPI owns and controls the Iraqi ports of Umm Qasr, Khor Al Zubair, Abu Fulus and Al-Maaqal. The ports are spacious and suitable for further expansion. The Iraqi work force is able to handle current operational demands, but would benefit from additional training on modern port operating practices and procedures. Other than Al Faw, port infrastructure improvements costing an estimated US\$250M to US\$500M are needed to meet Iraq's needs over the next decade or so.

### **Railways:**

The Iraqi Republic Railroad (IRR) is a primary mode of surface transportation for the import and export of goods and the domestic hauling of bulk commodities, passengers and raw materials. The IRR is owned and operated by the Government of Iraq. The IRR consists of 2,850 kilometers of track, 127 stations, 131 locomotives and 1,900 units of rolling stock. A recent \$60 million investment in a state-of-the-art computer-based train control and microwave communication system is the beginning of a broad rail system modernization program. Iraq continues intermittent negotiations to establishment rail links with Turkey, Kuwait, Jordan, Iran and Saudi Arabia to complete a continuous Euro-Gulf rail route and network with neighboring countries. Investment in supporting facilities such as inter-modal container terminals and corporatization of operations under a unified management contract continue to be areas of interest for Iraq's rail system.

### **Opportunities**

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Best export opportunities for U.S. transportation-related manufacturers and contractors are in the following product and service categories:

- maritime port management and ancillary facilities development
- dredging services
- training development
- air navigation systems
- radar and secure communication systems
- rail rolling stock
- aircraft maintenance and repair

## Web Resources

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General Company Ports of Iraq

[www.iraqports.com](http://www.iraqports.com)

Iraq Ministry of Transport

[www.motrans.gov.iq/english/](http://www.motrans.gov.iq/english/) Iraqi Civil Aviation

Iraq Civil Aviation Authority

[www.iraqcaa.com](http://www.iraqcaa.com)

Iraq Republic Railways

[www.iraqrailways.com](http://www.iraqrailways.com)

Kurdistan Ministry of Transportation and Communications

[www.moc-krq.com](http://www.moc-krq.com)

State Company for Maritime Transport

[www.scmt.gov.iq/english/](http://www.scmt.gov.iq/english/)

U.S. Commercial Service in Iraq

[www.export.gov/iraq](http://www.export.gov/iraq)

## Wheat

### Overview

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The primary importer of wheat is the Ministry of Trade, which must supplement domestic production with imported wheat to meet the needs of the Public Distribution System. Private sector imports of wheat occur primarily as flour (milled wheat) and are counted as wheat equivalent. On average, 65 percent of wheat consumption is imported. Lower domestic wheat production was anticipated for the 2012 harvest, due to lack of rainfall at planting time. The need by the Ministry of Trade to maintain adequate wheat supplies should lead to increased wheat imports of 3.9 million metric tons during 2012/13. However, U.S. export prospects are not expected to return to the 2010/11 level of 1,237 TMT unless major production shortfalls occur in other key production areas.

Unit: Thousand Metric Tons

	2010/11	2011/12 (estimated)	2012/13 (estimated)	2013/14 (estimated)
Total Market Size	5,782	5,700	5,800	6000
Total Local Production	2,350	20	1,900	2600
Total Exports	0	0	0	0
Total Imports	3,632	3,700	3,900	3400
Imports from the U.S.	1,237	600	400	200
Exchange Rate: 1 US\$				

Data Sources: U.S. Department of Agriculture/FAS and Post estimates

### Sub-Sector Best Prospects

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- Center Pivot Irrigation Systems
- Farm machinery on farm grain storage

### Opportunities

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- Establish dealerships with a local Iraqi partner
- Bid on Government of Iraq tenders

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Iraq Ministry of Agriculture -- <http://www.moagr.org/english/index.php>  
Kurdistan Ministry of Agriculture and Water Resources -- [www.moawr-kr.gov](http://www.moawr-kr.gov)  
U.S. Department of Agriculture/FAS website - <http://www.fas.usda.gov/>

## Rice

### Overview

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The primary importer of rice in Iraq is the Ministry of Trade, which must supplement domestic production with imported rice to meet the needs of the Public Distribution System. On average, 90 percent of rice consumption is imported. During the past year, the Ministry has been purchasing lower quality rice, which has increased private sector imports from origins other than the United States. Demand for higher quality rice is increasing and private sector imports hold considerable potential for growth in coming years.

Unit: Thousand Metric Tons (Milled)

	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,300	1,315	1,415
Total Local Production	110	200	220
Total Exports	0	0	0
Total Imports	1,150	1,200	1,300
Imports from the U.S.	208	0	0
Exchange Rate: 1 US\$			

Data Sources: USDA/FAS and Post estimates

### Sub-Sector Best Prospects

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- Water saving technologies
- Private-sector imports of U.S. rice

### Opportunities

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- Market U.S. long grain rice at the whole and retail level

### Web Resources

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Iraq Ministry of Agriculture - <http://www.moagr.org/english/index.php>

Kurdistan Ministry of Agriculture and Water Resources -- [www.moawr-krq.org](http://www.moawr-krq.org)

U.S. Department of Agriculture/FAS website - <http://www.fas.usda.gov/>

## Poultry

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Growth in the poultry sector was curtailed by high feed prices and disease problems, both of which have carried over into 2013. Because of this, poultry imports are expected to remain strong during 2014, as Iraqi importers strive to meet consumer demand. To maintain per capita consumption levels at the 2013 level, with Iraq's rapid population growth, will require an annual increase in poultry supplies of approximately 13 thousand metric tons. Continued economic growth across Iraq should lead to continued gains in personal income, supporting poultry meat purchases by consumers. The outlook for continued high consumer prices in the red meat sector adds to a generally favorable outlook for both poultry production and imports. A new system of import precertification imposed in July 2011 has been an impediment to poultry imports, but major suppliers and importers have adjusted to this new requirement and trade has continued, although with problems.

Unit: Thousand Metric Tons

	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	748	753	770
Total Local Production	150	150	160
Total Exports	0	0	0
Total Imports	598	603	610
Imports from the U.S.	160	137	140
Exchange Rate: 1 US\$			

Data Sources: USDA/FAS (PSD) and Post estimates

### Sub-Sector Best Prospects

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- Poultry equipment for modern production facilities

### Opportunities

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- Contact the Iraqi Poultry Producers Association to explore opportunities
- State Company for Agricultural Supply tenders for poultry equipment

### Web Resources

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Iraq Ministry of Agriculture - <http://www.moagr.org/english/index.php>  
Kurdistan Ministry of Agriculture and Water Resources -- [www.moawr-kr.gov](http://www.moawr-kr.gov)  
State Company for Agricultural Supply - <http://www.iraqiscas.com/contacte.php>

U.S. Department of Agriculture/FAS website - <http://www.fas.usda.gov/>

## Overview

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Demand for planting seeds, especially in the horticultural sector is increasing in Iraq. Government import controls and testing and certification requirements have limited the ability of private sector companies to import and sell new seed varieties for major crops, such as wheat, rice and barley. However, field testing and certification requirements by the Ministry of Agriculture have been reduced in some cases, leading to more prospects for these planting seeds. Fruit and vegetable seed imports are unrestricted encouraging considerable innovation and growth in seed imports. Import demand is expected to continue to grow, as the Iraqi agricultural sector recovers from years of disruption due to war.

Unit: US\$ thousands

	2010	2011 (estimated)	2012 (estimated)
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports			
Imports from the U.S.	456	800	900
Exchange Rate: 1 US\$			

Data Sources: U.S. Department of Agriculture/FAS and Post estimates

## Sub-Sector Best Prospects

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- Farm supply stores
- Form cooperative dealerships

## Opportunities

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Make contact with the Iraqi Seed Traders Association to explore opportunities

## Web Resources

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Iraq Ministry of Agriculture - <http://www.moagr.org/english/index.php>

Kurdistan Ministry of Agriculture and Water Resources -- [www.moawr-kr.gov](http://www.moawr-kr.gov)

U.S. Department of Agriculture/FAS website - <http://www.fas.usda.gov/>

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## Chapter 5: Trade Regulations, Customs and Standards

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- [Trade Barriers](#)

- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
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## **Import Tariffs**

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Iraq passed Tariff Law No. 22 in 2010, which introduced a new tariff schedule based on the Harmonized Classification System with tariffs ranging from zero to 80%; however, the new tariff schedule has yet to be implemented. In the interim, the Government of Iraq continues to use the tariff schedule put into effect under the Coalition Provisional Authority.

For ports of entry under its control, the Kurdistan Regional Government collects tariff revenue that it is supposed to share with the Government of Iraq. At present the KRG is applying a uniform 3% tariff on non-food, medical and clothing items coming into the Iraqi Kurdistan Region.

The new Iraq tariff schedule (enacted in 2010 but not yet implemented) may be found [here](#).

## **Trade Barriers**

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Iraq was granted observer status to the World Trade Organization (WTO) in 1994, and as part of its accession process will need to significantly liberalize its trade regime and make it more transparent. WTO accession has been a slow process and major reforms required have stalled.

Iraq's burdensome regulatory regime represents a serious non-tariff barrier restricting trade and investment. Issues include government procurement documents issued by several Iraqi ministries containing language to enforce the Arab League Boycott of Israel (U.S. law requires that firms reporting such requests to the Department of Commerce's Office of Antiboycott Compliance); increasingly stringent requirements on certificates of origin and import licenses; pre-shipment inspection certification requirements on agricultural and other products; and inadequate mechanisms to reform or revise these processes. Many of these issues can be traced to Iraq having been largely absent from the international trading stage for more than three decades, other than with regional trading partners, and therefore having little experience with free trade. The U.S. Government and international organizations are working with the Government of Iraq to resolve these issues, with mixed success.

### **Security:**

Security remains a serious concern for both domestic and international businesses. Though violent acts have declined from its height (and the recent trend is negative), security must still be factored into doing business in Iraq. If you are planning on visiting Iraq, please be aware of the latest State Department travel warning, and register your presence with the U.S. Embassy in Baghdad through the Embassy's on-line registration page.

For more information, please see Chapter 6, "Political Violence."

### **Commercial Disputes Settlement:**

Iraq's commercial legal system is still evolving, and while the Government of Iraq has made some progress in this area, Iraq still lacks a transparent, comprehensive legal framework for resolving commercial disputes. A system of specialized commercial courts has received over 500 cases since its establishment in 2010. Iraq is not a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Domestic arbitration is fairly well defined and is provided for in Articles 251-276 of the Iraqi Civil Procedure Code, which require arbitration agreements to be in writing. Panels of arbitrators are available through the Iraqi Union of Engineers, the Iraqi Federation of Industries, and private arbitrators.

For more information, please see Chapter 6, "Dispute Settlement."

### **Entry and Visa Requirements:**

To enter Iraq, passports, valid for at least six months, and visas are required of all U.S. citizens. (For entry only into the Iraqi Kurdistan Region, however, a valid Iraqi visa is not mandatory; fifteen day IKR visas may be obtained at no cost at the port of entry.) An Iraqi visa may be obtained through the Iraqi Consulate in Washington, D.C. All visitors to Iraq, excluding those who visit only the IKR, must obtain a visa prior to travel. Business visitors can apply for a business visa at the Iraq Embassy in Washington. Foreign investors can request support from the National Investment Commission in expediting a visa. You are encouraged to submit your visa application as far in advance of travel as you can as the delay can be months. Once admitted to the country, visitors must obtain an arrival sticker and submit a blood sample taken by the Iraq Ministry of Health within 10 days of entry. This rule also applies to entry into the IKR for those seeking residency. Arriving passengers are reminded of this requirement upon admission. Iraq has imposed HIV/AIDS travel restrictions on all visitors. At this time, there is no waiver available for this ineligibility. Please verify this information with the [Embassy of Iraq](#) before you travel.

As of the date of this report, immigration officials in the Iraqi Kurdistan Region (IKR) routinely were allowing U.S. citizens to enter Iraq without a valid Iraqi visa; however, the airport-issued IKR visa is not valid outside the IKR, and U.S. citizens are not permitted to travel within the rest of Iraq with the IKR-issued visa. The IKR visa is valid for 15 days. U.S. citizens who plan to stay for longer than 15 days require an extension to their IKR visa; this can be obtained by visiting the local residency office. They may obtain IKR residency visas through the Residency Office of the Kurdistan Ministry of Interior for a very nominal charge. The IKR residency visa is not valid outside of Kurdistan.

Visit the [Embassy of Iraq](#) for the most current visa information. The Embassy is located at 3421 Massachusetts Ave, NW, Washington, DC 20007; phone number is 202-742-1600. Travel to all other areas of Iraq outside of Kurdistan requires an Iraqi visa. For directions on the current Iraqi visa registration process, go to [www.iraqiembassy.us/consular-services/visas](http://www.iraqiembassy.us/consular-services/visas) or call the Iraqi Embassy at (202) 483-7500.

### **Corruption:**

Corruption in all areas remains a significant problem, although U.S. companies note corrupt behavior by government officials in the IKR appears lower than elsewhere in the country. Businesses may face requests for payments from government officials at all levels. Under the U.S. Foreign Corrupt Practices Act, U.S. companies may not legally comply with such requests.

For more information, please see Chapter 6, "Corruption."

### **Delayed Payments:**



American companies have faced issues with delayed payment/non-payment when dealing with Government of Iraq procurement agencies, forcing some companies to renegotiate finance and delivery terms with the respective purchasing entity. Companies that experience payment issues should contact the Commercial Section of the U.S. Embassy in Baghdad.

### **Intellectual Property Protection:**

Companies should seek advice from local attorneys or intellectual property protection consultants regarding registration of copyrights, trademarks, and patents. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. In many countries, rights holders who delay enforcing their rights in a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

For more information, please see Chapter 6, "Protection of Intellectual Property Rights."

### **Arab League Boycott:**

Certain Ministries and political factions still seek to enforce the Arab League Boycott of Israel. Despite a 2009 Council of Ministers decision directing GOI Ministries to not enforce the Arab League Boycott, the problem of issuance of prohibited ALB requests persists, notably by the Ministry of Health, South Oil Company, and Patent Applications Office of the Ministry of Planning, among others. Advice on boycott and anti-boycott related matters is available from the Commercial Section of the U.S. Embassy or from the Office of Anti-Boycott Compliance in Washington, D.C. at (202) 482-2381.

### **Import Requirements and Documentation**

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U.S. firms seeking to export to Iraq must comply with Iraqi customs regulations. The following customs documents are required for imports under the Iraqi Law of Customs No. 23 (1984) and are outlined on the website of the Iraqi Trade Information Center (<http://www.iraqitic.com/>):

- Customs Declaration Form
- Commercial invoice approved by the Chamber of Commerce and Industry or any other authority accepted by the customs administration, and certified by the concerned authorities (documents must contain actual signatures, as digital signatures are not recognized by Iraqi Customs)
- Bill of Lading or similar document establishing a visible link between the cargo and the contract
- Certificate of Origin, certified by the Chamber of Commerce and Industry or similar body. Recently, the GOI implemented stipulations that Certificates of Origin must then be notarized by the Iraqi Embassy in the country of product origin. This is likely to result in further delay.

### **Certifying Documents for Iraqi Ministries:**

Many Iraqi ministries require importers to provide authenticated/certified documents from their home governments. If such documents are requested, companies should get as much detail as possible about the certification requirements and be sure to follow those instructions closely.

The following guidelines outline the formal procedures required to authenticate documents in the United States and provide some guidance on other types of certification available:

- The State Department offers document authentication services for U.S. firms conducting business with a foreign government. This process is detailed on the State Department's website: <http://www.state.gov/m/a/auth/>
- When certification from a Chamber of Commerce is required, companies in the past have used the National U.S. Arab Chamber of Commerce (NUSACC). NUSACC states that certification can usually be given on the same day provided the documents are received before noon. Other bilateral chambers of commerce will also provide this service.
- If a company is asked for certification from the Iraqi Embassy, contact the Embassy of Iraq's Commercial Office. In the United States, the Iraqi Commercial Office is located at 1155 15th Street, Suite# 1100, Washington, D.C. 20005 and can be reached at [commercialattache@icous.org](mailto:commercialattache@icous.org), (202) 822-2088 or can be visited online [here](#).

### **Iraqi Customs:**

Pre-importation inspections of imported goods are required. In accordance with the Law No 54 of 1979 (Article 3/ Clause 8) authorizing the Central Organization for Standardization and Quality Control (COSQC) to conduct testing, analysis, inspection and quality control either directly or through accredited laboratories, COSQC has subcontracted this work in the United States to a private entity, [www.us.bureauveritas.com](http://www.us.bureauveritas.com).

The inspection program is launched by COSQC with the aim of protecting Iraqi consumers, producers, environment, public safety and national economy from using substandard products as well as to restrict the importation of inferior, debased and fake product. COSQC is currently conducting a review of the system and may make changes to it.

### **The Process**

The exporter will submit one of the two companies providing inspection services with the following documents to initiate the process:

- Request for Certification (indicating the Point of Entry in Iraq)
- Proforma invoice
- Letter of Credit (where applicable)
- Conformity documents (test reports, quality certificates, analysis reports, etc.)
- Company's Quality Management System documents (ISO 9000, ISO 22000, ISO/TS 16949, etc.)

One of the two companies will verify the conformity of the documents/ goods to the applicable Iraqi Standards and Technical Requirements. The inspection company will also organize, depending on the certification scheme, the physical inspection of the cargo and, if necessary, will take samples for testing.

After the verification process, including physical inspection, has been completed with satisfactory results, the exporter will supply the Final Invoice and the Transport Document (BL, AWB, etc.) to allow the issuance of the Certificate of Conformity (CoC). The Certificate of Conformity is a necessary document to import goods into Iraq and to clear goods through Customs. The inspection company will perform verification at the border point of entry in Iraq to authenticate the

CoC, to check the condition of the shipment, the consistency between the CoC and import documentation and to visually check the packages or goods whenever customs open a container.

Customs processes for goods imported into the Iraqi Kurdistan Region differ from the process into the rest of Iraq. In particular, pre-inspection is not required. Because of lower costs, the lower tariff rate, and easier processing procedures in IKR-controlled ports of entry, especially compared to Basra, many companies choose to import into Iraq through the IKR. Customs clearance of goods from Turkey into the IKR generally is a one-to-two day process.

### **Business Registration in Iraq:**

U.S. companies seeking to operate in Iraq, or to provide goods or services directly to the Iraqi government, are required to register with the Iraqi Ministry of Trade. This rule does not apply to companies seeking to operate solely in the IKR. U.S. companies engaged strictly in exporting to Iraq are not required to register.

For instructions on completing the business registration process, please visit the website of the Iraqi Commercial Office at the Embassy of Iraq in Washington, DC <http://www.ico-us.org/BusinessRegistrationInIraq/tabid/67/language/en-US/Default.aspx>. For questions regarding business registration in Iraq, U.S. companies should contact the Iraqi Commercial Office at (202) 822-2088 or [commercialattache@icous.org](mailto:commercialattache@icous.org).

### **U.S. Export Controls**

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Current U.S. export license requirements for Iraq are not that different from those that apply to many other foreign markets and are similar to those that apply to other foreign markets in the Middle East. To determine if an export license is needed, an exporter should consult the regulations regarding licensing requirements and procedures for exporting and re-exporting to Iraq, as described by the U.S. Department of Commerce's Bureau of Industry and Security (BIS) and available online [here](#). Firms may also wish to consult BIS's list of Frequently Asked Questions for Iraq [here](#). Finally, companies may contact the BIS Exporter Counseling Division at 202-482-4811 or online at its Contact BIS page [here](#).

The BIS controls on exports to Iraq are unique in some aspects, including the parameters of "end-use controls" and the licensing requirements for transfers within Iraq. The Department of Commerce advises companies to review BIS's posted guidance carefully and contact the BIS Exporter Counseling Division with any questions.

When working with BIS, an exporter should have the following information available: Export Control Classification Number (ECCN), description of export item, destination of export, who will receive the product(s), intended use of the export, and other activities the recipient of the export is involved in. The ECCN is an alpha-numeric code (e.g. 3A001) that describes a particular item or type of item, and shows the controls placed on that item. All ECCNs are listed in the Commerce Control List (CCL) (Supplement No. 1 to Part 774 of the Export Administration Regulations), which is available from the BIS website, <http://www.bis.doc.gov/>. Items that are not specifically described on the CCL but that are still subject to the Export Administration Regulations are designated as EAR99. BIS's Exporter Counseling Division can assist companies to determine their products' ECCN or EAR99 designation.

### **Prohibited Persons for Iraq:**

Trade with certain persons in Iraq, associated with the former Saddam Hussein Regime or engaged in other illegal activity, continues to be prohibited. For more information on BIS export license requirements that apply to restricted end-users, consult part 744 of the Export Administration Regulations, Title 15 Code of Federal Regulations [here](#). You should also verify that the entity to which you are exporting does not appear on the lists identified [here](#).

The [Office of Foreign Assets Control \(OFAC\)](#) of the U.S. Department of the Treasury also administers and enforces economic and trade sanctions. These prohibitions are based on U.S. foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. OFAC sanction lists can be found [here](#). You should verify that the entity to which you are exporting does not appear on an OFAC list.

Sale of arms and ammunitions is managed through a Foreign Military Sales (FMS) program of the U.S. Department of Defense.

### **Temporary Entry**

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Items for show at trade fairs may be brought in temporarily. Please work with a freight importer to ensure all documentation is properly completed.

### **Labeling and Marking Requirements**

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Please refer to [Standards](#) sub-section below.

### **Prohibited and Restricted Imports**

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The importation of certain articles is either prohibited or requires special approval from Iraqi authorities. Importing the following products requires special approval: agriculture seeds, live animals, chemicals and harmful materials, pharmaceutical products, products containing alcohol, pornography, and archaeological artifacts.

The Ministry of Agriculture inspects all agricultural products and livestock, as well as issues health certificates for livestock. The Ministry of Health inspects and issues health certificates for manufactured food products. Details of these regulations may be found at the websites of each Ministry.

Based on 2013 guidelines, the KRG prohibits the importation of cars older than two years. While U.S. model cars up to two years old can be imported into the IKR, used vehicles from most other countries are now prohibited.

### **Customs Regulations and Contact Information**

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Iraq recently began imposing import tariffs based on the Harmonized Classification System ranging from zero to 80%. For many products, this will be a big increase. Up to now, importers have been subject to a uniform tariff of only 5%, covering everything except food, medicine,

books, clothing and products related to humanitarian assistance or Iraq's reconstruction. The Kurdistan Regional Government does not apply these tariff rates in the areas it controls.

Under the Investment Law, any projects initiated through NIC, or established in a Free Zone, will be exempt from this tariff for a period of time, as determined by import type.

## Standards

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- [Publication of Technical Regulations](#)
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## Overview

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Iraq is a member of the International Organization for Standardization. The Central Organization of Standardization and Quality Control (COSQC), housed within the Ministry of Planning, is responsible for monitoring product standards in Iraq. COSQC inspects local goods according to health and safety parameters.

The [National Center for Standards and Certification Information \(NCSCI\)](#) at the [National Institute of Standards and Technology \(NIST\)](#) in the U.S. Department of Commerce provides information on U.S. and foreign standards, technical regulations, and conformity assessment procedures for non-agricultural products. NCSCI staff responds to requests for information by identifying relevant standards and regulations, and by referral to the appropriate standards-developers or private-sector organizations. Under copyright restrictions, NCSCI cannot provide copies of standards, but NCSCI does provide sources for accessing standards.

U.S. companies can register for the [Notify U.S.](#) service to learn about and comment on proposed changes to foreign standards, technical regulations, and conformity assessment procedures that may affect U.S. access to global markets.

## Standards Organizations

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Iraq is a member of the International Organization for Standardization. The Central Organization of Standardization and Quality Control (COSQC) is responsible for monitoring product standards in Iraq. COSQC inspects local goods according to health and safety parameters.

COSQC's contact information:

Tel: +964 1-776-1980

Fax: +964 1-776-1981

E-mail: [cosqc@yahoo.com](mailto:cosqc@yahoo.com)

## Conformity Assessment [Return to top](#)

COSQC Law No. 54 of 1979 (Article 3/Clause 8) lists the following products under COSQC's area of responsibility.

Bureau Veritas is currently operating in Iraq, and the GOI currently is reviewing the applications of other firms to determine which one(s) will be permitted to assist with inspections.

To implement its product conformity assessment program at port of entry, the Kurdistan Standardization and Quality Control Administration (KSQCA) utilizes another company, SGS, under whose auspices more stringent standards are being introduced.

## Product Certification

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Iraq applies product certification according to Iraqi standards. Iraq references other internationally recognized standards (i.e., ASTM, ISO, ANSI) for their national standards. However, officially the Iraqi government requires strict adherence to Iraq standards in the import inspection regime.

Product certification takes place through ICIQI. There is a Pre-Importation Inspection, Testing, and Certification of Goods into Iraq (ICIQI), relative to the COSQC Law No. 54 of 1979 (Article 3/Clause 8). Under this program, COSQC requires that regulated imported products whose standard specifications were declared compulsory under the provisions of COSQC Act 1983 are to be inspected for conformity to the relevant Iraqi standards and technical requirements. Regulated cargo entering the Iraqi Kurdistan Region also needs a Certificate of Conformity.

Please contact Bureau of Veritas for more details regarding verification procedures and documentary requirements at [iraq.conformity@bureauveritas.com](mailto:iraq.conformity@bureauveritas.com) or consult the process at [www.bureauveritas.com/iraq-conformity](http://www.bureauveritas.com/iraq-conformity).

## Accreditation

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The Ministry of Planning is seeking to build five national laboratories and capacity within the COSQC for accreditation. A national labs accreditation body was established in 2003. Aside from that, there are no other accreditation bodies in Iraq.

## Publication of Technical Regulations

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The Official Gazette of the Republic of Iraq is named "Alwaqai Aliraqiya," but COSQC does not publish reports of their technical committees in the national gazette with regularity.

The COSQC sends letters to domestic industry members notifying them of proposed standards, but does not notify foreign firms or association bodies. In discussions, they are open to the idea of sending notification to international bodies. The COSQC intends to publish its current standards requirements, laws and regulations, but they are in the process of revising most of them.

The page on their website for “laws and regulations” is currently under construction.

## Labeling and Marking

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Cargo moving to Iraq should be well stabilized, secured and preferably have the contents fully concealed.

Marking on boxes or crates should be directly on the box or crates in ink or paint rather than on removable tags or labels. Country of origin should be clearly marked and indicated.

The date of manufacture and expiration of canned and preserved food items has to be embossed or printed on the packaging.

The contents of pharmaceutical products must be clearly printed on the packaging. Pesticide labeling must be in Arabic and English.

Local business people may only import products that comply with the labeling and marking requirements issued by the Department of Standards and Specifications or the responsible government ministry.

## Contacts

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Tel: +964 1-776-1980  
Fax: +964 1-776-1981  
E-mail: [cosqc@yahoo.com](mailto:cosqc@yahoo.com)

### **NIST's Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## Trade Agreements

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On July 11, 2005, Iraq and the United States signed a Trade and Investment Framework Agreement (TIFA) as a first step toward increasing trade and investment cooperation between the two countries. The Government of Iraq ratified the agreement in December 2012. Iraq became a party to the Multilateral Investment Guarantee Agreement (MIGA) in 2008 and insured its first investment project in Iraq in 2010. Iraq has observer status in the World Trade Organization (WTO) and is pursuing full membership. In addition, Iraq is currently party to nine separate multiparty agreements, as well as 35 other bilateral agreements worldwide.

Iraq has also concluded Free Trade Agreement with Algeria, Egypt, Jordan, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, the UAE and Yemen.



For more information, please see Chapter 6, “Bilateral Investment Agreements and Regional Cooperation.”

## Web Resources

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Baghdad Business Centre – [www.baghdadbusinesscenter.org](http://www.baghdadbusinesscenter.org)

Central Bank of Iraq – [www.cbi.iq](http://www.cbi.iq)

Iraq Ministry of Oil – [www.oil.gov.iq/](http://www.oil.gov.iq/)

Kurdistan Ministry of Trade and Industry – [www.mtikrg.org](http://www.mtikrg.org)

Trade Bank of Iraq – [www.tbiraq.com](http://www.tbiraq.com)

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The Government of Iraq has publicly stated its commitment to attract foreign investment and has taken several steps to improve its investment climate. The National Investment Law (NIL), originally passed in 2006, provides a baseline for a modern legal structure to protect foreign and domestic investors in addition to providing tax and other incentives. (A copy of the National Investment Law can be obtained from the U.S. Department of Commerce Iraq Task Force website – <http://www.export.gov/iraq/>) An amendment to the NIL, passed in early 2010, allows for limited foreign ownership of land, albeit solely for the purpose of developing residential real estate projects. The amendment also sought to bring clarity to land allocation and use, a major barrier to attracting foreign investment. In December 2010, the GOI approved implementing regulations to the Amendment that are intended to specify the conditions not only for ownership of land for housing but also for long-term leasing of land for other types of investment projects. As of early 2013, Iraqi authorities were still in the process of interpreting these



regulations and applying them to specific licensees. Many licensed investment projects remain stalled due to continuing confusion over land use at both the provincial and national levels.

The GOI has continued to work on revising the investment law to create a better investment climate and is currently considering further amendments to the 2006 NIL. It is expected that the new amendments will provide greater clarity relating to land rights, transfer for ownership, and issuing regulations, as well as outline the creation of a technical department within the NIC. Formed in accordance with the NIL of 2006, the National Investment Commission (NIC) and the Provincial Investment Commissions (PICs) are designed to be “one-stop shops” that can provide information, sign contracts, and facilitate registration for new foreign and domestic investors. In reality, however, the NIC and the PICs remain works in progress. Investment Commissioners struggle to operate with unclear lines of authority, budget restrictions, and the absence of regulations and standard operating procedures, compounded by a lack of staff familiar with prevailing practices in international business. An overall lack of legislative clarity regarding the NIL and mechanisms to ensure interagency coordination under the GOI has resulted in many of the investments that have received NIC approval still waiting to break ground.

The NIC, together with select PICs, have participated in several international conferences intended to attract investors to Iraq. A Department of Commerce-led trade mission of U.S. businesses to Iraq in October 2010 opened new opportunities for U.S. firms in Iraq and underscored the desire of Iraqi firms to partner with U.S. companies. In November 2012, the U.S. pavilion at the Baghdad International Fair featured over 35 organizations, including 24 companies and seven universities. Under the U.S.-Iraq Strategic Framework Agreement, U.S. and Iraqi officials continue to work together to identify and alleviate problems in Iraq’s business and investment climates. Individual governments and international organizations also manage numerous programs in support of private sector development in Iraq, which cumulatively are laying some of the foundation for future growth.

The NIL does not apply to investment in the IKR, which is regulated by its own investment law (Law 4 of 2006) and the KBOI. The law provides specific incentives for companies to develop strategic investment projects, which the KBOI evaluates and awards based on the project’s perceived economic and environmental impacts. If approved, a company is awarded an investment license that could include free land, a ten-year exemption from corporate taxes, and a five-year exemption from customs duties. (A copy of the IKR Investment Law can be obtained from the KBOI website: <http://www.kurdistaninvestment.org/docs/Investment%20Law.pdf>). Over 500 projects have been approved since 2006. The Kurdistan Board of Investment ([www.kurdistaninvestment.org](http://www.kurdistaninvestment.org)) lists specific investment opportunities in the Iraqi Kurdistan Region. Investors who do not wish to receive the incentives for their projects under the investment law may invest without applying for the investment license by working directly with the relevant sector ministry.

## **Conversion and Transfer Policies**

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The currency of Iraq is the Dinar (IQD - sometimes referred to as the New Iraqi Dinar). Iraqi authorities confirm that in practice there are no restrictions on current and capital transactions involving currency exchange as long as underlying transactions are supported by valid documentation. The International Monetary Fund’s annual publication on Exchange Arrangements and Restrictions states, “restrictions on capital transactions are not enforced; however, documentation and reporting requirements apply.” The National Investment Law contains provisions that, once implemented, would allow investors to maintain Iraqi bank accounts and transfer capital inside or outside of Iraq.

The Government of Iraq's monetary policy since 2003 has focused on maintaining price stability primarily by appreciating the IQD against the U.S. dollar while seeking to maintain exchange rate predictability. Banks may engage in spot transactions in any currency, but are not allowed to engage in forward transactions in Iraqi Dinar for speculative purposes. There are no taxes or subsidies on purchases or sales of foreign exchange. Improved security has allowed for an increased supply of goods and services which, along with the Central Bank of Iraq's monetary and exchange rate policies, have continued to help temper inflation. The CBI has brought inflation down from a peak of more than 70 percent in 2006 to below 10 percent since early 2008, primarily through appreciating the currency. The CBI has held the official exchange rate at close to 1,170 IQD/1.00 US\$ since 2009.

### **Expropriation and Compensation**

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Article 23 of the Iraqi Constitution prohibits expropriation in Iraq, unless it is "for the purpose of public benefit in return for just compensation." The constitutional provision further stipulates that this provision shall be regulated by law, but specific legislation has yet to be considered. Article 12 of the National Investment Law (NIL) also guarantees "non-seizure or nationalization of the investment project covered by the provisions of this law in whole or in part, except for a project on which a final judicial judgment was issued." Elements of the GOI have taken issue with the NIL, and the judiciary has not reviewed or ruled on any cases concerning it to date. As a result, whether foreign investors will enjoy protection from expropriation that meets international standards will likely depend on domestic implementing legislation and/or future bilateral treaty obligations with investor states. The United States does not have a Bilateral Investment Treaty (BIT) with Iraq.

### **Dispute Settlement**

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During decades of war and sanctions, Iraqi courts became isolated from developments in international commercial transactions. In recent years, however, trade with foreign parties has played a more significant role in Iraq's economic growth and Iraqi courts are beginning to see a significant increase in complex commercial transactions. In direct response, the Iraqi judiciary has specifically requested specialized training for its trial and appellate court judges in the area of international sales contracts, commercial court procedure and litigation, international arbitration, intellectual property and documentary credit to ensure consistency and predictability for foreign companies in the Iraqi legal environment. The U.S. Department of Commerce's Commercial Law Development Program (CLDP) is conducting a multi-phase judicial development effort to support Iraq's commercial courts, which has featured seven in-depth workshops for nearly 100 judges from across Iraq's different provinces in all of the requested program areas. CLDP's workshops are also used as the Iraqi judiciary's primary tool to select and prepare judges for the country's new commercial courts. CLDP will continue to develop and implement workshops on similar topics and new topics that are identified based on the needs of the Iraqi courts.

In November 2010, Iraq's Supreme Judicial Council established the First Commercial Court of Iraq, a court of specialized jurisdiction for disputes involving foreign investors that is part of a national strategy to improve Iraq's investment climate. This court began hearing cases in January 2011. It has jurisdiction only over cases involving a foreign party in Baghdad province. The court has received over 500 cases since its establishment. Over 350 of these cases have been adjudicated, many in as few as 30 days since the judges are able to give their full attention to these cases. This record stands in stark contrast to general jurisdiction trial courts that receive up to 30 cases per day and do not give priority to commercial cases, thereby causing commercial cases to be delayed for months or years before a resolution is

achieved. Iraqi judicial officials have since created two additional commercial courts in Najaf and Basrah. Given that all of Iraq's ministries are located in the capital, and the vast majority of commercial cases involve a foreign party and an Iraqi government agency, the Baghdad Commercial Court reviews far more commercial cases than the general jurisdiction courts in the surrounding provinces. Please see also discussion of the Westinghouse Case decided in 2012 under Protection of Intellectual Property Rights below.

While the law of domestic arbitration is fairly well developed in Iraq, international arbitration is not sufficiently supported by Iraqi law. Iraq is a signatory to the League of Arab States Convention on Commercial Arbitration (1987) and the Riyadh Convention on Judicial Cooperation (1983), and is considering, but has not yet signed or adopted, the two most important legal instruments for international commercial arbitration: The United Nations New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (1958 -- commonly called the New York Convention) and the attendant rules and procedures established by the UN Commission on International Trade Law (UNCITRAL).

Article 27 of the NIL, which details the rights of Iraqis and foreigners with respect to Iraqi law, refers to dispute resolution. However, the absence of implementing regulation makes application of the law uncertain in practice. In the IKR, if the KBOI determines that investors are using land awarded under investment licenses for purposes other than those outlined in the license, it can impose fines and potentially confiscate the land. Article 17 of the region's investment law outlines an investor's arbitration rights.

Domestic arbitration is provided for in Articles 251-276 of the Iraqi Civil Procedure Code, which require arbitration agreements to be in writing. These Articles also apply to the IKR. Panels of arbitrators are available through the Iraqi Union of Engineers, the Iraqi Federation of Industries, and private arbitrators.

### **Performance Requirements and Incentives**

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The NIL theoretically allows both domestic and foreign investors to qualify for incentives equally. It also allows for investors to take out capital brought into Iraq, and its proceeds, in accordance with the law. Foreign investors are able to trade in shares and securities listed on the Iraqi Stock Exchange. In principle, the law also allows investors who have obtained an investment license to enjoy exemptions from taxes and fees for a period of ten years. Hotels, tourist institutions, hospitals, health institutions, rehabilitation centers and scientific organizations also are granted additional exemptions from duties and taxes on their imports of furniture and other furnishings. The exemption increases to fifteen years if Iraqi investors own more than 50 percent of the project; however, the lack of precedent or implementing regulations to the NIL results in continuing uncertainty regarding the application of the articles contained therein.

Under the IKR's investment law, foreign and national investors are treated equally and are eligible for the same benefits. Foreign investors may choose to invest in the Kurdistan Region with or without local partners, and full repatriation of profits is allowed. While investors have the right to employ foreign employees in their projects, priority is given to awarding projects that employ a high share of local staff and ensure a high degree of knowledge transfer. Additionally, the law allows an investor to transfer his investment totally or partially to another foreign investor with the approval of the KBOI.

### **Right to Private Ownership and Establishment**

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Foreign investors in Iraq are able to own enterprises as well as investment portfolios in shares and securities.

Prior to the 2009 amendment to the National Investment Law, the NIL did not allow foreigners to own land. The amendment allows foreign interests to own land in Iraq for the express purpose of developing residential real estate projects. Additionally, the amendment sought to clarify the land use aspect of the NIL, in which foreign investors are permitted to rent or lease land for up to fifty years (renewable).

In December 2010, the GOI approved implementing regulations to this amendment, in the form of a Prime Ministerial decree. The regulations allow investors to obtain land for residential housing projects with no initial down payment. The government instead is compensated by receiving a specified percentage of units built once the project is completed. The percentages are given in ranges that vary by location: urban center, provincial center, outside city limits, and so on.

For non-residential, commercial investment projects—including agriculture, services, tourism, commercial, and industrial projects—the decree allows for leasing and allocation of government land, but not ownership. The terms and duration of these leases will vary, depending on the type of project and negotiations between the parties. Land for non-residential projects will be leased free of initial down payment, and compensation will be either a percentage of pre-tax revenue or a specified percentage of the “rent allowance” for the land -- a figure determined by a formula specified in an earlier law. These smaller percentages of the “rent allowance” rate -- ranging from one to 25 percent -- amount to significant rent reductions for leased land, as specified by type of investment project in the decree. Iraqi authorities are still in the process of interpreting these regulations and applying them to specific licensees.

In the IKR, foreign land ownership is allowed under Law 4 of 2006. The KBOI initially awarded over half of all investment licenses to housing projects, though the lack of a clear sector strategy and speculation in housing properties prompted the board to freeze all new investment licenses issued in the sector by mid 2012. Investment licenses that include land ownership are more likely to be issued in the KBOI’s priority sector development areas of tourism, agriculture, and industry.

## **Protection of Intellectual Property Rights**

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Iraq currently does not have adequate statutory protection for intellectual property rights (IPR). The GOI is in the process of developing a new IPR law to comply with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The draft law covers patents, trademarks, and copyrights. It is hoped that strong implementing regulations will help consolidate IPR protection functions, which are currently spread across several ministries, into a “one-stop” IPR office. (The Central Organization on Standards and Quality Control (COSQC), an agency within the Ministry of Planning, handles patent registry and the industrial design registry; the Ministry of Culture handles copyrights; and the Ministry of Industry and Minerals houses the office that registers trademarks.) Although the new draft would offer adequate statutory IPR protections, it has been stalled in the constitutional review process since mid-2007. The GOI’s ability to enforce IPR protections remains weak.

The USG is continuing efforts to bolster understanding of intellectual property rights and build GOI capacity to protect them. In June 2012, the Federal Court of Cassation, the highest civil court in Iraq, upheld a finding by the Baghdad Commercial Court that ruled in favor of U.S. firm Westinghouse in a trademark dispute, setting a positive precedent for IPR protection in

Iraq. The Commercial Court has jurisdiction over commercial disputes that involve at least one foreign party and disputes over various commerce-related issues including trade, real estate, banking, trademarks and intellectual property, transportation, and other areas. It was established in November 2010 under the Higher Judicial Council (HJC) with the assistance of the Commercial Law Development Program, which provided technical assistance and training to Iraqi judges who serve on the court.

Iraq is a signatory to several international intellectual property conventions and to regional or bilateral arrangements, including: the Paris Convention for the Protection of Industrial Property (1967 Act), ratified by Law No. 212 of 1975; the World Intellectual Property Organizations (WIPO) Convention, ratified by Law No. 212 of 1975. Iraq became a member of the WIPO in January 1976; the Arab Agreement for the Protection of Copyrights, ratified by Law No. 41 of 1985; and the Arab Intellectual Property Rights Treaty (Law No. 41 of 1985).

### **Transparency of Regulatory System**

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The lack of clear and definitive implementing regulations for the National Investment Law and its amendment remains a source of delay and confusion in the approval of investment projects. Once fully implemented, the law would establish a legal framework for investment. Potential investors, however, would likely still face laws, regulations, and administrative procedures that continue to make Iraq's overall regulatory environment relatively opaque. Over 950 firms—both foreign and domestic—have filed for investment licenses in Iraq to date, but fewer have moved to an execution phase. PICs have also been active in assisting regional investors. However, NIC and PIC Commissioners and their staff often lack training and expertise, and are still building their operations to serve as effective “One-Stop Shops” for investors to ease their entrance into the Iraqi market.

The absence of other laws in areas of interest to foreign investors also creates ambiguity. Iraq's Legislative Action Plan for the Implementation of WTO Agreements – the legislative “road map” for Iraq's eventual WTO accession – requires competition and consumer protection laws that are critical for leveling the business playing field. The Council of Representatives passed a Competition Law and a Consumer Protection Law in 2010; however, the Competition and Consumer Protection Commissions authorized by these laws have yet to be formed. Without these Commissions, investors do not have recourse against unfair business practices such as price-fixing by competitors, bid rigging, or abuse of dominant position in the market. In the IKR, the KRG implemented the Consumer Protection Law by passing Law 9 of 2010.

The way in which the Iraqi government promulgates regulations can be opaque and lend itself to arbitrary use. Regulations imposing duties on citizens or private businesses are required to be published in the official government gazette. However, there is no corresponding requirement for the publication of internal ministerial regulations. This loophole allows bureaucrats to create internal requirements, procedures, or other “turnstiles” with little or no oversight, which can result in additional burdens for investors and other businesspersons.

### **Efficient Capital Markets and Portfolio Investment**

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The Central Bank of Iraq (CBI) is responsible for conducting monetary policy in Iraq. The CBI was reorganized by Coalition Provisional Authority (CPA) Order No. 56 as a legal public entity possessing financial and administrative independence. The Iraqi banking system includes seven state-owned banks, with the three largest (Rafidain Bank, Rasheed Bank, and Trade Bank of Iraq) accounting for about 96 percent of banking sector assets. There are also 34 privately owned banks licensed by the CBI (see CBI's website <http://www.cbi.iq/index.php?pid=IraqFinancialInst>). Eleven foreign banks either have



licensed branches in Iraq or have strategic investments in Iraqi banks. The removal of CBI Governor Shabibi and arrest of CBI employees for alleged corruption in October 2012 raised concerns in the international community about CBI independence.

Although the volume of lending by privately-owned banks is growing, many privately-owned banks do more business providing wire transfers and other fee-based transaction services than lending. Businesses therefore largely self-finance or obtain credit from individuals in private transactions. Financial transfers from the government to provincial authorities or individuals, rather than business loans, represent the major activity of the state-owned banks. Iraq's economy remains primarily cash-based.

The Trade Bank of Iraq (TBI) was established as an independent government entity under CPA Order No. 20 in 2003. The TBI's main purpose is to provide financial and related services to facilitate import trade, particularly through letters of credit (LCs). In 2009, the Ministry of Finance (MOF) opened the government LC business by granting private banks permission to issue LCs below \$4 million in size; however, private banks report that they have yet to receive any LCs over \$2 million.

The letter of the National Investment Law allows for foreign investors to exchange shares and securities listed in the Iraqi Stock Exchange (ISX). The NIL also allows foreign investors to form investment portfolios. Automation of the ISX was completed in 2009, and by the end of 2010 all companies listed on the ISX were being traded electronically. In addition, a new securities law has largely completed the Constitutional review process but has not yet been passed by the Iraqi government. Until the new law passes, an extension of previous regulations will secure the status of the Iraqi Securities Commission. By 2013 capitalization on the ISX reached \$9 billion, up from just \$4 billion in 2009.

The Erbil Stock Exchange (ESX) is expected to commence trading operations in late 2013 or early 2014 pending final approval from the Iraq Securities Commission. The ESX plans to list companies from all regions of Iraq as well as foreign enterprises registered in the IKR and/or Iraq. To be eligible for listing securities on the ESX, the company must be established and registered as a joint stock company. The ESX Listing Department will assist firms interested in converting to a joint stock company.

### **Competition from State Owned Enterprises**

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GOI ministries currently own and operate over 192 State-Owned Enterprises (SOEs), a legacy of the state planning system of Iraq's former regime. These firms employ over 800,000 Iraqis, many of whom are underutilized. As a result of years of sanctions and war, most of these SOEs suffer from underinvestment or actual physical damage. Many of them are non-viable economically, although some have adapted and are producing goods, including several with foreign partners. Iraq imports many goods—ranging from foodstuffs to apparel to light-industrial products—a result of both the deterioration of Iraq's industrial base and the opening of Iraq's borders in 2003.

In 2010, the Prime Minister approved a national policy of corporatization of SOEs based on a "Road Map" derived from international best-practices, but implementation has been slow-going. Selected SOEs under the Ministry of Industry and Minerals (MIM) are participating in a pilot project under this plan to help them develop business and investment plans, remove the surplus labor from the SOEs, develop corporate governance structures, and form international strategic partnerships (ISPs) with the goal of eventually becoming commercially viable entities. The Ministry of Finance is also setting up an Asset Valuation Unit, a step that is

necessary to attract private and/or foreign investors. A handful of Iraqi SOEs already have foreign investors as partners; this number is expected to grow in the coming years.

While few SOEs compete with Iraq's private-sector companies, most SOEs now face increasing competition from foreign firms, most of which are privately-owned, as a result of the opening of Iraq's market. Faced with this competition, Iraq's SOEs are losing market share in certain sectors open to competition because their equipment and production technology are obsolete. As a result, an increasing number of Iraqi SOEs is attempting to form strategic partnerships with foreign firms to obtain newer technology, investment, and managerial expertise. Several such partnerships have already materialized, because foreign firms interested in entering the Iraqi market see SOEs as desirable partners; SOEs usually have a well-known brand, long-established distribution channels, and priority access to GOI procurement. Iraq's MIM is the ministry that oversees the largest number of Iraqi SOEs. Having had little success at privatizing these SOEs, MIM now views strategic partnerships between foreign firms and its SOEs as a more limited, but more certain, way for the latter to acquire the technology, investment, and managerial expertise they require to succeed.

### **Corporate Social Responsibility**

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The international oil companies active in Iraq are required to observe international best practices in this area as part of their contracts with the GOI. As conditions improve, awareness of corporate social programs and responsibilities is likely to increase beyond the oil sector.

### **Political Violence**

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Some regions within Iraq have experienced more violent incidents than others in recent years, and violence and threats against U.S. citizens persist. Despite the general decline in terrorist-related violence directed against USG facilities or personnel, threats of attack against U.S. citizens in Iraq continue and U.S. citizens in Iraq remain at risk for kidnapping. Methods of attack in the past have included roadside improvised explosive devices (IEDs), including explosively formed penetrators (EFPs); magnetic IEDs placed on vehicles; human and vehicle-borne IEDs; mines placed on or concealed near roads; mortars and rockets, and shootings using various direct fire weapons. Numerous insurgent groups, including Al Qaida in Iraq, remain active throughout the country. Although Iraqi Security Forces (ISF) operations against these groups continue, terrorist activity persists in many areas of the country. While sectarian and terrorist violence occurs at levels lower than in previous years, it occurs often, particularly in the provinces of Baghdad, Kirkuk, Ninewa, Salah ad Din, Anbar, and Diyala.

The security situation in the Iraqi Kurdistan Region (IKR), which includes the provinces of Sulaimaniyah, Erbil and Dahuk, has been more stable relative to the rest of Iraq in recent years, and the region has experienced fewer terrorist attacks and lower levels of violence, but threats remain. U.S. government personnel in the IKR are required to be accompanied by a protective security detail when traveling outside of secure facilities. All other missions, companies, and organizations operating within the IKR, including United Nations personnel, currently travel unescorted, although all foreign entities exercise care to avoid disputed territories such as Kirkuk and Mosul. Increasingly, many U.S. and third-country business people travel throughout many parts of Iraq; however, they do so under restricted movement conditions and almost always with security advisors and teams.

Additionally, extensive unmarked minefields remain along the same border. The Government of Iran also sometimes carries out military operations against armed groups in the mountain regions along the Iraq-Iran border. These operations have included troop movements as well

as both aerial and artillery bombardments. U.S. citizens should avoid areas near the Turkish or Iranian borders because of these ongoing military operations. Borders in these areas are not always clearly defined. In 2009, three U.S. citizens were detained by Iranian authorities while hiking in the vicinity of the Iranian border in the Kurdistan region. The resources available to the U.S. Embassy to assist U.S. citizens who venture close to or cross the border with Iran are extremely limited. The Department of State cautions U.S. citizens to avoid travel in close proximity to the Iranian border.

The U.S. Department of State issues up-to-date travel warnings for countries throughout the world, and U.S. companies and visitors are advised to assess carefully the situation in Iraq by consulting the Department's Travel Warning at [http://travel.state.gov/travel/iraq\\_warning.html](http://travel.state.gov/travel/iraq_warning.html) and its Consular Information Sheet at <http://travel.state.gov/travel/iraq.html>. These sites contain essential security and safety information on travel to Iraq.

## Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

The Kurdistan Regional Government argues Iraq's dismal rankings regarding corruption cloak a less corrupt business environment in the IKR. Since at least 2009 the KRGs' Office of Governance and Integrity has campaigned for separate treatment for the IKR in Transparency International and other reporting. To investigate government misconduct, the KRG launched a Transparency and Integrity Board. Additionally, corruption does not appear to have hindered the region's commercial growth.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>



**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements, but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of November, 2012, there are 40 parties to the Convention including the United States (see <http://www.oecd.org/daf/anti-bribery/antibriberyconventionratification.pdf>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Iraq is not a party to the OECD Convention.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 165 parties to it as of December 2012 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Iraq accessed to the UN Anticorruption Convention in March, 2008.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2012, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Iraq is not a member of the OAS Convention.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt

acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States) (see [http://www.coe.int/t/dghl/monitoring/greco/general/members\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/general/members_en.asp)). Iraq is not a party to the Council of Europe Conventions.

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Iraq does not have a free trade agreement (FTA) in place with the United States.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

While large-scale investment opportunities exist in Iraq, particularly for sophisticated investors, corruption remains a significant impediment to conducting business, and investors can expect to contend with it in many forms. While the GOI has moved toward greater effectiveness in reducing opportunities for procurement corruption in sectors such as electricity, oil, and gas, credible reports of corruption in government procurement are widespread, with examples ranging from bribery and kickbacks to awards involving companies connected to political leaders. Investors may come under pressure to take on well-connected local partners to avoid systemic bureaucratic hurdles to doing business. Similarly, there are widespread reports of corruption involving government payrolls, ranging from “ghost” employees and salary skimming to nepotism and patronage in personnel decisions. Moving goods into and out of the country continues to be difficult and bribery of port officials is reportedly common (Iraq ranks 179th out of 185 countries in “trading across borders” in the World Bank’s 2013 Doing Business report). Iraq ranked eight places from the bottom in Transparency International’s 2012 Corruption Perceptions Index, improving four spots since 2011. Iraq also ranked in the eighth percentile of the World Bank’s 2012 Control of Corruption Index. Notably, Iraq came in last place among Middle East countries on both indices. In view of the conflict and sanctions Iraq has endured over recent decades, the resulting breakdown in institutional effectiveness that would curb high levels of corruption is not surprising. The USG is implementing several programs to address corruption at the institutional level, with some positive impact.

There are three principal institutions specifically designated to address the problem of corruption in Iraq. CPA Order 57 established Inspectors General (IGs) for each of Iraq’s ministries. Similar to the role of IGs in the U.S. Government, these offices are responsible for inspections, audits, and investigations within their ministries. The Commission of Integrity (COI), initially established under the Coalition Provisional Authority (CPA), is an independent government agency responsible for pursuing anti-corruption investigations, upholding enforcement of laws and preventing crime. The COI investigates government corruption allegations and refers completed cases to the Iraqi judiciary. Paragraph one, Article 61, and paragraph three, article 73 of the Iraqi Constitution were the authorities referenced for updating the CPA provisions in COI Law No. 30, passed in 2011. Law No. 30 grants the COI broader responsibilities and jurisdiction through three newly created directorates: Asset Recovery, Research and Studies and the Anti-Corruption Academy.

The Board of Supreme Audit (BSA), established in 1927, is an analogue to the U.S. Government’s General Accountability Office (GAO). It is a financially and administratively independent body that derives its authority from Law 31 of 2011 – The Law of the Board of Supreme Audit. It is charged with fiscal and regulatory oversight of all publicly funded bodies in Iraq. In October 2012, several amendments to the BSA’s authorizing legislation, including a name change to the “Federal Board of Supreme Audit” (FBSA), gave it jurisdiction over audits of all federal revenues, including any revenues received from the IKR. Neither the COI nor the IGs have effective jurisdiction within the IKR. Regional revenues are audited by the Kurdistan Board of Supreme Audit with KRG Parliament oversight. The KRG passed the Commission on Public Integrity (Law No. 3 of 2011), which established a regional Commission of Integrity that has yet to be staffed. The KRG Parliament has also established an integrity committee to promote anticorruption efforts in the region, but during 2012 the committee’s chairman and three of the

other seven members resigned and had not been replaced at the time of publication of this statement.

Coordination among the three institutions is currently overseen by the Joint Anticorruption Council (JACC), which reports to the Council of Ministers, and a small office that advises the Prime Minister on anticorruption issues. Within the Council of Representatives, corruption issues are the primary responsibility of the Integrity Committee. Of note, the JACC was instrumental in drafting the GOI's National Anti-Corruption Strategy for 2010-2014, which is designed to guide all three anti-corruption institutions and be used as an effective tool in preventing, deterring, and counteracting corruption at all levels. The strategy is part of Iraq's response as a signatory to the UN Convention Against Corruption (UNCAC), to which Iraq acceded in 2007. As part of JACC, the COI developed this high-level strategy, which is the first of its type in Iraqi history.

Iraq signed and ratified the UNCAC in March 2008 and in March 2010 unveiled a strategy to achieve compliance with the convention. The strategy, which was coordinated by the JACC and under the supervising authority of the COI, included a detailed, five-year action plan addressing more than 200 specific areas. By the end of 2010, all Iraq's ministries had submitted their individual plans to carry out the strategy and most had begun implementation. The UN Office of Drugs and Crime (UNODC) has submitted a concept paper for consideration for further funding in building on Iraq's work to date to become UNCAC compliant. Regarding Iraq's application for membership in the Extractive Industry Transparency Initiative (EITI), as of December 12, 2012, the country was accepted as a member, having been found compliant with EITI requirements. The Board did, however, stipulate that the GOI should include oil and gas production in the Kurdistan Region as well as sales revenue to the KRG.

Failure of the GOI to seek Council of Representatives (COR) confirmation of key anti-corruption appointments, however, has undermined the independence of Iraq's principal institutions to combat corruption. The result has been that many high-level officials operate in an acting capacity and are thus subject to removal at any time by the Prime Minister. While the GOI has made progress in some areas, it remains to be seen how vigorously the Government will move to address the problem of corruption system-wide. Article 136(b), which allowed Ministers to shield Ministry employees from work-related prosecution for official acts, was abolished on November 14, 2011. While such a provision could serve as a legitimate shield against politically-driven prosecution, the provision had increasingly been used to block corruption investigations at higher levels within the GOI.

Iraq's existing Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) regime is completely inadequate. The country's financial system needs a major overhaul of its anti-money laundering regime to meet the Middle East North Africa Financial Action Task Force (MENAFATF) standards. Iraq joined MENAFATF in 2005 and underwent its first ever Mutual Evaluation (ME) in 2012. The ME team was led by World Bank experts early in 2012 to determine if the GOI conformed to the international standards stated in the 40-plus-9 recommendations issued by FATF; the Mutual Evaluation Report (MER) on Iraq was provided to the GOI in June. Although Iraq was found non-compliant in 35 of the 40 categories, the GOI delegation was forthright in admitting its deficiencies and given one year (until November 2013) to make needed corrections before referral to the International Cooperative Review Group (ICRG). During the plenary, the GOI delegation highlighted several accomplishments signifying Iraq's determination to work toward meeting MENAFATF goals: the establishment of a major Financial Crimes Task Force (FCTF) consisting of members from agency and ministerial bodies with AML/CTF law enforcement authority – the first such operational body in the Middle East; an

increasingly effective Financial Intelligence Unit (FIU) under the Central Bank; and a commitment to push through new Anti-Money Laundering/Counter-Terrorism Financing legislation that conforms more closely to international standards.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/department/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The 2012 CPI is available at: <http://cpi.transparency.org/cpi2012/>. TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in approximately 200 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.

- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for approximately 100 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

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Iraq is a signatory to some form of investor protection agreement or memorandum of understanding with 35 bilateral partners and nine multilateral groupings. However, none of these agreements is as all-encompassing as a U.S. Bilateral Investment Treaty (BIT). The agreements include arrangements on Investments Promotion and Protection (IPPA) within the Arab League, as well as arrangements with Afghanistan, Bangladesh, India, Iran, Japan, Jordan, Kuwait, Germany, Mauritania, Republic of Korea, Sri Lanka, Syria, Tunisia, Turkey, the United Kingdom, Vietnam, and Yemen. In 2010, Iraq concluded BITs with France, Germany and Italy; the BITs with France and Germany were ratified by the Iraqi Council of Representatives in 2012, while the BIT with Italy has yet to be ratified. These agreements include general provisions on promoting and protecting investments, including clauses on profit repatriation, access to arbitration and dispute settlements, fair expropriation rules and compensation for losses. However, the Iraqi government's ability and willingness to enforce such provisions remains unknown.

In addition, Iraq has bilateral free trade (FTA) agreements with the following 11 countries: Algeria, Egypt, Jordan, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, Yemen, and the United Arab Emirates. Iraq is also a signatory to several multilateral agreements, including the "Taysir" agreement with Arab countries.

On July 11, 2005, Iraq and the United States signed a Trade and Investment Framework Agreement (TIFA) as a first step toward increasing trade and investment cooperation between the two countries. The Government of Iraq ratified the agreement in December 2012.

## **OPIC and Other Investment Insurance Programs**

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The Overseas Private Investment Corporation (OPIC) and the Government of Iraq executed an Investment Incentive Agreement (IIA) in 2005, and the government ratified the agreement in December 2012. Even without the IIA, OPIC has been able to offer limited programs in Iraq on a temporary basis through a Congressional waiver of OPIC's statutory IIA requirement. Some of OPIC's basic programs have included structured finance projects, political risk insurance, investment funds and financing for small and medium-sized enterprises, and a planned mortgage pilot program.

## **Labor**

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Iraqi labor law remains weak. While it provides for workers' rights, including freedom of association and the right to collective bargaining, these rights are not respected in practice. The law also regulates working conditions and prohibits all forms of forced or compulsory labor, but the GOI has not effectively monitored or enforced the law, which has resulted in unacceptable working conditions for many workers. Iraq continues to face a high level of violence and insecurity, high unemployment, a large informal sector, and lack of satisfactory work standards.

The existing Saddam-era labor law, which also applies to the IKR, addresses working conditions for foreign expatriate workers and rules governing working hours. A law more consistent with



current international standards was drafted with the assistance of the International Labor Organization (ILO) and approved by the Shura Council in 2010, but it has yet to be enacted.

Iraq is a party to both International Labor Organization (ILO) conventions related to youth employment, including child labor. The Ministry of Labor and Social Affairs (MOLSA) sets a minimum monthly wage for unskilled workers. As of this writing, the minimum wage is 120,000 dinars (about US\$105) per month but the Council of Ministers has approved an increase, scheduled to be implemented in July 2013, to 250,000 dinars (about US\$215) per month. In addition, according to Iraqi law, all employers must provide some level of transport, accommodation, and food allowances for each employee. The law does not fix these allowance amounts.

The National Investment Law states that priority in employment and recruitment shall be given to Iraqis. However, international companies have noted that Iraq lacks a skilled labor force and the country has a need for human resource development. With a lack of skilled workers, foreign investors often must rely on foreign workers. However, there are labor-related requirements for foreign companies employing Iraqi or third-country nationals. Furthermore, foreign investors are expected to help train Iraqi employees to increase their efficiency, skills, and capabilities.

#### **Foreign-Trade Zones/Free Ports**

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The Free Zone Authority Law No. 3/1998 (FZL) permitted investment in Free Zones (FZ; similar to a U.S. Foreign Trade Zone) through industrial, commercial, and service projects. This law operates under the Instructions for Free Zone Management and the Regulation of Investors' Business No. 4/1999 and is implemented by the Free Zones Commission in the Ministry of Finance.

Under the law, capital, profits, and investment income from projects in an FZ are exempt from all taxes and fees throughout the life of the project, including in the foundation and construction phases. Goods entering into Iraqi commerce from FZs are subject to Iraq's five percent tariff; no duty is leveled on exports from FZs.

Activities permitted in Free Zones include: (a) industrial activities such as assembly, installation, sorting, and refilling processes; (b) storage, re-export and trading operations; (c) service and storage projects and transport of all kinds; (d) banking, insurance and reinsurance activities; and (e) supplementary and auxiliary professional and service activities. Prohibited activities include actions disallowed by other laws in force, such as weapons manufacture, environmentally-polluting industries and those banned because of place of origin.

Four geographic areas are currently designated as Free Zones. The Basrah/Khor al-Zubair Free Zone is located 40 miles southwest of Basrah on the Arab Gulf at the Khor al-Zubair seaport. This area has been operational since June 2004. The Ninewa/Falafel Free Zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan and the Basrah ports. The Al-Qa'im Free Zone is on the Iraqi-Syrian border. Although it is not currently operational, there is a project to rehabilitate it to its pre-2003 state. An undeveloped zone in Fallujah is in the planning stages. In the Kurdistan Region, a separate zone is being developed outside of Sulaimaniyah, to be led by private master developers. However, none of these areas is operating as a significant focal point for investment or trade, and only the Ninewa/Falafel zone has businesses operating in it. The Free Zone Commission lacks capacity and is further inhibited by its being placed under the Ministry of Finance, which lacks specific focus on developing the FZs.

## Foreign Direct Investment Statistics

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According to the United Nations Conference on Trade and Development (UNCTAD), FDI flow into Iraq reached \$1.6 billion in 2011 (the most recent year for which statistics are available), up from \$1.4 billion in 2010.

FDI (US\$ million)	2005	2006	2007	2008	2009	2010	2011
FDI Inflow	515	383	972	1,856	1,598	1,396	1,617
FDI Outflow	89	305	8	34	72	125	77

Source: UNCTAD

Trade (US\$ million)	2005	2006	2007	2008	2009	2010
Imports	26,096	24,198	21,488	36,986	41,936	49,467
Exports	24,053	30,887	40,455	65,693	46,230	57,966

Source: UNCTAD

According to an analysis by Investment Consulting Associates in “The New Iraq – 2013 Discovering Business,” from 2003 to 2011 the country attracted almost US\$70 billion in FDI, with a sharp increase in FDI projects after 2008. Although 2011 showed an increase in the number of jobs created and capital attracted, the total number of FDI project declined for the first time since 2007.

According to the National Investment Commission, over 950 firms have filed for investment licenses in Iraq, at both the national and provincial level, with a total value of approximately \$50.5 billion. All but 27 were issued by PICs, and 145 of them were issued to foreign companies, though in some cases there are Iraqi investors or capital along with the foreign partner. However, the granting of a license by the NIC or a PIC does not guarantee that the proposed investment will be implemented. In many cases, it takes months or years for projects to materialize, if they do at all. In addition, press announcements of investment projects are relatively meaningless as they almost invariably report the intended or proposed investment amount for a given project. Both these figures are unreliable in estimating actual monies brought into Iraq and put to work.

In the IKR, 128 licenses were granted in 2012 with a total potential value of \$6.3 billion. While the granting of a license by Kurdistan Board of Investment does not guarantee that the proposed investment will be implemented, the potential value of the projects increased 133 percent over the licenses issued in 2011. Most of the investment in 2012 (67 percent) went to the governorate of Erbil.

Real estate remains the largest non-oil area of foreign participation in Iraq's economy. In 2011, the GOI began negotiations with foreign companies for its largest housing project yet, a 100,000-unit complex located in Besmayah. The \$8 billion contract was won by Korean firm Hanwha, and the complex is expected to take several years to complete. Other major building contracts signed in 2012 include a \$45 million contract with UAE's Construction Tech to rebuild the CBI, \$185 million to Kar Construction & Engineering to build 2,000 homes north of Baghdad, \$55 million to a Turkish firm to build 1,200 homes in Kirkuk, \$247 million to an Italian firm to



build 2,000 homes in Diwaniya, and a \$98 million contract with RW Middle East to develop 1,300 housing units in Samawah. The British firm Harlow International will officially open in 2013 the Harlow Riverside business park, consisting of residences, offices, restaurants, and amenities. In Dhi Qar province, U.S. firm, Markez Inc. won a contract to build 1,000 housing units in Nasiriyah. Meanwhile, throughout the IKR many residential and commercial development ventures are in various stages of completion. Even with an apparent glut of housing projects that has caused the Kurdistan Board of Investment to ratchet back incentives for housing projects, housing prices for new units have continued to strengthen.

In October 2012, Iraq signed a \$14 million deal with U.S. consortium North America Western Asia Holding (NAWAH) to modernize the Maqal Port on the Shatt al-Arab waterway. The ten-year agreement includes dredging the waterway to nine meters to make it a deep water port. The NAWAH is headed by Paul Brinkley, former Director of the Task Force for Business and Stability Operations (TFBSO) in Iraq, responsible for economic revitalization and stabilization efforts in the country.

Oil sector representatives say investment in oil production could be on the order of \$15-20 billion in 2013; because the Iraqi government is contractually obligated to reimburse oil companies for these expenditures and therefore is the owner of the equipment, it is considered government investment rather than FDI.

#### **Web Resources**

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U.S. Department of Commerce Iraq Task Force website: <http://www.export.gov/iraq/>

U.S. Department of State – Iraq travel: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1144.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1144.html).

U.S. Overseas Private Investment Corporation (OPIC): <http://www.opic.gov>

World Bank: Ease of Doing Business 2012: <http://www.doingbusiness.org/rankings>

Central Bank of Iraq: <http://www.cbi.iq>

Erbil Stock Exchange: <http://www.erbilsx.com>

Iraq Stock Exchange: <http://www.isx-iq.net/isxportal/portal/homePage.html?currLanguage=en>

Iraq Securities Commission: <http://www.isc.gov.iq>

National Investment Commission (NIC) Iraq <http://www.nic.iq/>

Extractive Industries Transparency Initiative (EITI): <http://eiti.org/>

International Labor Organization: <http://www.ilo.org>

International Trade Centre (ITC) (UN and WTO JV): <http://www.intracen.org/country/iraq>

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## **Chapter 7: Trade and Project Financing**

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#### **How Do I Get Paid (Methods of Payment)**

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Many U.S. firms exporting to Iraq require cash payment in advance, made by wire transfer, before shipping to an Iraqi buyer. Currently, there are no international debt collection

mechanisms for unpaid accounts in Iraq. Iraqi firms can secure Letters of Credit (L/Cs) through private banks, as well as the government owned [Trade Bank of Iraq \(TBI\)](#), to purchase foreign goods. Export Credit Insurance for political and commercial risk is available from the [U.S. Export-Import Bank \(Ex-Im\)](#) in Washington, D.C.

Foreign businesses dealing with Iraq should insist on confirmed, irrevocable L/Cs when initiating relationships with new importers and distributors. Iraqi companies often resist the use of confirmed L/Cs, because of the additional collateral required by Iraqi and international banks for confirmation. U.S. companies should still require these necessary financial protections. For Iraq, exporters often bear the cost of L/C confirmation.

Some U.S. firms have complained about difficulties getting Iraqi officials to give them cargo inspection certificates, or other forms of documentations, required to meet L/Cs documentation requirements. U.S. firms should be cautious about agreeing to L/Cs terms that require onsite inspection certificates as part of the documents needed for release of payment.

Due to potential instability in Iraq's political and financial institutions, U.S. exporters may choose to have an Iraqi L/C confirmed by an international bank outside of Iraq. When making this decision, the U.S. exporter should consider the credit risk of the confirming bank as the associated risks move from the country of the buyer (Iraq) to the country of the confirming bank.

### **How Does the Banking System Operate**

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The opening of Iraq's economy has placed new demands on Iraq's financial sector. Between 1992 and 2003, Iraq's banking system operated in isolation from international financial standards and practices. Today, Iraq is developing the basic infrastructure needed for modern banking and financial markets. The Central Bank of Iraq (CBI) is the main financial regulatory agency for Iraq. CBI's website provides information about the Iraq's financial sector. CBI lists 23 private sector banks, nine Islamic banks, 15 international banks, and 7 state-owned banks as operating in Iraq. Although tied to the overall Iraqi banking system, the Central Bank of Kurdistan manages the banking sector in the Iraqi Kurdistan Region.

Iraq remains a largely cashed based economy where most financial transactions take place outside of the banking system. Monies placed on deposit at Iraqi banks are not insured against theft. Generally, the Iraqi public does not entrust their savings to Iraq's banking system because money has been stolen and embezzled from Iraq's banks in the past.

Three state owned banks, including the Rafidain, the Rasheed, and TBI, account for roughly 85 percent of Iraq's banking sector assets. Rafidain and Rasheed offer standard banking products but primarily provide pension and government salary payments to individual Iraqis. (Rafidain and Rasheed are not yet able to provide the electronic financial services desired by most private sector Iraqi firms.)

Iraq's private sector banks also offer standard banking products including deposit accounts, lending, exchange and transfer facilities, as well as trade finance products such as L/Cs. Recently, private sector banks have worked to offer credit card services, though these services are not yet commonly accepted or used. Outside of Erbil, point of sale technology and credit card payment options are scarce. Private sector businesses are Iraq's private sector banks' main clientele, as they are the most in need of money transfer and payment services. U.S. firms can research Iraqi banks' international transaction capabilities online as many Iraqi banks have websites available in English and Arabic.

In the Iraq Kurdistan Region, Emerald Bank, Erbil Bank and North Bank Kurdistan Investment Bank predominate.

### Foreign-Exchange Controls

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The Iraqi Dinar (ID) is the official currency in all of Iraq. The CBI has allowed Iraq's exchange rate to gradually appreciate along a pre-determined path vis-avis the dollar. In 2013, the CBI continued its policy of maintaining a fixed ID-to-dollar rate, currently ID 1,166 to one U.S. dollar. The actual market rate for the dinar is determined at the CBI currency auction and the ID-to-dollar market exchange rate fluctuates daily.

The CBI regularly holds currency [auctions](#) for eligible bidders, exchanging U.S. dollars for dinars. As of April 15, 2013, individual Iraqi citizens may purchase up to US\$5,000 per month, while eligible financial institutions may buy U.S. dollars for their clients but they must submit transaction documentation, such as invoices and customs documents, for which they are trying to buy foreign exchange.

Residents and nonresidents are allowed to open foreign currency accounts at commercial banks and to use the balances in these accounts for domestic and international payments, in accordance with banking procedures, provided the accounts were documented as being credited with foreign currency.

When converting ID to a foreign currency, transfers abroad in excess of 15 million ID require a tax clearance certificate. In addition, legal obligations of nonresidents with respect to official entities must be settled before any transfer is allowable. Travelers may only take up to \$10,000 in banknotes out of Iraq.

### U.S. Banks and Local Correspondent Banks

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There are no American financial institutions operating independently in Iraq. Iraq's state owned and private sector banks are in the process of developing international banking and correspondent relationships necessary for modern banking transactions. However, many Iraqi banks do not have these international correspondent capabilities.

Some Iraqi banks do have international correspondent relationships. Trade Bank of Iraq's [correspondent relationships](#) include: J.P. Morgan and Citibank among others. Bank of Baghdad reports having [correspondent relationships](#) with Citibank New York, JP Morgan Chase, and Standard Chartered Bank.

International banks with branches open in Iraq include Bahrain-based [Arab Bank Corp](#), [Lebanese Bank of Beirut and the Arab Countries \(BBAC\)](#), and Turkey-based [T.C. Ziraat Bank](#), [Is Bank](#), and [Vakif Bank](#). International banks with branches in Iraq and the U.S. include: [Arab Bank Corp](#), [T.C. Ziraat Bank](#), and [Vakif Bank](#). [Is Bank](#), has a branch office in the United Kingdom. These branches may be able to help U.S. firms facilitate transactions with Iraq.

Private sector Iraqi banks that have partial foreign ownership are more likely to offer international electronic payment options and have international correspondent relationships. Iraq's [National Investment Commission](#) provides a [list](#) of Iraqi banks with foreign ownership, electronic payment capabilities and Visa and MasterCard services.

## Project Financing

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The use of project finance within Iraq remains relatively limited. The Government of Iraq, as the primary commercial actor, continues to rely on cash allocations through budget provisions to fund projects at the ministerial level. Iraqi ministries have begun to consider the use of project financing for infrastructure development. However, the lack of prerequisites to financing, such as sovereign guarantees and security in collateral, continues to frustrate any attempts to negotiate agreements with private lenders, export credit agencies, and international financial institutions.

Despite these challenges, the prospects for financing of large projects in Iraq are improving. The Council of Representatives is considering legislation to establish a \$15 billion project development fund that should include the legal prerequisites to allow for additional financing. Some construction companies are using alternative methods of payment security, such as standing letters of credit, for the engineering, procurement, construction (EPC) phases of large projects. Export credit agencies like the [Overseas Private Investment Corporation](#) (OPIC) and the Ex-Im are also working with the Ministry of Finance and other parts of the Iraqi government to put in place investor protections in order to increase the flow of credit for infrastructure projects.

## Web Resources

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U.S. Export-Import Bank: <http://www.exim.gov>

U.S. Ex-Im Bank's Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

U.S. Overseas Private Investment Corporation: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.tda.gov/>

U.S. SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Central Bank of Iraq: <http://www.cbi.iq/>

Iraq National Investment Commission: <http://www.investpromo.gov.iq/>

Arab Monetary Fund: <http://www.amf.org.ae/>

Bank of International Settlements (BIS): <http://www.bis.org/>

IMF & Iraq: <http://www.imf.org/external/country/IRQ/index.htm>

Islamic Development Bank (IDB): <http://www.isdb.org>

World Bank & Iraq:

[http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/IRAQEXTN0,,  
menuPK:313111~pagePK:141159~piPK:141110~theSitePK:313105,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/IRAQEXTN0,,menuPK:313111~pagePK:141159~piPK:141110~theSitePK:313105,00.html)

Union of Arab Banks: <http://www.uabonline.org/>

Kurdistan Board of Investment: [www.kurdistaninvestment.org/banking](http://www.kurdistaninvestment.org/banking)

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## Chapter 8: Business Travel

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## **Business Customs**

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Many Iraqis are keen to do business with U.S. companies. They recognize the high quality of U.S. products and services, and with improvement of living conditions people are willing to buy high quality products. Iraqis have adopted some international business customs and methodologies but some cultural differences remain. In particular, business will generally only be conducted after a degree of trust and familiarity has been established, for which several visits may be needed to establish.

Only after the fall of the Saddam regime have Iraqi businessmen been able to travel outside the country. A considerable number of Iraqis who fled the country during the previous era now return regularly for business. For the most part, travelers can rely on western manners and standards of politeness while remember a few additional “rules”: one should avoid sitting at any time with the sole of the foot pointed at the host or other guest; unless one is on familiar terms with an Iraqi, it may be discourteous to specifically ask about a man’s wife or daughters (ask instead about his family); and if you are invited to the home of an Iraqi for a party or reception, remember that a meal is normally served in the middle of the evening, and guests can linger long after finishing.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves and modest necklines.

Local laws reflect that Iraq is a predominantly Islamic country. Attention and respect should be paid to local traditions, laws and religious customs at all times, especially during the holy month of Ramadan or visits to places of religious significance.

## **Travel Advisory**

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Current Travel Warnings and advisories can be found on the U.S. State Department’s site: [http://travel.state.gov/travel/cis\\_pa\\_tw/tw/tw\\_5758.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_5758.html)

Travelers should check this link for any updates to the security situation before leaving the United States. The security situation in the Iraqi Kurdistan Region (IKR), which includes the provinces of Sulaimaniyah, Erbil, and Dahuk, has been more stable relative to the rest of Iraq in recent years, but threats remain.

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## **Visa Requirements**

Unless traveling only to the Iraq Kurdistan Region, U.S. visitors to Iraq must have a visa before travelling. They can apply for a visa at Iraqi missions overseas, including the Iraqi Embassy in Washington DC [www.iraqiembassy.us](http://www.iraqiembassy.us). If the visit is only to the Kurdistan Region, a visa can be obtained on arrival, but they cannot travel outside Kurdistan region to other parts of Iraq.

Visitors to the Iraq Kurdistan Region may obtain residency permits for nominal fee and valid for up to one year in the IKR at a KRG Ministry of Interior Residency Office.

Appropriate documentation should be presented at the airport. This includes, but is not limited to, a valid visa. The Department of Border Enforcement (DBE) has made a number of arrests, including of U.S. nationals, for failure to provide the appropriate documentation when requested. For more details on required documentation, the [Iraqi Ministry of Foreign Affairs website](#) or the Iraq Embassy in Washington DC, [www.iraqiembassy.us](http://www.iraqiembassy.us), should provide enough information.

A valid passport is a necessity to enter Iraq. The passport must be valid for a minimum period of three months from the date of entry into Iraq.

U.S. companies that require travel of an Iraqi businessperson to the United States should be advised that evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

### **Entry Requirements–Blood Test: Meeting at Airport**

All visitors to Iraq, with the exception of those travelling on a tourist visa or to the Iraqi Kurdistan Region, are required under Iraqi health regulations to submit to a blood test within ten days of arrival. The test is for HIV and hepatitis. Guidance on where to go for the blood test is available at your airport of arrival. There have been occasions when Iraqi authorities at ports of entry have required travelers from American companies to get the blood test even when they are traveling on tourist visas or sooner than ten days.

All visitors to Iraq, with the exception of those travelling to the Iraqi Kurdistan Region, are also required to be met at the airport by a sponsoring organization or security firm.

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### **Telecommunications**

Three main cell phone companies operate in Iraq: Asia Cell, Zen and Korek Tel. Asia Cell and Korek Tel also operate in the Kurdistan Region of Iraq. Internet access is available in Iraq's main cities.

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### **Transportation**

The business centers of Baghdad, Basrah, Sulaimaniyah, Erbil and Najaf have international airports served by a variety of international airlines. Air travel is preferred for domestic travel with public service restricted to one airline, the national carrier, Iraqi Airways.

There is no direct commercial air service between the United States and Iraq. The U.S. Federal Aviation Administration (FAA) has not assessed the Government of Iraq's Civil Aviation Authority for compliance with International Civil Aviation Organization (ICAO) aviation safety standards. The cities of Sulaimaniyah and Erbil have new international airports and they, along with Baghdad and Basrah, have a variety of direct flights with Europe and the Middle East.



U.S. visitors may drive on their U.S. driver's license. Traffic accidents are a significant hazard in Iraq. Driving habits are generally poor, and accidents involving vehicles driven by minors are not uncommon. While in Iraq, U.S. citizens may encounter road conditions that differ significantly from those in the United States. Vehicular travel in Iraq can be extremely dangerous, especially in the center and south, and involves the significant potential for attacks. There have been attacks on civilian vehicles as well as Iraqi military and security convoys on roads and highways, both in and outside metropolitan areas. Attacks occur throughout the day, but travel at night is exceptionally dangerous and should be avoided.

Buses run irregularly and frequently change routes. Long-distance buses are available but are often in poor condition and drive at unsafe speeds. Jaywalking is common. Drivers often do not yield to pedestrians at crosswalks and ignore traffic lights, traffic rules and regulations. Roads are congested. Some cars do not use lights at night and urban street lights may not be functioning. Some motorists drive at excessive speed, tailgate and force other drivers to yield the right of way.

Even in the Iraqi Kurdistan Region, which has a better reputation for road safety, traffic accidents remain one of the major causes of death.

## Language

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Iraq has two official languages: Arabic and Kurdish. Some ethnic groups speak Turkish, Turkman, Armenian, and Assyrian.

More than three-fourths of the Iraqi populous speak [Arabic](#), which has several major dialects. These are generally mutually intelligible but significant variations do exist within the country. Modern Standard Arabic—the benchmark of literacy—is taught in schools, and most Arabs and many non-Arabs, even those who lack schooling, are able to understand it. Roughly one-fifth of the population speaks [Kurdish](#), in one of its two main (but unrelated) dialects. Kurdish is the official language in the Kurdish Autonomous Region in the north. Bilingualism is fairly common, particularly among minorities who are conversant in Arabic. English is widely used in commerce.

Road signs are usually in Arabic, while major highways and streets in cities often display road signs in both Arabic and English.

## Health

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In the pre-Saddam era, Iraq had one of the foremost health care systems in the region, with advanced resources, excellent medical schools and broadly accessible care. Even in the 1990s, when much of Iraq was staggering under UN-imposed sanctions, people came from across the region to study medicine and receive treatment. This is no longer the case, however, especially in the country's center and south. Over the past decades many doctors and other medical personnel have fled Iraq, and many facilities were destroyed or deteriorated.

That said, the healthcare sector is improving. Sophisticated medical service is increasingly available at a limited, though growing, number of facilities. Emergency evacuation services are readily available such as Arab Wings to specialty centers in nearby countries.



The Iraq Ministries of Health in Baghdad and Erbil provide services to every person living in Iraq, as well as assistance during emergencies. It is responsible for all of the medical centers in the country. It covers a wide array of areas including clinics, health inspections, planning, prevention, and medication

Services are provided by hospitals (public and private); most health services are provided by MOH facilities. The private sector constitutes a rising minority of all beds and medical visits.

Basic modern medical care and medicines are not widely available in the Center and south of Iraq. Conflict has left some medical facilities non-operational and medical stocks and supplies severely depleted. The facilities in operation do not meet U.S. standards, and the majority lack medicines, equipment, and supplies. While the Baghdad International Airport has limited operations for security reasons, some private companies facilitate medical evacuations.

The temperature in summer months can exceed 50 °C (122°F), which can result in life-threatening dehydration and other serious health problems. Drinking plenty of water (boiled or bottled water with no ice in drinks) is advised.

Visitors are strongly advised to seek medical advice before travelling and ensure that all appropriate vaccinations are up-to-date.

Visitors should take out comprehensive travel and medical insurance for their proposed trip prior to travel, however long you plan to stay in Iraq. They should check any exclusions and that their policy covers them for medical assistance and repatriation, and all activities they want to undertake.

The official website of the health ministry in Iraq is <http://www.moh.gov.iq/>

Kurdistan Ministry of Health: [www.moh-krq.org](http://www.moh-krq.org)

### **Local Time, Business Hours, and Holidays** [Return to top](#)

Iraq's time zone is GMT+ 03:00. Iraq is a Muslim country that stresses adherence to Islamic principles.

The normal workweek runs from Sunday through Thursday, 08:00-15:00. The U.S. Embassy is open for regular business Sunday through Thursday, 08:00-17:00. Friday is a Muslim day of rest.

Holidays observed by the U.S. Embassy:  
<http://iraq.usembassy.gov/holidays.html>

Holidays in Iraq:  
<http://www.krg.org/articles/detail.asp?smap=03010200&lngnr=12&asnr=&anr=18627&mr=139>

### **Web Resources**

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[Airports in Iraq](#)

[Baghdad International Airport](#)

[Erbil International Airport Iraqi Airways web site Iraq Law Alliance, PLLC Iraqi Yellow pages Kurdistan Regional Government Brief](#)

[Kurdistan Investment law Sulaimaniyah International Airport Travelling to Kurdistan US Business Council in Iraq](#)

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### **Contacts**

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[Basra Chamber of Commerce](#)

[Erbil Chamber of Commerce](#)

[Suleimaniah Chamber of Commerce](#)

[Dahuk Chamber of Commerce](#)

[Kurdistan Contractors Union](#)

[National Investment Commission](#)

[Baghdad Provincial Investment Commission](#)

[Basra Provincial Investment Commission](#)

[Nainawa, Mosul Provincial Investment Commission](#)

[Anbar, Ramadi Provincial Investment Commission](#)

[Salah AIDinn, Tikrit Provincial Investment Commission](#)

[Kikuk Provincial Investment Commission](#)

[Babil Provincial Investment Commission](#)

[Diyala Provincial Investment Commission](#)

[Karbala Provincial Investment Commission](#)

[Al-Najaf Provincial Investment Commission](#)

[Al-Qadissya. Diwanya Provincial Investment Commission](#)

[Wasit, Kutt Provincial Investment Commission](#)

[Maysan, Aamara Provincial Investment Commission](#)

[Dhi Qar, Nassrya Provincial Investment Commission](#)

[Muthana, Samawa Provincial Investment Commission](#)

[General Secretariat for the Council of Ministers \(Cabinet\)](#)

[Council of Representatives](#)

[Ministry of Foreign Affairs](#)

[Ministry of Interior](#)

[Ministry of Finance](#)

[Ministry of Defense](#)

[Ministry of Planning](#)

[Ministry of Oil](#)

Ministry of Industry and Minerals  
Ministry of Electricity  
Ministry of Agriculture  
Ministry of Education  
Ministry of Higher Education and Scientific Research  
Ministry of Transportation  
Ministry of Health  
Ministry of Municipalities and Public Works  
Ministry of Justice  
Ministry of Labor and Social Affairs  
Ministry of Housing and Construction  
Ministry of Trade  
Ministry of Communication  
Trade Bank of Iraq (TBI)  
Bank of Baghdad  
Credit Bank  
Dar AlSalam Middle East bank  
Iraq Stock Exchange  
Iraqi Media Network  
State Company for Iraqi Ports  
Iraqi Customs (General Commission for Customs)  
Iraqi Airways  
US Embassy-Iraq  
U.S. Consulate General in Erbil  
U.S. Consulate General in Basra  
U.S. Commercial Service in Iraq  
Kurdistan Investment Board

#### **The IKR New Investment Law**

<http://www.krg.org/articles/detail.asp?lngnr=12&smap=03010800&rnr=145&anr=18620>

#### **Ministry of Trade in Kurdistan**

#### **Trade Mission to the Kurdistan Region**

The KRG welcomes inward trade or investment missions. Companies and trade associations with can contact the KRG for advice on visiting the Region and exploring business opportunities:

[Department of Foreign Relations in Erbil](#)

[Kurdistan Regional Government Rep Office to the U.S. in Washington DC](#)

#### **Travel and Visas to Kurdistan**

For information on flights to the Kurdistan Region please see:

<http://www.krg.org/articles/detail.asp?rnr=154&lngnr=12&smap=03017500&anr=11535>

For general information about the Kurdistan Region in Iraq please visit the Kurdistan Regional Government website, <http://www.krg.org/>

For tourism information please see the official Kurdistan Tourism website, <http://www.tourismkurdistan.com/>

For visa information, please contact your nearest Iraqi embassy, or email the KRG at [dfr@krg.org](mailto:dfr@krg.org), [uk@krg.org](mailto:uk@krg.org) or [us@krg.org](mailto:us@krg.org)

Foreign companies wishing to register a branch in the Kurdistan Region  
<http://kurdistanmot.com/en/rmenu.php?t=16>

## Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

Please click on the link below for information on upcoming trade events promoted by the U.S. Commercial Service in Iraq.

<https://www.export.gov/iraq>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research;
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local [buyusa.gov](http://buyusa.gov) website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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