



Iraq eRocket #16

10 Q&A's for those Ready to Test the Iraqi market via a Trade Show

Q. #1: Given the violence in today's Iraq, how can one contemplate a trade show such as the Iraqi Businessmen Union Fair beginning on January 20, 2007 in Irbil?

Pretty much the way one would contemplate a trade show in Saudi ... or in Sacramento. That was the case at a similar multi-sector show held in Irbil last September or the one held in Sulaimaniyah, a nearby city, in November. Those Iraqi shows had the trappings and troubles of shows anywhere, down to throngs of souvenir collecting kids and opportunistic hotels doubling room rates. Amazingly, the Irbil show – which was busy and upbeat – was put together in under three months; a feat anywhere, but miraculous in a country with still spotty infrastructure. Kurdistan, the northeastern governorate of Iraq that is host to all three shows, is one of the few places in Iraq with sufficient security for big, public events. Kurdistan has an admirable record on political stability and security over the past years. The last major terrorist strike happened two years ago.

Q. #2: How do American businesses participate in such a fair?

It depends on the firm's business model. In September's show, firms like Motorola and Secure Global Engineering with a direct presence in Iraq sent their American managers to man their booths. By contrast, the likes of Ford, GM, Cummins and FedEx have in-country dealers or agents and were represented through them. A third group contains the likes of IRECO, a consortium of American firms hoping to build Iraq's first major new refinery. They were not on the stand with their Iraqi partners, but still sent a representative from the States to work the hall. Finally, a dozen U.S. firms paid the Commercial Service a fee to have us pound the pavement for them. We used our booth to display their catalogs and staff meetings with local companies looking to purchase or represent them. After the show, we sent each U.S. firm a report on who was interested and are working on follow up. The next stop on this event we are calling the "Catalog Caravan" will be DBX. There are lots of ways to cash in on a trade show in Iraq.

Q. #3: What are the benefits, and what are the dangers?

The benefits are potentially vast: the early bird gets the worm. While there are very real dangers associated with travel to and within even the relatively quiet Kurdish region, they are manageable. A participant in one of these shows learns a tremendous amount about the market, gets exposure, and encounters future partners or customers. Iraq is a big country that had a substantial industrial base and that is blessed with enormous resources extending well beyond hydrocarbons. Last May at another "Rebuild Iraq" trade show

(the term for broad, horizontal Iraq shows that don't focus on particular industry sectors) that was formally endorsed by the U.S. Department of Commerce a U.S. exhibitor summed up the benefit this way ... *"Never in my wildest dreams could I have imagined that our company that is now celebrating its 20th anniversary would show its offerings to a region of the world that has never seen this type of technology. The opportunity that lies before us in the coming years is simply incomprehensible. ... We literally worked every minute of every hour of the show and never stopped talking. The audience was primarily Iraqi builders who are eager to engage in the rebuilding of their country. We are very eager, with your assistance and guidance to assist them. I am sure that this show will ultimately result in the sale of many millions of dollars worth of our technology."*

Pat Boeshart
President
Lite-Form Technologies
Sioux City, Nebraska

Q #4: What type of businesses and products currently are needed in Iraq?

It would be quicker to identify what is *not* needed, the demand is so vast. For a company that can offer to expand Iraq's utilities, generate employment, or improve the quality of life, Iraq is its oyster. What is needed? Tractors, irrigation and water treatment equipment, telecom switches, Kinkos, high-speed ferries, airport passenger bridges, Gameboys & TiVos, cold storage facilities, patented medicines, date packaging machines, brick, glass and aluminum factories, rental car franchises, pumps, oil and gas field services and equipment, Ikea, Wal-Mart and Household Finance, to name several.

Q #5: How do American businesses actually get their products to market in Iraq?

They use global and regional logistics companies to get goods to Iraq's sea or land borders; thereafter the story is complex. Because of dangers on the main overland arteries from Iraq's main port of Umm Qasr in the South, goods may enter from the North or West, or via air links from the Gulf. At some stage a handover is made from the American companies' logistics to the Iraqi distribution system that gets the goods to the end-users. While we haven't studied every link in the chain, there is an Iraqi distribution system that works: Iraqi markets have been full of products. Part of the electrical shortfall that has been experienced since liberation is attributable to soaring consumer demand for power-hungry appliances of every imaginable type.

Q #6: How do American businesses operate safely in Iraq?

First, they explore avenues to meet their clients' needs without a full-time presence. Periodic visits to Iraq from base offices in Amman, Abu Dhabi or Dubai are one option. Those that locate in Iraq educate themselves about the risks, beginning with careful study of the travel information posted on the websites of the State Department (<http://travel.state.gov>) and the Overseas Security Advisory Council (www.osac.gov) among others. They maximize the use of indigenous partners to move about publicly;

they are very selective about when and where they work, live and travel; they keep a low profile; and they employ the necessary protective equipment and professional security services. Security in Iraq is a significant cost item that must be budgeted into business plans. For those who reside in Iraq, registering with American Citizen Services in the U.S. Embassy in Baghdad is recommended (<https://travelregistration.state.gov/ibrs/home.asp>).

Q #7: Can they open offices?

Unfortunately, not in today's Baghdad, or at least not as an overtly American or western business. However, appropriately planned offices are possible in some parts of the country and, of course, in nearby places such as Jordan, Turkey, Kuwait or the UAE.

Q #8: What perils do they face?

The prudent company committed to maintaining a presence in Iraq must begin with concern over threats to its personnel and local partners and—importantly—even to suppliers and customers. Crime may rival terrorism as a challenge in some locales and times. Threats to cargo and physical plant are another peril. Official corruption may open the door to legal liabilities, such as under our Foreign Corrupt Practices Act. But against many of these perils, companies weigh the commercial peril of missed opportunity.

Q #9: What is the most challenging part of doing business in Iraq?

U.S. companies are getting work done in Iraq. Many of them quite successfully and profitably and, increasingly, beyond Coalition contracting by working with the Iraqi government and private Iraqi firms. Still, Iraq is a challenging emerging market. U.S. businesses have commented to us on a range of challenges that fall into a half-dozen categories that could be grouped as: (1) Security and mobility; (2) Information deficits (What is the birth rate? What is the business history of a particular company? How many generators are working in Iraq today?); (3) Bureaucracy and legacies from the command and control economy and culture; (4) Gaps in governance, transparency, and dispute settlement; (5) Less than up-to-date finance and banking systems; (6) Communications and business services that are still being developed. While the list may look daunting, it is familiar to companies that have worked emerging markets around the globe for decades. Moreover, the progress logged in overcoming many of these challenges in a short time shows the farsighted businessperson that investments in Iraq have promise. That persistence pays is the experience of area firm **Baltimore Dredges** which patiently worked through months of bid challenges and adjustments to Letter of Credit Terms before concluding (with help from the Commerce and State Departments in Baghdad) last month a \$10 million sale of its dredgers to the Iraqi Ministry of Water Resources.

Q #10: How do I learn about events and get started?

Visit www.buyusa.gov. Consider joining the *Catalog Caravan*



The Kurdistan Regional Government's Prime Minister, Nechirvan Barzani, here touring the Commercial Service Iraq booth at the Irbil International Fair, is the chief architect of the Region's new investment promotion law.



Eng. Sanger Suad Nafie is the North Iraq Manager for a highly successful New Holland agency.



In the fall of 2005 our colleagues in Hong Kong raised funds for three Iraqi and three Afghani women to travel to Asia's largest beauty trade show. Our group later received Commerce's Bronze Medal Award for the initiative.



Secretary of Commerce Carlos Gutierrez visited the Communications and Trade Showcase during his July 17, 2006 visit to Baghdad, during which he signed a Joint Statement on Cooperation with the Iraqi Minister of Trade. Here the Secretary chats with the CEO of the revitalized Iraqi Stock Exchange.



Pat Boeshart of Nebraska-based Lite Form explained his novel building technology to Ambassador Khalilzad at Lite Form's booth at REBUILD IRAQ. The Ambassador wasted no time in introducing Boeshart to the visiting Iraqi Minister of Water Resources, Dr. Latif. Boeshart was overjoyed with the contacts he made through the show.