



U.S.-Iraq Business Dialogue

Report and Policy Recommendations

To

**His Excellency Abd al-Falah al-Sudani
Minister of Trade of the Government of Iraq**

and

The Honorable Carlos Gutierrez

United States Secretary of Commerce

*Further Governmental Actions Needed to
Facilitate Growth of Iraqi Private Sector Business and Industry
and to
Encourage Expansion of Business Relations between
Iraqi and American Businesses*

Presented at

Baghdad, Iraq

9 February 2008

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INTRODUCTION

Post-conflict Iraq faces many challenges-not the least of which is helping Iraqi entrepreneurs resume their rightful place in the 21st Century global economy.

It is widely recognized that the growth of private sector business in Iraq, at all levels and across most sectors, is key to the country's economic vitality and stability.

It is also widely acknowledged that, as an investment destination, Iraq has faced its fair share of challenges. Post-Saddam Iraq is undergoing a painful transition from a state-run command economy to adopting the principles of free, fair, and open markets. While Iraq's economy is still dominated by the oil sector, which has traditionally provided about 95% of foreign exchange earnings, other opportunities exist for interested investors. From telecommunications to construction to power generation to manufacturing and heavy industry to agriculture to transportation to financial services and insurance, Iraq and Iraqi businesses offer a unique platform for businesses seeking entry into the trading hub of historic Mesopotamia.

Growing private sector businesses now generate sustainable productive employment for hundreds of thousands of Iraqi households whose members were either unemployed or underemployed. These increases in employment are shown to be directly related to decreases in insurgent activity throughout Iraq, as well as to increase in social stability. For instance, by all reports, sustainably employed Iraqis turn down insurgent offers to pay for assistance in bringing about violent attacks at a significantly higher ratio than the unemployed.

From a practical perspective, further expansion of private sector Iraqi business is desirable and attainable-primarily through the establishment of business relationships between Iraqi firms and counterparts from outside the country as well as from direct investment made into Iraq. The potential vibrancy of these relationships is evident when one looks at already established and growing business relationships between Iraqi companies across various sectors and business entities in the United Kingdom, Sweden, the Gulf Cooperation Council (GCC) countries of the Arabian Gulf, Turkey, Iran and Syria. The advent of similar relationships with American businesses is at hand and is ardently sought by the Iraqi private sector at all levels and in all significant business realms. Indeed, there is a strong preference among most Iraqi businesses for relationships with American enterprises.

To help pave the way for interested investors, the U.S.-Iraq Business Dialogue (the Dialogue) serves as a vehicle to help U.S. and Iraqi companies interested in participating in Iraq's market.

The Dialogue was established in 2006 by bilateral agreement between the United States Department of Commerce and the Iraqi Ministry of Trade to facilitate private sector business growth in Iraq and to strengthen trade and investment ties between Iraq and the United States.

The U.S. and Iraqi Sections work to provide counsel to the American and Iraqi Governments through jointly-agreed recommendations of the Dialogue made to the U.S. Secretary of Commerce and the Iraqi Minister of Trade. The Dialogue's recommendations reflect private sector views, needs, and concerns regarding private sector business development in Iraq and enhanced bilateral commercial ties that can form the basis for expanded bilateral trade between the two countries.

The Dialogue works closely with the Government of Iraq, the Kurdish Regional Government, the Iraqi Chambers of Commerce and Industry, the U.S Embassy in Iraq, other U.S. Government agencies, and international organizations such as the U.S. Chamber of Commerce (the world's largest business federation) and its affiliate in Iraq, the American Chamber of Commerce-Iraq, to achieve each of these goals.

We invite you to examine the Dialogue's Terms of Reference, as well as the five key areas we feel, if addressed, will help the Iraqi and U.S. private sectors in their efforts to build a sustainable growth and development model for Iraq. As Iraq continues its re-entry into the global economy and this process moves forward, we welcome your input and your support.

The U.S.-Iraq Business Dialogue

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TERMS OF REFERENCE: THE UNITED STATES-IRAQ BUSINESS DIALOGUE

I. The United States Department of Commerce and the Iraqi Ministry of Trade (the "Parties") have formed the United States - Iraq Business Dialogue (the "Dialogue") as a bilateral business dialogue to facilitate private sector business growth in Iraq and to strengthen trade and investment ties between the Parties. These Terms of Reference are intended to provide a general framework to guide the Dialogue's work program.

II. The private sector members of the Dialogue will be comprised of two sections (the "Sections"), a United States Section and an Iraqi Section. Each Party will appoint the members to its respective Section, and will advise the other of the persons so appointed in advance of any person's participation in any meeting of the Dialogue. Each Section will be composed of approximately 10 members, who will represent the views and interests of the private sector business community. Each Section will appoint its own Section chairperson. In participating in meetings of the Dialogue, each Section will be limited to the appointed members; substitutes or alternates will not be designated. Each Section may formulate and adopt procedural rules to govern its respective Section meetings, which will take place separately from meetings of the Dialogue. The members will serve at the discretion of the respective Party. Members will normally serve three-year terms but may be reappointed.

III. The Sections will provide advice and counsel to the Parties that reflect private sector views, needs, and concerns regarding private sector business development in Iraq and enhanced bilateral commercial ties that could form the basis for expanded trade between the United States and Iraq. The Parties intend, through the Dialogue, to exchange information and encourage bilateral

discussions that address the following areas:

A. Factors that affect the growth of private sector business in Iraq, including disincentives to trade and investment and regulatory obstacles to job creation and investment growth;

B. Initiatives that the Government of Iraq might take, such as enacting, amending, enforcing, or repealing laws and regulations, to promote private sector business growth in Iraq;

C. Promotion of business opportunities in both Iraq and the United States, and identification of opportunities for U.S. and Iraqi firms to work together;

D. Attracting U.S. businesses to opportunities in Iraq and serving as a catalyst for Iraqi private sector growth.

IV. The co-chairs of the Dialogue will be, on the United States side, the U.S. Secretary of Commerce and, on the Iraqi side, the Iraqi Minister of Trade, or their respective delegates. Each co-chair will be responsible for ensuring that the views of each Section are fully conveyed within the Dialogue. Each co-chair will be principally assisted by an Executive Secretary, named by the co-chair and assisted by at least one assistant from a relevant section or department, who will arrange the organizational and other matters in connection with the meetings of the Dialogue. Agendas for Dialogue meetings should be agreed upon not later than one month prior to a Dialogue meeting.

V. A Party may select and appoint as members to its respective Section heads of private sector companies or, in the case of very large private sector companies, heads of

sizeable operating units. A Party may also select as members heads of non-profit entities, such as trade and industry associations, who possess unique technical expertise, outstanding reputations, and the ability to provide counsel with respect to private sector business development in Iraq and enhanced bilateral commercial ties that could form the basis for expanded trade between the United States and Iraq.

VI. Section members should represent a cross-section of the private sector of each country, and include small, medium and large firms and, if possible, companies and organizations from different geographic regions of each country. Section members also should represent, to the extent possible, a diversity of sectors, including, to the extent possible, agribusiness and food processing, financial services, construction and housing, information technology, and manufacturing industries.

VII. The Dialogue will be conducted on the basis of mutual agreement and the Parties may, as necessary, adopt procedures and work programs. The Dialogue will meet at times and places determined by the Dialogue and/or the Parties. The Parties will establish specific goals for each meeting of the Dialogue and will issue a joint statement on the progress towards the goals at the end of each year. Prior to each meeting, and in consultation with the Parties, the Sections will work together to prepare a report for the Dialogue to be shared with the co-chairs and other high-level officials of the United States and of Iraq that will summarize recent Dialogue activities. The Parties may use the Dialogue to prepare additional reports. The Sections and any Joint Working Groups that may be established under paragraph VIII of these Terms of Reference should meet more

frequently to focus on particular areas of interest or concern. Any report agreed upon during the work of the Dialogue should be in the Arabic and English languages.

VIII. The co-chairs of the Dialogue may establish Joint Working Groups comprised of members from both Sections as necessary to carry out Dialogue activities. Each Section chairperson will name the Section's co-chair for each Joint Working Group. The Joint Working Group co-chairs will be responsible for arranging Joint Working Group meetings, agendas, and reports.

IX. Section members will serve without compensation for their participation in Dialogue activities. Travel and related expenses associated with members' participation in Dialogue meetings, including Joint Working Group and Section meetings, will be borne by the members or by the Parties subject to their respective domestic law. Obligations of each Party under these Terms of Reference are subject to the availability of appropriated funds and to the respective laws and regulations of the United States and Iraq.

X. These Terms of Reference may be amended by mutual agreement of the Parties at any time.

SUMMARY OF RECOMMENDATIONS

The below recommendations represent the views of the Iraqi and American private sector. While there are no "easy fixes" to the impediments the Dialogue has addressed, the following recommendations represent a credible and actionable starting point for furthering the development of private commerce and industry in Iraq and deepening the relationship between Iraqi and American private sectors.

1. Consular Services for Business Visas

The U.S. Department of State should provide a long-term solution to issuing U.S. business visas in Iraq. This can be accomplished by dedicating to the U.S. Embassy consular office in Baghdad such additional staffing and technical resources required for conducting visa interviews and issuing business visas at the U.S. Embassy, and by providing consular services for Iraqi business travelers (including visa interviews) at the offices of the Regional Reconstruction Team in Erbil, Kurdistan Region, Iraq. Also, as circumstances permit and demand merits, the State Department should institute a U.S. consular office in Basra that is staffed and equipped to conduct consular interviews and issue business visas.

2. Iraqi Business Participation in U.S. Training Programs, Trade Fairs, and Symposia

The U.S. Department of Commerce International Trade Administration and Commercial Service should extend the reach of the commercial facilitation program in Iraq by developing and formalizing a program that reaches down to most Iraqi SMEs through such Iraqi organizations as the Federation of Iraqi Chambers of Commerce and the Iraqi Federation of Industries.

3. Transparency in Public Procurement

The U.S. - Iraq Business Dialogue supports the Iraq government's efforts to establish more open procurement practices and recommends that the Iraq government continue to adopt and apply procurement laws and regulations that further increase open, transparent, and nondiscriminatory public and private procurement policies, principles, and procedures to create predictability for businesses and high-quality competitive bids for the Iraq government.

4. Capitalization and Financing Programs for Private Enterprise in Iraq

To increase the availability of start-up, operating and expansion capital to Iraqi Small- and Medium-size Enterprises (SMEs) the Dialogue recommends that the Governments of Iraq and the United States:

- further encourage the private banking sector to provide credit products and financial services essential to growth;
- implement and enforce international-standard KYC rules and financial reporting by Iraqi private banks;
- direct government business, supported by the Development Fund for Iraq (DFI), to Iraqi private banks;
- establish a business-to-Government committee led by Iraqi private banks; and
- strategically target the Iraqi ex-patriot community with tangible incentives to encourage the return of capital to Iraq.

5. Technical Assistance and Aid Programs Directed Toward Reopening and Modernizing Shuttered and Under-Producing Iraqi Privately Owned Factories

The Dialogue recommends that the governments of Iraq and the United States establish a new program directed at reopening and modernizing privately owned Iraqi factories premised on the creation of private joint ventures; extend the current Iraqi First

program to provide *Buy Iraqi* preferences in U.S. government contracts and subcontracts that involve manufactured goods to be delivered to Iraq; and target existing United States Army Corps of Engineers Gulf Region Division (USACE GRD) and U.S. Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) procurement technical assistance training programs to the marketing/biddings staffs of idle or under-producing privately owned Iraqi factories.



CONSULAR SERVICES FOR BUSINESS VISAS

Background

Resolvable shortcomings in the current American visa application system for Iraq (that reportedly are unique to Iraq) constitute major obstacles to Iraqi businesspersons seeking and obtaining U.S. visas for entry into the United States to conduct business.

The major shortcoming is the practice by U.S. consular authorities conducting visa application interviews for Iraqi businesspersons only at U.S. Embassies and U.S. Consulates outside Iraq (primarily in Jordan and occasionally in Turkey), rather than in Iraq. The immediate practical effect is that, unlike in most other countries (in which United States Embassies and Consulates conduct visa interviews and issue visas locally), Iraqi businesspersons cannot obtain a U.S. business travel (B-1) visa in Iraq.

By way of elaboration, Iraqis required to travel to Amman, Jordan, for consular interviews encounter the following difficulties, each of which would be removed if the United States conducted consular interviews in Iraq:

- ❖ Road travel from Baghdad to Jordan is extremely dangerous.
- ❖ Iraqis face increased challenges traveling to Jordan due to the large number of Iraqi refugees entering the country. The government of Jordan is under increased pressure to limit entry for Iraqi citizens.
- ❖ The required travel to Jordan is difficult for the Iraqi business community given the associated additional costs and time commitments.

Ad hoc work-arounds have been tried, such as arranging for a small number of visa interviews to be conducted at the U.S. Embassy in Ankara, Turkey. However, these have not been effective, particularly since the U.S. consular staff in Ankara is only able to conduct visa interviews in English and Turkish, and not Arabic.

The foregoing poses a significant barrier to Iraqi entrepreneurs developing and participating in cross-border trade, investment, and business opportunities with American enterprises. Moreover, such impediments channel Iraqi businesses to deal more with enterprises located in countries that have more efficient and practical visa processing procedures.

By way of example, two countries - Germany and Italy -, now conduct business visa interviews and issue visas (from the German Embassy, a Schengen visa valid for travel within 15 European countries including Germany, Belgium, France, Italy, and Spain) to Iraqis at their respective embassies in Baghdad within a reasonable period of time (e.g., two weeks) from the date of application. The Italian Consulate in Erbil, Kurdistan Region, Iraq, reportedly also receives business visa applications, conducts visa interviews, and ultimately delivers business visas issued through the Italian Embassy in Baghdad.

Recommendation

The U.S. Department of State should provide a long-term solution to issuing U.S. business visas in Iraq. This can be accomplished by dedicating resources for the purpose of staffing the U.S. embassy in Baghdad and the Regional Reconstruction Team in Erbil, which can provide the following services and facilitate consular visa interviews of Iraqi businesspersons and visa issuance for qualified Iraqi candidates:

1. Provide permanent consular representation at the U.S. Embassy in Baghdad, which can conduct visa interviews.
2. Provide consular services in Erbil by instituting a U.S. consular office/officer to conduct visa interviews in Iraq.
3. Institute as circumstance permit and demand merits a U.S. consular office/officer in Basra (also an important commercial center) to conduct visa interviews for business applicants from Southern Iraq.

In this regard, the Dialogue notes that the U.S. State Department maintains multiple consular offices in other countries in the region, as well as in other countries throughout the world.

The U.S. Department of Commerce should also provide assistance to the long-term solution of issuing U.S. business visas in Iraq by making available an additional commercial service officer in Baghdad to be the liaison between the business community and the consular section of the Embassy, as is the practice at other U.S. Embassies.



IRAQI BUSINESS PARTICIPATION IN U.S. TRAINING PROGRAMS, TRADE FAIRS, AND SYMPOSIA

Background

A number of Iraqi private sector businesses have benefited considerably from the efforts of the U.S. Commercial Service in Iraq and the United States Department of Commerce International Trade Administration to recruit and assist members of the Iraqi private sector to learn about, attend, and participate in sector-specific trade fairs and commercial events held in the United States. The cost of doing so is borne entirely by the Iraqi business participants.

As a consequence of such activity several hundred Iraqi private sector business leaders have signed up to attend training programs, trade fairs and symposia in the United States since 2004. Attendance and participation has grown since then.

It is widely recognized that such U.S. government-facilitated participation by Iraqi business leaders in these commercial events represents some of the best opportunities for Iraqi businesses and U.S. businesses to explore and establish commercial relationships. Moreover, all Iraqi participants, as a matter of business judgment, have decided that such participation is commercially and economically valuable to their businesses.

Even given the best efforts in Iraq of the U.S. Commercial Service and the International Trade Administration, information about the availability of these important programs has not yet reached large numbers of Iraqi businesses because of limited staffing and resources available in Iraq to expand outreach.

At the same time, Iraqi organizations such as the Federation of Iraqi Chambers of Commerce (FICC) and the Iraqi Federation of Industries (IFI) have the capability to reach more than 300,000 Iraqi small and medium-size enterprises (SMEs) and are willing to assist in making these programs known to Iraqi businesses, soliciting expressions of interest from Iraqi businesses, and then providing favorable responses to the U.S. Commercial Service officers in Baghdad.

Recommendation

The U.S. Department of Commerce International Trade Administration and Commercial Service should extend the reach of the commercial facilitation program in Iraq by developing and formalizing a program that reaches down to most Iraqi SMEs through such Iraqi organizations as the Federation of Iraqi Chambers of Commerce and the Iraqi Federation of Industries.

TRANSPARENCY IN PUBLIC PROCUREMENT

Background

American companies are eager to help rebuild Iraq. Many companies from all industry sectors are positioned to participate in the reconstruction efforts to play an integral role in the reconstruction and stabilization efforts there. It is understood that the Iraqi government is the largest purchaser of goods of all kinds, ranging from basic commodities to high technology equipment. U.S. companies are positioned to provide high-quality goods and services and are most interested in bidding on tenders issued by Iraqi government ministries.

Iraqi government ministries have made significant strides to improve their procurement processes. The Procurement Assistance Center in the Iraqi Ministry of Planning published the *Iraq Quick Start Contracting Guide 2007*, which demonstrates the commitment by the Iraqi Government to increase transparency in public procurement. [Http://www.export.gov/iraq/pdf/contracting_guide.pdf](http://www.export.gov/iraq/pdf/contracting_guide.pdf)

The U.S. -Iraq Business Dialogue commends and supports all efforts by the Iraqi government, like the *Contracting Guide*, to continue to improve transparency in public procurement. The U.S.-Iraq Business Dialogue believes that the Iraqi Government should strive to further improve open, transparent, and nondiscriminatory public and private procurement procedures by adopting the following measures:

- Prohibit the use of technology-specific tenders, giving undue advantage to a particular company's equipment specifications, that would create barriers to trade
- Prohibit public procurement projects against companies that have violated U.N. Sanctions.
- Prohibit award reviews by a political arm of the government in order to discourage bribery.
- Guarantee certainty around procurement awards and prohibit re-tendering after an award is announced.
- Institute a dispute resolution mechanism
- Move on an expeditious basis to conclude WTO negotiations that will result in full Membership.

Recommendation

The U.S.-Iraq Business Dialogue supports the Iraq government's efforts to establish more open procurement practices and recommends that the Iraq government continue to adopt and apply procurement laws and regulations that further increase open, transparent, and nondiscriminatory public and private procurement policies, principles, and procedures to create predictability for businesses and high-quality competitive bids for the Iraq government.

CAPITALIZATION AND FINANCING PROGRAMS FOR PRIVATE ENTERPRISE IN IRAQ

Background

The continuing relative unavailability of start-up, operating and expansion capital to Iraqi Small-and Medium-size Enterprises (SMEs)- which currently comprise over 90% of Iraqi businesses-has seriously impeded the vitality and growth of the Iraqi private sector. By way of example, in countries with mature private sectors and in liberal emerging markets, start-up SMEs obtain operating and expansion capital through various credit and investment facilities provided by private financial institutions.

Over the past five years Iraq has made progress toward establishing a strong private bank sector through the efforts of both the U.S. and Iraqi governments. All of the private banks have increased their capital in accordance with Central Bank of Iraq requirements and banking infrastructure also has progressed. Foreign investment in some of the banks has resulted in stronger balance sheets and much needed credit relationships. Furthermore, new private sector banking instrumentalities have been established to address and resolve structural and regulatory barriers to private bank lending to SMEs. By way of illustration, the Iraq Company for Bank Guarantees Ltd has been established and capitalized by eleven private banks as an Iraqi owned and managed institution to provide bank guarantees to facilitate loans to SMEs and to promote modern credit management standards and cash flow based lending practices among participating commercial banks.

Notwithstanding this progress, credit vehicles for SMEs continue to be insufficiently available in Iraq owing to several key reasons.

The primary cause is the longstanding historical practice of Iraqi private banks to lend only against collateral rather than on the basis of a modern cash flow methodology supported by legally-enforceable security interests in accounts receivable, etc. The Dialogue understands that the absence of a modern and effective Iraqi secured transaction law also is a major contributing factor to Iraqi private banks not yet instituting commercial lending premised on modern cash flow methodology. The Dialogue also understands that the Government of Iraq presently is considering enacting such a secured transactions law.

Another significant cause is the flight of Iraqi wealth outside the country as the security situation worsened. Such capital could have gone into developing businesses within Iraq. Reports suggest that with recent improvements to the security situation Iraqis have been coming back to Iraq, and that return of significant Iraqi capital may be near at hand. Additional Iraqi capital thus could become available for financing Iraqi private sector expansion.

A further significant cause is the manner in which the anti-inflationary monetary policy of the International Monetary Fund (IMF) and the Central Bank of Iraq (CBI) has been implemented. Such implementation mandates high interest rates on Iraqi private bank deposits of Iraqi dinar with the CBI.

To generate deposits in Iraqi Dinar, CBI pays an essentially risk-free overnight interest rate to Iraqi private banks that regularly exceeds 20% per annum on Iraqi Dinar deposits to the Iraqi private banks. This policy and practice

has had the unintended effect of discouraging Iraqi private banks from developing a business model that includes commercial lending as core business. With such risk-free high returns on overnight deposits, Iraqi private banks understandably have oriented their business models to attracting deposits in Iraqi Dinar that then are deposited with the CBI, rather than to commercial lending.

Even when Iraqi private banks do make commercial loans to Iraqi private sector businesses, such loans bear interest rates that are higher than the risk-free CBI overnight rate and significantly higher than international commercial rates. In sum, the extraordinarily high interest rates charged by Iraqi private bank for commercial loan makes such prospective commercial lending/borrowing prohibitively expensive for Iraqi private sector business.

Another cause is the non-existence (to a great degree) of international and regional correspondent bank relationships between Iraqi private banks and financial institutions in countries that are significant trading partners with Iraq. Integration of Iraqi private banks into the international banking community through the establishment of such relationships will require:

- implementation of a modern, transparent bank regulatory and supervisory scheme, including "know your customer" (KYC) rules;
- clear financial reporting by Iraqi private banks using international financial accounting standards;
- development of financial infrastructure (including electronic funds transfer capability necessary to execute intra- and inter-bank transfer among banks), capacity building; and
- training for bank staffs as well as adaptation of modern banking practices and technologies.

Recommendations

To increase the availability of start-up, operating and expansion capital to Iraqi Small- and Medium-size Enterprises (SMEs) the Dialogue recommends that:

1. The Government of Iraq, and, as necessary, the United States Government, further encourage the private banking sector to provide credit products and financial services essential to the growth of private businesses by:
 - i) Revising the manner of implementation of IMF-CBI monetary policy mandating high lending rates to remove a major disincentive to Iraqi private bank commercial lending to private sector SMEs;
 - ii) Providing incentives to Iraqi private banks (such as loan guaranty programs similar to those offered by the U.S. Small Business Administration) to create and offer a number of modern banking products and services that are important for SME and other lending (such as construction financing mechanisms, lease financing, and revolving credits/term loans) on the basis of modern cash-flow lending methodology;
 - iii) Enacting a modern secured transactions law that enables banks to take effective security interests in cash collateral, accounts receivables, chattel paper, etc. when making cash flow-based commercial loans to private businesses.

2. International-standard KYC rules and financial reporting by Iraqi private banks using international financial accounting standards be implemented and enforced by the Government of Iraq.

3. When, and as, private sector banks are able to fill the role, Iraqi government business, supported by the Development Fund for Iraq (DFI), be directed to Iraqi private banks.

4. A business-to-Government committee led by Iraqi private banks (through an organization such as the Private Bankers of Iraq League) that also includes

representatives from large, medium and small Iraqi business entities be established to advise the Government of Iraq (including CBI) on the state of the Iraqi banking industry as well as on policies and practices that impact financing of the Iraqi private sector.

5. The recently departed Iraqi expatriate community be targeted by the Government of Iraq with both tangible incentives as well as an integrated information campaign to encourage the return of capital to Iraq for financing of Iraqi private sector expansion.



TECHNICAL ASSISTANCE AND AID PROGRAMS DIRECTED TOWARD REOPENING AND MODERNIZING SHUTTERED AND UNDER-PRODUCING IRAQI PRIVATELY OWNED FACTORIES

Background

In mid-2006, the United States Department of Defense (DoD) launched an effort directed by the Office of Deputy Undersecretary of Defense for Business Transformation to restructure and transform DoD contracting processes and systems in Iraq as well as to determine what could be done to re-activate certain Iraqi industrial State-Owned Enterprises (SOEs). The components of the effort to reactivate SOEs included: DoD teams assessing the capability of such SOEs to perform U.S. government contracts for goods and services; and informal matchmaking activities that included DoD-sponsored and assisted visits to the SOEs by senior U.S. business executives from equivalent industrial sectors for the purposes of identifying whether public-private JVs might be formed between U.S. businesses and the SOEs, and determining whether private sector markets might exist for the products of such SOEs. The DoD program (which became known as the Task Force to Improve Business and Stability Operations - Iraq) also involved the SOEs receiving technical assistance and instruction from the U.S. Army Corps of Engineers Gulf Region Division (USACE GRD) on how to successfully bid for and win U.S. government contracts awarded by the U.S. Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) and GRD.

The immediate goal of the SOE aspect of the program was to put back to work the unemployed and underemployed SOE workforces and, by so doing, to contribute to growing economic and political stability in Iraq.

Other important aspects of the DoD business and stability operations program included: the launch of an "Iraqi First" contracting program by the Commanding Generals of the Multi-National Corps-Iraq (MNC-I) and JCC-I/A directed at awarding DoD-funded contracts in Iraq to Iraqi private businesses as a matter of priority; the creation by JCC-I/A of a Host Nation Business Advisor (HNBA) program in Iraq that provides monthly workshops on DoD contracting opportunities and processes as well as networking sessions for Iraqi private businesses; and the establishment, through GRD, of several programs that provide training and mentoring to Iraq firms on DoD contracting, including a Women's Program that assists women-owned companies in competing for U.S. contracts. As a consequence of these programs, notable progress has been made: over 6000 Iraqi businesses have been registered to compete for awards of DoD contracts and over \$1.3 billion in contracts have been awarded directly to Iraqi businesses.

Even with such progress, much remains to be done.

The estimated 6000 Iraqi businesses that have been registered to compete for awards of DoD contracts constitutes only about 1.8% of the more than 330,000 privately-owned Iraqi Small- and Medium-size Enterprises (SMEs) in Iraq. These SMEs comprise over 90% of all Iraqi privately-owned businesses. According to reports received by the Dialogue from the Federation of Iraqi Chambers of

Commerce and the Iraqi Federation of Industries, most of those 330,000 privately-owned Iraqi SMEs: are unaware of the Iraqi First program; have not had the opportunity to participate either in the JCC-I/A HNBA program or the GRD training and mentoring programs; as yet have not been able to compete effectively for DoD contracts; and, thus, have workforces that are either underemployed or unemployed.

The Federation of Iraqi Chambers of Commerce and the Iraqi Federation of Industries report that the Iraqi manufacturing sector is most seriously affected by this set of circumstances: currently, most Iraqi private sector factories are in the same condition as the industrial SOEs - either shuttered or open but under producing - before the advent of the DoD Business Stability Operations program.

The private sector factories are in need of similar assistance to get a "jump re-start." Significant investment and technical assistance is needed from world-class joint-ventures and other forms of business partners from outside Iraq that are prepared to come to Iraq.

However, in large part because of the security situation, such has not yet occurred. A joint U.S. Government-Iraqi Government program is needed to kick-start the essential first three phases of private sector industrial plant restarts: (1) including authoritative market studies, sector-specific investment-grade feasibility assessments, starting with the most viable Iraqi privately owned factories in each sector; (2) identifying potential U.S. and international business partners that possess the requisite technical and business expertise as well as robust interest in entering into mutually beneficial business arrangements; and (3) arranging plant/facility visits for senior executives of such interested U.S. and international businesses (which may require assistance from DoD and coalition forces elements similar to that which made possible U.S. senior business executives' prior visits to SOEs throughout Iraq).

As with the SOEs, restarted private factories must have a reliable initial market into which to sell their products. Reportedly, many idle private Iraqi factories have the potential to produce quality goods and services required by the coalition forces in Iraq, but which presently are sourced outside Iraq and then transported into the country at greater expense than if ultimately sourced from restarted Iraqi factories. Such goods and services include furniture for military offices and living quarters; building materials (including concrete masonry brick); fresh fruits and vegetables and dairy products; uniforms for Iraqi Security Forces; and other durable goods and products purchased by DoD for use in Iraq.

The mechanisms exist for such action. As previously noted, the Iraqi First program already gives preference in awarding contracts to Iraqi firms as well as to non-Iraqi firms made firm commitments to hire, train and build the capacity of their Iraqi workforces. By putting over one billion dollars in contracts directly into the hands of 1.8% of all Iraqi businesses, the program has succeeded in building the capital as well as the technical and management capacities of the benefitted Iraqi business entities.

The Dialogue understands that the authorities exist under U.S. procurement law to expand the applicability of the Iraqi First program to express provide for "Buy Iraqi" preferences in U.S. government tenders involving delivery of manufactured goods to U.S. government agencies in Iraq.

Under the present Iraqi First program, no such preference is given. As a consequence, and by way of example, most furniture and building materials provided under the massive theater-wide requirements contracts for military housing units are purchased by such prime contractors not from Iraqi private factories, but, instead, from sources in neighboring countries and the region.

Moreover, Iraqi private factory owners would similarly benefit from the U.S. Army Corps of Engineers Gulf Region Division and the U.S. Joint Contracting Command-Iraq/Afghanistan directly seeking out private factory marketing/bidding staff to participate in ongoing procurement technical assistance training programs by which USACE GRD and JCC-I/A provide effective instruction to Iraqi businesspersons on how to bid and win competitively awarded U.S. government contracts handled by those two agencies in Iraq.

Recommendations

Accordingly, the Dialogue recommends that the governments of Iraq and the United States should do the following:

1. Establish a new program directed at reopening and modernizing privately owned Iraqi factories premised on the creation of private joint ventures, investment, and other business relationships between such Iraqi businesses on the one hand and U.S. and international business entities on the other. Such program would include:
 - i) Sector-specific Iraqi government and U.S. government-assisted investment-grade feasibility assessments studies (including authoritative market studies) of the most viable shuttered or under productive Iraqi privately owned factories in each industrial sector.
 - ii) Iraqi and U.S. governmental participation in identifying potential U.S. and international business partners that have the requisite technical and business expertise as well as robust interest in entering into mutually beneficial business arrangements. Such partners may include investment banks concentrating with recognized expertise in emerging markets as well as strategic investors with interest in various sectors.
 - iii) Arrangement of plant/facility visits for senior executives of such interested U.S. and international business partners. To make such visits possible may require assistance from DoD and coalition forces similar to that given to senior U.S. business executives who were invited to visit Iraqi SOEs on the initiative of the DoD Task Force for Business Stability Operations.
2. Extend the current Iraqi First program to provide Buy Iraqi preferences in U.S. government contracts that involve manufactured goods to be delivered to Iraq. Such provision should permit equal preference in awarding contracts to companies from coalition countries that make strong commitments to hiring, training, and building the capacity of their Iraqi workforces whether directly or by subcontract.
3. Target of existing USACE GRD and JCC-I/A U.S. government procurement technical assistance training programs to the marketing/biddings staffs of idle or under-producing privately owned Iraqi factories to make more likely that such businesses will then win contract work on the merits, rather than be disqualified from award because of unintended technical errors attributable to an absence of knowledge of U.S. competitive procurement bidding processes.

ANNEX A

U.S.-Iraq Business Dialogue Initial "Key Issues" Matrix: Developed by Joint Iraqi-U.S. Section Meeting Held at Erbil, Kurdistan Region, Iraq

FEBRUARY 2007

GOVERNMENT

- U.S.: Visa Policy-open office in Irbil to facilitate issuance
- U.S.: Travel Advisories Reflect conditions in secure sectors
- Iraq: WTO Accession Maintain momentum
- Iraq: Hydrocarbon Law- Pas sand implement
- U.S.: Intellectual Property Laws Enforcement is critical to attract investment
- Iraq: Land use laws update
- Iraq: Governments Contracting- Ensure transparency and predictability
- U.S.: Country Investment Fund Stand up, capitalize, and initiate investments in Iraq

PRIVATE SECTOR

- Designate points of contact for each delegation
- Spread word on investment opportunities in secure areas (U.S.)
- Establish information system to collect and disseminate details on business opportunities (Iraq)
- Prioritize sectors of opportunity. Create investment map (Iraq)
- Schedule follow-on meeting. Jointly establish agenda
- Share Kurdistan Business Agenda when published (April) (Iraq)
- Establish web site for Dialogue (U.S.)
- Initiate Sister City program (U.S. and Iraq)
- Encourage U.S. participation in Iraq business exhibitions (U.S.)
- Develop strategically focused business delegations to U.S. and Iraq

ANNEX B

Factors that Affect Growth of the Iraqi Private Sector Business

The Dialogue notes that the following factors significantly affect the growth of private sector business in Iraq:

- ❖ Disincentives to trade and investment and regulatory obstacles to job creation and growth;
- ❖ Initiatives that the Government of Iraq might take, such as enacting, amending, enforcing, or repealing laws and regulations directed at the growth of private sector business growth in Iraq;
- ❖ Promotion of business opportunities in both Iraq and the United States, and identification of opportunities for U.S. and Iraqi firms to work together; and
- ❖ Attracting U.S. businesses to serve as a catalyst for Iraqi private sector growth through investment and participation in Iraqi private sector commercial opportunities.

ANNEX C

Sources of Debt Financing in Iraq

The Dialogue believes it appropriate to further note, as part of this recommendation, the financial assistance programs for private sectors business operating in Iraq that have been established to date through the cooperative effort of the Governments of Iraq and the United States, as follows. (Some incentives provided by these programs are available only to Iraqi businesses; others are available only to US companies. This list is intended to be a work in progress; it is inclusive of the major programs, but not necessarily all programs).

- ❖ Iraq Middle Market Development Fund (IMMDF) Loans - \$25,000 to \$5 million term loans for businesses located in Iraq that are majority owned by Iraqis. Funded by OPIC/ IRMO, and managed by Mr. David Strine. Interest rates in the high teens. Total funding program: \$140M (disbursements and pending of \$46M as of May 2007 plus \$58 million under review). [Http://www.immdf.org.jo/](http://www.immdf.org.jo/)
- ❖ Iraqi Ministry of Labor and Social Affairs (MoLSA)/Ministry of Finance (MoF) Subsidized Loans - \$3,000 to \$10,000 (possibly up to \$40,000) for Iraqi businesses. Interest rates only 2%. Total funding: \$30 million (plus up to \$100 million more in pipeline). Apply through MoLSA credit program windows. For more information, contact simona.marinescu@bearingpoint.com
- ❖ U.S. Agency for International Development (USAID) Microfinance Loans - Micro-loans averaging \$1,400 offered to Iraqi individuals and small businesses. Managed by various Non-Government Organizations (NGOs) throughout Iraq. Interest rates in the high teens. Total loans outstanding: \$20 million. Loan@izdihar-iraq.com.
- ❖ Kiva.org Microfinance Loans - Web enabled match-making service between individual "lenders" and borrowers. Market interest rates. Currently being piloted with a microfinance institution in Kirkuk. [Www.kiva.org](http://www.kiva.org).

❖ U.S. Overseas Private Investment Corporation (OPIC) Loans - Up to \$250 million for businesses in Iraq that are at least 25% owned by U.S. citizens. Market interest rates. Two real estate projects have been funded in Iraq. [Http://www.opic.gov/financing/index.asp](http://www.opic.gov/financing/index.asp).

❖ The Iraqi Company for Bank Guarantees (ICBG) - Provides up to 70% guarantees to banks as an incentive for bank participation in cash-flow based loans from \$5,000 - \$250,000. Eleven private banks and USAID are capital participants and others banks are welcome to utilize the guarantee program. [Http://www.icbg-iq.com/](http://www.icbg-iq.com/)

Sources of Equity Financing

❖ The Iraq Fund - \$25 million hedge fund based in US, veteran owned, focused 100% on Iraq, on liquid securities (stocks and bonds) and minority private equity investments (non-operating role). Mr. Rand Hultz. Rmhultz@aim.com

❖ The Babylon Fund - \$9 million hedge fund, focused on Iraqi companies and companies with exposure to Iraq. Open to private equity investments (non-operational role). [Http://www.godvig.com](http://www.godvig.com)

❖ FDF Capital Management - Small private equity fund (under \$15 million) based in U.S., veteran owned, focused 100% on Iraq. Looking to bring capital and operational expertise to projects. <http://www.fdfcapital.com>, Wayne Culbreth, wayne@fdfcapital.com

Insurance

❖ OPIC Infrastructure Coverage - Insurance for specialized risks that are project-specific may be available, including, for example, coverage against losses resulting from the unlawful breach of specific host government obligations identified by the insured at the outset as vital to the successful operation of the project. This coverage is typically available for major infrastructure projects that involve a

network of complex relationships designed to sustain long-term financing, including key concession, supply or off-take agreements with a host government entity. Infrastructure coverage is unavailable for projects in which the host government has a controlling interest in the project company (e.g., if an Iraqi government entity or state-owned enterprise formed a joint venture with a U.S. company under a Build-Own Operate and Transfer (BOOT) contract).

[Http://www.opic.gov/insurance/index.asp](http://www.opic.gov/insurance/index.asp).

❖ OPIC Political Insurance - In addition to insuring U.S. entities against the risk of expropriation, OPIC can also insure U.S. equity investments against two other political risks: inconvertibility and political violence. Coverage against inconvertibility insures against the risk that a U.S. entity is unable to convert profits, debt service and other investment returns from local currency into U.S. dollars, or to transfer U.S. dollars out of the host country (i.e., it covers the risk of conversion and transfer but not devaluation). Political violence coverage insures against the loss of assets or income due to war, revolution, insurrection, or other politically-motivated acts of violence (including terrorism). In addition, to U.S. equity investors, OPIC can insure U.S. companies that lease equipment in Iraq against the risk of payment defaults due to expropriation, inconvertibility, or political violence.

[Http://www.opic.gov/insurance/index.asp](http://www.opic.gov/insurance/index.asp)

Business Opportunity Due Diligence

❖ U.S. Department of Commerce, U.S. Foreign Commercial Service, U.S. Embassy, Baghdad, Iraq - (1) Work with GOI Ministries on U.S. company proposals, qualifications, and replies to tenders/RFPs (2) Event Matchmaking program assists Iraqis with traveling to the U.S. and Middle East capitals to meet with U.S. businesses at trade events (3) Trade Leads program sources out U.S. and Middle Eastern companies to partner with Iraqi businesses in Iraq. [Www.buyusa.gov/iraq](http://www.buyusa.gov/iraq).

❖ U.S Trade Development Agency (USTDA) - The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops which have potential of generating U.S. business liaisons. www.ustda.gov.

❖ Task Force for Business Stability Operations (TFBSO) - US DOD program organizing, funding and hosting business delegation visits to Iraq to encourage foreign investment. www.defenselink.mil/tfbso, Ronnie Mann mann@idb.org

Contracting Opportunities

❖ Iraqi First" Contracting - United States Government-funded reconstruction contracts, big and small, through JCC-I/A specifically targeting Iraqi prime contractors, but foreign companies may bid as well. Includes classes to teach Iraqi businesses how to bid on and manage prime contracts. Host Nation Business Advisor: Shawkat Yousif, phone 703-544-1530, e-mail shawkat.yousif@pco-iraq.net. Website: <https://www.rebuilding-iraq.net>

❖ KBR Subcontracting - Life support and logistics contracts throughout Iraq. KBR will consider both Iraqi and foreign companies for subcontracting opportunities. [Http://www.kbrsupplier.com](http://www.kbrsupplier.com)

Industrial Zones

❖ Industrial Zones with Tax Exemptions - The Free Zone Authority Law No. 3/1998 (FZL) permits investment in Free Zones 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. Under the Free Zone Authority Law, goods imported and exported from the FZ are exempt from all taxes and duties, unless imported into Iraq. However, this exemption does not apply to the Reconstruction Levy (CPA Order No. 54). Capital, profits, and investment income from

projects in the FZ are exempt from all taxes and fees throughout the life of the project, including in the foundation and construction phases. The application process for an investor involves submitting an application and a fees of U.S. \$100 to the Free Zone Authority. The investor must sign a lease within 30 days of lease approval. Current FZ locations include:

- Basra/Khor al- Zubair Free Zone: This one million square mile zone is located 40 miles southwest of Basra on the Arabian Gulf at the Khor al-Zubair seaport and has been in operation since June 2004.
- Ninewa/Falafel Free Zone: this 400,000 square mile zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan and the Basra ports
- Suly is a Secured Commercial Area and not in formal operation as of yet-no infrastructure at this time.

❖ Iraqi-Based Industrial Zones ("I-BIZ") - Secured industrial zones attached to U.S. and Polish Forward Operating Bases ("FOBs"). Companies are invited to set up operations in these zones, which will be secured, but unlike the FOB, will be accessible to Iraqis. Companies could serve both the FOB and the Iraqi marketplace. An I-BIZ zone is currently open in Diwaniya. Another will be opening near Baghdad International Airport at Camp Victory in August 2007, and others will follow in Tikrit, Taji and Nasiriya. CAPT John Moore, john.moore1@iraq.centcom.mil

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●  **USAID-IZDIHAR Private Sector Growth and Employment Generation Project and the Louis Berger Group, Inc.**

The Dialogue is grateful to Louis Berger Group/*Izdihar* Project team in Iraq under the leadership of Louis Berger Chief of Party and AmCham-Iraq Executive Vice President Baljit Vohra for technical advice and assistance that was instrumental to the Dialogue gaining the fullest understanding of private sector development in Iraq, including the current status of the banking sector and financing for Iraqi Micro, Small and Medium Enterprises (MSMEs) and to the development of the Dialogue's recommendations.

The Dialogue also wishes to thank the Louis Berger Group headquarters staff in Washington, D.C. and the *Izdihar* project leadership and technical staff in Baghdad, Iraq and Erbil, Kurdistan Region, Iraq for their generous support that made possible the historic first joint transcontinental meeting of the Dialogue from those three locales in December 2007 and for hosting that meeting.

The *Izdihar* project is a USAID-funded private sector development project facilitating access to capital for MSMEs through bank lending and microfinance, upgrading business skills through business associations and training centers and enhancing the capacity of the Iraqi Government and private sector to establish a market-friendly environment for facilitating trade and investment. The project also has been working closely with Iraq's World Trade Organization (WTO) accession program, the National Investment Commission

and other implementing agencies.

The *Izdihar* project is leveraging its assistance at the provincial level in partnership and coordination with Region and Provision Reconstruction Teams (RRTs and PRTs) and local partners throughout Iraq

● **The Chamber of Commerce of the United States (U.S. Chamber of Commerce)**

The Dialogue is particularly thankful to the U.S. Chamber of Commerce for its generous contribution of editorial and graphic production capabilities, substantive private sector input, and related financial support that made the publication of this report possible. The Dialogue particularly thanks Lt. General (retired) Daniel W. Christman, Senior Vice President for International Affairs at the U.S. Chamber and Aram B. Zamgochian, Project Director, Middle East and Africa Program for their outstanding contributions.

The U.S. Chamber of Commerce is the world's largest business federation representing more than 3 million businesses of all sizes, sectors, and regions. It includes hundreds of associations, thousands of local chambers, and more than 100 American Chambers of Commerce in 91 countries, including the American Chamber of Commerce-Iraq.

The U.S. Chamber of Commerce is devoted to advancing human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

● **Federation of Iraqi Chambers of Commerce**

The Dialogue expresses its appreciation for the contributions of the Federation of Iraqi Chambers of Commerce (FICC) and the Iraqi Federation of Industries (IFI) to the work of the Dialogue. The two organizations have ensured that the Dialogue has received the most current information about business conditions in Iraq.

As part of furthering the Dialogue's research into and understanding of the needs of Iraqi private sector commerce and industry, FICC and IFI have established country-wide advisory committees consisting of members drawn from senior Iraqi business persons in each governate and Baghdad municipality and from each major Iraqi commercial and industrial sector. These efforts by FICC and IFI have contributed greatly to the Dialogue recommendations found in this report.

Together, FICC and IFI represent more than 330,000 Iraqi small and medium enterprises in all governates of Iraq and Baghdad municipality. FICC and IFI are devoted to emergence and growth of Iraqi private sector commerce and industry.

● **United States Department of Commerce and the Government of Iraq Ministry of Trade**

The Dialogue expresses its deep appreciation to U.S. Secretary of Commerce Carlos Gutierrez, Government of Iraq Minister of Trade Dr. Abd-al-Falah al-Sudani the senior leadership of both the U.S. Department of Commerce and the Government of Iraq Ministry of Trade for providing informational and staff support that has made this report possible.

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The Dialogue also wishes to express its deep gratitude to the U.S. Department of Commerce for providing the Dialogue with generous financial support that has made possible the Arabic translation of this report.



MEMBERS OF THE U.S.-IRAQ BUSINESS DIALOGUE

Iraqi Section

Jaafar Rasul Jaafar

*Chair, Iraqi Section of the Dialogue;
Chairman, Federation of Iraqi Chambers of
Commerce;
Vice Chairman, Arab-German Chamber of
Commerce and Industry;
Newspaper Chief Editor*

The Dialogue Iraqi Section selected Mr. Jaafar as section Chairman. Mr. Jaafar also serves as Chairman of the Federation of Iraqi Chambers of Commerce (FICC). In that capacity, he represents private sector business in Iraq Joint Committees and participates in trade activities with various Iraqi ministries as well as international conferences and trade fairs on rebuilding Iraq. Mr. Jaafar also is Chief Editor of Al Fajar Al Sadiq newspaper and Al Kalam Al Tayab, and serves as Vice Chairman of the Arab-German Chamber of Commerce and Industry. Mr. Jaafar is a university graduate in administration and economy.

Hashim Thanun Ali

*Vice-Chair, Iraqi Section of the Dialogue;
Chairman, Iraqi Federation of Industries; Founder
and Principal, Iraqi Private Sector Industrial
Businesses*

The Dialogue Iraqi Section selected Mr. Hashim Thanun Ali to serve as section Vice-Chairman. Mr. Hashim has been an Iraqi industrialist for more than two decades, owing and operating the following manufacturing businesses: Al Firas Factory for Leather (Baghdad), Al Nibras Company for Plastic (Mosul), Al Hadeba Company for Chemical Industries (Mosul) and Al Iraq factor for Metallic Joints. From 2003-2006, he served on the Board of Directors of the Iraqi Businessman's Union. Mr. Hashim Thanun Ali also is a university graduate in law.

Dara Jaleel Khaleel Al-Khayat

*Chairman, Erbil Chamber of Commerce;
Chairman, Kurdistan Union of Chambers of
Commerce;
Vice-Chairman, Federation of Iraqi Chambers of
Commerce;
Founder and Principal, Iraqi Private Sector Trade
and Construction Businesses*

Mr. Dara Jaleel Khaleel Al-Khayat currently serves as Chairman of the Erbil Chamber of Commerce, Chairman of the Kurdistan Union of Chambers of Commerce and as Vice-Chairman of the Federation of Iraqi Chambers of Commerce. Since the late 1960s, he has been heavily involved in private sector business in Iraq as the founder of several trading and industrial companies, including Safeen Company for Trade Agency (a distributor for Daewoo Electronics and Beko Electronic and Electric Company and other companies), Shereen Company for Swimming and Al-Khayat Company for Industrial Construction (the owner and operator of a large mosaic rock factory) and Makin Company for Trade. Mr. Dara Jaleel Khaleel Al-Khayat also is a graduate of an Iraqi college of law.

Makki Hassan Hamadi Al-Sudani

*Chairman, Basra Chamber of Commerce;
Principal, Private Sector Iraqi Communications and
Electronics Business*

Mr. Makki Hassan Hamadi Al-Sudani is Chairman of the Basra Chamber of Commerce and the founder and principal of Al Sabaa Company for Communications and Electronics. He has worked in the field of electrical appliances and electronic equipment his graduation from university in 1975 with a degree in business administration degree. From age 16

until his graduation, he worked in the fields of clothing and construction materials.

Zuhair M.R. Sharba

*Chairman, Najaf Chamber of Commerce;
Principal, Private Sector Iraqi General Contracting
and Trade Agency Companies*

Mr. Zuhair M.R. Sharba is Chairman of the Najaf Chamber of Commerce and through 2006 was Chairman of the Najaf Branch of the Iraqi Federation of Contractors. He also is a principal of Al Jamea Company for General Contracting and Al-Azhar Company for Trade Agencies.

Hassan Baqi Hassan

*Chairman, Sulaymaniyah Chamber of Commerce;
Principal, Private Sector Iraqi General Trading,
Food Stuff, Industrial and Estate Companies*

Mr. Hassan Baqi Hassan is Chairman of the Sulaymaniyah Chamber of Commerce. After earning his degree in English from an Iraqi university in 1996, he was employed by the Kurdish Reconstruction Organization (KRO). In 1997, Mr. Hassan Baqi Hassan founded and then headed the public department of the Kurdistan Regional Development Authority (RDA). He served in that position through 2000. Currently, Mr. Hassan Baqi Hassan also is a principal of several private sector general trading, food stuff, industrial and estates private sector companies that have offices in Baghdad, Sulaymaniyah, Erbil and Istanbul.

Shaker Abed Oda Shuhayeb

*Chairman, Karbala Chamber of Commerce
Principal, Private Sector Iraqi General Trading,
Construction and Transportation Services
Companies*

Mr. Shaker Abed Oda Shuhayeb is Chairman of the Karbala Chamber of Commerce. For almost three decades, he has worked in Iraqi private sector trading and construction, establishing and operating Al Mayah Company for General Trading in 1979, a construction company in 1989, and subsequently Transco

Arabian Company for Transportation Services as well as a cotton workshop. Mr. Shaker Abed Oda Shuhayeb earned his degree in psychology and education from an Iraqi university in 1976.

Abdul Razaq Akal Al Zuhairi

*Chairman, Nasiriyah Chamber of Commerce;
Nasiriyah Sport Club;
Manager, Private Sector Iraqi General Trading and
Import-Export Companies*

Mr. Abdul Razaq Akal Al Zuhairi is Chairman of the Nasiriyah Chamber of Commerce. Since 1992, he has been first a participant and then manager of Iraqi general trading and import-export companies. Mr. Abdul Razaq Akal Al Zuhairi also currently heads the Nasiriyah Sport Club. He is active as well in welfare and humanitarian affairs.

Hussein Ali Ahmed

*Vice Chairman, Iraqi Federation of Industries;
Member, Supreme Committee for Employment;
Principal, Private Sector Iraqi Industrial
Engineering and Technical Factory Companies*

Mr. Hussein Ali Ahmed serves as Vice Chairman of the Iraqi Federation of Industries and as a member of the Supreme Committee for Employment. He has been an Iraqi private sector industrialist for more than 24 years. Mr. Hussein Ali Ahmed also is Director General of Ibtikar Company for Industrial Engineering and of New Technical Factory, positions that he has held since 1999. Since late 2003, he also has regularly conferred with international organizations, non-governmental organizations and conferences on needed measures to restore and improve the capacity of Iraqi private sector industrial businesses. He earned his undergraduate degree in mechanical engineering from an Iraqi university in 1976.

Mr. Mahdi Y. Mahdi

Proprietor, Dijla and Furat Company Ltd for General Trading and Exchange

Mr. Mahdi Y. Mahdi is the proprietor of Dijla and Furat Company Ltd. for General Trading and Exchange and is a member of the Baghdad Chamber of Commerce. Under his leadership, Dijla and Furat Company established its headquarters in Baghdad and branch offices within Iraq in Mosul, Erbil, Zakho, Sulaymaniyah and Duhok and outside Iraq in Amman, Jordan. Mr. Mahdi Y. Mahdi earned a graduate degree from an Iraqi university.

U.S. Section

Timothy B. Mills

Chair, U.S. Section of the Dialogue and President, American Chamber of Commerce-Iraq

The U.S. Section of the Dialogue selected Mr. Mills as section Chairman. Mr. Mills also serves as President of the American Chamber of Commerce-Iraq (AmCham-Iraq), Mr. Mills serves as the chief executive officer of the 350-member Chamber and bears primary responsibility all AmCham-Iraq programs and activities. Mr. Mills is also a partner in the Washington, DC office of the law firm of Maggs & McDermott, LLC and has been deeply involved in legal issues concerning Iraq for much of the past decade. Most recently, the Government of Iraq has appointed Mr. Mills as outside legal counsel/advisor to His Excellency Prime Minister Nouri Al-Maliki and the Government of Iraq with respect to the relationship between the governments of the United States and Iraq on issues of foreign sovereign immunity of Iraq in United States courts. Mr. Mills also is lead defense counsel for the Republic of Iraq in a number of Saddam-era cases presently pending in U.S. courts, including In re Terrorists Attacks on September 11, 2001.

Ali Qaragholi

Vice-Chair, U.S. Section of the Dialogue and General Manager, Solemar, LLC

The U.S. Section of the Dialogue selected Mr. Qaragholi to serve as section Vice-Chairman. Mr. Qaragholi is an Iraqi-American developer working since 2003 on housing projects and mortgage finance issues in southern Iraq. He has over 20 years of housing construction experience as a developer in the DC region. Prior to immigrating to the United States in 1980, he ran his own construction company in Baghdad from 1968-1980. He previously worked as a civil engineer for the Iraqi Department of Water.

Elizabeth Avery

Vice President, International Government Affairs PepsiCo

Ms. Avery manages PepsiCo's international government relations and trade advocacy agenda worldwide, with a focus on the Middle East, Asia and Latin America. PepsiCo was the first consumer product company to re-enter Iraq when sanctions were lifted in 2003. Since that time, PepsiCo and its partners have invested approximately \$60 million in Iraq and employ over 1,600 people in its 3 plants in Baghdad, Kufa and Erbil. A fourth plant in Basra is expected to employ another 200-300 Iraqis by the end of 2009.

Lt. Gen. (ret) Daniel Christman

Senior Vice President for International Affairs U.S. Chamber of Commerce

LTG (Ret.) Daniel W. Christman is senior vice president for International Affairs at the United States Chamber of Commerce. He is responsible for representing the Chamber before foreign business leaders and government officials and for providing strategic leadership on international issues affecting the business community. He oversees a team of dozens of policy analysts and program coordinators who are committed to global business engagement. Before

joining the Chamber, Christman served for two years as the president and executive director of the Kimsey Foundation, where he helped launch a program on political reform in China in coordination with the Carnegie Endowment for International Peace.

Christman, a career military officer who retired from active duty in 2001, served for five years as the superintendent of the United States Military Academy at West Point. He also served for two years as assistant to the chairman of the Joint Chiefs of Staff, during which time he traveled with and advised Secretary of State Warren Christopher. He was centrally involved during this period with negotiations between Israel and Syria as a member of the Secretary's Middle East Peace Team. Further, Christman represented the United States as a member of NATO's Military Committee in Brussels, Belgium.

Christman has written and lectured extensively on leadership and national defense, including the ongoing war against international terrorism.

He also served as a military analyst for CNN International during Operation Iraqi Freedom. He is a frequent contributor to CNN, and has also appeared on ABC, Fox, MSNBC, CNBC, and C-SPAN to discuss defense and national security issues. During the Gulf War in 1991, he headed a strategic planning group that advised the Army's chief of staff on war prosecution policies. Graduating first in his class from West Point, Christman also received MPA and MSE degrees in public affairs and civil engineering from Princeton University and graduated with honors from The George Washington University Law School.

He is a decorated combat veteran of Southeast Asia, where he commanded a company in the 101st Airborne Division in 1969.

On four occasions, Christman has been awarded the Army and Defense Distinguished Service Medal, which is the Defense Department's highest peacetime award.

John DeBlasio

President Sallyport Global Holdings

Sallyport is predominantly a provider of logistical support services including facilities management, training, close protection security, transportation services, and program management. Prior to forming Sallyport in 2004, Mr. DeBlasio served as a Civil Affairs Officer with the rank of Major in the US Army, working first at the Humanitarian Assistance Coordination Center at the US Embassy in Amman and subsequently as an advisor to the Iraqi Ministry of Trade. He previously served as a global account manager for GE Plastics.

Greg Farmer

*Senior Vice President, Global Government Relations and Trade
Nortel*

Mr. Farmer is responsible for Nortel's global government relations strategy, including Nortel's activities in Iraq. As a former U.S. Under Secretary of Commerce and Secretary of Commerce for the State of Florida, he works with U.S. Government leaders and governing bodies around the globe, coordinating Nortel's positions on international trade, communications and high tech, tax and other issues. Mr. Farmer has extensive legislative and political experience having held high-level positions in the U.S. Congress and the White House and serves on the Board of the Telecommunications Industry Association. Nortel, a recognized world leader in delivering communications capabilities to customers in 150 countries, delivers innovative technology solutions encompassing end-to-end broadband, Voice over IP, multimedia services and applications, and wireless broadband to its service provider and enterprise customers. The company delivers enhanced network management capabilities and helps governments, businesses and individuals stay ahead of security threats. Nortel continues to play a significant role in modernizing Iraq's telecommunications infrastructure across the country. In addition to Nortel's work for USAID

reconstruction projects installing fiber optic networks, it is a contractor to the Iraqi Ministry of Communications and the sole equipment supplier to a number of Iraqi telecommunications firms.

Scott Ingersoll

*Vice President
ExxonMobil Iraq Limited*

Mr. Ingersoll has over 30 years of experience in the oil and gas industry and is currently responsible for ExxonMobil's activities in Iraq. Since October 2004, Exxon Mobil has conducted joint technical studies, provided assistance to Iraq's oil sector, and provided training to numerous Ministry of Oil representatives.

Howard B. Lowry

*General Manager
Al-Ahel Company for Trading Agencies*

Mr. Lowry is the Manager of five companies set up in Iraq whose services include logistical support, security services, and company representation. He lives in both San Antonio and Baghdad and has extensive contacts throughout central and southern Iraq where he has been doing business for four years.

Jo Morrison

*Vice President
JPMorgan Chase Bank N.A.*

Jo Morrison is a Vice President of JPMorgan Chase Bank's Global Trade Product Management Group. She is a senior international banker with background dedicated to international finance and almost 40 years experience in financing trade. She has been a banking officer responsible for multinational corporations, small and medium sized companies as well as working with debt burdened and emerging markets. She is experienced in using risk mitigation techniques including Export Credit Agencies (ECAs), private insurance and distribution of trade debt. Her expertise is in structuring solutions for customers' Trade Finance needs.

Jo has been a member of the White House Committee to Increase U.S. Exports. Jo was also involved in implementing the Trade Bank of Iraq's operation for JPMorgan Chase. She currently advises global exporters selling to Iraq.

Joseph E. Samora, Jr.

*Senior Vice President
Case New Holland*

Since 2003, Mr. Samora has been coordinating Case New Holland's Iraq reconstruction efforts. For over 30 years, Case and New Holland have been the market leading brands in Iraq for construction and agricultural equipment, respectively. Currently, there are more pieces of Case construction equipment and New Holland agricultural equipment in Iraq than any other western manufacturer. In conjunction with its local partner, Case New Holland has worked with USAID and other U.S. and Iraqi Government agencies to assist the rehabilitation of the agricultural sector.