

Commercial Strategies for Iraq

By Sean Reilly, Iraq Investment and Reconstruction Task Force,
U.S. Department of Commerce

Iraq's blend of educated, resourceful people; rich agricultural potential; abundant natural resources; and central location in the Middle East make it a country well positioned for trade and investment. In the near-term, such investment is clearly constrained by Iraq's difficult security situation and evolving legal structures. However, those companies with sufficient savvy to navigate Iraq's burgeoning marketplace today, will be better placed to reap the windfalls of a booming economy tomorrow. While nowhere is this more true than in Iraq's energy sector, the Iraqi economy of the future is sure to be more thoroughly diversified than some of its petrol-pumping partners in the region. Companies should consider carefully the broader opportunities presented by the Iraqi marketplace. Clever market entry strategies can assist firms awaiting finalization of hydrocarbon legislation or implementing regulations for the investment law. For U.S. firms, the U.S. Department of Commerce can assist you to find partners and plot the right course to gain a foothold in the challenging, but lucrative, Iraqi marketplace.

Beyond Oil

Iraq's well-known bounty of petroleum reserves will deservedly attract successful and able foreign investors worldwide. The Government of Iraq has estimated the four-year investment needs of this sector at approximately \$36 billion. Opportunities in the sector will become more available as the Iraqi Government passes legislation governing the hydrocarbon sector and executes contracts in a fair and timely manner. Iraqi ministries and managers urgently need international project expertise, technology and training to efficiently develop this sector. Engineering, logistics, construction, power generation, communications, and equipment manufacturing firms will all be a part of this effort. However, foreign firms need not sit idly

while legislation in the hydrocarbon sector is finalized and implemented. Major opportunities exist now for firms to gain a foothold in the Iraqi market outside the hydrocarbon sector, and exploit cross-sectoral synergies. Primary sectors for such investment include housing, power, and transportation.

Housing Construction

While the oil sector may be Iraq's marquee industry, housing may well be its biggest potential boom. The estimated investment need of Iraq's housing sector for the period 2007-2010 is \$52 billion, or almost 50% larger than Iraq's oil sector. There is a crucial need to build one million housing units during the next four years. Private investment is expected to play a major role in this field, especially in the construction of housing units for upper- and middle-income residents. Construction contractors exploring opportunities in Iraq's hydrocarbon sector can find sizeable synergies and lucrative opportunities in Iraq's critically underserved housing sector. Immediate opportunities exist in Iraq's relatively secure provinces, including Dahuk, Erbil, Sulaymaniyah and most of Karbala, Dhi Qar, Maysan, Muthanna, and Ninewa.

Power

An estimated 11,000 additional megawatts of power generation and 13,000 kilometers of distribution lines need to be added in the next four years, which will require an estimated \$16.5 billion of investment. To further induce foreign investment in this sector, the Government of Iraq has stated its intention to allow independent power projects on both a Build-Own-Transfer (BOT) and Build-Own-Operate (BOO) basis.

Transportation

Iraq's railways, ports, and civil aviation infrastructure have suffered greatly in the



INTERNATIONAL
TRADE
ADMINISTRATION

Summit Guide sponsored by



Human energy™

Companies waiting for opportunities in Iraq's hydrocarbon sector can gain a foothold in Iraq now through participating in projects such as the construction of the \$1 billion NASDAK mall (800 shops) and office (400 units) complex in Erbil shown here.



absence of concerted maintenance and investment from either the state or the private sector. The result is a need for an estimated \$30 billion in investment over the next four years to modernize and restructure this sector. An estimated \$16 billion is needed for the rehabilitation of Iraq's mostly dilapidated railways, depleted rolling stock, and looted stations. Approximately \$5.3 billion of investment is needed for Iraq's civil aviation sector. Meanwhile continued dredging around the Umm Qasr Port and the removal of wrecks in the Shatt al-Arab waterway, as well as other port improvements, remain critical.

Market Entry Strategies

Many firms looking to take advantage of Iraq's array of trade and investment opportunities in the near-term will need thoughtful strategies to penetrate this uniquely challenging marketplace. Despite the legal uncertainty that clouds investment in some sectors such as hydrocarbons, companies can engage in other business activities to gain a foothold in the market.

Iraqi Government Contracting

Iraqi Ministries, including state-owned firms and local governments, are awarding contracts.

Many of these Ministries have an internal office that handles the procurement process. Ministry tenders are generally announced on Iraqi Government websites, where available, or via advertisements in Iraqi newspapers. Companies, from any country, can also sign up for the U.S. Commerce Department's Iraq Investment and Reconstruction Task Force's "IraqAlert" service to receive emails regarding Iraqi Ministry tenders (as well as tenders from the U.S. Government and other international organizations). Go to: www.export.gov/iraq.

Joint Ventures With State-Owned Enterprises

Iraq's state-dominated legacy has left a large portion of Iraq's industrial capacity in the hands of the various Iraqi Ministries. As a stepping stone to privatization or commercialization, some ministries are involving international investors in the rehabilitation of some of Iraq's state-owned enterprises through joint venture agreements. Iraq's Ministry of Industry and Minerals is currently seeking strong international investors to enter into joint venture production-sharing partnerships with its state-owned plants in several industries, including cement, glass and ceramics, paper, petrochemicals, iron and steel, sanitary ware, and automobiles. The proposal deadline is June 6, 2007 and more information

Summit Guide sponsored by



Human energy™

U.S. companies can find immediate opportunities partnering with some of Iraq's State-Owned Enterprises. The Ministry of Industry and Mineral's State Company for Glass & Ceramics in Ramadi, Al Anbar, whose equipment is pictured here, is currently seeking an international partner.



can be found at www.industry.gov.iq or www.export.gov/iraq.

Connect With Iraq's Private Sector

Business centers have opened in Iraq to facilitate business-to-business linkages. A list of these can be found at www.export.gov/iraq/links/index.html. U.S. firms can also receive assistance in this area from the U.S. Commercial Service team, which now features offices in Baghdad, Erbil, and Amman. Go to www.buyusa.gov/iraq for more information.

Establish Demonstration Projects

Iraq's Government, private sector and consumers are all thirsty for the latest technology that can be adapted to and maintained in a country still making up for over a decade of isolation and severe under-investment in human and financial capital. International companies may consider setting-up a demonstration site in-country to give Iraqi customers better access to the technology. For U.S. firms, the U.S. Commercial Service can offer suggestions to U.S. companies interested in this opportunity to showcase their capabilities.

Offer Industry Externships

International companies may consider funding 2-4 week externships for Iraqi Government officials or private sector representatives to visit the companies' international operations and learn about the technology, business practices, and culture of seasoned international firms. This type of relationship may ultimately provide these potential foreign investors with an edge in the Iraqi market. For U.S. firms, the U.S. Commercial Service can help U.S. companies identify Iraqis who would benefit from these externships.

U.S. DEPARTMENT OF COMMERCE AND IRAQ

The U.S. Department of Commerce is deeply engaged with the Iraqi Government and Iraqi private sector to build a strong Iraqi economy. The U.S. and Foreign Commercial Service now has offices in Baghdad, Erbil, and Amman to better serve its clients to expand commercial ties between the United States and Iraq. The Washington D.C.-based Iraq Investment and Reconstruction Task Force serves as an information clearinghouse for commercial opportunities in Iraq. Both offices are also serving the international community through the provision of extensive information about doing business in Iraq through their detailed websites. Please visit www.buyusa.gov/iraq or www.export.gov/iraq for more information.

Summit Guide sponsored by



Human energy™