

## Are you ready for Iraq?

Iraq's expanding oil and gas, education, health care, construction, aviation and defense sectors offer significant opportunities for U.S. businesses. Real GDP growth has exceeded 10% per year in recent years, and trade with and investment from neighboring countries is growing. U.S. firms may want to establish a presence in Iraq now, in order to take advantage of additional opportunities as they emerge. At the same time, U.S. businesses should be aware of challenges posed by Iraq's unique operating environment, including security issues. Doing business in Iraq requires preparedness, presence, persistence, and patience. Answer the following questions to enhance your chance of success.

1. Do you have prior export experience in at least one foreign market in the Middle East?
2. Does your senior management have the patience to commit for the long-haul to consummate a deal? You will need to prepare an international marketing plan with realistic goals, Iraq-specific marketing strategies, progress benchmarks, and an exit plan. This requires a willingness to incur higher than usual operating costs related to security, top management support, designation of an internal Iraq sales manager and technical staff who are willing to travel to Iraq often, and support staff including an interpreter or translator to facilitate communication with Iraqi buyers. This usually will include registering a new local entity or a branch office with the Iraqi Companies Registrar's Office, having a local partner on the ground, and assuming a multi-year engagement plan. Businesses may want to identify an export management firm and legal/business consulting firm with Iraq experience to conduct a more detailed review of your Iraq strategy and assess your company's readiness to contend with the legal, business, commercial, and security risks.
3. Are you prepared to devote the time to become well-familiarized with export logistics unique to Iraq including negotiation of letters of credit, freight forwarders, export documentation, and export licensing?
4. Are you prepared to deal with and reject corruption in your business dealings? Do you have a strong compliance regime in place in accordance with the Foreign Corrupt Practices Act (FCPA)? According to Transparency International, Iraq ranks 175<sup>th</sup> out of 178 countries in terms of perceived corruption. Businesses should identify and retain a competent law firm that has a presence in Iraq and also understands the Foreign Corrupt Practices Act (FCPA) and other U.S. statutes which require a compliance program for U.S. businesses and persons.
5. In most areas, Iraq remains a high-risk security environment that requires adequate security arrangements. Do you have sufficient financial resources and perseverance to operate in a "non-permissive" environment using a protective security detail? Depending on travel and accommodation needs, the costs can range from \$4,000 - \$7,000 per day.
6. Are you willing to demonstrate an active market presence by marketing your products in Iraq, by translating your company literature and brochures, by participating in local and regional trade shows, and by organizing customer informational seminars?
7. Are you prepared to host visits by potential buyers to conclude sales negotiations, facilitate pre-contractual equipment inspections, and provide installation training?

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8. Do you have the ability to acquire and analyze Iraqi market data, identify sources of competition including domestic and foreign firms (China, Korea, France, and Ukraine etc), and ascertain distribution channels? The Foreign Commercial Service provides such information as far as resources permit, but businesses should be prepared to seek additional sources of commercial intelligence.

9. Are you prepared to respond to a still-developing legal and regulatory environment with limited information from the Government of Iraq and to adapt as changes occur? For example, do you have the ability to understand Iraqi import regulations, safety certification and labeling requirements, and cultural preferences to modify the product and its packaging? The Country Commercial Guide provides market research and exporting reference pages.

10. Do you have sufficient financial resources to engage services of local attorneys or consultants to navigate Iraq's system of international trade regulations, develop a sales contract that is enforceable in Iraq, undertake due diligence investigations, and address problems?

11. Do you have the ability and financial resources to recruit, vet, retain, and train a suitable local sales agent or distributor, for market research, customer introductions, and planning sales goals? If not, your company may be able to explore the market, but will eventually need to augment its capabilities in order to support expansion of market activity. Some new-to-market firms explore the market through direct exports and a representative agent while acquiring market knowledge. After this phase, a firm evaluates whether market prospects merit commitment of resources to select and manage a local sales agent or distributor.

12. If you are providing machinery or equipment, are you committed to providing Iraqi customers quality service, which may necessitate frequent travel to Iraq by a technician or establishment of an equipment service and maintenance center with an Iraqi partner?

If not, your company may need to commit more resources in the future to maintain the quality of service delivery or the installed equipment base. Most companies with a mature market presence eventually establish a joint venture service center with an Iraqi partner.

Many of the above notes make Iraq look like an immensely difficult market to operate in. However, with the proper planning, research, and advice, U.S. businesses can significantly reduce the risks of doing business in Iraq and successfully establish operations. Iraq is in need of a wide variety of goods and services. Its national revenues are expected to quadruple over the next 10 years as the oil sector continues to develop. The demand and resources of its economy offer the potential of a vibrant expanding market over the coming years.