

DOING BUSINESS IN IRAQ



Baghdad's Karrada district.

Iraq is an attractive investment...

The resources...

Iraq is a uniquely attractive place for business in the Middle East. Iraq's blend of hardworking, resourceful people; rich agricultural potential; abundant natural resources, including oil, phosphate, and sulfur; and a central Middle East location make it ideally suited for investment opportunities. Despite decades of under-investment and an ensuing war for the liberation of its people, Iraq is rapidly recovering and on the road to a booming future. The potential of Iraq's people and its abundant resources is being unleashed in the country's new free market economy.

The market...

Iraq has close to 25 million people with a long-suppressed demand for the modern goods and services which were denied to them for years. Since the summer of 2003, consumption has increased as a result of an increase in wages and the opening of international trade. A surge in recent foreign-donor investment will result in up to a million new jobs, provide significant economic stimulus, and accelerate consumption and growth in 2004 and beyond. The recent establishment of a new, single currency, a transparent legal environment, and an open business environment will help ensure strong, sustained growth in the years ahead.

Reconstruction spending...

Reconstruction spending will boost development of the Iraqi economy, driving up non-oil GDP by an expected one-third over the next two years. U.S. supplemental spending will bring US\$18.4 billion to the effort. International donors are contributing US\$13 billion, and private sector investment will draw billions more. The reconstruction effort in Iraq is one of the largest reconstruction efforts ever launched.

The most attractive sectors...

Given the economic environment, the most significant developments will likely be seen in certain sectors:

- ◆ Agriculture and agricultural equipment
- ◆ Branded foods and beverages
- ◆ Construction and construction materials
- ◆ Consumer packaged goods
- ◆ Electricity
- ◆ Electronics and appliances
- ◆ Financial services and capital markets
- ◆ Franchising
- ◆ Healthcare
- ◆ Oil infrastructure
- ◆ Petrochemicals
- ◆ Retailing
- ◆ Telecommunications
- ◆ Water treatment and resources

The best opportunities will be available to those who come early...

Iraq's economy is booming and ripe for development. Many companies are already in Iraq establishing a business presence. Those who wait will be left behind.

Laws affecting foreign investment

Foreign Direct Investment (Order 39)

On 19 September 2003, the new foreign investment law was passed. The law permits 100% foreign ownership of businesses in all sectors except oil and mineral extraction. Foreign-owned retailing businesses must provide a US\$100,000 bond before conducting business in Iraq. The foreign investment law permits unrestricted, tax-free remittance of profits. Foreigners and foreign-owned companies cannot purchase land, but land can be leased for up to 40 years. Foreigners may purchase insurance for all aspects of investment. Contracts and disputes are subject to Iraqi law. The foreign investment law establishes the equality of foreigners and Iraqis on all terms of commercial interaction.

Banking (Order 40 and Annex A)

The new banking law provides for the granting of up to six foreign bank charters over the next five years to banks wishing to enter the Iraqi market. An unlimited number of banks may purchase up to 50% of an Iraqi bank. Foreign banks may enter Iraq as branches, subsidiaries, representative offices, or through partnerships with Iraqi banks.

Taxes (Order 37)

The new tax law provides a maximum marginal income tax rate of 15% for both corporations and individuals.

Tariffs (Order 38)

The new law on trade provides for free trade and a two-year (ending by January 1, 2006) 5% tariff to help finance reconstruction. Food, medicine, clothing, and books are exempt from the tariff.

Intellectual property laws

Iraq has several intellectual property laws in place, including laws on copyrights, patents and industrial designs, and trademarks. These documents can be reviewed with legal counsel from Iraq.

Commercial law and company registration

The revised commercial law is before the Governing Council for approval. Updated procedures for company registration have been outlined and will be implemented upon approval of the commercial law.

Securities Law

The revised interim securities law is before the Governing Council for approval. The interim law establishes three new legal entities - the Iraq Stock Exchange, the Securities and Exchange Commission, and the Depository Operations Center - to bring Iraq in line with international standards of practice.

Governance in Iraq

Transition to a Sovereign Iraqi Government

On November 15, 2003, a timeline for the development of a constitution and the transition to a sovereign Iraqi government was agreed upon. The schedule is outlined below, but is subject to change based on the U.N. assessment.

- ◆ February 28, 2004: Drafting of the Fundamental Law
- ◆ May 31, 2004: Selection of the Transitional National Administration
- ◆ June 30, 2004: Transfer of authority to the Transitional National Administration
- ◆ March 15, 2005: Elections for the delegates of the Constitutional Convention
- ◆ December 31, 2005: Ratification of the Constitution through popular referendum and elections for a new permanent Iraqi government

Ministries

The Ministries play an important role in enabling a smooth transition to a sovereign Iraqi government.

Ministry of Agriculture
Abdul Amir Al-Abood

Ministry of Communication
Dr. Haydar al-Abadi

Ministry of Construction & Housing
Bayan Baqir Solagh (Bayan Jabur)

Ministry of Culture
Mufid Muhammad Juwad al-Jaza'iri

Ministry of Education
Dr. Ala'din Abdul Sahib Alwan

Ministry of Electricity
Dr. Aiham Alsammarae

Ministry of Environment
Abdel Rahman Sadiq Karim

Ministry of Expatriates & Immigrants
Muhammad Jasim Khdeir

Ministry of Finance
Kamel al-Keilani

Ministry of Foreign Affairs
Mr. Hoshiyar Mahmud Muhammad al-Zibari

Ministry of Health
Dr. Khidr Abbas

Ministry of Higher Education
Ziad Abdel Razzaq Muhammad Aswad

Ministry of Human Rights
Abdel Basit Turki

Ministry of Industry & Minerals
Eng. Muhammad Tawfiq Rahim

Ministry of Interior
Nouri Badran

Ministry of Justice
Hashim Abdel Rahman al-Shibli

Ministry of Labor & Social Affairs
Sami Azara al-Ma'jun

Ministry of Oil

Dr. Ibrahim Bahr al-Uloum

Ministry of Planning
Dr. Mehdi al-Hafidh

Ministry of Public Works
Mrs. Nasreen Mustafa Sadiq Barwari

Ministry of Science & Technology
Rashad Omar Mindan

Ministry of Trade
Dr. Ali Allawi

Ministry of Transportation
Bahnam Ziya Boulos

Ministry of Water Resources
Dr. Latif Rashid

Ministry of Youth & Sport
Ali Fa'iq al-Ghabban

Coalition Provisional Authority (CPA) Senior Advisors

The CPA Senior Advisors assist with the administration of the Ministries. In the approach to the transfer to sovereignty, the Advisors play an important role in helping build the necessary infrastructure and capacity within the Ministries.

Visiting Iraq

We encourage you to visit Iraq and witness first-hand the opportunities available in its market and the potential of its people...

Flights

Flights are available most days from Amman to Baghdad and can be arranged by contacting the Royal Jordanian Airlines office in Amman at +962 6 5678321. Bookings on this flight sometimes require an invitation from the CPA. If this is requested, please contact the CPA Private Sector Development office in Baghdad at +1 (703)343-8108 or email foreigninvestment@orha.centcom.mil with the subject line "Invitation for Flight."

Travel by car

From Jordan: Travel time from Amman to Baghdad is approximately 10 to 12 hours (5 to 6 hours from the border to Baghdad) via Trebil. The route is a high-quality four- to six-lane road. However, security can be an issue along this route. A security briefing is recommended prior to making this drive. Hired car/taxi services and private security firms are the most common means of transport. Fuel and convenience stores exist, but travelers should plan to carry extra water, food, and fuel to avoid unnecessary stops.

From Kuwait: Travel time from Kuwait to Baghdad via the Safwan border point is approximately 6 hours and passes through Basrah, Al-Amarah, Kut, and Hillah.

From Turkey: Travel time from Turkey to Baghdad via the Zakho border point is approximately 4 to 5 hours from the border and passes through Mosul, Irbil, and Kirkuk. A bus service is available from Diyarbakir or you may opt to hire a car service or private security firm.

Visas and passports

For most foreigners, only a valid passport is needed to enter Iraq. Visas may be required for entrance into bordering countries. A visa is required for most non-Gulf Cooperation Council (GCC) citizens to enter Jordan. All non-GCC citizens require a visa to enter Kuwait. Most European and North American citizens require a visa to enter Turkey.

Telecommunications

There are several options for telecommunications in Iraq.

- ◆ *Iraqna:* The Iraqna mobile network is accessible through Orascom's "Iraqna Business" and "Iraqna Monthly" plans. For more information, contact an Iraqna representative at +1 (914) 822-7841 or +1 (914) 822-5277, both Baghdad-based U.S. numbers.
- ◆ *Iridium:* Iridium provides an international satellite phone network though the coverage is sometimes unreliable. An Iridium phone should be purchased prior to visiting Iraq.
- ◆ *Thuraya:* Thuraya provides a local satellite phone network, though the coverage is sometimes unreliable and available only when outdoors. These phones can be purchased throughout the Middle East.

Visiting Iraq

Security

Private security firms are available for security and transportation around Iraq. Below is a list of some of the firms. Listing here does not indicate an endorsement by the CPA but is for informational purposes only. We assume no responsibility for the professional ability or the integrity of the firms listed here. You should contact potential firms directly to request references and learn more about the services they offer.

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| <i>AD Consultancy</i> United Kingdom www.adconsultancy.com | <i>Custer Battles</i> Fairfax, Virginia (US) www.custerbattles.com | <i>Global Risk Strategies</i> United Kingdom www.globalrsl.com | <i>Meteoric Tactical Solutions</i> South Africa louwtjeh@hotmail.com | <i>RamOPS Risk Mgt. Grp.</i> Raleigh, N. Carolina (US) www.ramops.com |
| <i>AKE Limited</i> United Kingdom www.akegroup.com | <i>Diligence Middle East</i> Washington, D.C. (US) www.diligencellc.com | <i>Group 4 Falck AIS</i> India www.group4falck.com | <i>Meyer & Associates</i> Joshua (DFW), Texas www.meyerglobalforce.com | <i>Triple Canopy, Inc.</i> Chicago, Illinois (US) www.triplecanopy.com |
| <i>Armor Group</i> United Kingdom info@armourgroup.com | <i>Erinys Iraq Limited</i> Baghdad, Iraq www.erinysinternational.com | <i>Hill & Associates, Ltd.</i> Hong Kong www.hill-assoc.com | <i>Olive Security Limited</i> United Kingdom www.olivesecurity.com | <i>Wade-Boyd & Assoc LLC</i> Lawler, Iowa (US) invops@yahoo.com |
| <i>Control Risks Group</i> United Kingdom www.crg.com | <i>Genric</i> United Kingdom www.genric.co.uk | <i>ISI</i> Baghdad, Iraq omarhadi@hotmail.com | <i>Optimal Solution Services</i> Australia optimal_solution@hotmail.com | |

Accommodations

Hotel accommodations are available around the country. Many hotels provide their own security services, and some have restaurants on-site. Most hotels operate on a cash-only basis and do not take reservations.

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|---|---|--|---|---|
| BAGHDAD <i>Al-Aik Hotel and Al-Sedra Hotel</i> 0088 216 2166 5242 (Thuraya) | <i>Coral Palace</i> 0088 216 2112 4455 (Thuraya) | <i>Sultan Palace</i> 0088216 5117 0056 (Thuraya) | <i>Burj Al-Basrah</i> +964 40 610 348 | KIRKUK <i>Kirkuk Plaza Hotel</i> +964 50 217 631 |
| <i>Al-Hamra Hotel</i> +964 1 778 1805 | <i>Four Season Hotel</i> 0088 216 2166 8777 (Thuraya) | <i>Sheraton</i> +964 1 747 0703 | <i>Jundian</i> +964 40 618 181 | <i>Baba Gur Gur</i> +964 50 221 580 |
| <i>Al Karma Hotel</i> +964 1 778 5314 + 964 1 778 6993 | <i>Palestine Hotel</i> +964 1 747 0675 +964 1 747 0676 +964 1 747 0677 | BASRAH <i>Marbid</i> +964 40 611 053 | <i>Zaytoun</i> +964 40 618 808 | |
| <i>Babylon Hotel</i> +964 1 778 1964 +964 1 776 0029 | <i>Rimal Hotel</i> 0088216 6774 5186 (Thuraya) | <i>Diyafa</i> +964 40 615 235 | <i>Dar Al-Salam</i> +964 40 612 712 | |
| | | <i>Oyoun</i> +964 40 617 719 | <i>Qassr Al-Sultan</i> +964 40 613 147 | |

Getting established

Location, location, location

Resources are available to help you find and select the best location for your business. A list of realtors is available here for your review. Listing here does not indicate an endorsement by the CPA but is for informational purposes only. Private security firms can also be of assistance in locating office space.

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|---|---|--|---|--|
| <i>Al-Aula Company for Contracting and Property Agents</i> +964 1 543 1810 | <i>Al-Madina Al-Munawara Bureau</i> +964 1 543 8577 | <i>Al-Mustafa Property Agent</i> +964 1 556 4654 +964 1 557 5011 | <i>Al-Wed Property Agent</i> +964 1 557 1388 | <i>Iraq Business Exchange</i> +964 1 543 1973 |
| <i>Al-Baz Property Agent</i> +964 1 556 9482 | <i>Al-Maysam Property Agent Bureau</i> +964 1 555 2944 | <i>Al-Naseh Property Agent</i> +964 1 556 4654 +964 1 555 1526 | <i>Al-Ysur Property Agent Bureau</i> +964 1 555 5294 | <i>Tabarak Bureau</i> +964 1 557 1153 |

Attorneys

Iraqi attorneys will help navigate the changing legal landscape, including developments related to company law, corporate registration, and securities law issues. A list of lawyers and their contact information can be accessed at <http://iraqcoalition.org/attorneys>.

Accountants

Domestic and foreign companies have established accounting services in Iraq. A list of accountants from the Association of Iraqi Accountants can be accessed at <http://iraqcoalition.org/accountants>.

Private banks

Many of Iraq's private banks are led by highly qualified and experienced bankers who have worked previously at the Central Bank of Iraq as well as at state-owned Rafidain and Rasheed Banks. The following private banks have correspondent relationships with international banks for arranging lines of credit and remittances. Contact information for some of these banks is listed below.

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| <i>Al-Warka Investment Bank</i> Sabri Shammass +1 (914) 360-4286 | <i>Bank of Baghdad</i> Mowafaq Mahmood +1 (914) 822-7083 | <i>Credit Bank of Iraq</i> Fouad M. Mustafa +1 (914) 360-0494 | <i>Gulf Commercial Bank</i> Mudher Mustafa Al-Hillawi +1 (914) 360-4241 | <i>Iraqi Middle East Investment Bank</i> Abdul Razzak M. Ali +1 (914) 360-4242 |
| <i>Babylon Bank</i> Abdul Razzak Mansour Saliman | <i>Commercial Bank of Iraq</i> Saddoun Kubba +1 (914) 360-4188 | <i>Dar Es Salaam Investment Bank</i> Anwar H. Haddad +1 (914) 360-4646 | <i>Investment Bank of Iraq</i> Abbas Hadi Al-Bayatti +1 (914) 360-4243 | <i>National Bank of Iraq</i> Ghassan Kamal Jamil +1 (914) 360-2345 |

Insurance

For political risk insurance, many companies have export credit agencies and other support programs for exporters to Iraq. Investors are advised to contact these organizations in their home country.

Getting established

Iraqi business associations

Investors may be interested in speaking with local Iraqi business people and/or potentially forming partnerships or affiliations. The following list of business associations can help provide you with access to local business people.

| | | | |
|--|---|---|---|
| <i>Iraqi Contractors Federation</i> Mr. Asad Al-Khudairy, Chairman Mr. Faisal Al-Khudairy, Director +964 1 778 2790 | <i>Iraqi Businessmen's Association</i> Mr. Thamer R. Al-Shaikhly Chairman 1940thamir@hotmail.com | <i>Union of Iraqi Chambers of Commerce</i> Mr. Abud Al-Tufaily Chairman union@uruklink.net | <i>Iraqi Industries Union</i> Mr. Kais K. Al-Kafaji, Chairman Mr. Kamal Abdelrazaq, Director +964 1 778 3502 |
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Finding local staffing

Investors looking to establish local offices can find staffing through centers that have been established around the country. These centers have skilled staff who provide professional recruiting services, including identifying qualified candidates to meet job requirements and facilitating interviews. Business centers and business associations may also be able to assist in addressing staffing needs.

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|---|---|
| <i>Iraqi Assistance Center</i> Baghdad Convention Center iac@baghdadbazaar.com iacjobs@yahoo.com | <i>Ministry of Labor & Social Affairs -- Employment Centers</i> (numerous locations around Iraq) iraqi_employment_centers@hotmail.com lec_baghdad@hotmail.com +964 79 01 915620 |
|---|---|

Business centers

Business centers are being set up around the country to provide information on local business opportunities. The centers assist local business people with networking opportunities and serve as access points for foreign investors to identify potential partners.

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|--|--|---|--|
| <i>Basra Business Center</i> Basra +965 911 2255 | <i>Iraqi Business Center</i> Baghdad www.iraqibusinesscenter.org | <i>Kirkuk Business Center</i> Kirkuk www.kirkuk-business-center.org | <i>Umm Qasr Business Center</i> Umm Qasr +965 483 9606 |
|--|--|---|--|

For more information...

http://iraqcoalition.org/business_center.html
CPA - Private Sector Development Office
foreigninvestment@orha.centcom.mil
+1 (703) 343-8108