

**TOM FOLEY'S REMARKS ENCOURAGING TRADE**  
**AND INVESTMENT IN IRAQ**

Good morning. Thank you for having me and Minister Allawi here to talk to you about Iraq. Before we start talking about the situation and opportunities there, I want to thank you and your government on behalf of the CPA and the people of Iraq for your cooperation in the effort to liberate the Iraqi people. Your efforts and sacrifice will be well-rewarded, I am sure, by the emergence of a stable and fair representative government in Iraq that is a responsible leader in the Middle East and member of the global community.

My objective today is to bring you up to date on what is going on in Iraq. I will try to convince you that Iraq presents an exceptionally

attractive business opportunity for foreign investors. I will also try to convince you that if you aren't already there, you should go there now and get started because many of the best opportunities will go to those who are there first.

I am the Director of Private Sector Development for the CPA in Baghdad. I have been in Baghdad since August. I have general responsibility for getting the economy going and growing. This includes oversight responsibility for most of the 192 State-owned enterprises and development of a privatization plan for them. I am also responsible for developing trade and foreign investment. If there is one measure of what I am trying to achieve it is job growth.

In one sense, I have an extremely challenging job. That is because there have been a lot of big problems associated with getting Iraq's businesses and economy going again. Big problems like no

electricity, and plants that have been stripped of every piece of equipment, every wire and every electrical switch, and then set on fire. Problems like no credit, no ability to cash a check, and no means for wiring funds. At one limousine company I oversee, a tank drove through a wall to their garage and completely flattened three Mercedes limousines inside. Not a piece of any of these cars was standing more than six inches off the ground. These are not the normal everyday business problems you face - at least I hope they aren't - but they are typical of the problems we have been facing in Iraq.

But looked at another way, my job is easy. That is because there are such powerful and positive economic forces at work in Iraq that the economy will get going and growing whether I do anything or not.

These forces include Iraq's amazing economic assets like its oil, its 25 million person consumer market, its rich agricultural base, much of the water in the Middle East, its bright and hardworking labor force, and its strategic location right in the center of the region.

These assets and forces have been underemployed and mismanaged under Saddam for over 35 years. Now that they have been unleashed, they will be hard to hold back.

Evidence of this is the very strong pent-up consumer demand in Iraq. Goods headed for stores in the Karada district of Baghdad are sold off the truck at the storefront and never even make it onto store shelves. A new cellular phone system, forbidden under Saddam has just been introduced. There are lines a block long waiting to buy a phone.

The statistical evidence of an economy quickly picking-up steam also confirms the visual and anecdotal evidence. Unemployment, estimated at over 50% last summer, is now in the mid-20's and declining.

There are a number of factors providing this stimulus to the economy. In addition to pent-up consumer demand, there is a lot of economic activity related to repairing buildings and infrastructure damaged during and after the war. Incomes of many public employees have been increased. CPA and the US government have hired lots of people and are spending lots of money. Additional new jobs have been created by the Iraqi Government hiring new police, a new army, and 100,000 people into a public works program.

Also stimulating the economy is an estimated \$5-7 million per day being repatriated to Iraq. If these repatriated funds are being spent,

which we presume they are, they represent a 15% boost in demand in Iraq's non-oil sector economy.

In the months ahead the US Government Supplemental funds will begin being spent. It is estimated that \$7 billion or more will be spent in each of '04 and '05 and some 40% of those amounts will be spent locally in Iraq. That means an additional 30% increase in non-oil sector demand. There is only one way to describe what will happen as all of these pressures converge - and that is a major economic boom – probably within 12-18 months.

While we are speaking about the supplemental funds, let me explain the difference between them and foreign trade and investment, which is my focus today. The supplemental funds are US government funds generated from US taxpayer dollars and are a gift from the American people to the people of Iraq. The funds must be

spent according to US laws which require that the business be bid competitively. Foreigners, in most cases, are eligible to compete for these contracts. The awarding of these contracts is being conducted through the Program Management Office of the CPA in Iraq and various US Government Agencies and Departments in the US.

Awarding of these contracts does not fall under my area of responsibility, but information about them is available from a variety of sources including the CPA internet sites [www.iraqcoalition.org](http://www.iraqcoalition.org) and [www.rebuilding-iraq.net](http://www.rebuilding-iraq.net).

What I am interested in addressing today is long term foreign investment and trade relationships in Iraq. This includes companies who are looking to export products to Iraq, import products from Iraq, or, most importantly, invest in Iraq, by building a plant, or opening a chain of stores, for example. These investments will bring badly needed capital and technology to Iraq to support

economic growth and create new and better jobs for Iraqis. Until recently, such investment in Iraq was virtually impossible. But Iraq is now a free and open market, and we encourage and welcome all who want to come and participate.

There are a lot of people already in Iraq getting business and making investments. Many of them are regional players because they have natural advantages in that they can drive in, they speak the language, understand the culture, and in many cases, have well-established relationships. They also probably already have experience operating in environments with similar risks and challenges such as Lebanon and Palestine. But a lot of non-regional multinationals are already there, too. For example: Pepsi, GE, Siemens (UK), John Deere, AIG, Banco San Paolo d'Italie, Caterpillar, Maersk Shipping, KPMG, Finmechanica, Merck, Motorola, and MCI. A number of others have committed to come

soon; IBM, Starwood Hotels, Hong Kong Shanghai Bank, Hewlett-Packard, Price Waterhouse Coopers, Standard Chartered Bank, and Nestle.

And these are only the ones we know about. Many regional players and most foreign multinationals don't check-in with us. The same goes for the more entrepreneurial businesses who find what they need and go directly to customers and partners without talking to us. There is no requirement to check-in with CPA prior to doing business in Iraq.

Companies big and small should be taking advantage of opportunities in Iraq and should be doing so now. You should be doing it not just because you will have very good returns on your investments, but because there won't be another situation any time

soon when a market with this much potential opens-up after such a long sleep.

There are two issues that seem to give many business people some concern about doing business in Iraq today. They are security and legal uncertainties. Let me try to put them in perspective for you.

First, there are security issues, but they aren't nearly as bad as they appear on television and they certainly are manageable. Car bombs and IEDs make good news stories, but life in most parts of Iraq is back to normal despite the reported violence.

I am out and about in Baghdad every other day or so. I travel unarmed, unescorted, and often alone. I drive and walk around freely and in six months of this I have never had a problem and never even felt uncomfortable. I regularly travel the BIAP Road, the reputed "shooting gallery" between Baghdad and the airport. I

have never even seen anything along that road that looked threatening. Regional players understand these security risks and accept them as just a cost of doing business. They also know and use people in their organizations who accept, and sometimes actually prefer, the risk in these environments.

The legal uncertainties are similar. Your lawyer won't be able to give you your normal "all clear" signal about the legal environment in Iraq. But the legal uncertainties are diminishing and will continue to diminish, and there is a lot you can do to avoid legal risk. Particularly if your counsel is the type who focuses on finding ways to reduce risks rather than just cautioning you about them.

With both categories of risk you should not look at what the risks are today, but what the risks will be when you are ready to commit significant human and capital resources there. For most of you this

would be many months, if not years, away. So making a commitment to get started now isn't, in itself, risky. Your exposure to whatever risks are present won't become significant until later when the risks are likely to be lower and, if they aren't, you can reconsider your plans. But if you fail to commit to get started now, you will always be 3, 6, 12 months away from being established and taking advantage of the opportunities. And if you wait for today's risks to go away you may find that other risks will arise in the future to take their place – for example, others may become too well established for you to feel you will be competitive, or all the best resources may become tied-up, or all the best opportunities may be grabbed.

So don't languish. Decide you are not going to miss the opportunity to be part of the reconstruction and future of Iraq. Decide your challenge will not be whether you go, but when and how you go.

When you decide to become a participant in Iraq's future, come as soon as you can - and by "you", I mean senior level decision-makers. When you do, you will see the opportunities and you will get more comfortable with the risks. You will also establish contacts that will enable you to more quickly plan and execute your entry which will give you a competitive advantage.

When you decide to get started, here are some tips and suggestions:

First, look for a good Iraqi partner. The language skills, cultural awareness, and knowledge of how things work that a partner brings will be critical to your success. But choose your partner carefully.

The Middle East is home for every kind of middlemen, and increasingly middlewomen. Many of them over-represent their ability to help you. If they start off the conversation saying they

know the President of your country and have 100 million dollars in cash looking for a home, which some will say, steer clear. Also, do not be lazy and rely on agents or representatives from neighboring countries with whom you already have a relationship or who are more familiar with western business culture, and therefore, initially easier to deal with. They and you will not be well-received, despite what these intermediaries may tell you.

Second, don't let yourself get frustrated. Many things we take for granted and are quick and easy in more developed economies take time in Iraq. Be patient - things are improving. For example, registering a corporation in Iraq used to take months, if one could do it at all. The company laws and regulations covering corporate registrations are in the process of being revised. Within several weeks it should be a lot easier to register a corporation there. There will be other obstacles and frustrations, but they are being

eliminated one by one. With a little patience you will be able to get done what you need to get done.

Third, let us help you get started. We have a lot of useful information and can help you meet potential partners and decision-makers in both the public and private sectors. Visit the Business Opportunities Section and the Private Sector Development webpage on the CPA website at [www.iraqcoalition.org](http://www.iraqcoalition.org). Much of this information is there. You can also call or e-mail us if you need direct assistance.

Fourth, take an entrepreneurial approach. Iraq is currently an environment that favors those who are entrepreneurial. Don't hang at home developing the perfect plan. Accept that there are uncertainties. Focus on how to manage those uncertainties and be assured that with greater risk comes greater reward. If you can

afford it, make a commitment today to go there with the idea of establishing a presence by putting some people on the ground. Give them some direction and support, but also a lot of freedom to figure out how to get done what you want to get done. It's all moving very fast. Decision-makers at home won't know enough soon enough to successfully micromanage activities from outside of Iraq.

Iraq is going to be a big success. I have no doubt about that. The economic potential of Iraq now being unleashed is going to make it the economic powerhouse of the Middle East. Iraq's economy will be the engine that drives the long term institutional reforms which will bring a stable representative government and a fair and secure existence for all of Iraq's citizens. When this outcome has been achieved, you will want to be able to say you were a part of it. So don't miss this opportunity. Please come to Iraq now and participate in its future. Iraq's success is vital for all of us.

I look forward to seeing you there soon. Thank you.