

TRADE AND FOREIGN INVESTMENT OPPORTUNITIES IN IRAQ





IRAQ HAS A STRONG BASE OF ASSETS FOR SUPPORTING A POWERFUL ECONOMY...

- **Large indigenous consumer market**
- **Abundant natural resources**
- **Strong agricultural base**
- **Hardworking and resourceful labor force**
- **Central location in the Middle East**



IRAQ HAS A LARGE INDIGENOUS CONSUMER MARKET...

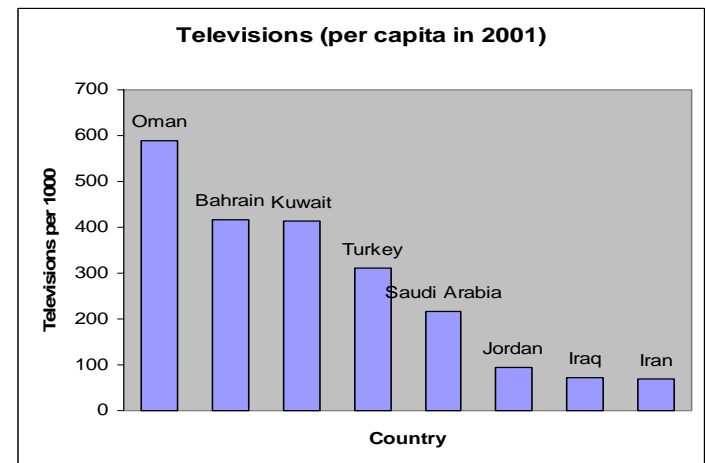


Downtown Baghdad

- 24.6 million people
- 97% population under 65; 41% under 14
- 2.8% growth per annum (among the highest in the world)

Strong pent-up demand for products forbidden or unavailable under the former regime

- Satellite dishes, electronic equipment, phones, internet services
- Foreign branded goods
- Franchised foreign retailing
- Automobiles
- Consumer financial services





IRAQ HAS ABUNDANT NATURAL RESOURCES...

- 11% of the world's oil supply
- Large natural gas reserves (11th in the world)
- Large phosphate and sulfur deposits
- Tigris and Euphrates rivers



Oil refinery in Daura



IRAQ HAS A LARGE AGRICULTURAL BASE, THE ONLY GULF STATE OTHER THAN IRAN WITH ANY MEANINGFUL AGRICULTURAL RESOURCES...



- Approximately one-third of the land is cultivable (11-12 million hectares)
- Rainfall supports rain-fed agriculture in the northern hills. In central and southern Iraq, irrigated agriculture predominates in the valleys of the Tigris and Euphrates rivers
- Less than 0.5 percent of the land is forest or woodland (northern areas bordering Turkey and Iran)

Primary crops: Wheat, Barley, Rice, Dates



IRAQ HAS A LARGE, HARDWORKING AND RESOURCEFUL LABOR FORCE ...

- Approximately 7.5 million people
- Modern education system
- Literacy rate of 58%



Oil rig



Computer training at the Fatima al-Zahra Center for women's Rights in Hillah



Classroom in Amil district in Baghdad



IRAQ, DESPITE LITTLE INVESTMENT SINCE 1990, HAS EXCELLENT AIRPORTS, SEAPORTS, ROADS, AND RAILROADS ...

Airports

- 3 regional airports: North (Mosul), Central (Baghdad), South (Basra)
- All airports have the capacity for 747s



Baghdad - Terminal C Gate Area



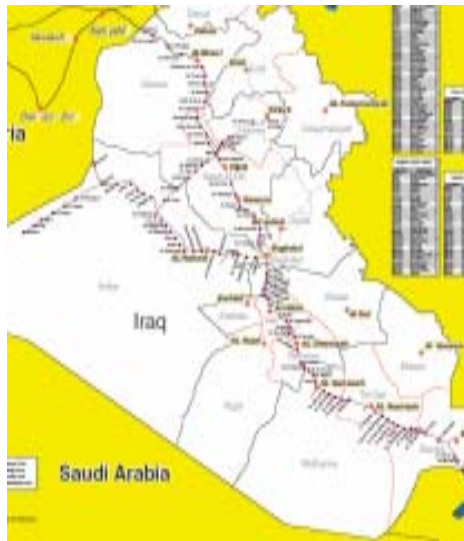
Baghdad - Terminal C Entrance / Customs

Umm Qasr port (Primary cargo port)

- Current rate: 35-40 cargo vessels per month
- Already at 6.3M tons of cargo and increasing
- Now 50K ton vessels can traverse the inner port



Umm Qasr port

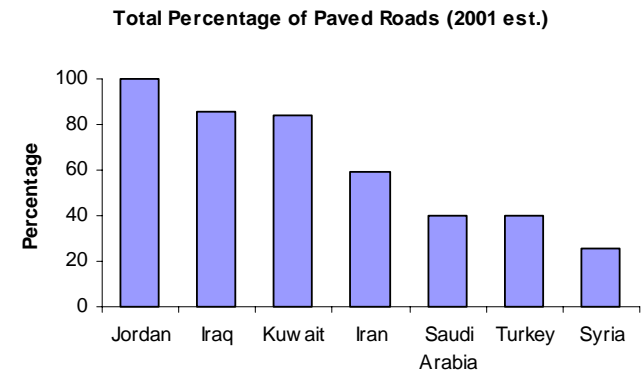


Rail System

- Traverses North and South with international transfer points in Syria and Turkey
- Shipped 11570 containers in the last 7 months

Roads

- Modern roadway infrastructure



IRAQ IS CENTRAL IN THE MIDDLE EAST



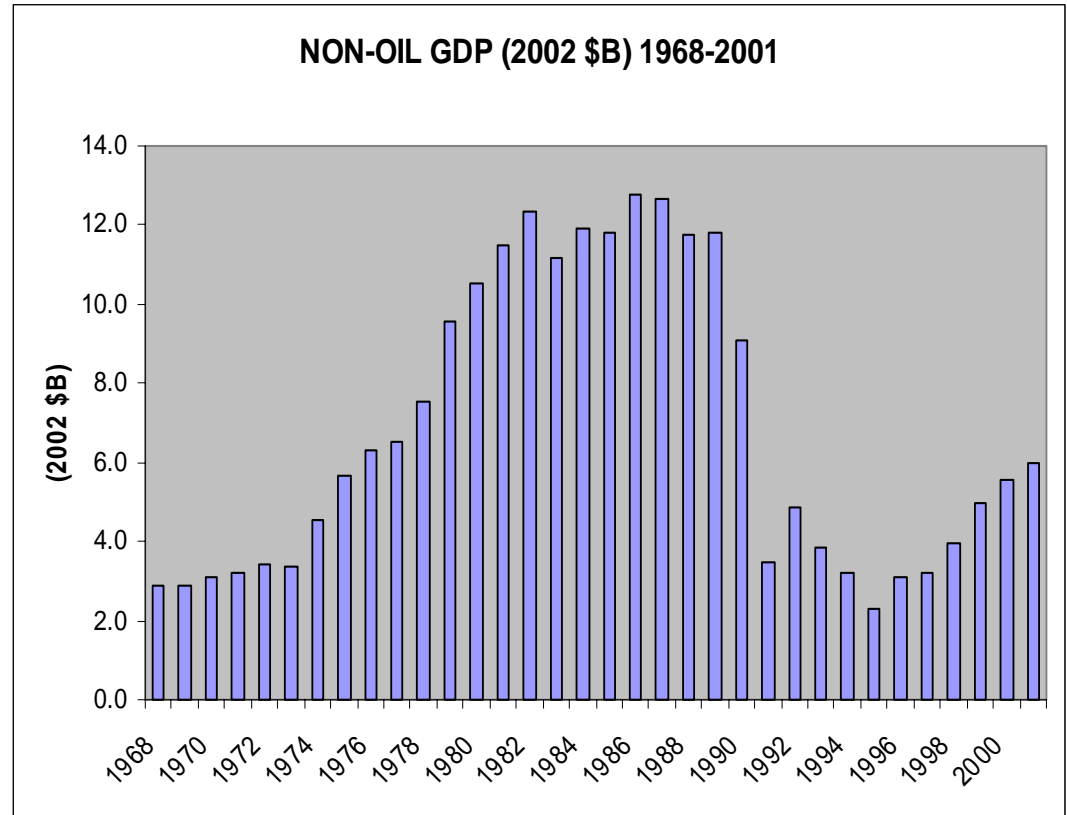


IRAQ'S ECONOMY SHOULD RECOVER QUICKLY TO THE LEVELS BEFORE THE GULF WAR AND GROW FROM THERE...

Capacity is there as non-oil GDP was much higher in the 80's than today

Reasons for deterioration:

- Gulf War
- Sanctions
- Diversion of government revenues (over 70% of government revenues in the mid-90's went to Saddam's personal use)





IRAQ'S ECONOMY HAS ALREADY STARTED TO REBOUND...

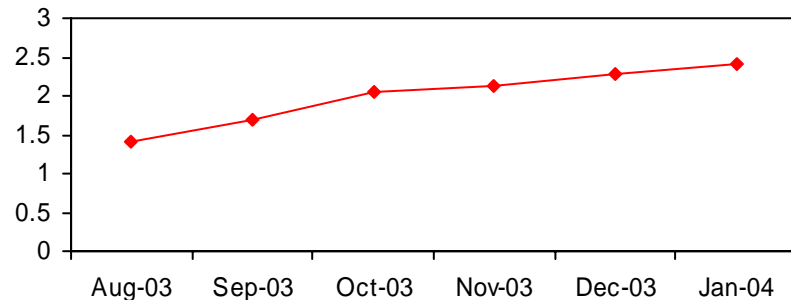
The economy continues to rebound from the impact of the war

- Electricity is being regained around the country via equitable distribution
- Most of the country now receiving at least 12 hours of electricity per day
- Reached post-war record levels of over 93,000 MWh per day

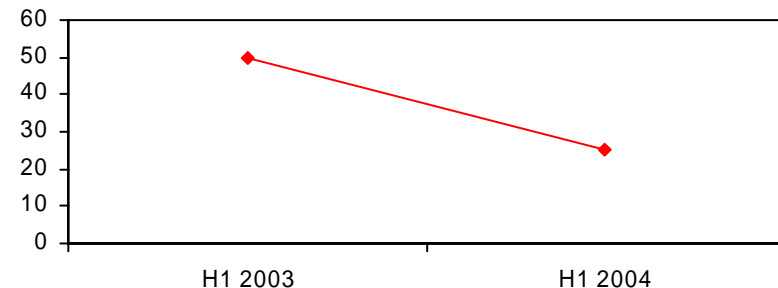
- Oil production has nearly doubled in the last six months

- In the last year, the unemployment rate has declined to 22-28% from an estimated 50% last summer

Oil production



Declining unemployment rate





IRAQ'S ECONOMY WILL BENEFIT FROM REFORMS CURRENTLY UNDERWAY...

Short-term institutional reforms

- Markets opened to international trade and foreign investment
- Legal and judicial reforms instituted
- Access to credit and capital improved
- Financial systems made more sound

Long-term institutional reforms

- Establish a stable, sovereign government
- Shrink the public sector
- Reduce energy and food subsidies
- Change attitudes



NEW LAWS HAVE MADE IRAQ ONE OF THE MOST OPEN ECONOMIES IN THE REGION...

New Foreign Direct Investment Law (Order 39)

- Permits 100% foreign ownership of businesses in all areas except oil and mineral extraction
- Permits unrestricted, tax-free remittance of profits
- Requires a modest \$100,000 bond from foreign-owned retailing businesses
- Prohibits foreigners and foreign-owned companies from purchasing land; however, land can be leased for up to 40 years
- Reiterates the equality of foreigners and Iraqis on all terms of investment

Tariff Law (Order 38)

- Provides for a two-year (ending 1 January 2006) 5% tariff to help finance reconstruction
- Exempts food, medicine, clothing, and books



IRAQ IS ADOPTING MODERN COMMERCIAL LAWS AND ESTABLISHING AN EFFECTIVE JUDICIARY...

Intellectual property laws

1. Copyright law (Governed by Law No. 3 of 1971)
 - Generally applies to literary, artistic, or scientific works presented in Iraq or by an Iraqi
 - Expires 30 years from date of publication for commercial entities
2. Patent and Industrial Design Law (Governed by Law No. 65 of 1970)
 - Patents valid for 20 years; design registrations valid for seven years
3. Trademark Law (Based on Trademarks and Indications Law No. 21 of 1957)
 - Service marks became registerable in 2001

Company Law & Registration Procedures

- Currently before the Governing Council for approval

Bankruptcy Law, Labor Law, and Secured Transactions Law

- Both expected to be submitted to the Governing Council in the next three weeks

Judicial reforms

- Vetted 80% of all judges, removing nearly 25%
- Hired 130 additional judges
- Established the Commission on Public Integrity



FINANCIAL SECTOR INITIATIVES HAVE BROUGHT EXPERTISE, LIQUIDITY, AND CREDIT TO IRAQI BUSINESS...

Banking Law (Order 40)

- Permits six foreign banks over the next five years the right to enter the Iraqi market
- Permits an unlimited number of banks to enter by purchasing up to 50% of an Iraqi bank
- Allows foreign banks to enter Iraq as branches, subsidiaries, representative offices, and through partnerships with Iraqi banks

Foreign bank licenses awarded

- Three banks issued licenses so far: HSBC, Standard Charter, National Bank of Kuwait

Credit for large businesses

- Capital programs through private sector banks
- Credit training programs
- Private Sector Development direct lending initiative

Micro- and SME lending

- Over US\$17M available in micro and SME lending around the country
- US\$170M available for lending to medium enterprises through the IFC facility



LONG-TERM INSTITUTIONAL REFORMS WILL ENSURE POLITICAL AND ECONOMIC STABILITY IN THE FUTURE...

Establish a stable, sovereign government

- The Iraqi Governing Council and the CPA are working to develop a new sovereign government

Shrink the public sector

- Eliminate market distortions created by state-owned enterprises (SOEs)
- Eliminate government role as gatekeeper and permission-giver
- Reduce corruption

Reduce subsidies

- Eliminate market distortions and inefficiencies caused by ill-conceived subsidies

Change attitudes

- Re-establish trust, particularly toward foreigners
- Eliminate environment that rewards relationships instead of competitiveness
- Change expectation that positions of power are opportunities to make money
- Eliminate non-value added intermediaries



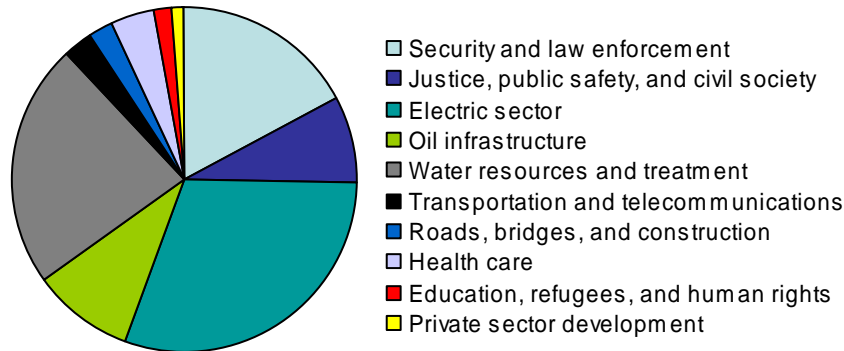
AT US\$18.4B, U.S. SUPPLEMENTAL FUNDS WILL PROVIDE A LARGE STIMULUS TO THE ECONOMY...

Funds will be disbursed according to the following schedule:

- FY 2004: US\$6-9B
 - FY 2005: US\$7-10B
 - FY 2006: US\$2-5B
- Of which up to 40% will be spent in Iraq

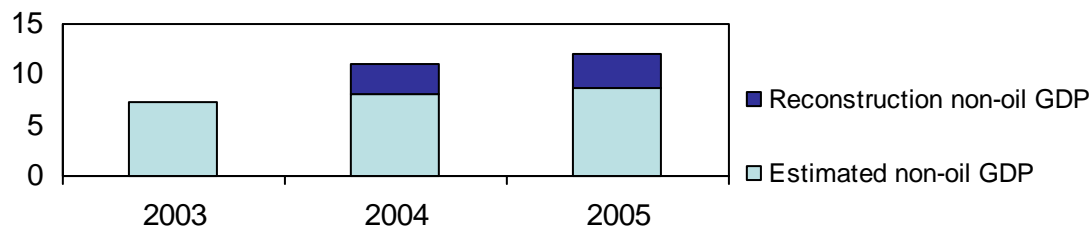
The U.S. supplemental funds will focus on the following sectors:

Allocation of Supplemental Funds



Supplemental funds could boost non-oil GDP by 35% in 2004 and 2005

Boost in Non-Oil GDP Due to Reconstruction Spending





THE ECONOMIC DEVELOPMENT UNDERWAY IN IRAQ WILL FAVOR CERTAIN INDUSTRIES...

- **Agricultural equipment**
- **Branded foods and beverages, fast food**
- **Construction and construction materials**
- **Consumer packaged goods, appliances, electronics, and financial services**
- **Electrical infrastructure**
- **Franchising**
- **Healthcare**
- **Oil infrastructure**
- **Petrochemicals**
- **Retailing**
- **Telecommunications**
- **Water treatment and resources**