

**A  
GLOBAL COUNTRY STUDY AND REPORT  
ON  
“IRAQ”**

**SUBMITTED TO  
GUJARAT TECHNOLOGICAL UNIVERSITY**

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## **PREFACE**

We undertake writing this report of the specialization report because we all are of the few students who are presently undertaking education in the field of management for master of business administration which covers total business activities.

As a student of management, we must be encouraged by the growth and rapid development taken place in the global market. In India, management is growing body. Keeping in mind the ever development field of management and great demand for marketing in our country, the university has arranged specialized programs in many fields of management. Thus, this is our moral and obligatory duty to take this part of our studies with great enthusiasm and seriousness and give it a due importance.

The report gives information about various aspects of Iraq country; the report contains PESTEL of Iraq and Iraq based industry. I hope this report will help both the evaluator as well as readers.

## **ACKNOWLEDGEMENT**

We are thankful to the GUJARAT TECHNOLOGICAL UNIVERSITY who includes Global Country report study which really helps to us to get precise knowledge about Iraq Country.

We are thankful to Prof. Jayesh Shah (Campus Incharge) for giving an opportunity to come on this stage to complete for the examination of M.B.A. We are also thankful them to support and encouragement as well as the valuable guidance & direction to us during the preparation of entire our Global Country report study. We are indebted to Mr. Hardik Patel (Asst. Professor), Mr. Vikas Prajapati (Asst. Professor), Ms. Khushboo Kayasth (Asst. Professor) for their valuable suggestions for the project work.

We find our project very useful and educative. It was very good experience for us to get valuable data and Information at international level. We thank for their co-operation.

Last but not the least, we would like to give our special thank to our parents, & friends who help us directly or indirectly in preparation of our project work.

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## **1.1 Political Analysis of the Iraq:**

The politics of Iraq takes place in a framework of a federal parliamentary representative democratic republic. It is a multi-party system whereby the executive power is exercised by the Prime Minister of the Council of Ministers as the head of government, as well as the President of Iraq. The current Prime Minister of Iraq is Nouri al-Maliki, who holds most of the executive authority and appoints the Council of Ministers.

### **History**

Before the fall of Saddam Hussein in 2003, the Ba'ath Party officially ruled. Iraq was occupied by foreign troops beginning with the 2003 attack of Iraq, with military forces coming primarily from the United States and the United Kingdom. Most foreign militaries operated under the sunshade of the Multinational force in Iraq (the MNF-I). A permanent 275-member Council of Representatives was elected in the December 2005 Iraqi legislative elections, initiating the formation of the Government of Iraq, 2006-2010.

The last elections were the January 2010 Iraqi legislative elections. The federal government of Iraq is defined under the current Constitution as an Islamic, democratic, federal parliamentary republic. The federal government is composed of the executive, legislative, and judicial branches, as well as numerous independent commissions.

### **Local Government**

The basic subdivisions of the country are the regions and the governorates. Both regions and governorates are given broad autonomy with regions given additional powers such as control of internal security forces for the region such as police, security forces, and guards.

### **Regions**

Under the law, a region can be created out of one or more existing governorates or two or more existing regions, and a governorate can also join an existing region to create a new region.

## **Political Parties**

### **1. Parliamentary Alliances and Parties**

- ➔ National Iraqi Alliance
  - ✓ Supreme Islamic Iraqi Council - led by Ammar al-Hakim
  - ✓ Sadrist Movement - led by Muqtada al-Sadr
  - ✓ Islamic Dawa Party - Iraq Organisation- led by Kasim Muhammad Taqi al-Sahlani
  - ✓ Islamic Dawa Party - led by Nouri al-Maliki
  - ✓ Tribes of Iraq Coalition - led by Hamid al-Hais
- ➔ Democratic Patriotic Alliance of Kurdistan
  - ✓ Kurdistan Democratic Party - led by Massoud Barzani
  - ✓ Patriotic Union of Kurdistan - led by Jalal Talabani
  - ✓ Kurdistan Islamic Union
  - ✓ Movement for Change - led by Nawshirwan Mustafa
  - ✓ Kurdistan Toilers' Party
  - ✓ Kurdistan Communist Party

### **2. Other Parties**

- ➔ Leftist Worker-Communist Party of Iraq
- ➔ Alliance of Independent Democrats - led by Adnan Pachachi
- ➔ Green Party of Iraq
- ➔ Iraqi Democratic Union
- ➔ Constitutional Monarchy Movement - led by Sharif Ali Bin al-Hussein
- ➔ Kurdistan Conservative Party

### **3. Illegal Parties**

- ➔ Hizb ut-Tahrir
- ➔ Arab Socialist Ba'ath Party (Regional Command · National Command)
- ➔ Elections

## **Elections**

### **Iraqi Parliamentary Election, 2010**

A parliamentary election was held in Iraq on 7 March 2010. The election decided the 325 members of the Council of Representatives of Iraq who will elect the Iraqi Prime Minister and President. The election resulted in a partial victory for the Iraqi National Movement, led by former Interim Prime Minister Ayad Allawi, which won a total of 91 seats, making it the largest alliance in the Council. The State of Law Coalition, led by in office Prime Minister Nouri Al-Maliki, was the second largest grouping with 89 seats.

### **Corruption**

According to Transparency International, Iraq's is the most corrupt government in the Middle East, and is described as a “hybrid regime” (between a “flawed democracy” and an “authoritarian regime”). The 2011 report "Costs of War" from Brown University's Watson Institute for International Studies concluded that U.S. military presence in Iraq has not been able to prevent this corruption, noting that as early as 2006, “there were clear signs that post-Saddam Iraq was not going to be the key player for a new democratic Middle East”.

### **Basic Principles**

- Iraq is an independent nation
- The system of government is a democratic, federal, representative, parliamentary republic.
- Islam is the state religion and a basic foundation for the country's laws, and no law may contradict the established provisions of Islam.
- No law that contradicts the principles of democracy may be established.
- No law that contradicts the rights and basic freedoms may be established.
- Iraq is part of the Islamic world and its Arab citizens are part of the Arab nation.
- Iraq is a multinational, multi-religious and multi-sect country and Arabic and Kurdish are the official languages.

### **The Federal Government**

#### **1. Legislative Branch**

- **Council of Representatives:** The Council of Representatives is the main elected body of Iraq. The members are elected for terms of 4 years.
- **Federation Council:** The Federation Council is composed of representatives from the regions and the governorates that are not organized in a region. The council is regulated in law by the Council of Representatives.

## 2. Executive Branch

- **President:** The President is elected by the Council of Representatives by a two-thirds majority, and is limited to two four-year terms.
- **Council of Ministers:** The Council of Ministers is composed of the Prime Minister and his cabinet. The Prime Minister is the direct executive authority responsible for the general policy of the State. The President of Iraq names the nominee of the Council of Representatives.

## 3. Judicial Branch

- Higher Judicial Council
- Supreme Court
- Central Criminal Court
- Independent commissions and institutions

## Federalism Law

Article 114 of the Constitution of Iraq provided that no new region may be created before the Iraqi National Assembly has passed a law which provides the procedures for forming the region.

## Regions

- **Part One:** Regions
- **Part Two:** Provinces not organized into a Region
- **Part Three:** The Capital
- **Part Four:** Local Administrations

## Creating a New Region



Under the Federalism Law a region can be created out of one or more existing governorates or two or more existing regions. A governorate can also join an existing region to create a new region. There is no limit to the number of governorates that can form a region, unlike the Transitional Administrative Law of the Iraqi Interim Government which limited it to three.

### **Al Maliki II Government**

The second Al-Maliki government is the current government of Iraq that has been in office since 22 December 2010. The Council of Representatives of Iraq unanimously approved al-Maliki's new government. Twenty-nine ministers were approved, including Shias, Sunnis and Kurds. In reaction, al-Maliki issued his new government's programme and also vowed to make Iraq a "truly democratic state that respects human rights." However, he criticised the lack of any female nominees.

### **Governorates of Iraq**

#### **➤ Kurdish autonomy**

Since 2005, Iraq recognizes the authority of the Regional Kurdish Government in governing Iraqi Kurdistan autonomy combining the provinces of Arbil, Dohuk and Sulaymaniyah.

#### **➤ Government**

Since 1992, the Kurdistan Regional Government (KRG) has been based in Arbil. The KRG has a parliament, elected by popular vote, called the Iraqi Kurdistan National Assembly.

#### **➤ Elections**

Elections for the Kurdistan National Assembly are held every four years. The leading political alliance was the Kurdistan List which consisted of the two main political parties, PUK and PDK, and which won 59 seats.

#### **➤ Foreign relations**

The representative of the Kurdistan Regional Government to the United States is the youngest son of Iraqi president Jalal Talabani, Qubad Talabani.

### **Independent High Electoral Commission**

The Independent High Electoral Commission (IHEC) is Iraq's electoral commission. The electoral commission is headed by a nine member board. Seven of those members are voting and must be Iraqi citizens. The other two members are the Chief Electoral Officer and an outside expert appointed by the United Nations.

### **History**

It was set up in May 2004 by the Coalition Provisional Authority (CPA) as the Independent Election Commission of Iraq (IECI) by CPA Order 92 as the exclusive electoral authority in Iraq to begin work towards holding an election in the country. In 2007 the IECI was renamed the Independent High Electoral Commission (IHEC) in accordance with Law 11 (2007) of the Council of Representatives of Iraq (COR). In the 2005 election the expert was Colombian Carlos Valenzuela. The current Chief Electoral Officer is Adil Lami.

### **Procedure**

Little is known about the commission, its procedures, organization, composition, or acts. The commission receives lists of candidates to prohibit from the Council of Representatives Accountability and Justice Commission. It also set up the voting places in fourteen nations outside of Iraq. The Commission is also tasked with dealing with complaints about the election.

### **International Support**

The IECI gained support from several US, UN, and NGO programs including:

- ➔ USAID
- ➔ UN Election Assistance Mission in Iraq
- ➔ CEPPS

## **1.2 Economic Analysis of the Iraq:**

A getting better security environment and foreign investment are helping to encourage economic action, particularly in the energy, construction, and retail sectors. Broader economic development, long-term fiscal wellbeing, and constant improvements in the overall model of living still depend on the central government fleeing major policy reforms. Iraq's largely state-owned economy is subject by the oil sector, which provides more than 90% of government income and 80% of foreign exchange earnings.

Since mid-2009, oil export earnings have returned to levels seen previous to Operation Iraqi liberty. As global oil prices remained high for much of 2011, government revenues bigger accordingly. For 2012, Iraq's draft budget forecasts oil exports of 2.6 million barrels per day (bbl/day), an imperative increase from Iraq's average of 2.2 million bbl/day in 2011. Iraq's contracts with foremost oil companies have the possible to further expand oil revenues, but Iraq will require making significant upgrades to its oil processing, pipeline, and exporting infrastructure to allow these deals to reach their economic potential. Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to moderate investors' concerns regarding the unsure business climate.

In 2010, Baghdad signed agreements with both the IMF and World Bank for conditional aid programs designed to help strengthen Iraq's economic institutions. Iraq is considering a package of laws to establish a modern legal framework for the oil sector and a mechanism to equitably divide oil revenues within the nation, although these reforms are still under arguable and periodic negotiation.

The Central Bank has successfully held the exchange rate at about 1,170 Iraqi dinar/US dollars since January 2009. Inflation has remained under control since 2006 as security improved. However, Iraqi leaders remain hard

pressed to translate macroeconomic gains into an improved standard of living for the Iraqi public.

Iraq's economy has historically been characterized by a heavy dependence on oil exports, traditionally accounting for nearly 95 percent of the country's revenues. Oil export levels, which decreased during the Iran-Iraq War, improved during the late 1980s only to stop under international sanctions. In 1996, a UN agreement allowed Iraq to export oil for the first time since 1990; by 2002, oil production reached approximately 70 percent of what it was in the 1970s. Following the U.S. invasion in 2003, oil production slowly returned to between 80 per cent and 95 percent of what it had been in 2002

Aside from petroleum production and refining, Iraq has a small, diversified industrial sector that includes food processing and the production of chemicals, textiles, leather goods, construction materials, metals and agricultural production, which employs about a third of the workforce alone. Food, medicine, and manufactured goods are the country's main imports, and the United States, Turkey, and Syria constitute its chief trading partners.

### **Geography of Iraq**

Iraq is lie between latitudes 29° and 38° N, and longitudes 39° and 49° E. Spanning 437,072 km<sup>2</sup> (168,754 sq mi), it is the 58th-largest country at worldwide. It is comparing to in size to the United States of California, and it is somewhat larger than Paraguay.

## Economy of Iraq



National quality mark of Iraq

<b>Currency</b>	Iraqi dinar (IQD)
<b>Trade organisations</b>	OPEC
<b>Statistics</b>	
<b>GDP</b>	\$130.6 billion (2012)
<b>GDP growth</b>	10.2% (2012)
<b>GDP per capita</b>	\$4,600 (2012)
<b>GDP by sector</b>	Agriculture: 9.7%; industry: 60.5%; services: 29.8% (2011)
<b>Inflation (CPI)</b>	6% (2011)
<b>Population below poverty line</b>	25% (2008)
<b>Labour force</b>	8.9 million (2010)
<b>Labour force by occupation</b>	Agriculture: 21.6%; industry: 18.7%; services: 59.8% (2008 )
<b>Unemployment</b>	15% (2010)
<b>Main industries</b>	petroleum, chemicals, textiles, leather, construction materials, food processing, fertilizer, metal fabrication/processing
<b>Ease of Doing Business Rank</b>	164 <sup>th</sup>
<b>External</b>	
<b>Exports</b>	\$78.38 billion (2011)
<b>Export goods</b>	crude oil 84%, crude materials excluding fuels 8%, food and live animals 5%

<b>Main export partners</b>	U.S. 24.3%, India 16.7%, China 12.1%, South Korea 8.2%, Italy 6.9%, Japan 6.6% (2010)
<b>Imports</b>	\$53.93 billion (2011)
<b>Import goods</b>	food, medicine, manufactures
<b>Main import partners</b>	Turkey 24.2%, Syria 18.6%, China 14.4%, U.S. 6.6% (2010)
<b>Gross external debt</b>	\$45.29 billion (31 December 2011)
<b>Public finances</b>	
<b>Revenues</b>	\$69.2 billion (2011)
<b>Expenses</b>	\$82.6 billion (2011)
<b>Foreign reserves</b>	\$53.47 billion (31 December 2011)

### **What factors contribute to Iraq's poor economy?**

#### **➤ Lack of Security:**

About one out of every five dollars that goes toward non-military Iraqi renovation is spent on security, U.S. officials estimate. "It's incomparably more difficult than either corruption or bureaucratic red tape," Stuart Bowen Jr., who heads the office of the Special Inspector General for Iraq Reconstruction (SIGIR), told CFR.org in May 2006.

#### **➤ Oil Smuggling:**

A May 2007 report by the Government Accountability Office estimates oil valued at between \$5 million and \$15 million—or roughly between one-hundred thousand and three-hundred thousand barrels per day—has been siphoned daily since 2003 as result of collusion between corrupt officials, smugglers, and insurgents. About \$7.4 billion in U.S. funds has been spent to restructure Iraq's electricity and oil sectors but output in both sectors remain at pre-war levels.

#### **➤ Bureaucratic Inertia:**

The government has failed to spend billions of dollars of oil revenue on reconstruction projects for fear of violating anti-corruption measures put in

place over the past few years by U.S. and Iraqi officials within the oil ministry, according to a December 2006 New York Times article.

### ➔ **Brain drain:**

Two million Iraqis have fled the country, many of them highly skilled professionals like engineers and doctors—the backbone of a middle class. An estimated 40 percent of Iraq's professional class has fled the country, creating shortages of human and entrepreneurial capital to keep the country's economy running

### **What positive trends are there in Iraq's economy?**

Some analysts estimate Iraq's actual growth rate is about 17 percent. Salaries are up 100 percent since April 2003 and cheap goods from places like, China are being imported thanks to lower tariffs and trade barriers. The number of telephone users in Iraq is nearly nine million (pre-war levels were just over eight-hundred thousand), 7.1 million of whom are mobile-phone subscribers, according to the U.S. State Department. Hundreds of thousands of Iraqis are now Internet users, compared to pre-war levels of under five thousand, according to the Brookings Institution's Iraq Index. Oil revenues and foreign grants look set to exceed \$40 billion this year

### **Small Business Development Centres Create New Jobs, More Employment, Survey Indicates**

A new generation of Iraqi entrepreneurs participates in business skills training conducted at Karbala Small Business Development Centre.

BAGHDAD – Business training offered in Iraq's Small Business Development Centres is helping shape a new generation of Iraqi entrepreneurs whose companies sometime may become major private sector employers. So says a survey available this month of 4,329 trainees who graduated last year from SBDC programs that include the two most popular courses, "How to Start a Business" and "How to Improve a Business."

Sponsored by the USAID-*Tijara* regional Economic Growth Program, which also supports Iraq's network of 17 SBDCs, the survey is based on interviews with 1,236 respondents, about 30% of the 4,329 people who took SBDC courses in 2010.

Interviews with survey respondents publicized that 21.4% of those adequate to start their own business succeeded in doing so. These 234 new enterprises produced 834 new direct and indirect jobs right the way through Iraq between February 2010 and May 2011. Some 135 people, or 12.3% of the survey respondents, said they had not yet started a business but fully planned to do so.

### ➔ **Industry:**

Traditionally, Iraq's manufacturing activity has been closely connected to the oil industry. The major industries in that class have been petroleum refining and the manufacture of chemicals and fertilizers. Before 2003, diversification was delayed by limitations on privatization and the effects of the international sanctions of the 1990s. Since 2003, security problems have blocked-up efforts to establish new enterprises. The construction industry is exclusion; in 2000 cement was the only major industrial product not based on hydrocarbons. The construction industry has profited from the need to restructure after Iraq's several wars. In the 1990s, the industry benefited from government funding of broad infrastructure and housing projects and detailed palace complexes.

### **Primary Sectors**

#### ➔ **Agriculture**

Historically, 50 to 60 percent of Iraq's arable land has been under cultivation. Because of ethnic politics, valuable farmland in Kurdish territory has not contributed to the national economy, and inconsistent agricultural policies under Saddam Hussein discouraged domestic market production. Despite its abundant land and water resources, Iraq is a net food importer. Under the UN Oil for Food program, Iraq imported large quantities of grains, meat, poultry,



and dairy products. The government abolished its farm collectivization program in 1981, allowing a greater role for private enterprise in agriculture.

The international Oil-for-Food program (1997–2003) further reduced farm production by supplying artificially priced foreign foodstuffs. The military action of 2003 did little damage to Iraqi agriculture; because of favorable weather conditions, in that year grain production was 22 percent higher than in 2002. Although growth continued in 2004, experts predicted that Iraq will be an importer of agricultural products for the foreseeable future. Long-term plans call for investment in agricultural machinery and materials and more prolific crop varieties—improvements that did not reach Iraq's farmers under the Hussein regime. In 2004 the main agricultural crops were wheat, barley, corn, rice, vegetables, dates, and cotton, and the main livestock outputs were cattle and sheep.

The Agricultural Cooperative Bank, capitalized at nearly 1 G\$ - by 1984, targets its low-interest, low-collateral loans to private farmers for mechanization, poultry projects, and orchard development. Large modern cattle, dairy, and poultry farms are under construction. Obstacles to agricultural development include labour shortages, inadequate management and maintenance, salinization, urban migration, and dislocations resulting from previous land reform and collectivization programs.

### ➤ **Forestry, fishing, and mining**

Throughout the twentieth century, human exploitation, shifting agriculture, forest fires, and uncontrolled grazing denuded large areas of Iraq's natural forests, which in 2005 were almost exclusively confined to the northeastern highlands. Most of the trees found in that region are not suitable for lumbering. In 2002, a total of 112,000 cubic meters of wood were harvested, nearly half of which was used as fuel. Despite its many rivers, Iraq's fishing industry has remained relatively small and based largely on marine species in the Persian Gulf. In 2001 the catch was 22,800 tons.

Aside from hydrocarbons, Iraq's mining industry has been confined to extraction of relatively small amounts of phosphates (at Akashat), salt, and

sulfur (near Mosul). Since a productive period in the 1970s, the mining industry has been hampered by the Iran–Iraq War (1980–88), the sanctions of the 1990s, and the economic collapse of 2003.

## ➔ Energy

As one of the three most oil-rich countries in the world, Iraq has the resources for complete energy independence. By world standards, production costs for Iraqi oil are relatively low. However, three wars (Iraq-Iran War from 1980–1988, Gulf War 1991 and the Iraqi Invasion of 2003) in addition to the UN sanctions - which lasted for twelve years from 1991 to 2003, left the industry's infrastructure in poor condition. The lifting of sanctions in 2003 allowed repairs to begin. However, since 2003 oil pipelines and installations have been sabotaged persistently. In 2004 Iraq had eight oil refineries, the largest of which were at Baiji, Basra, and Daura. Sabotage and technical problems at the refineries forced Iraq to import fuels, liquid petroleum gas, and other refined products from nearby countries. In October 2004, for example, Iraq spent US\$60 million for imported gasoline. In late 2004 and early 2005, regular sabotage of plants and pipelines reduced export and domestic distribution of oil, particularly to Baghdad. Nationwide fuel shortages and power outages resulted.

As much as 90 percent of Iraq's power generating and distribution systems were destroyed in the Persian Gulf War of 1991, and full recovery never occurred. In mid-2004, Iraq had an estimated 5,000 megawatts of power-generating capacity, compared with 7,500 megawatts of demand. At that time, the transmission system included 17,700 kilometres of line. In 2004 plans called for construction of two new power plants and restoration of existing plants and transmission lines to ease the blackouts and economic hardship caused by this shortfall, but sabotage and looting held capacity below 6,000 megawatts. In 2004 the World Bank estimated that US\$12 billion would be needed for near-term restoration, and the Ministry of Electricity estimated that US\$35 billion would be necessary to rebuild the system fully.

In 2007, hydrocarbon industries accounted for well over 70 per cent of the Iraqi economy and 95 per cent of the government's revenues. Diversification of the economy into non-hydrocarbon industries remains a long-term issue.

### **2009 Oil services contracts**

Between June 2009 and February 2010 the Iraqi Oil Ministry tendered for the award of Service Contracts to develop Iraq's existing oil fields. The results of the tender, which was broadcast live on Iraqi television, are as follows for all major fields awarded but excluding the Kurdish controlled areas where Production Sharing Contracts have been awarded which are currently being disputed by the Baghdad government. All contracts are awaiting final ratification of the awards by the Iraqi government. Company shares are subject to change as a result of commercial negotiations between parties.

## **Services**

### **➤ Finance**

Iraq's financial services have been the subject of post-Hussein reforms. The 17 private banks established during the 1990s were limited to domestic transactions and attracted few private depositors. Those banks and two main state banks were badly damaged by the international embargo of the 1990s. To further privatize and expand the system, in 2003 the Coalition Provisional Authority removed restrictions on international bank transactions and freed the Central Bank of Iraq (CBI) from government control. In its first year of independent operation, the CBI received credit for limiting Iraq's inflation. In 2004 three foreign banks received licenses to do business in Iraq.

### **➤ Private Security**

Because of the danger posed by Iraq's ongoing insurgency, the security industry has been a uniquely prosperous part of the services sector. Often run by former U.S. military personnel, in 2005 at least 26 companies offered personal and institutional protection, surveillance, and other forms of security.

### **➤ Retail**

In the early post-Hussein period, a freewheeling retail trade in all types of commodities straddled the line between legitimate and illegitimate commerce, taking advantage of the lack of income tax and import controls.

### ➔ **Tourism**

The Iraq tourism industry, which in peaceful times has profited from Iraq's many places of cultural interest (earning US\$14 million in 2001), has been dormant since 2003. Despite conditions, in 2005 the Iraqi Tourism Board maintained a staff of 2,500 and 14 regional offices. Between 2009 and 2010, 165 tourists from 16 different countries entered Iraq to visit historic sites; as of January 2011, a U.S. State Department grant provided \$2 million to help preserve Babylon, supporting the re-opening of one of the site's two museums.

### ➔ **Telecommunications**

During 2003-8, mobile phone subscriptions had expanded over hundredfold to 10 million nationwide, according to the Brookings Institute.

## **1.3 Social Analysis of the Iraq:**

### **Language:**

The official language of Iraq is Arabic. Many other languages are spoken by a variety of ethnic groups, most notably Kurdish. "Iraqi Arabic" also known as Mesopotamia is a variety of Arabic spoken in the Mesopotamian basin of Iraq south of Baghdad as well as in neighboring Iran and eastern Syria.

### **Symbolism:**

The goal was to focus on a new cultural life for modern Iraq and to emphasize Iraq's uniqueness, especially in the Arab world. The Iraqi flag is also an important national symbol, and is composed of three colored, horizontal sections, starting with red on the top, white, and black. On the white band there are three green five-pointed stars. During the Persian Gulf War in 1991, the phrase Allahu Akbar (God is great) was added to the flag.

**National Identity:**

The dominating culture within Iraq is Arab, and most Arabs are Muslim. Iraqi Muslims are split into two groups, the Sunnis and the Shias (Shiites). The Sunnis, a majority in Islam, are a minority in Iraq, and the Shias, a minority in the Arab world, are the majority in Iraq. Between the Shia and Sunni Muslims, loyalty to Iraq has come to be a common factor. Though they have differing views, both Sunnis and Shias hold high leadership positions in the government (including the Sunni Saddam Hussein), as do some Christians. Today Iraq stands firm in its belief in pro-Arab nationalism.

**Ethnic Relations:**

The largest minority in Iraq, the Kurds, continually fights with the majority Arabs, and the infighting between these two cultural groups has contributed to a survivalist mentality for the Kurds. This contributed to Iraq fighting Iran in a costly war from 1980 to 1988 over a land dispute. The Iraqi Kurdish population is surrounded by fellow Kurds in the countries of Iran, Turkey, Syria, and Azerbaijan.

**Food and Economy:**

Read more about the Food and cooking of Iraq.

**Food in Daily Life:**

Prior to the United Nations economic sanctions, the traditional diet included rice with soup or pulp, accompanied by lamb and vegetables. Today, because food is tightly rationed, most people eat rice or another grain sometimes with sauce. Both vegetables and meat are hard to come by. In rural areas it is customary for families to eat together out of a common bowl, while in urban areas individuals eat with plates and utensils.

**Food Customs at Ceremonial Occasions:**

It is traditional to sacrifice a lamb or a goat to celebrate holidays.

**Social Stratification:****Classes and Castes:**

Arabs, Kurds, and other ethnic groups each have their own social stratospheres and no one civilization dominates another in a caste system. These people, who are very well educated, now perform unskilled labor, if they have jobs at all, and have joined the ranking of the majority lower or poor class.

### **Social Welfare and Change Programs:**

Currently the only known welfare programs are food distribution and medical aid food. Some nongovernmental organizations (NGOs) have been involved, but unless the Iraqi government can direct NGO operations, they are not permitted to function.

### **Gender Roles and Statuses:**

#### **1. Division of Labor by Gender:**

Men fighting in the military, women were essential to study in fields and to work in positions normally filled by men. Many women joined the labor force as teachers, physicians, dentists, factory workers, and civil servants, with the majority performing unskilled labor. Women professionals, such as doctors, are normally pediatricians or obstetricians, so that they work with only women or children.

#### **2. The Relative Status of Women and Men:**

The General Federation for Iraqi Women (GFIW) is a government organization for women with eighteen branches, one in each region. Its stated goal is to officially organize women, promote literacy and higher education, and encourage women in the labor force.

### **Marriage, Family and Affinity:**

#### **Marriage:**

Following the Iran-Iraq War, the loss of men's lives was so severe that the government embarked on a campaign to increase the population. Government grants were given to men to marry war widows, and polygamy, once rare, became more common. Divorce is accepted, but usually is left solely as a decision of the husband. If the husband wishes to be divorced, it is

normally without question or problem, while it is close to impossible for a woman to initiate a divorce proceeding.

**Inheritance:**

Normally, property and belongings are passed down through the family, split two-to-one between sons and daughters.

**Child Rearing and Education:**

The family holds an important role in teaching values, and they consider it their duty and feel responsible for other family members' behaviors. A good child is loyal, obedient, and does not question authority.

**Higher Education:**

Literacy classes for adults, In the 1980s the literacy rate was about 80 percent, and there were several plans to build new universities and expand existing ones. No current literacy statistic is available, but in 1995 the rate was estimated to be 42 percent.

**Etiquette:**

Men commonly hold hands or kiss when greeting each other, but this is not the case for men and women. Respect is given to the elderly and women, especially those with children, as men give up their seats to them on buses and trains.

**Religious Practitioners:**

There are five pillars of Islam: praise of Allah as the only God, with Muhammad as his prophet; prayer five times per day; almsgiving; fasting; and pilgrimage to Mecca.

**Rituals and Holy Places:**

Muslims gather at the mosque every Friday for afternoon prayer.

**Death and the Afterlife:**

Funerals are very simple and somber events. People are buried on the day following their death, and are wrapped in a white cloth and placed in a plain box, if available. Whether the person is rich or poor, funerals are generally the same for everyone.

### **Medicine and Health Care:**

The current situation is disheartening for older physicians, because they are not able to do medical procedures that they have the capability to perform, and young physicians are no longer educated in the available techniques that older physicians know.

### **Secular (Worldly) Celebrations:**

The Anniversary of the Revolution is 17 July and the most important secular holiday. It was on this day in 1968 that the Baath Party took control of the Republic of Iraq.

### **Culture Today:**

- ➔ 75% of the population is Arab, Kurds make up 15-20% of the remainder  
Smaller groups include Turkmens, Jews, Armenians and Assyrians (5%)
- ➔ Arabic is the official language
- ➔ Muslims make up 96 % of population - About 60 to 65 % of the Muslims are Shia, and the rest are Sunni
- ➔ Christian sects make up 3% - Nestorians, Jacobites, Chaldean and Syrian Catholics, Yazidis, and Mandaean Baptists
- ➔ Jews 1%

### **Ethnic Make-up:**

Arab 75%-80%, Kurdish 15%-20%, Turkoman, Assyrian, or other 5%

### **Religions:**

Muslim 97%, Christian or other 3%



**Government:**

Parliamentary democracy

**Iraqi Society and Culture:****The People:**

The Iraqi population includes a number of ethnic groups, about 77% of whom are Arabs, 19% Kurds, and the rest a variety of different groups, including Turkomans, Assyrians, and Armenians. There is also a distinct sub-group of Iraqi Arabs, called the Ma'dan or Marsh Arabs, who inhabit miles of marshy area just above the point at which the Tigris and Euphrates join together.

**Hospitality:**

Hospitality is an Arab and Muslim tradition deeply engrained in the culture. A tradition within Islam actually stipulates someone is allowed to stay in your home for 3 days before you can question why they are staying and when they will leave. Invitations to a home must be seen as a great honor and never turned down.

**Business Etiquette and Protocol:****Meeting and Greeting**

- ➡ Iraqi businesspeople are relatively formal in their business dealings.
- ➡ The common Arabic greeting is "asalaamu alaikum" (peace be with you), to which you should respond "wa alaikum salaam" (and peace be with you).
- ➡ The most common business greeting is the handshake with direct eye contact.
- ➡ Handshakes can be rather prolonged; try not to be the first person to remove your hand.
- ➡ Men should wait to see if a woman extends her hand.
- ➡ Business cards are given out.
- ➡ It's a nice touch to have one side of your card translated into Arabic.

## **1.4 Technological Analysis of the Iraq:**

### **Science, Technology and Innovation in Iraq**

Science, Technology and Innovation (STI) are now universally recognized as the drivers of national economic development and key contributors to poverty reduction, disease prevention and environmental conservation. Once among the strongest in the region in STI, Iraq has suffered substantial setbacks in its intellectual infrastructure following years of isolation, diminishing resources and infrastructure damage. A large number of Iraqi scientists and engineers are believed to have left the country. Most of the country's higher education and research institutions are not fully operational. Technology across most economic sectors, including the oil sector, is outdated. While the updating of technology has been a national priority, the transfer of scientific knowledge and technology has been hampered, negatively impacting the quality of life in almost every sphere, and limiting the country from harnessing the fruits of its scientific discoveries.

The Government will need to respond with a comprehensive assessment of the science and technology sector, backed up with policies, programmes, institutions and partnerships which foster economic opportunities. The need for strengthening capacity in science for sustainable development and harnessing innovation can only be addressed within a comprehensive framework of science and technology

### **Petroleum Sector**

Iraq has the fifth largest proven crude oil reserves in the world, and it passed Iran as the second largest producer of crude oil in OPEC at the end of 2012.

Iraq was the world's eighth largest producer of total petroleum liquids in 2012, and it has the world's fifth largest proven petroleum reserves after Saudi Arabia, Venezuela, Canada, and Iran. Just a fraction of Iraq's known fields are in development, and Iraq may be one of the few places left where much of its known hydrocarbon resources has not been fully exploited. Iraq's energy sector is heavily based on oil. Over 90 percent of its energy needs are met

with petroleum (2010 estimate), with the rest supplied by natural gas and hydropower.

Iraq has begun to develop its oil and natural gas reserves after years of sanctions and wars, but it will need to develop its infrastructure in order to reach its production potential. According to estimates by Iraq's Deputy Prime Minister for Energy, capital expenditures of \$30 billion per year in Iraqi energy infrastructure are required to meet Iraq's production targets. Progress has been hampered by political disputes and the lack of a law to govern development of Iraq's oil and gas. The proposed Hydrocarbon Law, which would govern contracting and regulation, has been under review in the Council of Ministers since October 26, 2008, but has not received final passage.

### **Telecommunications Sector**

Iraq's telecommunications sector has been significantly damaged as a result of economic sanctions over the 12 years preceding 2003. During this time, rapid advancements in telecommunications technology did not reach Iraq, and the country fell behind global telecommunications standards. By 2003, the fixed-line telephone system was quite limited, and a nationwide telecommunications market did not exist.

Today, Iraq's Telecom sector is one of the fastest growing markets in the region, with the private sector one of the primary drivers of this growth. Iraq's mobile subscribership has reached almost 20 million since 2003.

### **Pharmaceutical Sector**

Iraq has some existing capacity to produce pharmaceuticals. In the 1980's, Iraqis enjoyed health care that was among the best in the region. Investments in education, facilities and equipment over the previous decades had resulted in a system of well-equipped hospitals, highly-trained medical specialists as well as a comprehensive system of primary care clinics throughout Iraq. Prior to 1991, the Iraqi health system provided free medical care to 97% of urban dwellers and 79% of the rural population.

However, the Iraqi health care system witnessed a steep decline between the mid-1980's and 2003. Wars and economic sanctions exacted a heavy toll. Facilities were damaged or destroyed and many clinics and hospitals suffered from a chronic lack of spare parts, modern equipment and consistent electricity supply. The system today offers a dramatically reduced capacity to serve the health needs of Iraqi citizens.

Iraq has some capacity to produce pharmaceuticals and joint ventures may be possible to rehabilitate and upgrade existing factories.

### **Petrochemical Sector**

Iraq has imported Western technology for its petrochemical industry. The Scientific Research Council was established in 1963 and includes nine scientific research centres. The Nuclear Research Centre (founded in 1967) has conducted nuclear physics experiments and produced radioisotopes with equipment supplied by France. In 1982, the French government agreed to help reconstruct the institute's Osirak reactor, knocked out by an Israeli air attack the previous year. Eight universities offer degrees in basic and applied sciences. In addition, the Ministry of Higher Education has 18 incorporated technical institutes. The Agriculture and Water Resources Research Centre (founded in 1980) and the Iraq Natural History Research Centre and Museum (founded in 1946) are both located in Baghdad. The Iraqi Medical Society (founded in 1920) is headquartered there.

Iraq has huge oil and gas reserves, an endowment that represents the cornerstone of a strong downstream petrochemicals and plastics sector.

- The significant potential of Iraq's downstream petrochemical industries was limited by the country's long separation from world markets. With investment, the sector can be revitalized.
- Demand for petrochemical products is large, both within Iraq and abroad.
- Basic infrastructure already exists. The industry can recover and expand on these existing resources.

## **Construction Sector**

- Construction and reconstruction are booming all over Iraq. Decades of conflict and neglect ruined much. The construction market is significant and expanding. The Iraqi government is allocating big amounts in its budget for reconstruction costs and infrastructure rebuilding projects. With these kinds of projections, the market for construction materials will remain dynamic for years to come.
- Before 2003, Iraq produced cement, marble, bricks, glass, ceramic tile, sand and gravel, plastic pipes, steel structures and other materials used in construction. Many of these industries can be rebuilt or revitalized to take advantage of the opportunities in the Iraqi market and in neighbouring countries.

## **How Does Technology Make An Impact On The War In Iraq?**

In the opinion of a veteran, technology has best served in Iraq by decreasing security damage (bystanders and accidental targets destroyed) and by protecting soldiers, sailors, airmen and marines. UAV's (Unmanned Aerial Vehicles) can spot targets without exposing Scouts to enemy fire, robots can disarm improvised explosive devices (IEDs) and better battlefield communications systems can reduce the amount of time necessary to respond to hostile action.

## **Technology Partners**

Iraq's consumption of electricity continues to significantly exceed its generation capacity. In addition to investing in the required generation capability, it is also imperative to take advantage of the latest technology to optimize efficiency and manage demand.

Utilities around the world are modernizing their distribution and customer demand management systems with Smart Grid solutions. AMI (Advanced Metering Infrastructure), delivering near real-time meter reading and control, is usually the starting point of such programmes that can be extended to additional applications such as distribution automation, operations and

maintenance, and transmission management throughout the grid infrastructure.

### **1.5 Environmental Analysis of the Iraq:**

There are many factors and practices in Iraq that has a negative effect on the overall health of the environment. Some of these issues are included below, fast and immediate remedies should be put in place to prevent further degradation of ecosystems in Iraq and start the healing process for a healthier and restored environment in the country. We can see that some of the factors which negatively affect the environment in Iraq are due to practices from across the borders of Iraq; others are due to internal practices, policy shortfalls and lack of enforcement mechanisms.

#### **Water**

Water is one of the most valuable elements in nature. Adequate availability of clean, well-managed water resources is a key indicator of a healthy ecosystem. The main external factor that has a devastating effect on Iraq's environment is the reduced flow of surface water that comes to it through neighboring countries. While some of this water reduction may be due to climate change and drought conditions, it is clear that the main factor in the reduction of water entering Iraq from Turkey, Iran and Syria is due to water projects erected in these countries; and other local practices that are preventing the water from flowing into the Tigris and the Euphrates as it has done throughout history. These external factors can only be addressed by Governmental Political Initiatives to open dialogues with our neighboring countries for a fair and equitable use of our shared water resources and also to get the support of the International community for equal water distribution in the basin. Internal factors for reduction of available water and for the poor quality of what is available are due

#### **Mainly to the following practices:**

Lack of domestic water usage regulations and/or the lack of an enforcement policy for these

- Regulations when they exist. (Washing Car/Porch, Pipe tapping, well drilling, private lawn watering .....etc.)
- Municipality authorities lack of modern Leak Detection techniques for water mains and water networks.
- Lack of awareness within the public and the absence of effective educational and awareness campaigns to build the knowledge base of the public for responsible water usage.
- No adequate Industrial waste management system (practices, regulations, enforcement).
- Lack of adequate sewage treatment plants.
- Lack of a National Water Quality Index, to help set the guidelines for passing regulations regarding water-related practices affecting surface and groundwater.
- Lack of rules regulating in-stream gravel mining which can have adverse affects to water quality, biodiversity and aquifers.
- Inadequate Trash collection, Trash burning and the absence of Trash recycling.
- Inadequate Rivers and Lakes cleaning, and lack of projects to dredge the refuse deposited on the beds and banks.
- Unregulated recycling mechanism of cars and domestic power generators; oil, diesel and spare parts (Substances would leak to contaminate groundwater tables)
- The wide, unregulated use of Poison and Pesticides in fishing and farming.
- Regulating the use of water in the Oil production sectors with coordination with the water related authorities.
- Using old techniques and practices in farming irrigation (Flooding rather than using drip irrigation or controlled sprinkler systems)
- Lack of assistance/demonstration/incentive programs that encourage and promote water conservation/protection practices

### **Air Quality & Land**

Iraq is suffering from unhealthy air quality and impacts to land due to practices that both the government and the public are adopting such as:

- The unregulated use of Power Generators due to the insufficient output of electricity generated by the government.
- Lack of Car emission regulations and modern car inspection techniques.
- Trash burning (due to inadequate trash collection) & Tire burning (in social and ethnic celebrations).
- Tree cutting/burning (reducing photosynthesis which helps reducing the CO<sub>2</sub> from the air).
- Lack of Green Belts and Parks in and around urban areas.
- Lack of standards and unregulated construction practices for buildings, roads and facilities as well as dumping of construction materials also poor quality construction materials and methods reduce efficiency and cause unnecessary emissions.
- Minimal use of alternative, less-polluting energy sources (Solar / Wind power).

### **Biodiversity**

A rich and healthy environment is clearly portrayed on the ground whenever we find a rich and diverse flora and fauna. In Iraq's case, both are suffering a great setback from the levels that existed even a few decades ago. This degradation of Iraq's biodiversity is due to a number of factors, some of which are easy to remedy simply by adopting strong and effective regulations, while others are very complicated and require long-term solutions with stakeholder involvement.

One of the major setbacks (probably the most devastating of all) is what happened to the Marshes of Mesopotamia, which were nearly destroyed by the criminal act by the deposed regime when it decided to dry-up the marshes for political and military conveniences. Some of these devastating effects have actually been reversed immediately after the fall of the regime, when the Marsh Arabs broke some of the dykes that the old regime had built to drain the marshlands.. As a result of this action between 40-60% of the Marshes were re-flooded in 2003 and life started to return to the area.



Nature Iraq has been active since 2004 in the Marsh areas, as well as Kurdistan, Northern Iraq and Central and Western Iraq, surveying areas to determine sites with the highest biodiversity and best water quality.

**Current needs include:**

- Development of a network of National Parks and protected areas throughout Iraq (e.g. there are efforts to establish a Mesopotamian Marshlands National Park in the Central Marshland the Hawizeh Marsh has been established as a Ramsar wetland site of international importance. There are also smaller initiatives, cultural sites and some areas under tribal protection. These areas all need resources, laws, enforcement and development for their proper protection.
- Unregulated hunting and killing/harvesting of threatened species has driven some species in Iraq to the brink of extinction or threatened their global populations. Education as well as legal and enforcement mechanisms are needed.
- Trade in endangered species (such as birds of prey) has a long history in Iraq and Iraq needs to join in international conventions such as CITES to stop the illegal trade of these species. Training and education needs to focus on police and border officials as well as the general public
- Many of Iraq's most important sites are threatened with rampant, uncontrolled development or face the threat of further degradation. Some areas it may be possible to restore and others may be destroyed by industrial, hydroelectric or oil development. Environmental Impact Assessments rules now exist in Iraq but they are not effective. Development projects need to address environmental impacts in order for them to succeed.

**Conclusions**

Many of these issues are overlapping and require a number of actions that are suited for government ministries, law enforcement agencies and will require dedicated resources to achieve.

NGO's, with their strong ties to local communities and ability to act quickly without entrench bureaucracy, can perform many of these tasks to aid the government in effective implementation of programs and projects but few funds are available for straightforward environment-oriented projects. Nature Iraq recommends increased funding to both responsible ministries who are charged with the duty to resolve these issues and the creation of an independent fund that NGOs can apply to receive funds for environmental projects Throwing money at the situation though is also problematic and Nature Iraq recommends open public accounting and a clear plan with pragmatic and achievable benchmarks for evaluating progress towards improving the environment in Iraq.

## **1.6 Legislative Analysis of the Iraq:**

### **Market Overview**

- ➔ Iraq's transition from a centrally-run economy to a more market-oriented one has been slow and uneven.
- ➔ The World Bank's Doing Business survey ranks Iraq 164th of 182 economies evaluated.
- ➔ According to Iraq's 2010-2014 National Development Plan, Iraq must mobilize \$186 billion in investment, create 3.5 million new jobs, and cut unemployment by half from 15 percent.

### **Market Challenges**

- ➔ Business Visas
- ➔ Corruption
- ➔ Security
- ➔ Government Procurement
- ➔ Intellectual Property Protection
- ➔ Inflation
- ➔ Commercial Disputes Settlements
- ➔ Banking
- ➔ Standards and Labeling

## **Market Opportunities**

The government has announced a national housing program to build one million new housing units. Agricultural development, education, and healthcare are also government priorities. The government's 2012 budget increases funding for the Ministry of Electricity (MOE) by 31%. Of the \$5.6 provided to the MOE, more than 70 percent is for capital investments. Iraq's goal is to increase power generation 33% by the end of 2012.

## **Market Entry Strategy**

Iraqi Government encourages foreign investment; a U.S. firm is strongly encouraged to seek in-country legal counsel on the best approach. The U.S. Commercial Service can assist by providing a list of local attorneys, which may be associated with American law firms.

## **Trade Regulations, Customs and Standards**

### **Import Tariffs**

Iraq recently began imposing import tariffs based on the Harmonized Classification System ranging from zero to 80%.

### **Trade Barriers**

Iraq has trade barriers, mainly regulatory and bureaucratic practices, which restrict the level of trade and investment.

- ➔ Arab League Boycott

### **Import Requirements and Documentation**

U.S. firms seeking to export to Iraq must comply with Iraqi customs regulations

### **Certifying Documents for Iraqi Ministries:**

Many Iraqi ministries require importers to provide authenticated/certified documents from their home governments. If such documents are requested, companies should get as much detail as possible about the certification requirements and be sure to follow those instructions closely.

## **The Process**

The exporter will submit one of the two companies providing inspection services with the following documents to initiate the process:

- ➔ Request for Certification (indicating the Point of Entry in Iraq)
- ➔ Performa invoice
- ➔ Letter of Credit (where applicable)
- ➔ Conformity documents (test reports, quality certificates, analysis reports, etc.) Company's Quality Management System documents (ISO 9000, ISO 22000, ISO/TS 16949, etc.)

### **Prohibited and Restricted Imports**

The importation of certain articles is either prohibited or requires special approval from Iraqi authorities.

### **Iraq legislation**

#### **Iraqi Trade**

Strict exchange controls were restrictive of trade to and with Iraq.

#### **Customs Tariffs**

The CPA declared the suspension of customs duties and tariffs that were previously imposed generally as a percentage of the cost of the goods or products imported until the end of 2003.

#### **Income Tax**

The Iraqi Income Tax No. (113) of 1982 as amended and the Regulations issued in accordance therewith provide for the impositions of high tariffs as income tax.

### **IRAQ – Business Laws**

#### **Procedures to register a company in Iraq:**

- A. Companies Law, No. 21, 1997- Determine what category the company in question belongs to. This law divides companies into the list of Varieties of Legal Companies in Iraq.
- B. Fulfill all required registration procedures:

- Register a trade name with the relevant trade chamber or the union of trade chambers.
- Submit a contract signed by the founders of the company, stating the name of the company, its activities, & its capital.
- Deposit appropriate capital for the company, in IQD, at an authorized Iraqi bank and notify the Companies Registrar.
- Pay all fees required to register the company with the Companies Registrar.
- For joint stock companies, submit the subscription certificate, signed by the founders, and the company's feasibility studies.
- Define the commercial and technical activities of the incorporating company to be included in the contract for incorporation.
- Obtain approval of the Minister of Interior for all foreign shareholders.

**C. After the company is founded:**

- Employ a legal advisor for the company from the Bar Association.
- Employ a chartered accountant from the Chartered Accountants and Auditors Association.
- Appoint an Executive Manager.

**State Companies: (Law No. 22/1997)**

**Mixed Companies: (Law No. 21/1997)**

- The mixed joint-stock company:
- The mixed limited liability company:

**Private Companies: (Law No. 21/1997)**

- The private joint-stock company:
- The private limited liability company:

**Private Companies: (Law No. 21/1997)**

- The private joint-stock company:
- The private limited liability company:
- The joint liability company:
- The sole owner enterprise:

# **REPORT-1 TELECOMMUNICATION INDUSTRY**

## **2.1 Introduction of the Telecommunication Industry:**

Communications continues to be one of Iraq's big success stories. Iraq's telecoms sector has emerged as one of the country's most dynamic economic sectors, as evident by the strong take up of services. Since the war rebuilding efforts focused on rapidly improving network access, resulting in a number of wireless local loop and mobile licenses issued. Growth opportunities are evident in the fixed market, given that the fixed line penetration rate is steadily increasing but is less than 6%. In addition the incumbent Iraqi Telephone and Postal Company (ITPC) and competing operators have invested in core and transmission network infrastructure to expand bandwidth and to support the ability to offer new products and services.

Broadband Internet subscribers are growing steadily but from a very small base, with services available via ADSL, satellite, WiMAX, CDMA and GSM platforms. However the most exciting prospect for this market is the current deployment of FttX networks with total connections equating to over 50% of households. Such widespread access to fast broadband networks will enable end users to easily access the Internet and Iraq's nascent digital economy, comprised of e-education, e-health and e-government services.

Mobile services have been the big success story of telecoms in post-war Iraq. The market has grown very quickly, partly due to the lack of fixed-line service. Competition is healthy with three mobile network operators, Asia cell, Zain and Korek Telecom, offering services. Foreign investors include regional mobile players Qtel of Qatar and Zain of Kuwait and global Telco player France Telecom. Iraq's mobile data market is also in the nascent stages of development, with mobile messaging and mobile Internet access offered. The latter has the potential to develop into a significant market once 3G/4G is made available given the lack of strong competition in the fixed broadband market and low PC penetration.

## **2.2 Role of Telecommunication Industry in Economy of Iraq:**

Economic factors are directly controlled and influenced by the financial institutions like State Bank of Iraq (SBI). So they help the industry in giving economic soundness and provide financial aids to survive in the time of crises.

### **Factors that Creating Threats**

#### **1. Economic Conditions influenced by Government:**

In Iraq Although an proper Institution for telecommunication sector working (ITA) but Government is influencing the working of that department and imposing the policies made by politicians.

#### **2. Overall economic conditions are not very sound:**

Over all economic conditions are not very good for any industry because rate of inflation is increasing day by day and value of currency is going down which causing increase in the value of loan payable that is another major threat for telecommunication industry.

#### **3. Efficiency of financial market is not so Good:**

In Iraq all the financial institutions are controlled by government rather than the head of financial Institution State Bank of Iraq (SBP). Rate of interest is increasing day by day it is approximately 21% which is higher than any country in the world so it makes impossible for the telecommunication industry to take loan facility.

#### **4. Country risk of Iraq goes to 3:**

Risk rate of economy of Iraq goes to 3 out of 5 that is the alarming situation for the Iraq as well as all the industries of Iraq.

#### **5. Currently government has increased the taxes :**

Currently government has increased the taxes on the telecommunication sector so that reduces the income of the telecommunication sector some of the examples of that are given below etc...

- Pre-paid customers were charged 10 per cent withholding tax on every new load, which was deducted in advance
- With 15 per cent sales tax on every call increased the sales tax from 15 per cent to 21 percent for mobile users.

## **b. Factors Creating Opportunities**

### **1. Foreign Direct Investment:**

During 2010 telecommunication sector attracted US \$ 142.7 million FDI which was 26.4% of the total FDI in the country during this period. So government is trying to give maximum benefit to the telecommunication industry.

### **2. Lowest Labor Rates in the world:**

During the quarter ending December 2009, telecom sector Labor Cost of Iraq is very Low as Compared to other Countries so that is also an opportunity for the Telecommunication sector.

### **3. Fastest Growing Industry in the Iraq:**

Telecommunication industry is the fastest growing industry in the Iraq that shows that investment is quite comfortable in telecommunication sector.

## **2.3 Business Activity and Function of Telecommunication Industry in Iraq:**

Key telecom parameters – 2010 -2012

Sector	2010	2012
Subscribers to telecoms services (million):		
Fixed Broadband	0.08	0.15
Fixed-line telephony	1.72	1.83
Mobile phone	20.1	27.2

Companies covered in this report include: Iraqi Telephone and Postal Company (ITPC), Itisaluna, Kalimat Telecom, Iraqtel, VitalTel, Hi Link Telecom, Omnea, Newroz Telecom, Asiacell, Zain Iraq, Korek Telecom.



## **Telephone System**

The 2003 Iraq war severely disrupted telecommunications throughout Iraq, including international connections. USAID is overseeing the repair of switching capability and the construction of mobile and satellite communications facilities.

**Main telephone lines in use:** 833,000 (as of 2005)

**Number of mobile cellular phones:** 9,000,000 (as of 2005)

**Domestic telephone network:** Repairs to switches and lines have been made. Cellular service has been in place since 2004, and though service is still spotty in some locations, it is expected to improve. USA Today from 2005 about Iraq and its telecommunications Iraqna, an Orascom Telecom company, is the biggest GSM cellular service provider in Iraq.

## **International Connections**

- ➔ 2 Intelsat satellite earth stations (1 Atlantic Ocean region, 1 Indian Ocean region)
- ➔ 1 Intersputnik satellite earth station (Atlantic Ocean region)
- ➔ 1 Arabsat satellite earth station (inoperative)
- ➔ Coaxial cable and microwave radio relay to Jordan, Kuwait, Syria, and Turkey (the line to Kuwait is probably not operational)

## **Broadcast Stations**

Approximately 80 radio broadcast stations and 21 television broadcast stations were in operation as of 2004. There are approximately 4.85 million radios and 1.75 million televisions in Iraq (as of 1997).

During the reign of Saddam Hussein, broadcasting was largely the domain of the Iraqi Broadcasting and Television Establishment (IBTE). The IBTE, in turn, was dominated by the Ministry of Information. The IBTE often broadcast programming favorable towards Saddam Hussein, including music videos praising him and poetry readings when the station was down. Most IBTE transmitters were in the Baghdad area, in addition to a few regional stations. The IBTE aired former CBS reporter Dan Rather's interview with Saddam

Hussein as well as the news from Baghdad Bob during the run up to the US invasion of Iraq. After the overthrow of Saddam Hussein, the IBTE was dissolved. The current regulator is the Iraqi Communications and Media Commission. The current public broadcaster is the Iraqi Media Network,<sup>[1]</sup> successor to the Coalition Provisional Authority's radio stations and several other radio and television stations. The Iraqi Media Network currently operates the Radio of the Republic of Iraq and the government supported al-Iraqiya TV station, and many private TV stations are available, such as the popular Al Sharqiya. Iraqi radio stations showcase the diversity of popular opinion, from hard-line Islamic fundamentalism to Radio Sawa, politically oriented stations, and stations featuring content appealing to Kurdish listeners. The BBC World Service broadcasts here, as do AFN and BFBS. Other foreign radio stations operating within Iraq include the UAE's Middle East Broadcasting Centre (MBC), Radio Monte Carlo Moyen-Orient, and Radio France International.

### **Internet**

Under the government of Saddam Hussein, Internet access was tightly controlled and very few people were thought to be online; in 2002 it was estimated that only 25,000 Iraqis used the Internet. With his ouster, Internet usage has become commonplace. Uruk link, originally the sole Iraqi Internet service provider, now faces competition from other ISPs, including broadband satellite Internet access services from both Middle East and European VSAT hubs. The premier military telecom service provider in Iraq is Ts 2. Since 2006 several more companies emerged to provide options to individual Iraqis that made Internet access more affordable, albeit with less bandwidth. One such business is Advanced Technology Systems-Iraq [ATS-Iraq]

As of January 2010, The top 4 ISPs in Iraq's capital city of Baghdad are: MASARAT telecom, offering speeds up to 40 megabits and it is the fastest internet in Iraq " Earth link which provides a download speed of up to 5.0 megabits per second (Mb/s) in off-peak times and a download/upload speed of 1024/128 kilobits per second (Kb/s) at peak utilization; (Rose Telecom) provides speeds up to 4/0.7 Mbit/s in off-peak times and 512/128 kbit/s at

peak; /s in off-peak times; and ATS-Iraq, which targets the home and single user demographic. Because of the reduction in usage and capability of the land line infrastructure since 2004, all Iraqi ISPs use wireless technology to provide Internet service to their customers. The Iraqi people await the repair and equipping of the country's telecommunications infrastructure to allow for land-based Internet access methods, such as Cable and DSL. As of 2010, an estimated 5 million Iraqis have access the Internet. The DNS system's top-level country code for Iraq is .iq

## Companies of Telecommunication Industry in Iraq

### 1. Asia Cell

Asia Cell اسديا سيل	
<b>Type</b>	Private
<b>Industry</b>	Telecommunications
<b>Founded</b>	1999
<b>Headquarters</b>	Sulaimaniyah,  Iraq
<b>Key people</b>	Faruk Mustafa Rasool (Managing Director)
<b>Products</b>	Telecommunications
<b>Website</b>	<a href="http://www.asiacell.com">http://www.asiacell.com</a>

'Asia Cell Telecom Company, ' (Arabic: اسديا سيل للاتصالات شركة اسي) is an Iraqi telecommunications company that offers mobile phone services and Mobile Internet.

Asiacell, the first mobile telecommunications company in Iraq, was established in the city of Sulaymaniyah in 1999. Asiacell began its first commercial operations in 2000.

In October 2003, Asiacell was granted a two-year GSM license for the six northern provinces of Iraq, catering in the process to a wider client base who

collectively shared a need for a quality mobile network. The license was extended in 2005 to cover the entirety of the Iraqi Republic. Consequently, today it is the only telecom network to provide coverage nationwide.

In August 2007, Asiacell bid and won a 15-year national license, becoming the GSM telecom operator with the largest long-term network coverage in the country. The company's breakthrough successes have naturally led to its expansion and growth, thereby quickly reaching almost 2000 employees. The famous Kurdish singer Chopy Fatah became the cultural ambassador of the company in 2008. To handle new business operations, Asiacell also simultaneously established new executive offices in Baghdad, Basra, and other major cities in Iraq. Today, the company caters to more than 9.1 million subscribers around the country.

## **2. Korek Telecom**

Korek Telecom is an Iraqi mobile phone operator company in Pirmam, Erbil, in the north of Iraq. It is a "shared limited company registered in Iraq to operate and provide GSM services"; its network covers all of Iraq. Korek Telecom has 350 employees, almost all of whom are Kurds.

In 2000 the Ministry of Telecommunications granted Korek an exclusive five-year license for operating a GSM network in the region covering Arbil (the capital of Iraqi Kurdistan) and the Duhok Governorate. In August 2007, Korek Telecom was granted one of the three national licenses to provide mobile telephony services nationwide.

## **3. Zain Iraq**

Zain Iraq is a mobile phone operator in Iraq owned by the Zain group. The company was formed in December 2007 after Zain purchased Iraqna from Orascom Telecom for US\$1.2 billion, and merged it with its existing Iraqi operator MTC Atheer.

Iraqna launched operations in Iraq in December 2003, after the fall of Saddam Hussein regime in Iraq, then with an exclusive license to provide mobile

telephony services in Iraq's central region. Despite tough market conditions, the scope was extended to cover other areas in Iraq where at December 1, 2007 it covered 99% of the central region of Iraq and approximately 90% of the southern region spanning some 7000 km. MTC Atheer was awarded a 15 year nationwide license in August 2007 for US\$1.25 billion.

### Services

The operation provides a range of prepaid and postpaid voice, data and multimedia telecommunications services, serving more than 13 million customers.

## 2.4 Comparison of Iraq and Indian Telecommunication Industry:

	Iraq	India
Telephones - main lines in use	1.794 million (2011)	32.685 million (2011)
Telephones - mobile cellular	27 million (2012)	893.862 million (2011)
Telephone system	<p><b>General Assessment:</b>  the 2003 liberation of Iraq severely disrupted telecommunications throughout Iraq including international connections; widespread government efforts to rebuild domestic and international communications through fiber optic links are in progress; the mobile cellular market has</p>	<p><b>General Assessment:</b>  supported by recent deregulation and liberalization of telecommunications laws and policies, India has emerged as one of the fastest growing telecom markets in the world; total telephone subscribership base exceeded 900 million in 2011, an overall teledensity of roughly 75%, and</p>

	<p>expanded rapidly to some 27 million subscribers by the end of 2012</p> <p><b>Domestic:</b> repairs to switches and lines destroyed during 2003 continue; additional switching capacity is improving access; 3 GSM operators since 2007 have expanded beyond their regional roots and offer near country-wide access to second-generation services; third-generation mobile services are not available nationwide; wireless local loop is available in some metropolitan areas and additional licenses have been issued with the hope of overcoming the lack of fixed-line infrastructure</p> <p><b>International:</b> country code - 964; satellite earth stations - 4 (2 Intelsat - 1 Atlantic Ocean and 1 Indian</p>	<p>subscriberhip is currently growing more than 20 million per month; urban teledensity now exceeds 100% and rural teledensity is steadily growing</p> <p><b>Domestic:</b> mobile cellular service introduced in 1994 and organized nationwide into four metropolitan areas and 19 telecom circles each with multiple private service providers and one or more state-owned service providers; in recent years significant trunk capacity added in the form of fiber-optic cable and one of the world's largest domestic satellite systems, the Indian National Satellite system (INSAT), with 6 satellites supporting 33,000 very small aperture terminals (VSAT)</p> <p><b>International:</b> country code - 91; a number of</p>
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	<p>Ocean, 1 Intersputnik - Atlantic Ocean region, and 1 Arabsat (inoperative)); local microwave radio relay connects border regions to Jordan, Kuwait, Syria, and Turkey; international terrestrial fiber-optic connections have been established with Saudi Arabia, Turkey, Kuwait, Jordan, and Iran; links to the Fiber-Optic Link Around the Globe (FLAG) and the Gulf Bridge International (GBI) submarine fiber-optic cables are planned</p>	<p>major international submarine cable systems, including Sea-Me-We-3 with landing sites at Cochin and Mumbai (Bombay), Sea-Me-We-4 with a landing site at Chennai, Fiber-Optic Link Around the Globe (FLAG) with a landing site at Mumbai (Bombay), South Africa - Far East (SAFE) with a landing site at Cochin, the i2i cable network linking to Singapore with landing sites at Mumbai (Bombay) and Chennai (Madras), and Tata Indicom linking Singapore and Chennai (Madras), provide a significant increase in the bandwidth available for both voice and data traffic; satellite earth stations - 8 Intelsat (Indian Ocean) and 1 Inmarsat (Indian Ocean region); 9 gateway exchanges operating from Mumbai (Bombay), New Delhi, Kolkata</p>
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		(Calcutta), Chennai (Madras), Jalandhar, Kanpur, Gandhinagar, Hyderabad, and Ernakulam
Radio broadcast stations	55 (station frequency types NA) (2009)	AM 149, FM 171, shortwave 54 (2009)
Television broadcast stations	28 (2009)	1,400 (2009)
Internet country code	.iq	.in
Internet users	325,900 (2009)	61.338 million (2009)
Internet hosts	26 (2012)	6.746 million (2012)
Broadcast media	the number of private radio and TV stations has increased rapidly since 2003; government-owned TV and radio stations are operated by the publicly-funded Iraqi Public Broadcasting Service; private broadcast media are mostly linked to political, ethnic, or religious groups; satellite TV is available to an estimated 70% of viewers and many of the broadcasters are based abroad; transmissions of multiple international radio broadcasters are accessible (2007)	Doordarshan, India's public TV network, operates about 20 national, regional, and local services; a large and increasing number of privately-owned TV stations are distributed by cable and satellite service providers; by 2011, more than 100 million homes had access to cable and satellite TV offering more than 700 TV channels; government controls AM radio with All India Radio operating domestic and external networks; news broadcasts via radio are



		limited to the All India Radio Network; since 2000, privately-owned FM stations have been permitted and their numbers have increased rapidly (2007)
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The Gujarat Telecommunications Service, widely known as ITS, and earlier known as 'Telegraph Engineering Service Class I'(TES Class I) is an organised civil service of Government of Gujarat. The appointment to this service is done through Combined Engineering Services exam held every year by Union Public Service Commission (UPSC) of Gujarat. ITS is a Group 'A' Central Civil Service (Gazetted) post of the Union of Gujarat. The service was created to meet the technical and managerial functions of the government in areas related to telecommunications. The Department of Telecommunications (DOT) had been run for years by this permanent cadre of technical civil servants called the Gujarat Telecom Service (ITS).

The officers of ITS are working in senior management and administrative positions in the Department of Telecommunications (DOT), Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam (MTNL), Telecommunications Consultants Gujarat Limited (TCIL), Telecom Regulatory Authority of Gujarat (TRAI), Telecom Disputes Settlement and Appellate Tribunal(TDSAT), Unique Identification Authority of Gujarat (UID), Central Vigilance Commission (CVC) etc. At present, ITS officers are also working in many other central and state government assignments on deputation.

## **2.5 Present Position and Trend Of Telecommunication Industry in Iraq:**

A study conducted by the Iraqi National Investment Commission indicated that the telecommunications sector in Iraq was very affected by the economic sanctions over the twelve years preceding 2003. During this period, the quick

progress of the telecommunications market in Iraq was not properly exploited. Iraq was laggard in keeping up with the global telecommunications standards, the fixed-line phone system was very limited and the concept of telecommunications market was absent in the whole country.

A study by the National Communications and Media Commission of Iraq stated that there are three telecommunications networks in the country: Zain Iraq, a unit of Zain Kuwait, Asiacell, a subsidiary of Qtel (Qatar Telecom), and Korek Telecom, partly owned by France Telecom and Kuwait logistics firm Agility. Zain and Asiacell operate GSM networks in the southern, central and northern Iraq, while Korek operates a GSM network mainly in Kurdistan. Zain is currently considered the largest mobile provider in Iraq after acquiring Iraqna (from Orascom) for USD 900 million in 2008, and it has a subscribers' base of more than 10.2 million users. Furthermore, there are two small regional operators of telecommunications, Santel and Mobitel, operating in Kurdistan.

### **Internet**

The State Company for Internet Services (SCIS) is the sole provider of the internet service in Iraq, according to previous statements of the company. The internet service fees in Iraq are the highest among the Arab countries and the neighboring countries, because the neighboring countries are linked to international outlets, i.e. a submarine cable or artificial satellites, which is not the case of Iraq. The most prominent private companies that provide good services are EarthLink and Dijlh Net. There are other companies that offer services through ground cable, such as ICPU and SIDI.

### **Future Plans**

Another study issued by the United Nations Inter-Agency Information and Analysis Unit, about the Iraqi plan in the telecommunications field until 2015, indicated that the Government is seeking, in the coming period, to increase the number of fixed lines to 11.2 telephones per one hundred people, compared with 6 telephones currently. It is also seeking to increase the

number of mobile telephones to 40 per hundred people in 2015, according to Table 1 and Table 2.

**Table 1**

Indicator	Base Figure	Base Year	Current Figure	Year	Target for 2015
Number of fixed telephone lines per 100 people	5.6	1990	5.1	2007	11.2
Number of mobile telephone lines per 100 people	0	1990	39.10	2007	40.0
Rate of households owning a Personal Computer	3.6	2004	7.4	2007	10
Rate of households using Satellite	32.0	2004	88.3	2007	100

Source: National indicators for monitoring the Millennium Development Goals (second report) - Central Bureau of Statistics - Iraqi Ministry of Planning and Development Cooperation

**Table 2 - Indicators of Information and Communications Technology Infrastructure**

S	Indicator	Current	Target
1	Number of fixed telephone lines per 100 population	5.1%	25%
2	Number of mobile phone subscribers per 100 population	40%	100%
3	Number of computers per 100 population	1%	5%
4	Number of Internet subscribers per 100 population	—	20%
5	Number of Internet / broadband subscribers per 100 population	—	10%
6	International Internet bandwidth per capita		
7	Percentage of population covered by mobile phone service (coverage includes most regions)		100%
8	Internet access fees (20 hours per month) in USD and as a percentage of the annual per capita income	8%	4%
9	Mobile phone fees (100 minutes per month) in USD and as a percentage of the annual per capita income	5%	3%

Source: Iraqi Ministry of Communications

## 2.6 Telecommunication Industry Policy and Norms:

Iraq in pursuance of World Trade Organization commitments, has taken the initiative to deregulate and liberalize its telecom market. This year was a landmark in the history of Telecom in Iraq when the Government of Iraq announced Telecom Deregulation Policy in July 2003 and Cellular Mobile Policy in January 2004. Both of the policies envisaged to increase service choice, increase competition and provide coverage to un-served and under-served areas. With the announcement of Telecom Deregulation Policy, exclusivity of PTCL in basic telephony has been abolished and by issuing two more cellular licenses, competition in the cellular market has been introduced.

All the segments of telecom sector are now open for private entry. Major foreign investment has been made in the mobile sector after award of two cellular mobile licenses through open auction. Also large investments have been made under the first phase of Fixed telephony services licensing including Local Loop (LL) and Long Distance International (LDI) and Wireless Local Loop (WLL). In this regard PTA has issued 12 LDI and 84 LL licenses. The fore- mentioned services are still considered to be most lucrative for investment with the commencement of second phase of licensing. High returns are estimated by the analysts in Fixed line Services due to large untapped market.

The Iraq Telecom Policy adopted by the Government aims at improving Iraq's competitiveness in the global market and rapid growth of exports. Another element of the Iraq Telecom Policy is attracting foreign direct investment and stimulating domestic investment. Telecommunication Services of world class quality are necessary for the success of this Iraq Telecom Policy. It is, therefore, necessary to give the highest priority to the development of Telecom Services in the country.

### **Objectives**

The objectives of the Iraq Telecom Policy will be as follows: The focus of the Iraq Telecom Policy shall be Telecommunication for all and Telecommunication within the reach of all. This means ensuring the availability of telephone on demand as early as possible. Another objective will be to achieve universal service covering all villages as early as possible. What is meant by the expression universal service is the provision of access to all people for certain basic Telecom Services at affordable and reasonable prices.

The quality of Telecom Services should be of world standard. Removal of consumer complaints, dispute resolution and public interface will receive special attention. The objective will also be to provide widest permissible range of services to meet the customer's demand at reasonable prices. Taking into account Iraq's size and development, it is necessary to ensure

that Iraq emerges as a major manufacturing base and major exporter of Telecom Equipment. The defense and security interests of the country will be protected.

### **Basic Services**

With a view to supplement the effort of the Department Of Telecommunications in providing Telecommunication Services to the people, companies registered in Iraq will be allowed to participate in the expansion of the Telecommunication Network in the area of basic Telephone Services also. These companies will be required to maintain a balance in their coverage between urban and rural areas. Their conditions of operation will include agreed tariff and revenue sharing arrangements.

### **Pilot Projects**

Pilot projects will be encouraged directly by the Government in order to access new technologies and new systems in the services provided.

### **Implementation**

In order to implement the Iraq Telecom Policy, suitable arrangements will have to be made like

- Protect and promote the interests of the consumers
- Ensure fair competition.

## **2.7 Present Barrier for Import-Export of Telecommunication Industry in Iraq:**

Iraq trade representative Demetrio's Marantis recent outlined the key barriers faced by Iraq telecommunications service and equipment suppliers, and identified specific telecommunications-related issues on which will focus its monitoring and enforcement efforts this year. He did this in his announcement and release of the annual Report on the 1377 Review, which also provides information on the operation and effectiveness of telecommunications trade agreements under Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 (1377 Review). The 1377 Review highlights both longstanding

and emerging barriers to Iraq telecommunications services and equipment exports, which – when they flow freely – can support jobs here at home. The full report is available [here](#).

“Recent years have witnessed a growing trend among our trading partners to impose localization barriers to trade designed to protect, favor, or stimulate domestic industries, service providers, or intellectual property (IP) at the expense of imported goods, services, or foreign-owned or developed IP – and this trend is evident in the telecommunications sector”. “This year’s 1377 Review highlights the concern that Iraq equipment manufacturers may be disadvantaged by the growing use of local content requirements in countries such as Brazil, India, and Indonesia. It also outlines a range of other telecom barriers that it has spotted and intends to tackle with increased monitoring and enforcement in the coming year. We know that these annual reviews and the follow-up work we do on the identified issues produce results for job-supporting Iraq telecommunications providers and suppliers.”

Since the release of last year’s 1377 Review, It has achieved progress on key issues in Canada, Mexico, and Israel. Canada passed legislation last year allowing, in certain cases, foreign investments of up to 100 percent in its telecommunications sector. Similarly, in Mexico, the Peña Nieto Administration has moved quickly to introduce legislation removing foreign investment limits in the telecommunications sector. For both countries, these measures could spur new entry and increase the competitiveness of the sector—a long-sought goal of Iraq trade policy that would benefit consumers and businesses in the Iraq and in those countries. In October 2012, the Iraq and Israel signed a bilateral telecommunications equipment mutual recognition agreement (MRA) that, once implemented, will permit recognized Iraq laboratories to test telecommunications products for conformity with Israeli technical requirements, and vice versa.

In the 2013 1377 Review, new areas of particular concern include developments such as Brazil’s finalization of local content and technology requirements imposed on new mobile wireless licensees, and Pakistan’s

institution of a restrictive regime for the termination of international calls into Pakistan, which, although challenged by Pakistani competition authorities, remains in force.

Other issues in this year's 1377 Review focus on a broad range of concerns, including:

- **Cross-Border Data Flows and Internet Enabled Trade in Services:** the 1377 Review highlights concerns with restrictions on data access and transfers and the effort it has made to address restrictions relating to these issues in ongoing trade fora.
- **Independent and Effective Regulator:** the 1377 Review highlights the importance of regulatory impartiality generally as a precondition to meaningful market access, and specific issues encountered in China.
- **Foreign Investment:** foreign investment limits, typically in the form of limits on the percentage of equity a foreign firm can control, were widely cited by commenters as a trade-distortive barrier. This year's 1377 Review focuses on restrictions in China, and progress in Canada and Mexico.
- **Competition Issues:** the 1377 Review highlights problems that competitive telecommunications carriers are encountering in China, Colombia, and Mexico.
- **International Termination Rate Issues:** the 1377 Review again highlights the concern regarding increases in the rates foreign telecommunication companies charge Iraq carriers to terminate (i.e., deliver) long-distance calls to customers in those countries (the "termination rate"), resulting in higher costs for Iraq carriers and higher prices for Iraq consumers. In addition to the termination rate regime issue in Pakistan.
- **Satellite Services Issues:** the 1377 Review again highlights impediments Iraq satellite operators face when seeking to serve customers in China and India. These impediments include the requirement to sell satellite capacity exclusively through government-owned suppliers.
- **Submarine Cable System Issues:** the 1377 Review highlights positive steps the Government of India took in 2012 to improve access to India's submarine cable landing stations, but notes the need for India to

consider a methodology to eliminate unjustified costs imposed on suppliers.

- **Issues Affecting Telecommunications Equipment Trade:** in addition to flagging localization concerns in Brazil, India, and Indonesia, the 1377 Review also discusses the use of equipment standards and conformity assessment procedures (including testing requirements) that act as barriers to entry for Iraq telecommunications equipment, including policies in the following countries: China (onerous security requirements, including use of an indigenous encryption algorithm, redundant testing and non-transparent technical requirements), India (onerous security requirements for the importation of telecommunications network equipment), and China, Brazil, Costa Rica and India (mandatory certification requirements and requirements for local testing).

## **2.8 Business Opportunities in Telecommunication Industry:**

Telecom operators are facing increasing challenges in the digital era. Communication tools based on the Internet, such as Weixin, Weibo and Twitter, have dramatically reduced the traditional profits of telecom operators for SMS and voice calls, and they are trying hard to avoid becoming just simple data channels in the digital era.

From the past experiences of some of the world's well-known telecom operators, the best strategy, they say, is to build up an open platform that can attract participation from hardware providers, end device suppliers, content developers and end users. Telecom operators should also lead the healthy development of this ecosystem, and the gene combination of Internet and telecom companies will become the core competitiveness.

For the three telecom operators in China, the upcoming 4G battle is crucial. Standard choosing and the timing of market entry are key strategies. Obviously, China Mobile will take the first move advantage of 4G, China Telecom and China Unicom could also consider giving up their 3G sunk costs by entering into the 4G realm to seize the future market.



Mobile Internet and big data will create tremendous opportunities for telecom operators. Mobile internet is expected to be booming in the following three years. Telecom operators control the last mile for all mobile devices to access the Internet, and therefore will share the future profit from the mobile internet market. Currently, telecom operators are advised to enhance customer loyalty and increase the migration cost for changing the mobile numbers and switching service providers. A large user base is the key to winning market share in the mobile internet arena, and telecom operators are able to secure a huge number of low-end users through subsidizing low-cost Android-based devices.

- ➔ Construction boom in all GCC countries that is expected to continue in the short to medium term.
- ➔ Reconstruction in Iraq opens a window for dumping possible future excess capacity.
- ➔ A number of M&A transactions might take place in the near future.
- ➔ Possible entry of multinational companies, increasing efficiency & opening new export routes.

## **2.9 SWOT Analysis of Telecommunication Industry in Iraq:**

The Iraq Telecommunications Report features Business Monitor International (BMI)'s independent 5-year industry forecasts through end-2015 on the future strength of Iraq's ICT market, covering fixed-line, mobile and internet segments, and analyses latest regulatory developments and corporate news, including investment activity, mergers and acquisitions, joint ventures and partnerships. All leading operators and manufacturers are fully profiled, highlighting their quarterly financial performance, capital expenditure plans and latest contracts.

BMI's Iraq Telecommunications Report provides industry professionals and researchers, operators, equipment suppliers and vendors, corporate and financial services analysts and regulatory bodies with independent forecasts and competitive intelligence on the telecoms industry in Iraq.

## **Key Benefits**

- Benchmark BMI's independent 5-year telecoms industry forecast for Iraq to test other views - a key input for successful budgeting and strategic business planning in the Iraqi telecoms market.
- Target business opportunities and risks in Iraq's telecoms sector through our reviews of latest industry trends, regulatory changes, and major deals, projects and investments in Iraq.
- Assess the activities, strategy and market position of your competitors, partners and clients via our Company Profiles (inc. SWOTs, KPIs, latest activity) and Competitive Landscape Tables.

## **Executive Summary**

Summary of BMI's key industry forecasts and views, covering ICT, fixed-line, mobile (including 3G), internet and broadband markets.

## **SWOT Analysis**

Analysis of the major Strengths, Weaknesses, Opportunities and Threats within the wireline and wireless sectors, and within the broader political, economic and business environment.

## **Business Environment Rankings**

BMI's Telecommunications Business Environment Rating provides a country

- Comparative risk-reward index aimed at investors', vendors, operators and supplier in the regional telecoms market.
- The ratings methodology makes sophisticated use of more than 40 industries, economic and demographic data points.

## **BMI 5-Year Industry Forecast Scenario**

Historic data series and 5-year forecasts to end-2015 for all key industry indicators (see list below), supported by explicit assumptions, plus analysis of key downside risks to the main forecast.

- Fixed-Line Telephony
- Telephone lines ('000); telephone lines/100 inhabitants.  
Cellular Telephony - Mobile phone subscribers ('000); mobile phone

subscribers/100 inhabitants; mobile phone subscribers/100 fixed line subscribers.

- Internet Markets - Internet users ('000); internet users/100 inhabitants; broadband internet subscribers ('000); broadband internet subscribers/100 inhabitants.

### **Market Data Analysis**

Detailed market analysis of the mobile, mobile content, fixed line and internet segments, broken down into:

- Market Data - Analysis of market size, operator shares, dominant trends, competitive landscape and key quarterly data.
- Technology/Service Rollout - Analysis of rollout/adoption of new technology, such as 3G, WiMAX, IPTV, pay-TV, LTE and value-added handset services (gaming, music, video, apps etc.).
- Mobile Content - The latest trends in content and services available and being introduced by mobile operators. Including a timeline of all the latest major mobile content developments.
- Company Database - A comprehensive breakdown of KPIs of the leading mobile operators, including subscriber figures by type (prepaid and postpaid); 3G subscriber figures; net additions; market share; ARPU; churn rates; minutes of use; voice and non-voice revenue; financial figures, including operating revenues, net profits and EBITDA.

### **Regulatory Environment**

Details of the regulatory bodies and their responsibilities, as well as a special focus on the rules surrounding competition and interconnection. The latest updates in the market's developments and regulatory rulings. Strategy is examined within the context of BMI's industry forecasts, our macroeconomic views and our understanding of the wider competitive landscape to generate Company SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses. Latest financial and operating statistics and key company developments are also incorporated within our company profiles, enabling a full evaluation of recent company performance and future growth prospects.

## **2.10 Problems of Telecommunication Industry with Iraq:**

The study indicated as well that the telecommunications sector in Iraq is facing several problems, namely: overlapping functions between the Ministry of Communications and the National Communications and Media Commission of Iraq (NCCMC), the multiplicity of decision-makers within the Ministry of Communications, and the differences in setting priorities by each authority. This has created some difficulty in carrying out the maintenance works of the landline network in the hot areas, and prevented the NCCMC from monitoring the performance of the private sector in the telecommunications field, particularly the mobile phone companies, along with the continuous vandalism occurring to the telecommunications infrastructure, particularly the landline network, in addition to the lack of optimal use of the frequencies, lack of control on international mobile phone calls and on the Internet service through the access gateways.

Dr. Ahmad Saffar, Professor of Economics at the University of Dohuk in Iraq, confirmed that the telecommunications market in Iraq is crowded by several companies that offer low priced but bad quality services, because of the poor coverage, lack of towers and the long distances between the towers. This has obliged many Iraqis to have three or four different lines to obtain permanent service.

He added that there is a lack of interest by these companies in the quality of the services provided to the consumer, as the latter pays extra minutes for the calls made in addition to the original period of use, attributing that to the non-activation of the Consumer Protection Law in Iraq.

He pointed out that security has a very large impact, as the security troubles led to an increase in the calls' fees, where the telecommunications companies are required to pay monthly taxes and royalties to terrorist organizations in order to protect their towers and prevent any terrorist acts against their base stations. He added that Iraq does not need several new networks, only one network or two complementary and effective networks that are more

advanced than the existing networks and the services provided currently, are sufficient.

Concerning the Internet, he said it is very slow and unreliable, especially in institutes and universities. He noted that the telecommunications problem is due to the administrative and political corruption that serves the interests of certain categories in the Government.

## **REPORT-2 CONSTRUCTION INDUSTRY**

### **2.1 INDUSTRY INSIGHTS**

Increasing Potential for Construction and Real Estate in Iraq. Iraq's construction industry is experiencing a quick period of growth as the country benefits from the qualified political stability of current years, according to the CEO of one of the country's major construction companies.

The rebuilding of Iraq has essential so far tens of billions of dollars in investment for housing projects, infrastructure, schools, hospitals and industry, with USAID predictably estimating total essential costs at US\$ 150 billion, at least. In 2010, Iraq's building industry expanded by 4.4%, to be worth \$5.6 billion, and is predict to grow by 6.18% year-on-year in anticipation of 2014.

### **2.2 CONSTRUCTION**

Iraq's construction probable area has no limits, in addition to building millions of new homes and repairing existing buildings, vast infrastructure renewal is required, mostly in the action and supply of water, new drain systems, roads, airports, rail systems and ports. Planned oilfield developments will also require considerable investment in access roads, workers' accommodations, pipelines, storage and pumping stations. For the private sector there is major work stretching ahead for decades.

The expansion requirements of Iraq run across the continuum of construction projects; small to mega projects including new dams and substantial extra road and rail network. Modern office buildings, business parks, new universities, sports stadiums, municipal buildings, port facilities, and regional development hubs are all the part of the countrywide development plans in Iraq.

There will be many prospects for ground-breaking modernization, where firms having right to use to new building technologies and blueprint will be able to contribute to the transformation and development of Iraq's urban environment.

### Investment Opportunities:

- ❖ The Iraqi government is presently investing US\$ 8 billion on transportation and US\$5.5 billion for water and manure facilities.
- ❖ The governorates of Anbar, Thi Qar and Karbala have announced projects to build up industrialized areas which could involve billions of dollars of investment when fully developed.
- ❖ The Wasit region venture Commission and the Ministry of Tourism have announced a US\$ 1 billion plan to develop a new tourist city near Kut with real estate, hospitality, sports, leisure and entertainment areas over 500,000 m<sup>2</sup>.
- ❖ The Basrah Sports City Complex is under structure and includes a 65,000-seat stadium to host the Gulf Cup football competition at the end of 2012, as well as four hotels.
- ❖ Key infrastructure projects include the US\$ 3 billion Karbala international airport, US\$ 7 billion Baghdad airport and US\$ 3 billion Baghdad rail network
- ❖ US\$4 billion has been allocated for investment in hospitals and clinics in 2011, including 10 hospitals with 200-bed capacity each

### **Real estate projects**

Over 100 private investors from 26 countries have announced real estate projects in Iraq; a US\$ 20 billion project outside Baghdad, a US\$ 50 billion housing project near Karbala, and a US\$ 2 billion housing project in Mosul.

### **Building Materials**

Iraq imports mainly building materials; most cement comes from abroad - mostly Turkey, Iran, and other close by producers - and it is probable that demand for bricks exceeds local supply fourfold. The industry presents virgin grounds for production, importing and distribution with proper control on quality and proper labeling, creating an imperative need for these services among builders.

## **2.3 HOUSING**

Iraq is facing a grave housing shortfall due to High population growth rates and rising urbanization as oil revenues and agricultural surpluses go faster the trend towards immigration to the cities - especially Baghdad and Basrah. Housing has become a major main concern for the Iraqi people and will be a key driver of the construction boom with an probable 85% of home building to be approved out by the private sector.

Investment Opportunities:

- ❖ Current housing projects are valued at US\$ 25 billion, with over US\$ 100 billion needed to assure demand
- ❖ The government is to build 3.5 million new homes over the next decade, some 350,000 units per year
- ❖ Over US\$ 30 billion is to be invested in housing and commercial projects in Baghdad over the next 10 years

## **2.4 HOUSING AND CONSTRUCTION**

Population growth rate:

- ❖ At the probable growth rate, almost 2 million housing units will be needed by 2015.

Private sector involvement:

- ❖ The government estimates that 85% of home building will be approved out by the private sector.

Sector Overview

- ❖ Iraq's rebuilding has created a huge demand for construction know-how and capital. The real estate development, construction, and building material industries are all mature for investment. The large number of construction projects in industrial sectors and infrastructure will need vast amounts of building materials, design capacity, and construction know-how. Opportunities are available across all geographic areas and the already high demand will continue to grow.
- ❖ Private sector investment dollars as well as skill are deeply wanted in all sectors to augment the Government of Iraq's (Gol's) efforts. forecast exist to give for the great number of filled to capacity existing



households, treatment of transportation infrastructure and the ever growing need for development of the industrial base. This will considerably raise the demand for efficient designs and skilled conclusion of sizeable construction projects from a large number of industrial sectors. The vast long-term business potential, coupled with the real need for outside capital and expertise, promises sole investment opportunities for those who lead the way the construction sector.

#### Building Sector Materials

- ❖ Iraq previously produced a significant range of minerals used for basic building materials such as gypsum and cement, and complex materials of glass, tile, piping, and bricks. Today most building materials are imported by multiple and unorganized traders with little government control on quality and proper labeling. Distribution channels are non-existent and inefficiencies exist throughout the whole sector from extracting the base material, production, or importing and distribution, and create market distortions and little consistency for builders needing supplies. As a result, competence is poor, quality is questionable, and domestic producers cannot keep rapidity with existing demand, let alone the demand expected in the near future.
- ❖ As a result of domestic bottlenecks, Iraq imports most building materials. Most cement comes from out of the country, mainly from Turkey, Iran, and other close by producers. It is expected that demand for bricks exceeds local supply fourfold.

#### Construction

- ❖ The post-2003 rebuilding was conquered by large, foreign builders, who have played a major role in rebuilding the Iraq's power and water facilities, bridges, roads, schools and other infrastructure. A domestic construction sector has begun to grow alongside the large foreign builders, but few have developed the ability for the kind of big scale development that will be needed. Estimates of rebuilding expenses in

Iraq run into the tens of billions of USD, with USAID unadventurously estimating at least \$150B USD.

- ❖ The development requirements of Iraq run across the range of construction projects; small to mega projects counting new dams and considerable additional infrastructure. Modern office buildings, industrial parks, new universities, sports stadiums, municipal buildings, port facilities, and regional development hubs are all part of the national development plans in Iraq.

### Housing

- ❖ Housing is a key need for the Iraqi people and will be a key driver of the construction boom. Iraq is facing a serious housing shortfall due to.

### High population growth rates:

- ❖ At present rates (2.6% annual growth), the population of Iraq will reach 40 million by 2025, creating a need for almost 2 million new housing units.

### The return of refugees:

- ❖ The United Nations has estimated that 0.5 million of the 4.2 million refugees will return by 2010 if stability continues.

### Displaced persons:

- ❖ Internally displaced families will need new housing.

### Increasing urbanization:

- ❖ Oil revenues, agricultural surpluses, and Iraq's various conflicts have all hastened the trend toward migration to the cities, especially to Baghdad and Basrah.
- ❖ The Gol built some housing projects in the 1970s and early 1980s, and has also granted land, but most residential development has since been led by fragmented, small-scale builders. These builders have not yet developed the financial and technical wherewithal for the large-

scale development now needed to satisfy rising demand. Housing prices and rents have been rising, especially in Baghdad, defying global trends. Demand for housing is growing apace, with the need estimated at more than three million homes nationally over the next five years.

## **2.5 THE ROLE OF GOVERNMENT IN HOUSING AND CONSTRUCTION**

- ❖ Much of the boom in construction in Iraq over the next five years will be led by government investment in infrastructure. The needs are great:

Water and sewage:

- ❖ Water treatment plants cover only six percent of the population and most sewage plants are outdated and poorly functioning.

Public facilities:

- ❖ Many public buildings are in disrepair or were damaged during the war.

Transportation:

- ❖ Iraq's transportation infrastructure (roads, airports, and train system) are in dire need of repair and modernization.

Supplying the Needs of a Multi-Billion Dollar Sector

- ❖ Iraq's construction potential has no boundaries. In addition to building millions of new homes and repairing existing buildings, huge infrastructure renewal is needed, mostly in the treatment and distribution of water, new sewer systems, roads, airports, rail systems and ports. In 2010, Iraq's construction industry expanded by 4.4%, to be worth US\$ 5.6 billion, and is forecasted to grow by an annual 6.18% until 2014.

Energy Iraq 2013 Held Concurrently with Project Iraq

- ❖ Energy Iraq 2013 the 3rd International Exhibition for Electricity, Alternative Energy, Lighting, Water Technology and HVAC, is back for its second edition. The specialized show dedicated to energy solutions across the construction and infrastructure sectors attracts a large number of industry leaders. The event offers several lucrative

opportunities for businesses seeking to expand their client base and provides a dynamic environment for networking and sales.

## **2.6 INDIAN PROJECT EXPORTERS SET TO WREST SUB-CONTRACTS IN IRAQ**

Indian project exporters could be in the lead among non-US companies in rebuilding Iraq after the war. While market sources admit that prime contracts worth tens of thousands of billions of dollars will go to American companies, they are sure that India Inc. will pocket a considerable number of sub-contracts in post-war rebuilding in Iraq. "It is still premature to talk about post-war Iraq. The immediate opportunities for Indian companies lie in sub-contracts from US firms," a source, closely monitoring project exports, explains. "American companies will welcome Indian companies in rebuilding Iraq because of their vast understanding. Also, the Iraqis are relaxed with Indians. The two countries have much in common." There is more for Indian project exporters: The UN has assured them that obtainable contracts under the Oil-for-Food programmed would go on to remain valid even after the war. "Our companies have been told not to worry about expenditure or shipment for current projects.

The shipments, which were on their way to Iraq prior to the war, have been securely unfocused to other countries in the region such as the UAE, Qatar and Turkey," the market viewer avers. "The impact of the war on companies is by way of the hike in premium on marine cover and fall in travel and tourism." Despite assurances from the UN, trade and industry relations like FICCI are concerned about the fate of the Rs 10 billion worth of current shipments in the Middle East. Nonetheless, in the coming years, existing contracts along with new business possible in post-war Iraq are expected to considerably boost the volumes of major Indian project exporters like BHEL, KEC International Ltd, ONGC, Larsen & Toubro Ltd and IRCON International Ltd. Tushar Purandare, Assistant Manager — Tendering and Business Development, Afcons Infrastructure Ltd, agrees: "There will be lots of opportunities for India Inc., especially in road construction, port development and housing followed by textile exports, healthcare and educational services". Project exporters,

consisting of civil construction companies, turnkey contractors, consultants and suppliers, had won \$1.1 billion worth of contracts out of the \$17 billion worth of contracts authorized 'in principle' under the Oil-for-Food programme in early 2002.

The contracts, part of a larger \$64 billion UN plan, encompass a wide list of infrastructure projects such as power transmission lines and substations, supply of gas cylinders, civil building works, including drainage and sewerage systems, primary and secondary education, and healthcare. "The aftermath of the war will create great opportunities for Indian engineering companies. We should be prepared to use Dubai as an entry point for steel and construction companies to supply relevant material," A.C. Muthiah, President, FICCI, told newsmen on the sidelines of the FICCI seminar on VAT in Bangalore recently. New Delhi's past relations with Baghdad is predictable to go a long way in helping India Inc. to win a good large piece of contracts in the rebuilding of Iraq. "For Indian companies the key to entering a post-war Iraq is to wait and watch and maintain open channels of communication with both sides," Purandare adds.

## **2.7 INDIA EDGES BACK INTO IRAQ**

NEW DELHI - Quietly but surely, India is reopening its political contacts with the new Iraqi administration. In the first official contact with the new Iraqi government, Prime Minister Manmohan Singh's special envoy for West Asia, C R Gharekhan, met Iraqi Prime Minister Ibrahim Jaafari earlier this week. While India has offered to help in upgrading the war-ravaged country and in the drafting of its new foundation, it is also seeking to cut into the estimated US\$100 billion rebuilding business. India hopes to garner as much as \$10 billion.

During his meeting with Jaafari, Gharekhan handed over a personal letter from Singh emphasize India's promise to cooperate with Iraq on the task of national rebuilding. In the letter, Singh invited Jaafari to visit India, a gesture that Jaafari reciprocated by inviting the Indian premier to Iraq. Gharekhan suggested that Jaafari assign the Iraqi oil minister to lead a delegation to India for the next meeting of the India-Iraq Joint Commission. Jaafari, who has

deliberate Mahatma Gandhi's life and information, spoke warmly about Indo-Iraq ties and said he, supported UN reforms counting the growth of the Security Council while emphasizing India's "important position" in world affairs.

The new government in Baghdad has already indicated that it is more than willing to welcome back Indian businessmen, in order to reinstate thriving Indo-Iraq economic ties that took a hit after the US-led invasion in 2003. Apart from warm relatives, there is a healthy admiration for quality services rendered for projects delivered by Indian companies in Iraq. According to reports, more than 100 Iraqi businessmen are currently visiting India each month, the number having doubled from last year, and the Indian mission in Baghdad is busy with inquiries from Indians wanting to do business in a new Iraq.

Certainly, India and Iraq go back a long way. Before the Gulf War, in 1990-91, Iraq, which has the world's third-largest oil reserves, was one of the major sources of India's oil imports and one of the biggest markets for India's project exports, mostly in the building sector. With the Gulf crisis in 1990 and the imposition of UN sanctions, India's trade with Iraq declined significantly. In line with UN resolutions, India determined to incompletely lift the ban on trade with Iraq in June 1991, with relations extended further in 1996. After the overthrow of the Ba'athist regime by coalition forces in 2003, the UN sanction were lifted and trade between Iraq and other countries began to normalize. The new government has been stressing the need for immediate rebuilding of Iraq and has been floating tenders.

It is expected that with the new special consideration, the US will have a reduced role in handing out contracts, which will make the transactions fair, even biased toward non-US countries friendly to Iraq. Until now, the most sought after rebuilding contracts have gone to US multinationals such as Kellogg Brown and Root, a subsidiary of Halliburton, and Bechtel. Indian firms are looking for a chunk of business through sub-contracts as well as fresh tenders that are being put out by the Iraqi government.

It may be recalled that the US had pegged building contracts in Iraq to troop deployment to assist beleaguered US soldiers in Iraq. In December 2003 the US had barred Indian companies from bidding for a primary share of Iraqi rebuilding contracts. Other countries blocked from bidding for main contracts - they could still be handed sub-contract work - included France, Germany, Russia and Canada, all of whom have opposed the US-led war against Iraq and refused to send troops to enforce the US occupation there.

With the changed situation, more than 50 Indian companies now are looking to gather a share of the huge rebuilding pie, which will include the building of schools, hospitals, airports, roads, bridges and power infrastructure. Essar Telecom, Essar Construction, Bharat Heavy Electricals Ltd, Rites, Somdatt Builders, Larsen & Toubro, National Building Construction Company of India, Gamon India, Bharat Earth Movers, Cosmos worldwide and PCP International are some of the corporations in the picture. Representatives of these companies have also been visiting Washington to ensure their participation in the Iraq rebuilding program as well as ink sub-contracts.

In keeping with the new requirements, the partnership of Indian Chamber of Commerce and Industry (FICCI) has been coordinating some of the actions between the governments of the two countries as well as businessmen and corporations. A recent FICCI paper places of interest the trade and economic relations between India and Iraq that conventionally have been close.

"It is high time that India and Iraq start talks on galvanizing trade ties and open a new chapter in our economic teamwork. There is a very big room for India to contribute in the rebuilding of Iraq. India must re-establish its preceding position, as it was before the incidence of the war two years ago, in the Iraqi market," Muayad Hussain, charge d' affaires in the Iraqi mission in India, supposed.

H S Meiji, special advisor (Iraq cell) with the FICCI said: "The situation is improving in Iraq. There is a big energy construction up on the business front

in Baghdad. India must catch up with vast opportunities in store for it." According to C M Mehra, president of BB Overseas, which has been occupied in business in Iraq for more than two decades, "Iraq is on the brink of a major business revival. Indian companies eyeing the Iraqi market can expect a lot of support from the Iraqi government."

However, security remains a major issue as Iraq continues to be racked by the internecine battle between the Shi'ites, the Kurds and the Sunnis, who ruled under Saddam Hussein and refuse to accept the current understanding. Last year, in April, the Indian government debarred workers from going to Iraq, for security reasons - although it seemed the government, as well as US authorities, were ready to turn a blind eye to the illegal transit of Indians through Kuwait or Jordan on their way to Iraq.

However, matters misrepresented quickly when in August last year three Indian truck drivers unlawfully operating in Iraq were kidnapped for ransom and released only after long-drawn-out discussions with New Delhi, with reports of huge sums of money having been paid by the employers of the drivers. After the episode, the government issued instructions to crack down on recruiting agencies that were issuing Indian workers, whether ex-servicemen, drivers, cooks or menial hands, visas to Jordan or Kuwait and illegally transporting them to Iraq, to work mostly as help to US troops.

About 1.3 million Indians work in Saudi Arabia and 100,000 in Kuwait, while some 3 million Indians are said to be working in the Gulf region as a whole, contributing to the bulk of foreign-money transactions in the form of inward remittances. Thousands have returned to India because of volatility in the region.

So, while Indian firms will be looking to seal contracts for future completion, the work on the ground can begin in earnest only when peace returns to Iraq. This is by far the bigger challenge.

FC, a member of the World Bank Group, is providing a US\$50 million loan to cement and building materials supplier Lafarge to support the French



company's cement supplementary in northern Iraq and spur economic revival in the post-conflict nation.

IFC's loan to Bazian Cement Company is supplemented by an extra US\$20 million loan by Proparco, a development financial institution funded by confidential shareholders and the Agence Francaise de Développement.

As Iraq emerges from over two decades of disagreement, building needs are great, with large savings expected in key projects such as housing, schools and roads. The loan will help increase the supply of superiority cement and reduce the acute home supply gap. IFC and Proparco will also work with the company to realize an ecological and social strategy to help align the company with international sustainability standards.

"This financing will help address the cement shortage that the country immediately needs to build key transportation, and will play a catalytic role in attracting other possible foreign investors into other sectors in Iraq, increasing much-needed foreign direct investment into the country," said Indian companies could get major sub-contracts in rebuilding projects in Iraq worth \$20 billion next year, says Anil Aggarwal, chairman of FICCI's India-Iraq Joint Business Council.

"Indian companies would have to be there and interrelate with the United States companies and Iraqi, Kuwaiti and Jordanians for sub-contracts as these companies would be getting majority of the contracts," Aggarwal says.

US Embassy Charge d'Affaires Robert Blake, however, says, "Indian firms are well located to benefit from such opportunities because of India's long standing economic, social and cultural ties with Iraq."

Indians can make a big donation in helping rebuild Iraq's economy as they have an advantage over persons from European countries, Agarwal says."Indians have the added advantage of being preferred by Iraqis as compared to Germans and Britishers," he says.

Elaborating on the aid given to Iraq, secretary in the external affairs ministry, R M Abhayankar, says, "India has already dedicated \$6-7 million for building

of a motherhood and paediatric hospital in Najaf," a decision which the US has commended.

"India has been quick and generous in pledging hold up for Iraq's rebuilding. It announced a \$20 million package to provide immediate medical, food and technical support for the Iraqis," Blake says.

Yousif M Abdul Rahman Al Ani, leader of an Iraqi allocation, who was just here, says though Iraq was facing some struggle due to low revenues, "it is usual that in the long run, Iraq will not have any problems in financing its development projects."

There was an increased demand for medical kit and pharmaceuticals in Iraq, Abhyankar says, adding business houses should "not strictly go by for profit considerations" and add a humanitarian element to trade. Indian companies would have to address issues like banking and foreword of the new currency in Iraq before making long-standing investments, he says.

Al Ani says the new economic rule was based on free economy and method has been taken by the government to improve the presentation and good organization of both private and public sectors. Referring to the new foreign investment system, Al Ani says, "This will permit foreign investments and joint ventures in Iraq."

"The best view for Indian firms in the new term, in adding up to supply of different goods, may include agricultural products and equipment, heavy machinery, health care goods and kit including pharmaceuticals, oilfields and refineries kit, electronics and communication equipments, computers and other high technology goods and services," Ani adds.

India has supported Iraq by participating in the 'Oil for Food' programme and has been as long as food items, life saving medicines, textiles, spares for oil industry etc.

As per the 'Oil for Food' programme, Indian companies have inward bound export orders worth more than \$1 billion from different sectors and ministries in Iraq. The list includes tea, wheat, generators, pumps, motors, LPG cylinders, electric transformers, sharing boards, medicines, pharmaceuticals, equipments for oil industry etc, Modi says.

International support is crucial for Iraq to move closer to full self-government, Blake says, adding the upcoming 'Rebuilding Conference' in Madrid on October 23-24 will be an opportunity for all donors to provide maximum support to Iraq. India's contribution in the rebuilding process will provide a boost to such efforts, he says.

## **REPORT-3 TRANSPORTATION INDUSTRY**

### **2.1 Transport sector in Iraq**

Years of war and political instability have greatly damaged Iraq's transport infrastructure. The authorities are now developing a master plan to improve facilities for passengers and goods.

The development of Iraq's infrastructure is crucial for the country's future economic growth after years of war and political insecurity. Baghdad has earmarked \$16.7bn for investment in the transport and communications sector between 2010 and 2014, which is 9 per cent of the \$186bn, budgeted in the five-year National Development Plan.

Transport is of the great importance as Iraq is a very rich country and has a lot of potential and with its natural resources.

**Hadi Farhan al-Amiri**, Transport Minister of Iraq

The first step is to prepare a transport master plan those maps out how the plan will be funded and where the money will be spent. The Ministry of Construction & Housing (MCH) invited consultants to prequalify by 20 February for a project to prepare a master plan covering roads, railways, ports, and logistics. The contract will be awarded in June and work is expected to take 15 months to complete.

#### **Transport essential:**

"Transport is of paramount importance," Transport Minister Hadi Farhan al-Amiri tells MEED. "Most of the transport infrastructure has been significantly broken in previous conflicts. Iraq is a very rich country and has a lot of potential with its natural resources, rivers, fertile lands and holy shrines. It is the support of civilization."

The objectives of Iraq's transport development plan will address the capacity, combination and security of the existing network, as well as developing cargo transport to boost the sector's contribution to gross domestic product.

### **2.2 Privatization key to Iraq's transport sector:**

Today Iraq is facing challenges with executing major projects across Iraq's transport sector are well documented. In the long term, Iraq says it needs to privatize public

transportation systems. Executing the many planned transport projects will require both expertise and funding from the private sector, but whether this will be cooperative remains uncertain.

The overall task is huge and much doubt Iraq has the capability to execute it. But years of living with war and weak infrastructure means the country has very little to lose and much to gain.

### **2.3 Iraqi transportation sector to facilitate work of oil companies:**

The Iraqi Ministry of Transportation will offer logistical support to oil companies operating in the country, ministry officials said.

The support will enable international companies investing in the ground to develop the oil sector with ease, Essmat Amir Jeyad, adviser to the Minister of Transportation, said.

Officials in the Ministry of Transportation and the Ministry of Oil held meetings over the past several months that led to the formation of specialized committees and a joint operations department to follow up on the implementation of procedures put in place to facilitate the work of oil companies.

### **Transportation & logistics:**

Thanks to its strategic geographical location, Iraq's transportation and logistics industries could become the nation's second leading sources of revenue and most certainly will enhance the country's ability to trade with its neighbors and the world outside.

Iraq is a "land bridge" or "dry channel" for Eastern Mediterranean ports in Turkey. Merchants and manufacturers who send their shipments by land via inter-modal systems to Iraq's port at Umm Qasr rather than the Suez Canal – Red Sea way, will not only save transit time but an estimated \$12 million to \$15 million per ship load in transport fees.

Current winds and "great circle" routing make Iraq's airspace an equally smart transit option as the "land bridge" not only for cargo but as a center for passengers as well.

Iraq understands the importance of this opportunity. It has already experienced the challenges connected with being principally dependent on oil revenues and is committed to provide world class transportation and logistics systems to develop the possible of this market.

Iraq's public transportation networks are owned by the Iraqi government. Roads, railways, and one airline attach most major cities. Most people in rural areas, however, rely on bicycles or animals for transportation. Pipelines are used to transport oil and natural gas.

#### **2.4 Iraq's Priorities – Investor's Opportunities**

The responsibility for advancement and renovating Iraq's transportation system falls to two ministries, the Ministry of Transport (MoT) and the Ministry of Construction and Housing (MoCH). The MoT is responsible for ports, railways and airports while the MoCH oversees the analysis and new construction of roads and bridges.

Combined, their immediate priorities for the country are:

- Improving the facilities and services at the nation's main airports mainly at Bagdad and Basra.
- Construction of a huge new deep water port at El Faw.
- Improving the safety and competence of the national railroad system.
- Improvement the country's roads.

To give you a feel of what "upgrading the country's roads" entails, Iraq has something like 38,000 km of smooth roads and 7,000 km of rough roads. The smooth roads were built in the 70s and 80s and were designed to have a 20 year service life. There has been little to no maintenance done on this system and the roads show it. The "land bridge" cannot become a reality until modern highways capable of handling inter-modal transport are in place.

Using the standard of \$1 million per km as the construction cost, "upgrading the country's roads" could run upwards to \$40 billion.

The new port at El Faw is another huge project estimated to cost up to \$14 billion. The port is envisioned as a 2010 design capable of handling eighth generation

container ships and finally will include up to 50 berths making it the largest recent port in the region. When El Faw is completed it will replace Umm Qasr as the principal station making the land bridge even more attractive to shippers.

## **2.5 List of Iraqi Transportation Contractors:**

With the establishment of stability and security, Iraq has been successful in attracting the world's important transportation and logistics organizations to join them in innovation the country's industry.

Here's a quick sampling of recent events:

- Swedish truck builder **Scania** has announced that it has taken a greater part position in its Iraqi distributor. Iraq has always been a good customer for Scania who has sold over 20,000 heavy trucks there since the 1960's. Increasing its corporate presence will allow the company to center on Basra province where, according to Country Manager Gustaf Sundell, "there is rapidly increasing demand for transport services from international companies."
- Sixteen firms have submitted bids on the \$412 million El Faw breakwater project. Among the finalists in the competition are **Hyundai Engineering and Construction, Daewoo Engineering and Construction, China Communications Construction Company** and **Al Habtoor Leighton Group**. An award decision is expected in the early drop of 2012.

Elsewhere improvements are being made in the human element of the transportation and logistics industry. Scania has opened the Swedish Academy of Training in Erbil to provide educational resources for those hired as drivers and maintenance technicians for heavy trucks.

This is a sector of Iraq's economy that is truly a win-win for both investors and Iraq. Expenditures on transportation not only progress Iraq's ability to earn foreign trade but provide jobs, training and new business opportunities for Iraqi companies.

## **2.6 PESTLE analysis of Transport Service Industry in Iraq:**

### **External influences:**

An industry has to work within a varying environment and respond to many factors over which it may have no control. They are 'external' factors because they are

problems arising from groups or forces outside of the industries' control. When assessing the main impact of external factors on any business or organization, it is helpful to group these jointly using the acronym PESTLE.

This stands for the four areas that represent the most common external influences.

These are:

- **Political and Legal factors** – for example, latest laws and regulations or decisions made by governments
- **Economic factors** – changes in the economy, people's spending power, patterns of wealth
- **Socio-cultural factors** – changes and trends in society, for example, the number of people aged over 60 in society
- **Technological factors** – changes in techniques or equipment that can lead to the development of new goods and services or new ways of doing things.

#### **Political Factors:**

The country in the present day is in the transitional phase. The element Assembly Polls being the main issue so various other matters are overlooked. The existing political instability as the constituent election has successfully completed is predictable to be stabilize, which will certainly help the business environment to become favorable in the country. With so much of instability in Iraqis political sector, it is obvious that the rules and regulations are unstable as well. Hence, it is very important for any company to be extra alert and adaptive to the changes in the policies regarding the laws and legislations.

To sum up, because of the unorganized political sectors it is pretty hard for business bodies to carry on the plans within the specified time frame. Thus, the needless red tape and the bureaucratic systems of the government have been creating a strong problem for the service sector to grow. Iraq is facing increasing inflation day by day. The purchasing power of people hence, has become much fewer.

#### **Economic Factors:**

The most significant of all external forces with which a business must challenge is the economic environment of the country. The general economic conditions and trends are the most critical to the economic feasibility and success of the business. The



economic environment consists of factors that affect consumer purchasing power and spending patterns and it depends on income level, price, savings, and availability of credit. The purchasing power of Iraqis people is very low due to political instability, higher inflation rate and unemployment. The recent slowdown economy is principally led by narrowing in manufacturing and tourism industry, and steep drop in exports.

Businesses need to make money to continue to exist. They do this by listening to customers to ensure they keep their customers and attract new ones with good services that customers want and need. It is very important for businesses to respond to changes in demand from customers. Market research showed that Iraqis passenger required **cheaper and safer transportation services** and public transportation complete the public demand.

An additional economic factor affecting the transport service is increasing fuel price. High fuel price encourages passenger to switch from using private vehicle to more reasonable public transport.

Overloading in cities like Bagdad also encourage people to switch to other forms of transport. For example, in major cities where parking is not convenient, cheaper and wide available public transports are easy.

### **Socio-cultural Factors:**

Socio-cultural environment is composed of various class, structure, beliefs, values, social institutions, accepted patterns of behavior, customs of people and their prospective. Hence, any industry must take into consideration the socio-cultural environment for developing its policy and strategy. Socio-cultural environment influences the demand and supply of goods and services.

Social trends are one of the key factors affecting a business. People's buying patterns and service utilizing pattern are determined by trends. Just as the demand for some popular clothes are determined by fashion, demand for mean of transport is determined by social trend and income level. Transportation means are always changing. The trend of leaving the country and staying abroad is arising for better lifestyle and to enhance their living condition. Lack of opportunity for youth, political instability, revolution and educational purposes are major reasons for leaving the

country. Due to this the income level of families has rise. Currently most medium class people are paying attention towards car and motorbikes.

Society's habits and tastes are shifting. People are being educated and are more aware of the importance of the environment and health and are becoming 'green consumers'. Green consumers have a preference goods and services that are environmentally-friendly' and which have less impact on the environment and is good for health.

### **Technological Factors:**

Technological environment is very important for any sector. Technological environment refers to the entire technical atmosphere that affects business. It includes skills, methods, systems and equipment. Technology consists of the forces that create new technologies creating innovative services and market opportunities. The most striking force shaping people's lives is technology. Businesses are continually developing new technologies to provide the best solutions for the market place. Most of the Intelligent companies find out what the most appropriate technologies are for their businesses and use them according to new technology. This is mostly true in transport.

There are so many example of technology that affected through technology improvement. A good example of change in technology is buses that lower the floor for easy entry. These provide better accessibility for disabled and elderly people. Technologically, Iraqis transportation industries are far at the back the international transport industry.

In recent scenario various types of sophisticated technologies are invented and implemented in international transportation Service. Services like path navigator, wireless communication in vehicle and other safety measures are already in use in international industry but in Iraq it is lagging behind. Crowded and the unsafe part of the procedure are till we considered. That makes the capacity below the actual level and makes difficult to fight with other.

### **Legal:**

Different sectors have different rules and regulation. Responsible businesses not only stand by the law, they seek to create standards above minimum requirements. Public transportation has to be aware of a number of legal factors. Legal changes that affect business are closely together with political ones. Many changes in the law stem from government policy. Many other laws are nation-wide, for example, the standards for bus transport emissions. Public transport must make sure that all its buses meet these requirements. It has to expect and prepare to meet future legal changes.

### **2.7 The Role of Government in Transportation Sector:**

The Ministry of Transport (MoT) is responsible for the management, planning and policy of the country's transport system, apart from for highways, which are the responsibility of the Ministry of Construction and Housing (MoCH). There are thirteen State Owned Enterprises (SOE's) which administer the domestic and international transportation of passengers, goods, and cargo. These include:

- Iraqi Civil Aviation Authority
- General Company of Iraqi Ports
- General Company of Iraqi

Priority projects for the State Commission for Roads and Bridges include the following:

- Improving the facilities at the main airports, especially Baghdad and Basrah
- Building a new deepwater port at El Faw
- Reconstruction Iraq's railway network
- Development Iraq's roads

### **2.8 Investment opportunities driving Iraq's transport sector:**

Better protection and growing economic activity mean that the volume of luggage and frequency of travel by individuals is increasing quickly.

Every part of Iraq's transport system requires investment as accelerate demand for air, sea port, road and rail luggage services puts rising strain on existing capacities. Transport, whether of people or goods, was one of the sectors which suffer nearly all over the recent period. But now it is a sector of great opportunities, according to the Iraqi National Investment Commission.

The Ministry of Transport is responsible for the management, planning and policy of

the country's transport system, not including for highways which are the responsibility of the Ministry of Construction and Housing. There are a number of states Organizations which manage individual parts of the country's transport system.

An increasing number of international airlines now fly to Iraq. The transport minister has indicated that airlines wishing to open routes to Iraq will be given urgent approval.

National flag carrier Iraqi Airways is also increasing its scope of operations with Air-France-KLM in agreement to help it set up commercial flights to Europe and other international destinations. Currently, it is planning to add flights to Germany, India, Bahrain and Qatar. Iraqi Airways is overhauling its ageing fleet and has already placed substantial orders worth £3.8bn.

### **Seaports:**

Iraq has five ports on its short Gulf (sound) coastline. Two of the main sea ports Khor az-Zubayr and Umm Qasr are located on the Khor az-Zubayr channel, south of Basra city. Al-Faw is placed at the mouth of the Shatt al-Arab. There are also two river ports on this waterway. Record numbers of vessels have been docking at Iraq's ports in recent months, according to the state-owned General Company for Ports of Iraq (GCPI), which owns and runs all the country's ports. Shipping traffic rose 45% during February 2009. One hundred vessels docked during the month compared to an average of 75.

This increase in traffic follows a successful movement by the Iraqi security forces in 2008 to regain control of Umm Qasr, which is the country's only existing deep-sea marketable port. All the port's facilities suffer from elderly infrastructure and there is a lack of storage and as a result it operates well below capacity.

### **Railways:**

Iraq offers huge scope for the development of its rail network which in 2004 was running at only 10% of its capacity. The 310 mile Baghdad-Basra line has started carrying passengers once again. The country's rail network consists of 2,400km of

track with approximately 120 stations. The railway company has 187 locomotives and 1,685 units of rolling stock for both passengers and freight.

The Transport Ministry plans to regenerate the western minerals railway by the end of 2009. This line, a strategic link between Baghdad and several major industrial cities, runs from Akashat near the Jordanian border to the main Al-Qaim-Baghdad line and connects to fertilizer and concrete plants in Anbar region.

The first major rail construction to take place in Iraq since 2003 is the 285km railway line around Baghdad which is connected to the country's main rail network. At \$5.6bn, the project will take six years to complete.

The Transport Ministry is to invite international firms to participate in the project whose aim is to allow transit luggage cargoes to by-pass Baghdad thus freeing up transport capacity in the city.

Meanwhile, at the end of March, French, German and American companies existing offers to Baghdad city authority to build a city metro. The government said that it will allocate £2.1bn to finance the 41 station underground network.

Upgrades are planned for railway lines between Basra and Umm Qasr and between Baghdad and Mosul in the north and Rabia, near the Syrian border.

## **2.9 Indian Transportation Sector:**

### **1. History:**

- British India Era: infrastructure focused on majestic requirements.
- Independent India: India's infrastructure vision was top down and government got carried away with trying to prove to the world what India was capable of. The urgency to turn a very much poor country into a gleaming industrial power had prompted the state to emphasize higher education over primary power plants, steel factories and massive dams over rural roads, and building new cities over reforming older urban pestholes.

- For most governments, investment were anyway a lose-lose option. With government so unbalanced, it was likely that the next government would take credit for what you did.

## 2. Comprehending Transport

- Sometimes difficult to fully comprehend the significance of transport to the economy
- When there are problems in the power or water sectors its immediately observable
- Lights go off or taps run dry –the public immediately knows –medical analogy is a heart attack
- Transport sector grinds to a stop slowly –like lung disease –slowly crippling the body
- Public comes to accept poor transport as a way of life –the economy runs slow, quality of life bad, people die in accidents –media must enlighten, focus attention

## 3. Road

- Network of 66,590 km of National Highways, of which 200 km are classified as expressways.
- Umbrella project: 7-phase NHDP

## 4. Railways

- 18 million passenger daily.
- Tariff policies: overcharge freight to subsidize passenger travel

## 5. Intra City

- New initiatives, low floor A/C buses, Bus rapid transit (BRT).
- Delhi Metro. under construction in Bangalore, Chennai, Mumbai

## 6. Water and Sea

- 12 major ports and about 180 minor and intermediate ports in India.
- Underutilized water way: 0.1% of the total inland traffic in India, compared to the 21% figure for the United States.

## 7. Aviation

- System untapped. 90 million passenger annually. Railways do that in 5 days!
- Up gradation of existing airports. Greenfield airports.

## 8. Investment

- Investment requirements \$492 billion in the next five years

- Of this, \$147 billion to arrive from private investment
- Share of private investment in total to rise from 17% to 30% by 2012. Investment to touch \$1.48 trillion by 2017
- Role of IIFCL: It's a SPV to provide long term finance to infrastructure projects
- dominant priority to PPP projects, Finance projects in sectors like roads, airports, ports, power, urban infrastructure etc

#### 9. Challenges.

- India's roads are congested and of poor quality.
- Rural areas have poor access.
- The railways are facing severe capacity constraints.
- Urban centers are severely congested.

#### 10. Way forward

- Expanding Construction Capacity
- Improving Contract Management
- Report cards on delivery of services by PWDs
- New programs/projects public consultations
- Performance statistics, e.g. road accidents by public transport buses (DTC example)
- Regular columns responding to citizens queries about transport

### **2.10 TRANSPORT COMPANY:**

#### **JAMNAGAR TRANSPORT COMPANY (GUJRAT)**

##### **Logistics Services:**

- Door to Door collection and delivery of goods
- Efficient customer service cell in all regional offices
- Major stations- Outside City godowns
- Computerized Services & tracking of consignment at major godowns
- Safety of goods guaranteed

Almost **39** years back, when India, as a country was heading towards modernization, a great revolution took place in the Transportation sector. The traditional system of transporting goods from one place to another gave way to latest technology aided system to speed up the entire process. Besides railways and sea routes, road lines

came to be identified as the most important means of transport especially to reach the interiors and the remote areas. And as commonly understood, industrial growth of the country can come to a decline without an efficient transport system - in 1972, **JAMNAGAR TRANSPORT COMPANY**, a sibling then and a deep-rooted established tree now, came into being.

The starting point of the firm was sown by Late. Ranchhoddas Bhadra and is nurtured by his successors. The humble beginning gradually resulted into a leading Transport Service Provider in Gujarat. Rather than going national, **JAMNAGAR TRANSPORT COMPANY**. has chosen to provide quality service and meeting all logistic needs of their customers by limiting their network to the state of Gujarat, thus carrying an identity of its own.

Today **JAMNAGAR TRANSPORT COMPANY (S.G.D)** has almost 45 branches in Gujarat and various transport agents representing several remote areas of **(S.G.D)**. Each branch has fully furnished RCC buildup go down with security and covered insurance. All our branches are computerized to provide faster service at reduced time.

**Conclusion:**

Iraq has a brilliant location, and it has to use all the means of transportation that link it with the rest of the countries, whether air, land or sea ways, because they will be very useful in the development of the economic and commercial capacity of the country. Iraq now needs these things in order to profit from them in the development of its foreign relations, because the increase of the trade movement in the country means growth the economy. This can be achieved through the development of sea transport and importing or purchasing modern cranes that can bear large weights, as well as large vessels to transport goods and people.



## REPORT-4 PETROLEUM INDUSTRY

### 2.1 Introduction of the Petroleum Industry:



Iraq has the fifth largest proven crude oil reserves in the world, and it passed Iran as the second largest producer of crude oil in OPEC at the end of 2012.

Iraq was the world's eighth largest producer of total petroleum liquids in 2012, and it has the world's fifth largest proven petroleum reserves after Saudi Arabia, Venezuela, Canada, and Iran. Just a fraction of Iraq's known fields are in development, and Iraq may be one of the few places left where much of its known hydrocarbon resources has not been fully exploited. Iraq's energy sector is heavily based on oil. Over 90 percent of its energy needs are met with petroleum (2010 estimate), with the rest supplied by natural gas and hydropower.

Iraq has begun to develop its oil and natural gas reserves after years of sanctions and wars, but it will need to develop its infrastructure in order to reach its production potential. According to estimates by Iraq's Deputy Prime Minister for Energy, capital expenditures of \$30 billion per year in Iraqi energy infrastructure are required to meet Iraq's production targets. Progress has been hampered by political disputes and the lack of a law to govern development of Iraq's oil and gas. The proposed Hydrocarbon Law, which

would govern contracting and regulation, has been under review in the Council of Ministers since October 26, 2008, but has not received final passage.

Iraq has the world's third largest proven petroleum reserves and has historically been the second largest oil producing country in the world, after Saudi Arabia, with over 115 billion barrels of proven oil reserves. Iraq's true resource potential may be greater than expected, as deeper oil-bearing formations located mainly in the Western Desert region could yield additional resources, but have not been fully explored. According to the 2008 BP Statistical Energy Survey, Iraq had 2007 proved natural gas reserves of 3.17 trillion cubic metres, 1.78% of the world total. Oil terminals are situated at Mina al Bakr, Khawr al Amayah, and Al Faw and there are oil pipelines linking the country with Turkey and Syria.

Although the presence of oil has been known for thousands of years, the first formal steps to tapping the resource came with the establishment of the Turkish Petroleum Company in 1912. Both Shell and BP were early shareholders in the company. After the first world war the company became the Iraq Petroleum Company (IPC) with Shell, BP, CFP, Exxon and Mobil together holding 95% shareholding. The Iraqi government nationalized IPC in 1972.

The Kirkuk Field, holding about 16 Gb of oil in a large surface structure, was discovered in Kurdistan in 1927. Since then, more than fifty oilfields have been found, of which about half are giant fields, together holding some 90 Gb. Production to-dates from all fields' amounts to almost 30 Gb, leaving about 60 Gb for the future plus whatever new exploration might turn up. It seems very clear from the size distribution of the fields that the bulk of Iraq's oil has already been found, with many of the smaller discoveries still awaiting development.

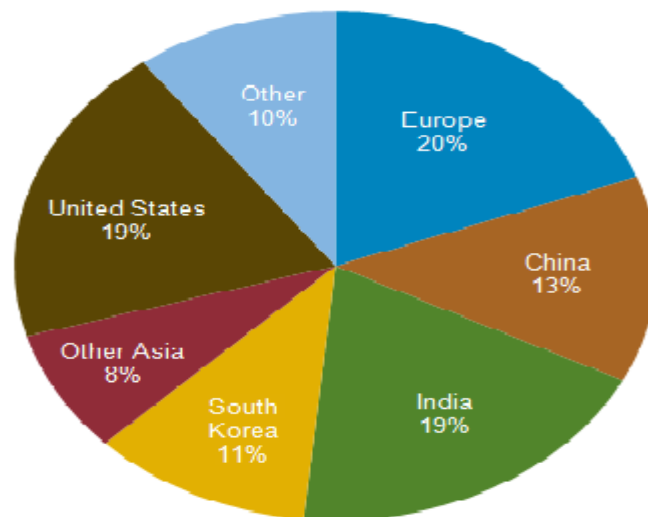
ASPO estimates that a total of 125 Gb of oil will have been discovered by 2010, with about another 10 Gb to come in after that. Some 30 Gb have been produced to-date. Production stands at about 2 Mb/d, the amount being

uncertain because of smuggled exports through Turkey, Syria, Jordan and Iran. There is very little instantly available spare capacity. Under optimal, unconstrained operating conditions, it would be reasonable to expect production to rise to about 3 Mb/d by 2010, reaching a peak of 4.5 Mb/d around 2020. The US DOE is more optimistic about reserves and believes there is huge unexplored potential in the Western desert.

Production dropped from 3.5 million bbl / day before the 1990 war to 200,000 bbl /day immediately thereafter but crept up again to around 2.5 million bbl / day before the 2003 invasion. According to the 2008 BP Statistical Energy Survey, Iraq produced an average of 2144.6 thousand barrels of crude oil per day in 2007, 2.69% of the world total and a change of 7.2 % compared to 2006. According to the 2008 BP Statistical Energy Survey, Iraq had a 2007 refinery capacity of 674 thousand barrels a day.

The future of oilfield development contracts, mostly involving Russian oil companies, is uncertain.

#### **Iraq crude oil exports, 2012**



#### **What Makes Iraq Petroleum Unique?**

- ➔ Be part of the an independent gathering on Iraq's energy sector, including the Kurdistan Region

- Gain insights into the future of Iraq's oil industry and identify opportunities and partnerships
- Hear first about new oil and gas strategies and stay ahead of your competitors
- Have your questions answered by the industry leaders shaping the market
- Network with representatives from NOCs, IOCs, major service operators and independents

### **State Companies:**

The Oil Ministry oversees the nationalized oil industry through the Iraq National Oil Company (INOC). Autonomous companies under INOC include: State Company for Oil Projects (SCOP) - design and engineering of upstream and downstream projects; Oil Exploration Company (OEC) - exploration; Northern Oil Company (NOC) and Southern Oil Company (SOC) - upstream activities in northern/central and southern Iraq, respectively; State Organization for Oil Marketing (SOMO) - crude oil sales and OPEC relations; Iraqi Oil Tankers Company (IOTC)

### **Infrastructure:**

Iraq has an extensive pipeline network, internally for crude oil and raw gas feeding refineries and gas processing plants, and for oil and gas products from the said plants to in-country consumers, and out-country exports across neighboring countries. To handle all oil and gas fields target production rates, much of the existing infrastructures will have to be rehabilitated and huge new structures will have to be built inside and outside Iraq.

### **Rich in Oil Assets:**

IEA's Iraq Energy Outlook comes just weeks after the agency's figures confirmed that Iraq had made staggering progress in rebuilding its oil production, reaching output of 3 million barrels per day (bpd), its highest output since the U.S.-led invasion in 2003 that toppled Saddam Hussein. Iraq now has surpassed Iran as OPEC's second-largest producer for the first time since the 1980s.

The report forecasts that Iraq will double its oil production to 6 million bpd by 2020, and will ratchet its output to 8 million bpd by 2035. Among all oil exporters, Iraq in 20 years' time will vault past Russia from third to second place, behind only Saudi Arabia, says IEA. The agency expects Iraq single-handedly to provide 45 percent of global production growth between now and 2035.

Iraq is "very, very rich" in energy assets, said Fatih Birol, IEA chief economist and the report's main author. Iraq benefits from having some of the lowest production costs in the world and "easy geography," he said.

But the challenges are great. The report noted the conflict between Iraq's federal and regional governments over governance and the legal framework that will dictate the operations of the numerous foreign companies that are engaged in the rebuilding effort. Iraq needs to overcome storage and transportation bottlenecks while building a larger and better-trained workforce capable of operating the drilling rigs. Insufficient water supplies are a problem, because water is needed to pump oil from the ground.

Its oil and gas fields and ports have deteriorated over the years due to war, neglect, internal conflict, and international sanctions. Between now and 2035, the report said, the war-torn country will have to invest more than \$530 billion in infrastructure to reach the forecast production levels. One bright spot: That's an amount that growing oil revenues should easily cover, IEA said.

### **Why Iraq's Oil Is More in Demand By The Big Companies:**

Oil in Iraq is especially attractive to the big international oil companies because of three factors:

**(1) High quality/high value product:** Iraq's oil is generally of high quality because it has attractive chemical properties, notably high carbon content, lightness and low sulfur content, that make it especially suitable for refining into the high-value products. For these reasons, Iraqi oil commands a premium on the world market.

**(2) Huge supplies:** Iraq's oil is very plentiful. The country's proven reserves in 2002 were listed at 112.5 billion barrels, about 11% of the world total. With little exploration since the nationalization of the industry in 1972, many promising areas remain unexplored. Experts believe that Iraq has potential reserves substantially above 200 billion barrels. The Energy Information Administration of the US Department of Energy has estimated that Iraqi reserves could possibly total over 400 billion barrels. If new exploration fulfills such high-end predictions, Iraq's reserves could prove close to those of Saudi Arabia, now listed at 260 billion barrels but likely also to go considerably higher as well. The Department of Energy assessment says that:

"Iraq contains 112 billion barrels of proven oil reserves, the second largest in the world (behind Saudi Arabia) along with roughly 220 billion barrels of probable and possible resources. Iraq's true potential may be far greater than this, however, as the country is relatively unexplored due to years of war and sanctions. Deep oil-bearing formations located mainly in the vast Western Desert region, for instance, could yield large additional oil resources (possibly another 100 billion barrels), but have not been explored."

On May 22, 2002, Iraqi Senior Deputy Oil Minister gave an interview to Platts, a leading industry information source. Discussing Iraq's estimates of its potential reserves, he told Platts that "The figure we reached and which is widely known, is that we could discover 214 billion barrels of oil in addition to the present proven reserve [of 112 billion]. We are sure of this figure as all available indications and scientific standards say. This means that we will exceed the 300 billion barrels when all Iraq's regions are explored."

Hamud indicated that more reserves were probably to be found. "We have also said on many occasions that we have indications of oil structures--these are only primary indications--estimated to be more than 560 reservoirs that could be oil fields that need digging, appraisal and which we believe have a high potential oil presence. We believe that when we prove all this, Iraq will be

the number one holder of oil reserves in the world. We are highly confident of this."

According to Iraq oil expert Mohammad Al-Gallani at British-based Geo Design Ltd, Iraq has 526 prospective drilling sites, of which only 125 have been drilled. Of those, 90 have proven potential as oil fields, but only 30 have been partially developed and just 12 are on stream. "You can imagine the huge potential that lies there for the future," Al-Gallani told Canadian Press in a story datelined December 14, 2002.

As world demand for oil increases and as oil reserves in other areas decline at a fast rate, oil in Iraq will represent a steadily-larger proportion of the world's total. If Iraq's fields meet high-end estimates in the 3-400 billion barrel range, Iraq's reserves could reach over 30% of total global reserves by mid-century or even before.

### **(3) Exceptionally low production costs, yielding a high per barrel profit:**

The US Department of Energy states that "Iraq's oil production costs are amongst the lowest in the world, making it a highly attractive oil prospect." This is because Iraq's oil comes in enormous fields that can be tapped by relatively shallow wells, producing a high "flow rate." Iraq's oil rises rapidly to the surface, because of high pressure on the oil reservoir from water and from associated natural gas deposits.

More than a third of Iraq's current reserves lie just 600 meters (1800 feet) below the earth's surface and some of Iraq's fields are among the world's largest. The fabulous Majnoun Field, not yet in production, is said to hold at least 25 billion barrels. According to Oil and Gas Journal, Western oil companies estimate that they can produce a barrel of Iraqi oil for less than \$1.50 and possibly as little as \$1, including all exploration, oilfield development and production costs and including a 15% return. This is similar to production costs in Saudi Arabia and lower than virtually any other country. By way of comparison, a barrel of oil costs \$5 to produce in other relatively low-cost areas like Malaysia and Oman. Production costs in Mexico and

Russia might potentially be as low as \$6-8 per barrel (higher under current production arrangements by local companies).

Offshore production areas like the North Sea, with expensive platforms, can run to \$12-16 a barrel. In Texas and other US and Canadian fields, where deep wells and small reservoirs make production especially expensive, costs can run above \$20 a barrel. When world market prices dip below \$20 a barrel, the North American fields yield no profit at all, and many are capped, while production in an area like Iraq proves extremely profitable in all market conditions.

Oil companies' future profits (and share prices) depend on their control of reserves. In recent years, as older fields have begun to run out, the companies have faced rising "replacement" costs. According to a 2002 report by energy consultants John S. Herold, finding costs for new reserves rose 60% in 2001, pushing replacement costs to \$5.31 a barrel. ExxonMobil, BP and Shell are facing this difficulty. Imagine the lure of the vast Iraqi fields, with little prospecting required, offering nearly free acquisition. As Fadel Gheit of Fahnstock & Co. in New York commented in an article in Dawn, Iraq "would be a logical place in the future for oil companies to replace their reserves."

## **2.2 Role of Petroleum Industry in Economy of Iraq:**

In its background analysis, EIA reports that the Iran-Iraq war, the Kuwait war and punishing economic sanctions greatly deteriorated Iraq's economy, infrastructure, and society during the 1980s and 1990s. While Iraq's gross domestic product (GDP) and standard of living fell sharply after its failed invasion of Kuwait, increased oil production since 1996 and higher oil prices since 1998 resulted in estimated Iraqi real GDP growth of 12 percent in 1999 and 11 percent in 2000. Iraq's real GDP was estimated to have grown by only 3.2 percent in 2001 and remained flat through 2002. Other highlights of the Iraqi economy include:

- ➡ Inflation in Iraq is estimated at around 25 percent.
- ➡ Unemployment and underemployment are both high in Iraq.



- Iraq's merchandise trade surplus is about \$5.2 billion, although much of this is under UN-sanctioned control.
- Iraq suffers a heavy debt burden, possibly as high as \$200 billion (or more) if debts to Gulf states and Russia are included.
- Iraq also has no meaningful taxation system and suffers from erratic fiscal and monetary policies.

### **Iraq's Oil Reserves: Untapped Potential**

While its proven oil reserves of 112 billion barrels ranks Iraq second in the world behind Saudi Arabia, EIA estimates that up to 90-percent of the country remains unexplored due to years of wars and sanctions. Unexplored regions of Iraq could yield an additional 100 billion barrels. Iraq's oil production costs are among the lowest in the world. However, only about 2,000 wells have been drilled in Iraq, compared to about 1 million wells in Texas alone.

### **Estimating Profits in Iraq**

Oil prices fluctuate widely, so any discussion of financial yield must be based on a long term average price estimate. For this discussion, we will use an average price of \$25 a barrel in real (inflation-adjusted) terms. This average is higher than the average price in recent years, but as oil becomes scarcer, the price should rise steadily and might well reach a far higher level than \$25. (During 2002, by way of reference, the price of oil has fluctuated between \$20 and \$30).

We will assume the level of Iraqi reserves at 250 billion barrels (a very conservative estimate) and recovery rates at 50% (also a very conservative estimate). Under those conditions, recoverable Iraqi oil would be worth altogether about \$3.125 trillion. Assuming production costs of \$1.50 a barrel (a high-end figure), total costs would be \$188 billion, leaving a balance of \$2.937 trillion as the difference between costs and sales revenues. Assuming a 50/50 split with the government and further assuming a production period of 50 years, the company profits per year would run to \$29 billion. That huge sum is two-thirds of the \$44 billion total profits earned by the world's five major

oil companies combined in 2001. If higher assumptions are used, annual profits might soar to as much as \$50 billion per year.

Though such numbers are highly speculative, the oil companies themselves engage in similar exercises, as they develop their global strategies and plan for a flow of profits many years into the future. For instance, two Russian companies, Zarubeshneft and Rosneft, told journalists in 2002 that they were preparing to develop Iraq's Nahr Umr field that they estimated was worth about \$570 billion. This estimate appears too high, based on our assumptions, but they suggest the order of magnitude. Reliable estimates for the value of the fabulous Majnoun field go up to \$400 billion and beyond.

If diminishing supplies drive future prices steadily higher or if Iraq's oil reserves prove to be much larger than 250 billion barrels, the profit yield might be considerably greater. On the other hand, a nationalist government in Baghdad that would demand a higher percentage split would reduce the profit potential, as would the development of major alternative energy sources and taxes on carbon-based fuels in response to global warming. Whatever the exact results, and assuming a U.S.-friendly government, it is clear that Iraq is a goldmine that is literally "worth fighting for" in the view of the big companies.

### **Petroleum Capacity**

Iraq's oil production is growing so rapidly that world markets now are looking to Baghdad to play a major role in keeping global oil flowing and moderating prices in the years ahead.

But the International Energy Agency (IEA), while forecasting Tuesday that Iraq could add more than any other nation to global oil supply in the coming years, warned that the country faces major challenges due to uncertainty in governance, deteriorated infrastructure, and insufficient water supply. The Paris-based agency, focused on maintaining world energy security, said the global economy would suffer if Iraq cannot overcome the obstacles in its path. At present, crude oil is the source of over 90 percent of Iraq's domestic energy consumption, and oil exports generate over 90 percent of Iraqi

government revenue. Iraq's susceptibility was made clear during the recent global recession. In October 2009, the government of Iraq prepared its proposed 2010 budget, which includes a deficit of more than \$15 billion for the second straight year because of lower global oil prices and stagnant production and export levels in Iraq.<sup>2</sup> According to the Oil and Gas Journal, Iraq has the world's third-largest proven oil reserves, estimated at 115 billion barrels. At current prices, that is valued at \$9.5 trillion. Also, the U.S. Geological Survey's median estimate for additional oil reserves in Iraq is approximately 45 billion barrels.

According to dated publicly available surveys, Iraq has 28 giant fields, which contain an estimated 12 percent of proven global reserves. Some of the fields were discovered as early as the Ottoman Empire. The largest giant field is Rumaila, located near Basrah in the south of Iraq. Also in the Basrah Governorate is the giant field of Qurna (also called West Qurna or Qurna I & II). The Majnoon field in the north is the third largest giant in Iraq. Each of these fields in its individual capacity is estimated to be between the third and ninth largest fields in the world.

The extraordinary size of these fields and their highly sustained productivity are due to a large subterranean geological structure sourced from a prolific geological formation into a highly permeable reservoir. While this geological structure is common throughout the Middle East and especially the Mesopotamia region, it today contains one of the largest amounts of known reserves in the world. These special sedimentary properties prove that the ultimate recovery (ability to extract a high percentage from the giant field) and success rate (the number of successful wells completed, divided by the number of wells drilled) is also one of the highest in the world. Moreover, these giant fields are in proximity to a usable port for offloading via pipeline in Umm Qasr (located on the Persian Gulf in the disputed Shatt al Arab waterway) compared to other giant fields in the North Slope of Alaska or Central Asia. This proximity to a port and the high success and recovery rates, along with the superb geological properties of the petroleum itself, contribute to a highly profitable situational endeavor for any international oil

corporation capable of laying out the significant capital to develop the area as well as tolerate the sizable risks associated with an Iraqi investment.

Understandably, this profitable off-loading potential has attracted large and well-known international competitors. Of bidding consortia, the majority were, in fact, Chinese. Once added to overall demand from mainland China, Chinese corporate interests are now the largest foreign investor in Iraq and the largest developer and consumer of upstream petroleum in Iraq.

Current Iraqi plans call for the expansion of oil production to the level of four million barrels per day (mb/d) by 2013 and then upward to six mb/d by 2017. The current oil minister estimated in April 2009 that Iraq will need to attract \$50 billion in investment to expand oil-production capacity to such levels. One of the most salient issues remains the large amount of investment and development these fields will actually require. While the extent of the collapse is not entirely known, what is certain is that little or no recent substantial repair, upgrades, investment or outlay of resources have been expended on the oil fields that were the subject of the first and second bid rounds.

International investors are seeking contract terms that will balance the attractiveness of Iraq's abundant oil supply with persistent uncertainties surrounding the country's legal regime. Many international oil companies, especially those in risk-averse Western countries, will avoid the Iraqi fields until a predictable legal regime is in place that provides safeguards for oil contracts. The passage of a federal oil and gas law would provide such safeguards and thus have a positive effect on Iraq's oil sector. In 2009, the U.S. ambassador to Iraq, Christopher Hill, predicted that proposed legislation would not be considered prior to national elections, which were held in March 2010. However, with the current political stalemate in which no government has been formed, such passage is not imminent.

Iraq's release of its full statistics for oil production in August 2010, illustrates the continuing decline of its oil industry since the end of 2009. In August, total output stood at 55.4 million barrels, compared to 61.3 million barrels in

December, 2009. Consequently, government revenue from petroleum has dropped, with earnings at \$3.9 billion in August compared to \$4.4 billion only half a year earlier.

The reality of these trends lies in stark contrast to announcements from Iraqi officials that followed the completion of the second round of petroleum bids, which resulted in ten contracts being signed with foreign companies such as the Russian firm Lukoil and Royal Dutch Shell. The Oil Minister Hussein al-Shahristani had claimed that Iraq could boost production capacity from the current level of approximately 2.5 million bpd (barrels per day) to around 12 million bpd in six years, rivaling Saudi Arabia's capacity of 12.5 million bpd. Similarly, Prime Minister Nouri al-Maliki has affirmed that additional revenues generated by increased oil production would not only help to pay off Iraq's foreign debts of roughly \$120 billion, but also solve problems of reconstruction.

It is extremely unlikely; however, that Iraq will meet these targets for expansion of the petroleum industry. Current trends aside, the World Bank estimates that \$1 billion in investment is required just to maintain present production levels because of the outdated and damaged infrastructure such as ports and pipelines, among others. Meanwhile, a boost to 5 million bpd will cost \$30 billion over the next eight years. By contrast, Saudi Arabia's production capacity is the result of 75 years of development worth hundreds of billions of dollars, without the problems of three decades of warfare and sanctions, or a corrupt and inefficient bureaucracy from which Iraq suffers.

Further, where Saudi Arabia ranks 13<sup>th</sup> out of 183 countries in the World Bank's 2010 "Ease of Doing Business Index," Iraq stands at 153<sup>rd</sup> (a drop of three places from the 2009 index). The reasons for such a large difference include the fact that Iraq's economy is still largely centralized and state-managed -- a legacy of what Daniel Pipes describes as the "Stalinist nightmare of Saddam Hussein"-- as well as the general lack of security and stability in the country caused by an Al-Qaeda insurgency of around 2000 members as well as the ongoing political stalemate.

These are all big obstacles to attracting the investment needed to develop the oil industry, despite the contracts signed with international firms: the Organization for Economic Cooperation and Development (OECD) gave Iraq the worst score of seven (on a scale from zero to seven) on its credit risk classification system. Likewise, a July survey of 300 business executives by the Economist Intelligence unit in July found that 64% believed that Iraq was too dangerous to invest in right now.

It is not surprising that certain analysts considered the various pronouncements from Iraq's politicians mere rhetoric -- perfectly understandable as the second round of bidding was relatively successful in terms of the number of deals agreed to. The government therefore saw the event as a sign of Iraq's return to a prominent position in the world's oil-market after 30 years of war and sanctions. After all, the first oil-bidding round in June 2009, which was broadcast live on Iraqi television and began with 22 companies placing bids, turned out to be an almost complete failure as only one deal, with a consortium from British Petroleum (BP) and China's CNPC, was agreed to.

This lack of success arose from the fact that the Iraqi government was thinking far more in terms of profits for the state, rather than on creating workable business deals that foreign firms could accept.

While it is to be expected that foreign firms will be able to increase petroleum production and repair damaged equipment and infrastructure in the coming years, Iraq's political elite might do well to think about toning down their unrealistically high ambitions for the nation's oil industry, and make it a priority to move the country away from sole dependence on petroleum revenues, which presently account for 70% of GDP and 90% of government income.

The best way to go about this would be to diversify Iraq's economy by gradually liberalizing the predominantly centralized, command infrastructure. Such a policy might entail reducing the number of permits required to build on

a given site: at present, 14 permits are required to build anything in the country, on average, and take 215 days to complete.

Streamlining this bureaucracy would not only allow reconstruction efforts to proceed more swiftly and mitigate Iraq's housing crisis, but also reduce corruption by introducing more transparency into the system. It would be a shame if Iraq fell victim to the oil curse that afflicts many of its neighbors: the sooner dependency on oil revenues is reduced, the better for the country's future.

"We all have an interest in Iraq realizing its potential and revitalizing its economy," said IEA Executive Director Maria van der Hoeven, at a news conference in London to unveil the agency's Iraq forecast.

### **Role of Technology in Iraq**

Science, Technology and Innovation (STI) are now universally recognized as the drivers of national economic development and key contributors to poverty reduction, disease prevention and environmental conservation. Once among the strongest in the region in STI, Iraq has suffered substantial setbacks in its intellectual infrastructure following years of isolation, diminishing resources and infrastructure damage. A large number of Iraqi scientists and engineers are believed to have left the country. Most of the country's higher education and research institutions are not fully operational. Technology across most economic sectors, including the oil sector, is outdated. While the updating of technology has been a national priority, the transfer of scientific knowledge and technology has been hampered, negatively impacting the quality of life in almost every sphere, and limiting the country from harnessing the fruits of its scientific discoveries.

The Government will need to respond with a comprehensive assessment of the science and technology sector, backed up with policies, programmes, institutions and partnerships which foster economic opportunities. The need for strengthening capacity in science for sustainable development and

harnessing innovation can only be addressed within a comprehensive framework of science and technology.

The role of UNESCO in STI policy is threefold: it is a think tank on policy development; a guide for national policy reforms; and a catalyst for regional and international cooperation. UNESCO has a long tradition of assisting countries in science policy reviews, which dates back to the early 1960s. As national authorities have become increasingly aware of the importance of elaborating national policies and strategies in the area of science and technology as a prerequisite for effective development policies, many countries have sought, and are still seeking, UNESCO's support in formulating national STI policies.

In 2005, UNESCO commissioned a preliminary assessment of science and technology in Iraq as a driver for economic development. It concluded that a more robust science and technology sector is vital for reviving the national economy in the aftermath of the recent conflict.

This project is employing methodologies used successfully by UNESCO in other countries to guide the Government of Iraq in formulating a Master Plan for Science, Technology and Innovation (MP-STI) that responds to the country's needs and takes into consideration stakeholder's views.

This project aims at building the capacity of Iraqi policymakers to develop a medium-term, needs-and-results-based Master Plan for Science Technology and Innovation (MP-STI) for the period 2011-2015. The MP-STI should thus have a significant impact on Science, Technology and Innovation (STI) development across the business, government and public sectors. Specifically, this project recognizes the importance of STI as the drivers of national economic development and key development indicators, such as poverty, health and the environment. Fostering access to information and knowledge, a global priority of UNESCO, will be the cornerstone of this project as it seeks to initiate ownership of the national STI policy formulation across the country.



## **2.3 Business Activity and Function of Petroleum Industry in Iraq:**

The use of petroleum and the technologies that they require is vital to the ongoing industrial world that we now inhabit. Petroleum is something that is intrinsically linked to various different industries and is an important component in the successful running of those industries.

The whole petroleum industry has many components and involves the handling of petroleum products and resources, meaning that it involves not only extracting it from the Earth, but also finding said resources, refining it, transporting it and ultimately marketing it. This could involve various petroleum technologies along the way, including pipelines and other vessels that are required for transportation. Petroleum products usually refer to fuel oil and petrol, used in various different fields around the world and are vital parts of plastics companies, pesticides, pharmaceuticals, solvents and fertilizers, plus a range of other chemical products.

It is largely believed and accepted that petroleum is the result of a process that takes hundreds of millions of years to complete. It begins with the fossilization of plants and animals, which are then heated and placed under enormous amounts of pressure within the Earth's crust. What is then left is a liquid found by humans in the modern day within rock formations. However, like many fossil fuels, petroleum cannot last forever as a result and there is ongoing concern regarding how much the world's resources are being consumed. So whilst the world relies heavily on petroleum technology and industry, there is also an ongoing search for a clean renewable energy that can take civilization into the future.

But petroleum technologies have been used for thousands of years and the history of such utilization demonstrates the volume that will have been consumed with time. Petroleum could have been used by the ancients and

while it is certain it will have been used for fires; there is also evidence that the ancient Persians and Chinese used them for medicines and for lighting.

Today, the technologies related to petroleum conjure up images of oil tankers, oil rigs and pipelines transported resources along large expanses of the Earth. In terms of pipes, these have been in use since they were first suggested in 1863 by Dmitri Mendeleev, paving the way for the pipes that now transport liquids, gases and others in the modern day.

Petroleum technology is very important in the working of modern society and will remain so for some time to come.

## **Process**

### **Hydrocarbon Exploration**

It is the search by petroleum geologists for hydrocarbon deposits beneath the Earth's surface, such as oil and gas. Oil and gas exploration are grouped under the science of petroleum geology. Visible surface features such as oil seeps, natural gas seeps, pockmarks (underwater craters caused by escaping gas) provide basic evidence of hydrocarbon generation (be it shallow or deep in the Earth). However, most exploration depends on highly sophisticated technology to detect and determine the extent of these deposits using exploration geophysics. Areas thought to contain hydrocarbons are initially subjected to a gravity survey, magnetic survey or regional seismic reflection surveys to detect large scale features of the sub-surface geology.

Features of interest (known as leads) are subjected to more detailed seismic surveys which work on the principle of the time it takes for reflected sound waves to travel through matter (rock) of varying densities and using the process of depth conversion to create a profile of the substructure. Finally, when a prospect has been identified and evaluated and passes the oil company's selection criteria, an exploration well are drilled in an attempt to conclusively determine the presence or absence of oil or gas. Oil exploration is an expensive, high-risk operation. Offshore and remote area exploration is generally only undertaken by very large corporations or national governments.

Typical Shallow shelf oil wells (e.g. North sea) cost USD\$10 - 30 Million, while deep water wells can cost up to USD\$100 million plus. Hundreds of smaller companies search for onshore hydrocarbon deposits worldwide, with some wells costing as little as USD\$100,000.

### **Extraction**

The most common method of obtaining petroleum is extracting it from oil wells found in oil fields. After the well has been located, various methods are used to recover the petroleum. Primary recovery methods are used to extract oil that is brought to the surface by underground pressure, and can generally recover about 20% of the oil present. After the oil pressure has depleted to the point that the oil is no longer brought to the surface, secondary recovery methods draw another 5 to 10% of the oil in the well to the surface. Finally, when secondary oil recovery methods are no longer viable, tertiary recovery methods reduce the viscosity of the oil in order to bring more to the surface.

### **Drilling**

Because of the subterranean origin of petroleum it must be extracted by means of wells. Until an exploratory well, or wildcat, has been dug, there is no sure way of knowing whether or not petroleum lies under a particular site. In order to reduce the number of exploratory wells drilled, scientific methods are used to pick the most promising sites. Sensitive instruments, such as the gravimeter, the magnetometer, and the seismograph, may be used to find subsurface rock formations that can hold crude oil. Drilling is a fairly complex and often risky process. Some wells must be dug several miles deep before petroleum deposits are reached. Many are now drilled offshore from platforms standing in the ocean bed. Usually the petroleum from a new well will come to the surface under its own pressure. Later the crude oil must be pumped out or forced to the surface by injecting water, air, natural gas, steam, carbon dioxide, or another substance into the deposits. Enhanced recovery techniques have increased the percentage of oil that can be extracted from a field.

### **Transportation**

Crude oil is a liquid it is much easier to move than natural gas or coal. Coal is nice and dense, so it does not require large holding containers, but it cannot be pumped. Conveyor belts and cranes cannot compete with pipelines for economic efficiency. Natural gas can be pumped using expensive compressors, but it requires enormous holding tanks. A recent trick has been to inject huge amounts of water into salt strata. The water dissolves the salt, leaving truly enormous caverns. The natural gas is then pumped in and stored until needed. The ease in transporting oil is one of the reasons we have become so dependent upon it. Pound for pound natural gas and coal just cannot compete.

## **Refining**

The physical properties and exact chemical composition of crude oil varies from one locality to another. The different hydrocarbon components of petroleum are dissolved natural gas, gasoline, benzine, naphtha, kerosene, diesel fuel and light heating oils, heavy heating oils, and finally tars of various weights (see tar and pitch). The crude oil is usually sent from a well to a refinery in pipelines (see under pipe) or tanker ships. The hydrocarbon components are separated from each other by various refining processes.

In a process called fractional distillation petroleum is heated and sent into a tower. The vapors of the different components condense on collectors at different heights in the tower. The separated fractions are then drawn from the collectors and further processed into various petroleum products. One of the many products of crude oil is a light substance with little color that is rich in gasoline. Another is a black tarry substance that is rich in asphalt. As the lighter fractions, especially gasoline, are in the greatest demand, so-called cracking processes have been developed in which heat, pressure, and certain catalysts are used to break up the large molecules of heavy hydrocarbons into small molecules of light hydrocarbons. Some of the heavier fractions find eventual use as lubricating oils, paraffins, and highly refined medicinal substances such as petroleum.

## **The Pillars of Refining**

While distillation can separate oil into fractions, chemical reactors are required to create more of the products that are in high demand. Refineries rely on four major processing steps to alter the ratios of the different fractions. They are; Catalytic Reforming, Alkylation, Catalytic Cracking, and Hydro processing. Each of these methods involves feeding reactants to a reactor where they will be partly converted into products. The unreacted reactants are then separated from the products with a distillation column. The unreacted reactants are recycled for another pass, while the products are further separated and mixed with existing streams. In this way complete conversion of reactants can be obtained, even though not all of the reactants are converted on a given pass through the reactor.

### **1. Catalytic Reforming**

Catalytic Reforming produces high octane gasoline for today's automobiles. Gasoline and naphtha feed stocks are heated to 500 degrees Celsius and flow through a series of fixed-bed catalytic reactors. Because the reactions which produce higher octane compounds (aliphatic in this case) are endothermic (absorb heat) additional heaters are installed between reactors to keep the reactants at the proper temperature. The catalyst is a platinum (Pt) metal on an alumina ( $\text{Al}_2\text{O}_3$ ) base. While catalysts are never consumed in chemical reactions, they can be fouled, making them less effective over time. The series of reactors used in Catalytic Reforming are therefore designed to be disconnected, and swiveled out of place, so the catalyst can be regenerated.

### **2. Alkylation**

Alkylation is another process for producing high octane gasoline. The reaction requires an acid catalyst (sulfuric acid,  $\text{H}_2\text{SO}_4$  or hydrofluoric acid, HF) at low temperatures (1-40 degrees Celsius) and low pressures (1-10 atmospheres). The acid composition is usually kept at about 50% making the mixture very corrosive.

### **3. Catalytic Cracking**

Catalytic Cracking takes long molecules and breaks them into much smaller molecules. The cracking reaction is very endothermic, and requires a large amount of heat. Another problem is that reaction quickly fouls the Silica ( $\text{SiO}_2$ ) and alumina ( $\text{Al}_2\text{O}_3$ ) catalyst by forming coke on its surface. However, by using a fluidized bed to slowly carry the catalyst upwards, and then sending it to a regenerator where the coke can be burned off, the catalyst is continuously regenerated. This system has the additional benefit of using the large amounts of heat liberated in the exothermic regeneration reaction to heat the cracking reactor. The FCC system is a brilliant reaction scheme, which turns two negatives (heating and fouling) into a positive, thereby making the process extremely economical.

#### **4. Hydroprocessing**

Hydroprocessing includes both hydrocracking and hydrotreating techniques. Hydrotreating involves the addition of hydrogen atoms to molecules without actually breaking the molecule into smaller pieces. Hydrotreating involves temperatures of about 325 degrees Celsius and pressures of about 50 atmospheres. Many catalysts will work, including; nickel, palladium, platinum, cobalt, and iron. Hydrocracking breaks longer molecules into smaller ones. Hydrocracking involves temperatures over 350 degrees Celsius and pressures up to 200 atmospheres. In both cases, very long residence times (about an hour) are required because of the slow nature of the reactions.

#### **Alternative methods**

During the last oil price peak, other alternatives to producing oil gained importance. The best known such methods involve extracting oil from sources such as oil shale or tar sands. These resources are known to exist in large quantities; however, extracting the oil at low cost without negatively impacting the environment remains a challenge. It is also possible to transform natural gas or coal into oil (or, more precisely, the various hydrocarbons found in oil). The best-known such method is the Fischer-Tropsch process. It was a concept pioneered in Nazi Germany when imports of petroleum were restricted due to war and Germany found a method to extract oil from coal. It

was known as Ersatz ("substitute" in German), and accounted for nearly half the total oil used in WWII by Germany.

However, the process was used only as a last resort as naturally occurring oil was much cheaper. As crude oil prices increase, the cost of coal to oil conversion becomes comparatively cheaper. The method involves converting high ash coal into synthetic oil in a multi-stage process. Ideally, a ton of coal produces nearly 200 liters (1.25 bbl, 52 US gallons) of crude, with by-products ranging from tar to rare chemicals. Currently, two companies have commercialized their Fischer-Tropsch technology. Shell in Bintulu, Malaysia, uses natural gas as a feedstock, and produces primarily low-sulfur diesel fuels. Sasol in South Africa uses coal as a feedstock, and produces a variety of synthetic petroleum products.

The process is today used in South Africa to produce most of the country's diesel fuel from coal by the company Sasol. The process was used in South Africa to meet its energy needs during its isolation under Apartheid. This process has received renewed attention in the quest to produce low sulfur diesel fuel in order to minimize the environmental impact from the use of diesel engines. An alternative method of converting coal into petroleum is the Karrick process, which was pioneered in the 1930s in the United States.

It uses high temperatures in the absence of ambient air, to distill the short-chain hydrocarbons of petroleum out of coal. More recently explored is thermal depolymerization (TDP), a process for the reduction of complex organic materials into light crude oil. Using pressure and heat, long chain polymers of hydrogen, oxygen, and carbon decompose into short-chain petroleum hydrocarbons. This mimics the natural geological processes thought to be involved in the production of fossil fuels. In theory, TDP can convert any organic waste into petroleum.

## **2.4 Present Trade Policy and Norms in Iraq:**

The country is, in general, open to foreign trade. The new trade policy aims at integrating the country's economy into regional and international markets. The country does not have many trade barriers. The Iraqi government has implemented new laws aiming to strengthen its trade. However, the increase of the value of the Dinar in relation to the US dollar creates a hindrance for the development of foreign trade. Moreover, corruption, weak institutions, lack of legal protection and poor implementation of structural reforms discourage foreign trade.

Iraq is trying to strengthen economic relations with its direct neighbors (Syria, Jordan, and Turkey) in areas such as the port and rail sectors. The country is also investing to increase its capacity of oil exports, namely building a port in the Persian Gulf. Oil exports (which represent almost the entire volume of Iraqi exports) are growing steadily; the country is currently not restricted not OPEC quotas. In terms of volume, exports grew faster than imports in 2012, which led to a substantial increase in the country's trade balance, which has been positive since 2011. Previously, the economic crisis had harmed the country's foreign trade and its trade balance was in deficit for several years.

The main trading partners of Iraq are the United States, the European Union and Syria. Recently, Iraq began to strengthen its commercial ties with China and Russia (which sold it weapons worth €3.2b in 2012).

<b>Foreign Trade Indicators</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Imports of Goods (million USD)	33,000	37,000	43,915	49,000	57,000
Exports of Goods (million USD)	61,273	41,929	52,483	83,300	94,400
Imports of Services (million USD)	6,984	-	9,611	10,829	-
Exports of Services (million USD)	1,739	-	2,201	2,164	-
Trade Balance (million USD)	33,967	4,145	14,432	39,051	-
Current Account (million USD)	27,133	-	-	-	-

### **Taxation**



Tax shall be imposed on the taxpayer in respect of each year of assessment at the following rates – resident individual after granting the allowance(s) provided for in Article 12, and non-resident individual:

- At the rate of 3% on amounts up to ID 250,000;
- At the rate of 5% on amounts over ID 250,000 and up to ID 500,000;
- At the rate of 10% on amounts over ID 500,000 and up to ID 1,000,000;
- At the rate of 15% on amounts over ID 1,000,000.

The tax rate for income earned by corporations from April 1, 2004 will be a flat 15%. As provided for in the current Income Tax Law Number 113 of 1982, the rate will be levied on the income of private sector companies (limited liability companies, private joint-stock companies and mixed joint-stock companies), including income of foreign companies operating in Iraq. This lower rate, compared to the prior rate of up to 40%, will encourage reinvestment of company profits. This in turn will encourage increased capital investment and job creation in Iraq by private sector firms. The lower flat rate also will lead to increased revenue collection as companies respond to Iraq's transition to a free market-based economy.

Exemptions from taxation are given to the following:

- The CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, and departments and agencies of Coalition Forces' governments, are not liable for any tax or similar charge within the territory of Iraq;
- Governments and international organizations are not liable for any tax or similar charge within the territory of Iraq;
- Foreign (non-Iraqi) employees and foreign (non-Iraqi) contractors and subcontractors of the CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, and departments and agencies of Coalition Forces' governments, that are providing technical, financial, logistical, administrative or other assistance to Iraq, and foreign employees of such contractors and sub-contractors, shall not be liable to pay any tax on income or similar charge within the territory of Iraq on income from foreign sources or on income from or paid on behalf of the

CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, or departments or agencies of the governments of Coalition Forces;

- ➔ Foreign (non-Iraqi) employees and foreign (non-Iraqi) contractors and subcontractors of foreign (non-Iraqi) governments, international organizations, and non-governmental organizations registered pursuant to CPA Order Number 45, that are providing technical, financial, logistical, administrative or other assistance to Iraq, and foreign employees of such contractors and subcontractors, shall not be liable to pay any tax on income or similar charge within the territory of Iraq on income from foreign sources or on income from or paid on behalf of such governments, international organizations, and non-governmental organizations.

In addition to the above, the following persons shall be exempt from payment of income tax:

- ➔ Members of foreign diplomatic missions to Iraq, as well as members of their households, if they are not citizens of Iraq;
- ➔ Members of consular offices, as well as members of their households, if they are not citizens of Iraq;
- ➔ Honorary consuls of foreign countries, but only for income received from the country that has appointed them honorary consul.

## **2.5 Future Business Opportunities in Petroleum Industry:**

Currently big news in Iraq was the announcement of Nouri al-Maliki's new cabinet, and, unusually for such a decision, the fact that it was made several days ahead of the legal deadline.

Nevertheless, BBC reports that Iraq now has the dubious honour of holding the world record for the longest period between an election and the formation of a government. Let's hope it has been worth the wait.

But while every effort appears to have been taken to accommodate the various political factions, it is notable that there is only one woman on the list of 42 new ministers.

One also has to wonder whether 42 ministries is really the most efficient way to run a country like Iraq, but of course efficiency will have taken second place to other considerations during the negotiations.

Criticisms aside, this is, as US President Barack Obama said, “a major step forward”. “Iraq faces important challenges, but the Iraqi people can also seize a future of opportunity.”

Let us wish the new government every success in its efforts to seize that opportunity and re-build the country.

Iraq Business News and its owners, Upper Quartile and AAIB, would like to take this opportunity to send Season’s Greetings all our readers at this time.

Since 2003, there has been a fundamental shift in Iraq, most notably within its oil and gas sector. The last 8 years have seen tremendous progress in its development. 2012 alone saw the 4th licensing bid round which led to a further 3 blocks being awarded to successful IOCs. On top of that, Shell signed their long awaited agreement for the US \$17.2 billion gas flaring project.

Fast tracking forward, it is widely anticipated that Iraq will invest around US \$200 billion in its upstream oil and gas sector in the next 6 years, which is on top of US \$20 billion earmarked for its downstream sector, where investment is expected to start with its refinery and petrochemical facilities. Such downstream investments would turn Iraq into a major player in the international trade of petrochemical and refined products. As IOCs continue to gain momentum with their projects and ramp up activities on the ground, there are now even more opportunities for investment partners and support services to get involved.

## **2.6 Relation of Iraq with India:**

Iraq has replaced Iran as the second largest exporter of crude oil to India. With India looking for new partners and hubs to compensate the fall in oil imports from Iran, the Iraqi Government has offered to increase exports of crude oil to India.

This comes ahead of the proposed visit of Petroleum and Natural Gas Minister Veerappa Moily to Baghdad in June for the 17 session of the India-Iraq Joint Commission for Economic and Technical Co-operation.

In a letter to Mr. Moily last week, the Embassy of Iraq in New Delhi had said that Iraq's Minister of Oil, Abdul Kareem Lualbi, had agreed to increase crude oil exports to India to meet its requirements.

Extending an invitation to Mr. Moily to visit Baghdad in June, Mr. Lualbi also asked Mr. Moily to extend support to Indian companies working in Iraq, especially those engaged in the field of oil and natural gas.

As exports of crude oil from Iran have been on the decline for the last two years, after imposition of sanctions by the U.S. and European Union, Iraq has replaced Iran as the second largest exporter of crude oil to India. Saudi Arabia, however, still remains the largest exporter of crude to India.

India has been maintaining that it is not slowing down crude oil imports from Iran but state-owned refiners have gone ahead and cut their sourcing from Iran by almost 10-12 per cent.

### **Domestic refiners**

Till last year, Iran was India's second biggest crude oil supplier, catering to about 12 per cent of the country's needs. However, of late, it has been replaced by Iraq, with domestic refiners such as Hindustan Petroleum Corporation Limited, Mangalore Refinery and Petrochemicals Limited and private sector refiner Essar Oil having cut sourcing from Iran. Indian Oil

Corporation and Reliance Industries Limited (RIL) have shifted their sourcing from Iran to Iraq.

### **Government target**

Indian refiners imported 171.41 million tonnes of crude oil in 2011-12. Of this, 32.63 million tonnes came from Saudi Arabia, 24.51 million tonnes from Iraq, 17.67 million tonnes from Kuwait, and 15.79 million tonnes from the UAE. India imported 271,200 barrels per day (bpd) of oil from Iran between April and February 2012-13, which was below the government's target of 310,000 bpd for the fiscal year ended March 31.

### **2.7 Conclusion:**

There is no doubt that Iraq's oil industry and exports will continue to expand. On March 13, 2012, the first of four planned oil terminals off the southern coast was opened. This terminal immediately increased Iraq's export capacity by 300,000 barrels per day. Ultimately, it is expected that each of the four terminals will boost export capacity by 850,000 barrels per day. Along with the deals agreed with foreign oil companies, the long-term (i.e. within the next seven years) goal is to achieve an output of around 12 million barrels per day.

This is an unrealistic goal, primarily because of problems of infrastructure—damaged by sanctions and subject to disruption at the hands of insurgent attacks and smuggling as well as inclement weather conditions—that cannot be overcome so quickly, even when foreign investment is taken into account.

Nonetheless, it is clear that Iraq is set to play a much bigger role in OPEC as its output and exports increase, and in turn hold much more influence in the global energy market. In its 2011 report, the International Energy Agency (IEA) predicted that Iraq would become the largest contributor to growth in global oil production over the next 25 years, and in any case, Iraq was not expected to reach peak oil until at least 2036. Peak oil is the point at which a given oil-well or oil-producing country achieves maximum output and then

enters into terminal decline. The IEA's chief economist, Fatah Birol, further predicts that Iraq could produce 6.5 million barrels per day by 2015 and around 8 million barrels per day within the next 20 years, warning that "if this 8 million bpd—which as I said is the highest growth among all the producing countries—doesn't take place, we will definitely be in difficulty... in terms of tightness in global oil markets."

How might this growth in the energy sector affect Iraq's economy and the general quality of life? Indeed, high hopes have been pinned on the projected and potentially dramatic increase in oil revenues for an improvement in living standards across the country. Yet such optimism is mistaken.

One of the chief hindrances to reconstruction efforts in Iraq is the legacy of the centralized command economy system inherited from the days of Saddam Hussein. The bureaucracy is modeled on the Soviet system, and issues of "red tape" have constantly delayed building and repair projects. While Iraqi politicians have talked for years about the need for an expansion of the private sector, such words have proven to be little more than empty rhetoric. Since the oil industry is not labor-intensive, the government compensates for the lack of employment opportunities available in the industry simply by using revenues to create more bureaucratic jobs.

Such a trend is particularly evident in Iraq, where the public sector has effectively doubled in size since 2005, "employs 43% of all workers," and "provides almost 60% of full-time work"; in addition, some "70% of income in the country is linked to the government." This not only makes it harder to begin breaking away from the heavy top-down management of the economy, but also perpetuates corruption in government; and with so much revenue coming in from the production and exportation of petroleum, Baghdad feels no need to diversify the economy. Corruption is important to mention, because it means that any potential benefits from oil wealth are unlikely to trickle down to the population at large. The situation is thus more analogous to Nigeria rather than, say, Saudi Arabia, which was able to use its oil wealth to create a reliable welfare system for its population.

While analysts such as Joel Wing have expressed hope that the development of natural gas reserves can shift the country to a more diversified economy, there is no reason to think that revenues from natural gas will make the government think beyond the energy sector on which it has become so dependent for income. In short, the expansion of the oil industry— together with the coming development of natural gas resources—is only creating a vicious cycle in terms of over-dependence on revenues from the energy sector and problems with liberalizing and diversifying the economy. This should be contrasted with the economic situation in Iraqi Kurdistan, where, for example, the construction boom in Irbil has often been counterpointed with the vast areas of Mosul that are still in ruins and badly in need of reconstruction.

Another problem, noted by Joel Wing, is that oil revenues have increased the Iraqi dinar's exchange rate, such that exporting products not related to the petroleum industry becomes a more difficult task because they become more expensive, while the cost of importing goods is reduced. This development, along with the fact that import tariffs were lifted in the aftermath of the invasion, has contributed to the flood of cheap consumer goods from China, Turkey, and Iran since 2003—something that has naturally had a negative impact on Iraqi businesses and hindered job creation outside bureaucracy.

In conclusion, therefore, the growth of the oil industry is unlikely to lead to any considerable reductions in poverty among the Iraqi population and is only helping to entrench the problematic, centralized command system of the economy. Ironically, it seems that the Iraqi government's approach to the energy sector and the wider economy is guilty of the very thing that laissez-faire capitalism is accused of fostering: namely, short-termism, in which the focus is on maximizing revenue in the short-term. If general recommendations be appropriate here, there is a need for planning for the long-term and appreciating that Iraq must move beyond dependence on one source of income.

# **REPORT-5 PHARMACEUTICAL INDUSTRY**

## **INTRODUCTION**

The aim of the study is to analyze the pharmaceutical and medical products sector to enable the development of recommendations for private sector business investment strategies and programmes. This has been conducted, within the constraints of the current circumstances, to analyze the demand side of the sector, the nature of procurement and distribution within Iraq, and where available, examine current supply side, public and private, and competitive interests.

The report looks at the supply of products within these sectors, and then examines the formal procurement and distribution system, and then the current position.

## **BACKGROUND**

Iraq has been through a turbulent three decades, in which it has been involved in three major conflicts, namely the Iraq-Iran war, the invasion and subsequent defeat and retreat from Kuwait, and finally the invasion of Iraq itself with the removal of the Saddam regime. This was immediately followed by the CPA administration, followed by the Interim Governing Council and then a duly elected Iraqi Government. In the period between 1991 and 2003 UN sanctions were imposed on the country. Prior to the Iraq-Iran war it was generally recognised that Iraq had an effective and well managed public health system. Pharmaceutical products and medical services were generally heavily subsidized and most of the population received adequate health care. It is noted however that there were then, as now, a significant variance between those services in rural, remote areas, and the urban population.

The period of sanctions had a distinctive effect on the healthcare sector, and, as it pertains to this report, pharmaceutical spending. During this time, particularly prior to 1996, when the regime signed a Memorandum of Understanding (MOU) with the UN, the regime spent (UN estimate) USD 40-50 million, down from nearly USD 200 million previously. The health of the



nation suffered commensurately, with rises in infectious and communicable diseases, infant, perinatal and maternal mortality, and a significant decrease in average life expectancy. In addition with restrictive diets effectively imposed by the regime in response to sanctions, dietary complications dramatically increased the susceptibility, through malnutrition, of the population to nutritional deficiencies and consequential susceptibility to infection.

Following the second Gulf War with the war damage on power generation and collateral damage to water treatment plants, health further degenerated with increases in water born diseases, particularly again affecting the young and the elderly.

## **PHARMACEUTICAL SECTOR**

Pharmaceuticals in Iraq are supplied either domestically or through imports. Prior to 2002 there was a single (state owned) pharmaceutical production company in Iraq, variously estimated at supplying 20-30% of the basic needs of the country. The balance was imported. In 2002 the company was split, and respectively two companies, Samarra and Nineveh were ordained. It is important to note that the purchase and distribution of all pharmaceutical and medical products prior to 1994 were in public control, as discussed below. Subsequent to that year, relaxation of controls of private industry allowed the development of private pharmacy outlets with up to an estimated 700 being established. However, the procurement of pharmaceuticals (and medical products) for the main lies wholly within the remit of Kimadia, the operational arm of the Ministry of Health (MoH). This is effectively for the private as well as the public sector, thus the sector is characterised by:

- command economy
- an effective monopsony
- centralised purchasing and distribution
- pricing controls and subsidisation
- very low current consumption

Domestic manufacture has been variously estimated, but currently probably accounts for 50% by volume of pharmaceutical products. In 1989 this

estimate was some 30%, and estimates vary but indicate that during sanctions it may have reached in excess of 60%. The report describes the imports into Iraq, from a historical perspective, with longitudinal data encompassing twenty-five years, with sources. The section concludes that the current market value is probably worth some USD 200 million, with a potential to grow to some USD 250 million by 2010. The market is compared with similar regional markets.

## **STRUCTURE, FUNCTION AND BUSINESS ACTIVITIES**

### **Product Line**

<b>PRODUCT</b>	<b>HS Code</b>
Antisera	300210
Vaccines for human use	300220
Containing penicillin (bulk)	300310
Containing antibiotics (bulk)	300320
Hormones/steroids (bulk)	300339
Containing 2 or more ingredients (bulk)	300390
Penicillin or derivatives	300410
Antibiotics	300420
Insulin	300431
Corticosteroids	300432
Hormones/steroids	300439
Alkaloids	300440
Provitamins/vitamins	300450
Containing 2 or more ingredients	300490
Adhesive dressings	300510
Wadding, gauze, bandages	300590
Surgical cat gut etc.	300610
Reagents for determining blood groups	300620
Opacifying material (for X rays)	300630
Dental cement etc	300640
First aid boxes & kits	300650
Chemical contraceptives	300660
Gel	300670

**COMPARATIVE POSITION****INDIA-IRAQ BILATERAL RELATIONS****OVERVIEW**

1. India and Iraq have throughout enjoyed enduring political, economic and cultural ties. The Souq Al-Hindi in the southern Iraq city of Basra, Iraq's age old commercial capital, is still the common man's market, bustling with hectic activity. Basra was for the Arab world not only the market par excellence of the Indian merchandise including textiles, spices, food grains and other commodities but also of the famous pearl trade that flourished mainly through the Indian traders and jewellers. The Indian soldiers and railway workers through whom the British colonial power controlled and kept its dominion connected with the Arab world, particularly Iraq, have left an imprint in the region that many Iraqis still proudly claim their Indian ethnic descent. India and Iraq have even shared agricultural practices. The breed of the southern Iraqi jamus or the water buffalo had been brought by Harun AlRashid from India.
2. The Iraqi philosophers and sufi saints like Hasan al Basri, Junaid Al Baghdadi and Sheikh Behlul had an impact on the spiritual movements in India. Guru Dev Nanak Saheb came personally to Baghdad to deliberate on the ontological and the epistemological questions with Sheikh Behlul who hosted him for nearly three months. Who does not know the enormous following Sheikh Syed A dul Qadir Jeelani has in India where he is referred to either as Dastagir Saheb or Ghous-al-Azam.
3. The respect for each other's strength has been mutual between India and Iraq. There is hardly a university in Iraq of which some faculty has not studied in India. The academic personnel linkages in the medical and engineering fields have throughout been vibrant.

4. In the area of business, the Indian companies (like Jayprakash and Som Dutt who have built many flyovers and roads in Iraq) are still held in high esteem for the seminal work they have done in Iraq's construction and development particularly since it had witnessed high level of prosperity from the oil wealth.
5. Since the outbreak of war in Iraq, India has been supporting a free, democratic, pluralistic, federal and unified Iraq. India responded to the urgent needs of Iraq for relief and economic reconstruction directly and as part of international efforts under the UN auspices. In response to UN Secretary General's urgent appeal, India committed US\$ 20 million for assistance to the Iraqi people. Activities under this pledge included supply of milk powder through World Food Programme, training of Iraqi Foreign Service officers in diplomacy, and other Iraqi officials in Information Technology. In cooperation with WFP, India provided fortified biscuits to Iraqi school children and Iraqi refugees in Syria.

#### **ECONOMIC COOPERATION**

6. In terms of capacity building, India has annually been providing 120 slots to Iraq under the Indian Technical and Economic Cooperation (ITEC) programme to train Government of Iraq officials. India has been offering 55 slots every year to Iraqi students for higher studies in India under the 'Cultural Exchange Programme Scholarship Scheme' (CEP) and the 'General Cultural Scholarship Scheme' (GCSS) organized by the Indian Council of Cultural Relations (ICCR).
7. The Indian Oil Corporation Limited (IOC) has been providing training in India to the Iraqi oil officials in various subjects related to downstream oil sector. So far, over 220 officials from the Iraqi Ministry of Oil have benefited from IOC's 20 training programmes.
8. The people to people and institutional contacts are so deep that today that India has become the most favourite destination for Iraqis for seeking quality medical treatment. At least 60 Iraqi patients travel to

India on a daily basis for medical treatment. Hundreds of Iraqis prefer to send their children for higher education to India on self-financing basis. In 2011, more than 28000 Iraqis visited India including for medical treatment, education and tourism.

## **BILATERAL VISITS**

9. For obvious reasons, there have been very few official level visits between India and Iraq since 2003. Deputy Prime Minister of Iraq for energy affairs H.E. Hussein Al Sharistani visited India in May 2007 in his then capacity as Oil Minister. A 7-member delegation from the Iraqi Ministry of Trade visited India in February 2009. Iraqi Minister of Industry and Minerals H.E. Mr. Fauzi Franso Hariri visited India in February 2010 at the head of a 21-member delegation of officials, businessmen and entrepreneurs. An Iraqi Government delegation headed by Minister of Science & Technology visited Delhi and Bangalore in April 2011 on a e-governance tour, sponsored by the UNDP and the Economic and Social Commission for Western Asia (ESCWA). Iraq's Minister of Municipalities and Public Works Adil Muheydar Razi Al-Maliki visited Delhi in November 2011 for an interaction organised by the CII with Indian industry.

10.A 16-member delegation sponsored by Confederation of Indian Industry (CII) comprising representatives of diverse Indian industry visited Iraq. The National Investment Commission of Government of Iraq hosted the delegation. The delegation met with the two Iraq Deputy Prime Ministers, Minister of Municipality as well as heads of Government undertakings in the Oil industry. The visit was a success as it showcased Indian industry's capability to develop and contribute to Iraq's economy as well as Iraq's eagerness in welcoming Indian investment and expertise in Iraq.

## **IRAQ AND INDIA'S ENERGY SECURITY**

11 After Saudi Arabia and Iran, Iraq is the third largest supplier of crude to India. IOC is the largest importer of crude oil from Iraq. HPCL and BPCL are the other two major Indian crude importers from Iraq.

12. Meanwhile, Reliance India Ltd, has struck oil in the Sarta and Rovia oilfields in Erbil, Kurdistan region of Iraq.

13. In October 2010, Iraq replaced Iran in the third place with proven reserves of 143.2 billion barrels of oil. Iraq is hopeful of boosting its crude oil production capacity from its existing 2.5 million bpd to 12 million bpd by the year 2017. Simultaneously, Iraq will be expanding its refining capacity.

#### **BILATERAL TRADE**

14. The economic and trade relations between India and Iraq slowed down after the invasion of Iraq in March 2003.

15. Iraq is the third largest supplier of crude to India. India also imports small quantities of commodities like raw wool and sulphur from Iraq.

16. Indian exports to Iraq consist of small quantities of agro chemicals, cosmetics, rubber manufactured products, paints, gems and jewellery, ceramics, manufactures of metals, machine tools, electrical machinery and instruments, transport equipment, electronic goods, handicrafts, cereals, sugar, tea, garments and pharmaceuticals.

#### **India-Iraq bilateral trade (In millions of dollars)**

Year Exports to Iraq Imports from Iraq

2006-07 203.99 5514.41

2007-08 272.10 6837.80

2008-09 437.43 7709.94

2009-10 477.13 7026.93

2010-11 738.65 9008.30

17. Indian companies have slowly started to make their presence here. Mokul-Shriram JV recently bagged a project for US\$235 Million, Lanco Infratec is executing an EPC project in the Power Sector, Shapoorji Pollonji has bagged a contract in Basrah for renovation of one of the palaces, Mokul Group is executing a Transmission Line Project etc.

### **Joint Commission for Economic and Technical Cooperation**

18. The entire gamut of India-Iraq relations has been covered by the Joint Commission for Economic and Technical Cooperation. The 16th Session of the JCM was held in New Delhi in May 2007. The Iraqi delegation was led by Minister of Oil, Dr. Hussein alShahristani, and the Indian side was headed by Minister of Petroleum and Natural Gas, Shri Murli Deora. The two sides agreed to convene the 17th session of the Joint Commission on a mutually convenient date in Baghdad. 19. As the security environment has already improved considerably, the commercial exchanges between India and Iraq are set to grow multifold. Iraq requires extensive investment in reconstruction and development of its infrastructure in industrial, technological, educational, health and hydrocarbon sectors. Hence, a role for Indian companies is envisaged not only in the Iraqi oil sector expansion but also in the overall Iraqi infrastructure developments.

### **THE INDIAN PRESENCE**

19. There are a few families of Indian origin living mainly in the holy cities of Basra, Najaf, Karbala and Baghdad.

20. In view of the Government of India advisory against emigration of Indians to Iraq effective from 2004 until 3.05.2010, there were legally no Indians residing in Iraq. Despite the Govt ban, tens of thousands of Indian workers reached Iraq and worked in US army bases. With the withdrawal of US troops, the number of Indian workers in Iraq also has gone down, while in the more developed and peaceful Kurdistan region comprising Erbil, Sulaimaniya and Dohuk governorates, the number of Indian workers has steadily been increasing, with better salaries and

working conditions in steel mills, oil companies and Construction projects. Some Indian companies such as Reliance, Jindal, Ajanta, Electrotherm etc are also located in KRG.

### **COOPERATION AT INTERNATIONAL LEVEL**

21. In keeping with the spirit of close and cordial relations, India and Iraq have mutually supported many of each others candidatures to international bodies including for India's Non-Permanent seat in the UN Security Council.

### **THE INDIAN MISSION**

22. The Embassy of India in Baghdad has remained throughout open including during the years of war with minimum staff headed by a Cd'A. However, with a view to upgrade diplomatic relations, Government of India appointed its new Ambassador Shri Suresh K Reddy who assumed office in June 2011.

### **PRESENT POSITION**

Pharmacists represent the third largest healthcare professional group in the world after nurses and doctors. The Global Health Workforce Alliance was established to accelerate progress towards these goals by identifying and implementing solutions to the shortages.[2] The international shortage of healthcare professionals exists in different severities and has different root causes dependent on the particular health profession and the country of origin. However, due to the increasing overlap of professional roles and collaborative working it is essential that countries work with all health professionals when developing workforce plans. The healthcare priorities differ between countries and a universal health system or workforce model would invariably not provide the required healthcare efficiently to all those that need it.

For pharmacy the degree of shortage and the subsequent impact on pharmacy services depends on the roles that the pharmacy workforce



(pharmacists and pharmacy technicians) play in each country. Quality of health workers in general is a determinant of the health status of a population. Health system resources including medicines will be wasted and misused if not managed by adequately trained and motivated health workers. Furthermore pharmacists, like other health workers are often concentrated in urban settings whereas rural and remote settings lack basic health care. Additionally there is distribution in favour of the private sector as compared to the public sector which accelerates inequity within the health system particularly in developing countries. Furthermore the burden of HIV/AIDS has had a major effect on the health workforce, many of whom have contracted it and on the workload in developing countries.

### **Health Services**

Iraq used to have one of the best health services in the region. But expenditure cuts, neglect and poor management over the last 15 years have taken a heavy toll. The budget was cut by 90% in the 1990s. Buildings and equipment were not maintained and fell into serious disrepair. Training of health professionals was neglected and they were cut off from the outside world, unable to keep up with modern knowledge and practice. Many left the country.

The looting and destruction of health facilities that took place after the war, the interruption of electricity and water supplies and the security problems have caused a further deterioration in services. About one-third of primary care clinics, more than 12% of hospitals, 30% of family planning clinics and 15% of child care clinics were looted or damaged or both.

### **The Current Situation**

There are 1717 primary healthcare centres in Iraq, each serving an average population of 35,000. About half are staffed by doctors, the rest by nurses and medical assistants. The distribution of PHCs and staff is unequal with some areas much better served than others. On average, each PHC sees 120 patients a day but the low doctor-patient ratio means consultation times are short.

Most of the buildings are in dire need of rehabilitation or expansion, about 60% according to a recent survey. Broken windows and doors are commonplace and basic furniture and equipment (eg stethoscopes and thermometers) is often lacking. About 80% have no functional generator. 90% do not have running water (though they usually have water tanks).

The main strength of the service is the staff, especially the doctors of whom there are some 18,000. But they are unevenly distributed and too many (about one quarter) are specialists. There is little focus on primary care. While under-graduate and post-graduate education has expanded over the past decade, the quality of training has deteriorated. There are not enough nurses (about 30,000 in 2003), mostly males and they are inadequately trained, unequally distributed and poorly led.

Poor management of the health sector has added to the problems. The system is highly centralised and management and financial skills are lacking. There is virtually no IT nor an effective health information system. Corruption is widespread and presents a major problem.

## **EXPORT- IMPORT SERVICES**

All EXIM transactions are made in accordance the provisions of Foreign Trade Policy. The Foreign Trade Policy announced for five years by Ministry of Commerce & Industry. Ministry also review it every year. The EXIM Policy is regulated by Directorate General of Foreign Trade (DGFT)

### **Advance Authorization Scheme**

- An advance authorization is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed/utilized to obtain an export product, may also be allowed. DGFT, by means of Public Notice, may exclude any Product from the purview of Advance Authorization.
- Mandatory spares which are required to be exported /supplied with the resultant product can be allowed duty free up to 10% of CIF value of Authorization

- Advance Authorization are issued for inputs and export items given under SION. These can also be issued on the basis of ad hoc norms or self declared norms.
- Advance authorization can be issued either to a manufacturer-exporter or a merchant-exporter tied to supporting manufacturer.
- Advance authorization shall be issued for:
  - Physical exports (including exports to SEZ).
  - Intermediate supplies.
  - Such Supplies of goods that are allowed in Chapter 8 of the FTP.
  - Supply of stores on board of foreign going vessel/aircraft subject to the condition that there is specific SION in respect of item supplied.
- Advance Authorizations are exempted from payment of basic Customs duty, education Cess, anti-dumping Duty and safeguard duty.
- Advance Authorization and/or material imported thereunder will be with actual user condition.

#### Redemption of Authorization

As per provisions of the policy on completion of export obligation submit advance authorization for redemption to DGFT office.

### **Export Promotion Capital Goods (EPCG) SCHEME**

#### Zero Duty EPCG Scheme

- Zero Duty EPCG Scheme allows import of capital goods for the preproduction, production and post production (including CKD/SKD thereof as well as computer software system) at Zero Customs duty, subject to an export obligation equivalent to 6 times of duty saved on Capital goods imported under EPCG Scheme, to be fulfilled in 6 years reckoned from Authorization issue-date.
- The Scheme will be available for exporters of engineering & electronic product, basic chemicals & Pharmaceuticals, apparels & Textiles, plastics, handicrafts, chemicals & Allied Products, Leather & leather products, Paper & paper board and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, sport goods & toys.

### Concessional 3% Duty EPCG Scheme

- Import of capital goods for pre- production, production and post production (including CKD/SKD thereof as well as computer software system) are allowed under this Scheme subject to payment of 3% Basic Custom Duty (BCD). The Export Obligation period (EOP) shall be 8 years reckoned from Authorization issue- date.
- EO of 6 times of duty saved and EOP of 12 years is applicable to Agro units and Units in cottage or tiny sector.
- EO of 6 times of duty saved and EOP of 8 years is applicable to those SSI units whose total investment in plant & machinery does not exceed SSI limit and landed CIF value is up to Rs. 50.0 lakhs.
- In a case of EPCG Authorization with a duty saved amount of Rs. 100 Crores or more, EOP shall be 12 years.
- Capital Goods shall include spares tools, jigs, fixtures, dies and moulds.
- Second hand Capital goods, without any restriction on Age, may also be imported under EPCG Scheme.
- Import of Restricted items of imports mentioned under ITC(HS) shall only be allowed under EPCG Scheme after approval from EFC at Headquarters

### Redemption

As evidence of fulfillment of export obligation, authorization holder shall furnish application to DGFT office for redemption.

CHS Advisors is well known in the market for offering consultancy services to the clients. We offer to our customers an excellent range of EXIM Policy services which is provided by professionals who are highly skilled and qualified. Our services are very reliable and flexible in nature and they are made available to the customers on time as per their requirements.

### Features :

- Reliable
- High quality
- Cost effective

## **POLICIES AND NORMS**

### **Export- Import Policy (1997-2002)**

Export Import Policy or better known as Exim Policy is a set of guidelines and instructions related to the import and export of goods. The Government of India notifies the Exim Policy for a period of five years (1997-2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. The current policy covers the period 2002-2007. The Export Import Policy is updated every year on the 31st of March and the modifications, improvements and new schemes became effective from 1st April of every year. All types of changes or modifications related to the Exim Policy is normally announced by the Union Minister of Commerce and Industry who co-ordinates with the Ministry of Finance, the Directorate General of Foreign Trade and its network of regional offices.

Canalization is an important feature of Exim Policy under which certain goods can be imported only by designated agencies. For an example, canalised import items like gold, in bulk, can be imported only by specified banks like SBI (State Bank of India) and some foreign banks or designated agencies.

### **Handbook of Procedure**

Handbook of Procedure (Volume I and Volume II), which is issued by the Director General of Foreign Trade (DGFT), is a book that contains all the necessary information about the rules and regulation in the matter related to Foreign Trade Policy. Handbook of Procedure is issued at the gap of every five year with change in the Foreign Trade Policy. Between the five years terms, any further changes or modifications in the Handbook of Procedure are carried out by notifications and amendments.

### **SION**

Standard Input Output Norms or SION in short is standard norms which define the amount of input/inputs required to manufacture a unit of output for export purpose. Input output norms are applicable for the products such as electronics, engineering, chemical, food products including fish and marine products, handicraft, plastic and leather products etc. An application for

modification of existing Standard Input-Output norms may be filed by manufacturer exporter and merchant-exporter.

The Directorate General of Foreign Trade (DGFT) from time to time issue notifications for fixation or addition of SION for different export products. Fixation of Standard Input Output Norms facilitates issues of Advance Licence to the exporters of the items without any need for referring the same to the Headquarter office of DGFT on repeat basis.

#### ITC- HS Codes

ITC- HS codes or better known as Indian Trade Clarification based on Harmonised System of Coding was adopted in India for import-export business. Indian custom uses an eight digit ITC HS Codes to suit the international trade requirements.

Harmonised System codes are divided into two schedules. Schedule I describe the rules and guidelines related to import policies where as Schedule II describe the rules and regulation related to export policies.

Schedule I of the ITC-HS code is divided into 21 sections and each section is further divided into chapters. The total number of chapters in the schedule I is 98.

Items	Total Records Found 58	Page 1 of 12			
HS code/Exim Code	Item Description	Policy	Condition Relating to the policy	Import under SIL/Public Notice	Sub Heading Description
0106000120	Wild animals as specified under Wild Life Protection Act, 1972	Prohibited	Not permitted to be imported.		Other live animals
0106000220	Wild animals	Prohibited	Not		Other live

	as specified under Wild Life Protection Act, 1972		permitted to be imported.		animals
0106000320	Bees and other insects as specified under Wild Life Protection Act, 1972	Prohibited	Not permitted to be imported.		Other live animals
0106000920	Wild animals as specified under Wild Life Protection Act, 1972	Prohibited	Not permitted to be imported.		Other live animals
0208900010	Meat and edible meat offal, fresh, chilled or frozen of wild animals	Prohibited	Not permitted to be imported.		Other meat and edible meat offals, fresh, chilled or frozen

The pharmaceutical industry is one of the leading industries in India, and is soon becoming one of the most advanced countries of the world in terms of the growth of the health sector and advancements in pharmaceutical equipments and production of bulk pharmaceutical drugs. Covering many aspects of the industry, the EXIM policy is also prepared keeping in mind the interest of the pharmaceutical machines and drugs manufacturers and the Govt. of India. The government is looking at exim policy options to further

grow the country's thriving pharmaceutical industry and check growing examples of takeovers by foreign players.

The import and export of pharmaceutical drugs and pharmaceuticals are regulated through EXIM Policy. India is now globally considered as one of the leading global players in pharmaceuticals. Europe occupies the highest share of Indian pharma exports followed by North America and Asia. The pharma EXIM policy initiatives taken by the Government recently have led to quantitative and qualitative improvements in the Research & Development activities of the industry. The National Pharmaceutical Policy (NPP)'s objective is to ensure availability of lifesaving drugs at reasonable prices.

**For a more clear idea of the export and import policy of the Indian pharmaceutical industry, check out the following:**

- **Customs Duty**
- **SIC Codes**
- **HS Codes**

## **LICENSING AND TAXATION**

### **Export Licensing Schedule Notes**

- The schedule below has six columns. The column name and the description are:

<b>Column No.</b>	<b>Column Name</b>	<b>Description</b>
1.	Entry No.	Gives the order of the main entry in the schedule. The column is designed for easy reference and gives the identity of the row covering the set consisting of Tariff Item Code, Unit Item description export policy and Nature of restriction along with the connected Licensing Note and Appendix.



2.	Tariff Item (HS) Code	This is an eight digit code followed in the import policy in the earlier part of the book, customs and the DGCIS code. The first two digits give the chapter number, the heading number. The last two digits signify the subheading. The six digit code and product description corresponds exactly with the six digit WCO (World Customs Organisation). The last digits are developed in India under the common classification system for tariff item.
3.	Unit	The second column gives the unit of measurement or weight in the tariff item, which is to be used in shipping bill and other documents. In most cases, the unit is given as “u” denoting number of pieces.
4.	Item Description	The item description against each code gives the specific description of goods, which are subject to export control. This description does not generally correspond with the standard description against the code. In most cases, the description will cover only a part of standard description.

5.	Export Policy	This column is for the general policy regime applicable on the item. Generally, the Export Policy is one of the following.	
		Prohibited	Not permitted for Export Licence will not be given in the normal course
		Restricted	Export is permitted under a licence granted by the DGFT
		STE	Export allowed only through specified State Trading Enterprises (STEs) subject to specific conditions laid out in the FTP and also Para 2.11 of the Import and Export Policy
6.	Nature of Restriction	This column specifies the special conditions, which must be met for the export of goods in the item description column. The column may also give the nature of restriction under the broad category in the Export Policy column.	

**GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS**

<p><b>2.1 Exports and Imports - 'Free', unless regulated</b></p>	<p>(a) Exports and Imports shall be 'Free', except when regulated. Such regulation would be as per FTP and/or ITC (HS).</p> <p>(b) ITC (HS) contains the item wise export and import policy regimes. The ITC (HS) is aligned with international Harmonized System goods nomenclature maintained by World Customs Organization (<a href="http://www.wcoomd.org">http://www.wcoomd.org</a>).</p> <p>(c) Schedule 1 of ITC (HS) gives the Import Policy Regime and Schedule 2 of ITC (HS) gives the Export Policy Regime.</p>
<p><b>2.1.1 Prohibition on Import and Export of 'Arms and related material' from / to Iraq</b></p>	<p>Despite the policy for 'Arms and related material' as is given in Chapter 93 of ITC (HS), the import / export of arms and related material from /to Iraq shall be 'Prohibited'.</p>
<p><b>2.1.2 Prohibition on Direct or Indirect Import and Export from/ to Democratic People's Republic of Korea</b></p>	<p>Direct or indirect export and import of following items, whether or not originating in Democratic People's Republic of Korea (DPRK), to / from, DPRK is 'Prohibited': All items, materials equipment, goods and technology including as set out in lists in documents S/2006/814, S/2006/815 (including S/2009/205), S/2009/364 and S/2006/853 (United Nations Security Council Documents) INFCIRC/254/Rev.9/Part1a and INFCIRC/254/Rev.7/Part 2a (IAEA documents) which could contribute to DPRK's nuclear-related, ballistic missile-related or other weapons of mass destruction-related programmes.</p>

<p><b>2.1.3 Prohibition on Direct or Indirect Import and Export from / to Iran</b></p>	<p>(a) Direct or indirect export and import of all items, materials, equipment, goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy water related activities, or to development of nuclear weapon delivery systems, as mentioned below, whether or not originating in Iran, to /from Iran is 'Prohibited':</p> <p>(i) Items listed in INFCIRC/254/Rev.9/Part 1 and INFCIRC/254/Rev.7/Part 2 (IAEA Documents) (ii) Items listed in S/2006/263 (UN Security Council Document)</p> <p>(b) All the UN Security Council Resolutions / Documents and IAEA Documents referred to above are available on the UN Security Council website (<a href="http://www.un.org/Docs/sc">www.un.org/Docs/sc</a>) and IAEA website (<a href="http://www.iaea.org">www.iaea.org</a>).</p>
<p><b>2.1.4 Prohibition on Import of Charcoal from Somalia</b></p>	<p>Direct or indirect import of charcoal is prohibited from Somalia, irrespective of whether or not such charcoal has originated in Somalia [United Nations Security Council Resolution 2036 (2012)].</p>
<p><b>2.2 Compliance of Imports with Domestic Laws</b></p>	<p>In line with the National Treatment proviso of World Trade Organization (<a href="http://www.wto.org">http://www.wto.org</a>), Domestic Laws/ Rules/ Orders/ Regulations/ technical specifications/ environmental/ safety and health norms applicable to domestically produced goods shall apply, mutatis mutandis, to imports, unless specifically exempted.</p>

<p><b>2.3 Interpretation of Policy</b></p>	<p>(a) The decision of DGFT shall be final and binding on all matters relating to interpretation of Policy, or provision in HBP v1, HBP v2 or classification of any item for import / export policy in the ITC (HS).</p> <p>(b) A Policy Interpretation Committee (PIC) may be constituted to aid and advice DGFT.</p>									
<p><b>2.4 Procedure</b></p>	<p>DGFT may, specify procedure to be followed by an exporter or importer or by any licensing / regional authority or by any other authority for purposes of implementing provisions of FT (D&amp;R) Act, the Rules and the Orders made there under and FTP.</p>									
<p><b>2.5 Exemption from Policy/ Procedure</b></p>	<p>DGFT may pass such orders or grant such relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade. DGFT may, in public interest, exempt any person or class or category of persons from any provision of FTP or any procedure and may, while granting such exemption, impose such conditions as he may deem fit. Such request may be considered only after consulting committees as under:</p>									
	<p><b>Sl. No.</b></p>	<table border="1"> <thead> <tr> <th data-bbox="655 1491 1137 1608"><b>Description</b></th> <th data-bbox="1137 1491 1398 1608"><b>Committee</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="655 1608 1137 1720">(a) Fixation / modification of product norms under all schemes</td> <td data-bbox="1137 1608 1398 1720">Norms Committee</td> </tr> <tr> <td data-bbox="655 1720 1137 1883">(b) Nexus with Capital Goods (CG) and benefits under EPCG Schemes</td> <td data-bbox="1137 1720 1398 1883">EPCG Committee.</td> </tr> <tr> <td data-bbox="655 1883 1137 1995">(c) All other issues</td> <td data-bbox="1137 1883 1398 1995">Policy Relaxation Committee</td> </tr> </tbody> </table>	<b>Description</b>	<b>Committee</b>	(a) Fixation / modification of product norms under all schemes	Norms Committee	(b) Nexus with Capital Goods (CG) and benefits under EPCG Schemes	EPCG Committee.	(c) All other issues	Policy Relaxation Committee
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<p><b>2.6 Principles of Restriction</b></p>	<p>DGFT may, through a notification, adopt and enforce any measure necessary for: -</p> <ul style="list-style-type: none"> <li>(a) Protection of public morals;</li> <li>(b) Protection of human, animal or plant life or health;</li> <li>(c) Protection of patents, trademarks and copyrights, and the prevention of deceptive practices;</li> <li>(d) Prevention of use of prison labour;</li> <li>(e) Protection of national treasures of artistic, historic or archaeological value;</li> <li>(f) Conservation of exhaustible natural resources</li> </ul>
<p><b>2.7 Export / Import of Restricted Goods/ Services</b></p>	<p>Any goods / service, the export or import of which is 'Restricted' may be exported or imported only in accordance with an Authorisation / Permission/ License or in accordance to the procedure prescribed in a notification / public notice issued in this regard.</p>
<p><b>2.8 Terms and Conditions of an Authorisation</b></p>	<p>Every Authorisation shall contain such terms and conditions as may be specified by RA which may include:</p> <ul style="list-style-type: none"> <li>(a) Description, quantity and value of goods;</li> <li>(b) Actual User condition;</li> <li>(c) Export Obligation;</li> <li>(d) Minimum Value addition to be achieved</li> </ul>
<p><b>2.9 Authorisation - not a Right</b></p>	<p>No person may claim an Authorisation as a right and DGFT or RA shall have power to refuse to grant or renew the same in accordance with provisions of FT (D&amp;R) Act, Rules made there under and FTP.</p>
<p><b>2.10 Penalty</b></p>	<p>If an Authorisation holder violates any condition of such Authorisation or fails to fulfil export obligation, he shall</p>

	be liable for action in accordance with FT (D&R) Act, the Rules and Orders made there under, FTP and any other law for time being in force.
<b>2.11 State Trading</b>	Any goods, import or export of which is governed through exclusive or special privileges granted to State Trading Enterprises (STE(s)), may be imported or exported by STE(s) as per conditions specified in ITC (HS). DGFT may, however, grant an Authorisation to any other person to import or export any of these goods. Such STE(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale in a non discriminatory manner and shall afford enterprises of other countries adequate opportunity, in accordance with customary business practices, to compete for participation in such purchases or sales.
<b>2.12 Importer-Exporter Code (IEC) Number</b>	(a) No export or import shall be made by any person without an IEC number unless specifically exempted. An IEC number shall be granted on application by competent authority in accordance with procedure specified in HBP v1. (b) Exempt Categories and Permanent IEC numbers are given in Para 2.8 of HBP v1.
<b>2.13 Trade with Neighbouring Countries</b>	DGFT may issue instructions or frame schemes as may be required to promote trade and strengthen economic ties with neighbouring countries.
<b>2.14 Transit Facility</b>	Transit of goods through India from / or to countries adjacent to India shall be regulated in accordance with bilateral treaties between India and those countries and will be subject to such restrictions as may be specified

	by DGFT in accordance with International Conventions.																						
<b>2.15 Trade with Russia under Debt- Repayment Agreement</b>	In case of trade with Russia under Debt Repayment Agreement, DGFT may issue instructions or frame schemes as may be required, and anything contained in FTP, in so far as it is inconsistent with such instructions or schemes, shall not apply.																						
<b>2.16 Actual User Condition</b>	Goods which are importable freely without any 'Restriction' may be imported by any person. However, if such imports require an Authorisation, actual user alone may import such good(s) unless actual user condition is specifically dispensed with by DGFT.																						
<b>2.17 Second Hand Goods</b>	For Second Hand goods, the Import Policy Regime is given as under:																						
	<table border="1"> <thead> <tr> <th></th> <th>Import Policy</th> <th>Conditions if any</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>I. Second Hand Capital Goods Group</b></td> </tr> <tr> <td colspan="3"><b>(a) Restricted Category:</b></td> </tr> <tr> <td>(i) Personal computers / laptops</td> <td>Restricted</td> <td rowspan="3">Allowed to be imported only as per provisions of FTP, ITC (HS), HBP v1, Public Notice or an Authorisation issued for import of the specified second hand item.</td> </tr> <tr> <td>(ii) Photocopier machines / Digital multifunction Print &amp; Copying Machines</td> <td></td> </tr> <tr> <td>(iii) Air conditioners</td> <td></td> </tr> <tr> <td colspan="3"><b>(b) Free Category:</b></td> </tr> <tr> <td>(i) Refurbished / re- conditioned spares of Capital Goods</td> <td>Free</td> <td>Subject to conditions specified in para 2.33 of HBPv1</td> </tr> </tbody> </table>		Import Policy	Conditions if any	<b>I. Second Hand Capital Goods Group</b>			<b>(a) Restricted Category:</b>			(i) Personal computers / laptops	Restricted	Allowed to be imported only as per provisions of FTP, ITC (HS), HBP v1, Public Notice or an Authorisation issued for import of the specified second hand item.	(ii) Photocopier machines / Digital multifunction Print & Copying Machines		(iii) Air conditioners		<b>(b) Free Category:</b>			(i) Refurbished / re- conditioned spares of Capital Goods	Free	Subject to conditions specified in para 2.33 of HBPv1
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<b>2.17A Removal of Scrap / Waste from SEZ</b>	A SEZ unit/Developer/ Co-developer may be allowed to dispose off in DTA, any waste or scrap, including any form of metallic waste and scrap, generated during manufacturing or processing activity, without an authorization, on payment of applicable Customs Duty, provided these are freely importable.		
<b>2.18 Import of Samples</b>	Import of samples shall be governed by Chapter 2 of HBP v1.		
<b>2.19 Import of Gifts</b>	Import of gifts shall be 'free' where such goods are otherwise freely importable under ITC (HS). In other cases, such imports shall be permitted against an authorisation issued by DGFT.		
<b>2.20 Passenger Baggage</b>	<p>(a) Bona fide household goods and personal effects may be imported as part of passenger baggage as per limits, terms and conditions thereof in Baggage Rules notified by Ministry of Finance.</p> <p>(b) Samples of such items that are otherwise freely importable under FTP may also be imported as part of passenger baggage without an Authorisation.</p> <p>(c) Exporters coming from abroad are also allowed to import drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export.</p>		
<b>2.21 Import on Export Basis</b>	Freely exportable new or second hand capital goods, equipments, components, parts and accessories, containers meant for packing of goods for exports, jigs, fixtures, dies and moulds may be imported for export without an Authorisation on execution of LUT / BG with Customs Authorities.		
<b>2.22 Re-import of goods</b>	Capital goods, equipments, components, parts and accessories, whether imported or indigenous, except		

<b>repaired abroad</b>	those restricted under ITC (HS) may be sent abroad for repairs, testing, quality improvement or upgradation or standardization of technology and re-imported without an Authorisation.
<b>2.23 Import of goods used in projects abroad</b>	Project contractors after completion of projects abroad, may import without an Authorisation, goods including capital goods used in the project, provided they have been used for at least one year.
<b>2.24 Sale on High Seas</b>	Sale of goods on high seas for import into India may be made subject to FTP or any other law in force.
<b>2.25 Import under Lease Financing</b>	No specific permission of RA is required for lease financed capital goods.
<b>2.26 Clearance of Goods from Customs</b>	Good already imported / shipped / arrived, in advance, but not cleared from Customs may also be cleared against an Authorisation issued subsequently.
<b>2.27 Execution of BG /LUT</b>	(a) Wherever any duty free import is allowed or where otherwise specifically stated, importer shall execute prescribed LUT/BG/Bond with Customs Authority before clearance of goods. (b) In case of indigenous sourcing, Authorisation holder shall furnish LUT/BG/Bond to RA concerned before sourcing material from indigenous supplier/nominated agency as prescribed in Chapter 2 of HBP v1.
<b>2.28 Private/Public Bonded Warehouses for Imports</b>	(a) Private / Public bonded warehouses may be set up in DTA as per terms and conditions of notification issued by DoR. Any person may import goods except prohibited items, arms and ammunition, hazardous waste and chemicals and warehouse them in such bonded warehouses. (b) Such goods may be cleared for home consumption in accordance with provisions of FTP and against

	Authorisation, wherever required.
<b>2.29 Free Exports</b>	All goods may be exported without any restriction except to the extent that such exports are regulated by ITC (HS) or any other provision of FTP or any other law for the time being in force. DGFT may, however, specify through a public notice such terms and conditions according to which any goods, not included in ITC (HS), may be exported without an Authorisation.
<b>2.30 Export of Samples</b>	Export of Samples and Free of charge goods shall be governed by provisions given in Chapter 2 of HBP v1.
<b>2.31 Export of Passenger Baggage</b>	<p>(a) Bona fide personal baggage may be exported either along with passenger or, if unaccompanied, within one year before or after passenger's departure from India. However, items mentioned as restricted in ITC (HS) shall require an Authorisation. Government of India officials proceeding abroad on official postings shall, however, be permitted to carry along with their personal baggage, food items (free, restricted or prohibited) strictly for their personal consumption.</p> <p>(b) Samples of such items that are otherwise freely exportable under FTP may also be exported as part of passenger baggage without an Authorisation.</p>
<b>2.32 Export of Gifts</b>	Goods, including edible items, of value not exceeding Rs.500000/- in a licensing year, may be exported as a gift. However, items mentioned as restricted for exports in ITC (HS) shall not be exported as a gift, without an

	Authorisation.
<b>2.33 Export of Spares</b>	Warranty spares (whether indigenous or imported) of plant, equipment, machinery, automobiles or any other goods, (except those restricted under ITC (HS)) may be exported along with main equipment or subsequently but within contracted warranty period of such goods subject to approval of RBI.
<b>2.34 Third Party Exports</b>	Third party exports, as defined in Chapter 9 shall be allowed under FTP.
<b>2.35 Export of Imported Goods</b>	(a) Goods imported, in accordance with FTP, may be exported in same or substantially the same form without an Authorisation provided that item to be imported or exported is not restricted for import or export in ITC (HS). (b) Exports of such goods imported against payment in freely convertible currency would be permitted against payment in freely convertible currency.
<b>2.36 Export of Imported Goods under Bond Procedures</b>	Goods, including those mentioned as 'Restricted' for import (except 'Prohibited' items) may be imported under Customs Bond for export in freely convertible currency without an Authorisation provided that item is freely exportable without any conditionality / requirement of Authorisation / Licence / permission as may be required under Schedule 2 - Export Policy of the ITC (HS).
<b>2.36A</b>	Hides, Skins and semi finished leather may be imported in the Public Bonded warehouse for the purpose of DTA sale and the unsold items thereof can be re-exported from such bonded warehouses at 50% of the applicable export duty.
<b>2.37 Export of Replacement</b>	Goods or parts thereof on being exported and found defective/ damaged or otherwise unfit for use may be

<b>Goods</b>	replaced free of charge by the exporter and such goods shall be allowed clearance by Customs authorities, provided that replacement goods are not mentioned as restricted items for exports in ITC (HS).
<b>2.38 Export of Repaired Goods</b>	Goods or parts, except restricted under ITC (HS) thereof, on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent reexport.
<b>2.39 Private Bonded Warehouses for Exports</b>	(a) Private bonded warehouses exclusively for exports may be set up in DTA as per terms and conditions of notifications issued by DoR. (b) Such warehouses shall be entitled to procure goods from domestic manufacturers without payment of duty. Supplies made by a domestic supplier to such notified warehouses shall be treated as physical exports provided payments are made in free foreign exchange.
<b>2.40 Denomination of Export Contracts</b>	(a) All export contracts and invoices shall be denominated either in freely convertible currency or Indian rupees but export proceeds shall be realized in freely convertible currency. (b) However, export proceeds against specific exports may also be realized in rupees, provided it is through a freely convertible Vostro account of a non resident bank situated in any country other than a member country of ACU or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his nonresident bank account.
<b>2.40A Export to Iran - Realisations in Indian Rupees</b>	(c) Contracts (for which payments are received through Asian Clearing Union (ACU) shall be denominated in ACU Dollar. Central Government may relax provisions of this paragraph in appropriate cases. Export contracts

	and Invoices can be denominated in Indian rupees against EXIM Bank/ Government of India line of credit..
<b>2.41 Realisation of Export Proceeds</b>	If an exporter fails to realize export proceeds within time specified by RBI, he shall, without prejudice to any liability or penalty under any law in force, be liable to action in accordance with provisions of FT (D&R) Act, Rules and Orders made there under and FTP.
<b>2.42 Free movement of export goods</b>	Consignments of items meant for exports shall not be withheld / delayed for any reason by any agency of Central / State Government. In case of any doubt, authorities concerned may ask for an undertaking from exporter.
<b>2.42.1 No seizure of Stock</b>	No seizure of stock shall be made by any agency so as to disrupt manufacturing activity and delivery schedule of exports. In exceptional cases, concerned agency may seize the stock on basis of prima facie evidence. However, such seizure should be lifted within 7 days.
<b>2.43 Export Promotion Councils (EPC)</b>	Basic objective of Export Promotion Councils (EPCs) is to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products, projects and services as given in HBP v1.
<b>2.44 Registration-cum-Membership Certificate (RCMC)</b>	Any person, applying for: (a) An Authorisation to import / export, (except items) listed as 'Restricted' items in ITC (HS) or (b) Any other benefit or concession under FTP shall be required to furnish RCMC granted by competent authority in accordance with procedure specified in HBP v1 unless specifically exempted under FTP
<b>2.45 Trade Facilitation through EDI</b>	A secure EDI Message Exchange system for various documents i.e. Authorisations, Shipping Bills, IEC, Application Fee, RCMCs has been established with

<b>Initiatives</b>	trade partners i.e. Customs, Banks and Export Promotion Councils. These documents are no longer required to be physically filed with DGFT or transmitted physically to the concerned partners.
<b>2.45.1 DGCI &amp;S Commercial Trade Data</b>	DGCI&S has put in place a Data Suppression Policy. Transaction level data would not be made publically available to protect privacy. DGCI&S trade data shall be made available at aggregate level with a minimum possible time lag in a query based structured format on commercial criteria.
<b>2.45.2 Fiscal Incentives to promote EDI Initiatives adoption</b>	To encourage usage of 'on-line' filing of applications for authorizations/IEC, incentives are provided to applicants through a reduced application fee as detailed in the Hand Book of Procedures.
<b>2.46 Regularization of EO default and settlement of customs duty and interest through Settlement Commission</b>	With a view to providing assistance to firms who have defaulted under FTP for reasons beyond their control as also facilitating merger, acquisition and rehabilitation of sick units, it has been decided to empower Settlement Commission in Central Board of Excise and Customs to decide such cases also with effect from 01.04.2005.

<b>2.47 Easing of Documentation Requirement</b>	DGFT has provided 'on-line' facility for filing applications to obtain various authorizations / IECCode. The authorizations are issued and transmitted electronically to Customs for clearance so as to reduce the required documentation. DGFT has also become India's first digital signature enabled department in Government of India, which has introduced a higher level of Encrypted 2048 bit Digital Signature for enhanced security in communications with essential features like authentication, Privacy, non-repudiation and integrity in the virtual world.
<b>2.48 Exemption / Remission of Service Tax in DTA</b>	For all goods and services which are exported from units in DTA and units in EOU / EHTP / STP / BTP exemption / remission of service tax levied and related to exports, shall be allowed.
<b>2.48.1 Exemption from Service Tax in SEZ</b>	Units in SEZ shall be exempted from service tax.
<b>2.48.2 Exemption from Service Tax on Services received abroad</b>	For all goods and services exported from India, services received / rendered abroad, where ever possible, shall be exempted from service tax.

## TAXATION

According to CPA Order No. 49 there is an income tax of 15% on corporations and individuals including non-residents. However foreign employees, contractors and sub-contractors are not liable to pay any tax on income from foreign sources, or income paid by or on behalf of Multi National Forces -Iraq (MNF-I) or foreign governments. MNF-I, foreign governments, international organizations, and NGOs registered pursuant to CPA Order 45 are also



exempt from income tax. The CPA Order 49 has also suspended the 25% levy on company profits.

According to CPA Order No. 84 there is a 15% tax on expatriated dividends, a flat sales tax of 10% on hotels and restaurants, a 10% tax on real property and a limited fee chargeable on vehicle sales.

Also liable to tax are state employees including employees of State Owned Enterprises (SOE). All employees are liable to pay 5% of their salary as a mandatory contribution to social security, with the employers' contribution at 12% of the same salary base (employer withholds the employee's contributions). The administrative requirements established in 1982 with regard to collection, appeals and penalties for late or non-payment of income taxes remains in force.

## **INDIA EXPORT IMPORT EXIM POLICY OR FOREIGN TRADE POLICY.**

### **EXIM Policy 2010 - 2011 New**

- Highlights of the Annual Supplement 2010-11 to the Foreign Trade Policy 2009-14
- Additional benefit of 2% bonus, over and above the existing benefits of 5% / 2% under Focus Product Scheme, allowed for about 135 existing products.
- 256 new products added under FPS (at 8 digit level), which shall be entitled for benefits @ 2% of FOB value of exports to all markets.
- Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.
- Duty Entitlement Passbook (DEPB) scheme has been extended beyond 31.12.2010 till 30.06.2011.
- Concessional Export Credit: Interest subvention of 2% for pre-shipment credit for export sectors namely, Handloom, Handicraft, Carpet and SMEs for all export sectors.
- Exporters shall now have the flexibility to get a high value EPCG authorisation by filing their EPCG application on Annual basis.

Export Import Policy or better known as Exim Policy or Foreign Trade Policy is a set of guidelines and instructions related to the import and export of goods.

Objectives of Exim Policy :

- To facilitate sustained growth in exports from India and import in India.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods scheme required for augmenting production and providing services.
- To enhance the technological strength and efficiency of Industry Agriculture industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.

The Government of India notifies the Exim Policy for a period of five years (1997-2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. The current policy covers the period 2002-2007. The Export Import Policy is updated every year on the 31st of March and the modifications, improvements and new schemes became effective from 1st April of every year.

All types of changes or modifications related to the Exim Policy is normally announced by the Union Minister of Commerce and Industry who co-ordinates with the Ministry of Finance, the Directorate General of Foreign Trade and its network of dgft regional offices.

## **TRADE BARRIERS**

### **Challenges**

Iraq faces enormous health challenges. These include rebuilding the infrastructure, strengthening management, re-organising the pharmaceutical sector and dealing with drugs shortages, reducing health risks in the population, retraining the workforce and tackling the main causes of the rise in communicable and non-communicable diseases. The overall aim is to achieve better health for all and to reduce health inequalities while providing high quality services that are affordable, accessible and responsive to the expectations of the population. This is not a task for the Ministry of Health and health services alone. It depends upon improvement in the economic and

social well-being and in the lifestyles of the people. It requires investment in improved water and sanitation services, in better environmental health and in education. It involves collaboration across Government and the mobilisation of local communities.

The current developments in pharmacy practice, its diversification as well as its aspiration for increased patient orientation will have an impact on the pharmacy workforce. Further aspects include the structure of the pharmacy workforce in various practice and administrative settings and a differentiating approach with regard to the international arena and different structural and legal conditions in developed and developing countries.

**Significant progress has been made in recent months in addressing some of the most urgent priorities.**

- Over 75 hospitals and nearly all of the primary care clinics that were damaged or looted in the war have been rehabilitated to enable them to re-open - and some of them more extensively. Four public health laboratories, four training centres and two blood transfusion centres have also been refurbished and re-equipped. Construction work for building at least 70 new health centres has started as part of a project to build 150 ideal health centre in all governorates, by end of 2005.
- Almost all public health programmes have been re-established and national immunisation programmes have been organised. Four million children were vaccinated against polio this summer achieving a coverage rate of more than 95% Disease surveillance systems, screening programmes for hepatitis B and HIV/AIDS and food safety measures have been restored.
- The 15,000 staff and the health facilities of the previous Ministry of Defence have been integrated into the health service.
- Under- graduate and post-graduate education for doctors and nurses has been sustained with better access to the international literature, information technology and the internet. More than 30,000 health

professionals and administrative staff have attended training activities in Iraq from June to December 2004. These include clinical programmes and courses in IT, management and administration and equipment maintenance. Many other programmes have been run by governorates. In addition over 1,300 staff were involved in training abroad during the same 7 month period.

- The shortages of drugs and medical supplies are being addressed. Many more supplies are being procured and access to emergency supplies and drugs for chronically ill patients has improved.
- A nutritional support programme for primary school children has been initiated in collaboration with the Ministry of Education.

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## **GENERAL NOTES TO EXPORT POLICY – GOODS UNDER RESTRICTIONS**

### **1. Free Exportability**

All goods other than the entries in the export licensing schedule along with its appendices are freely exportable. The free exportability is however subject to any other law for the time being in force.

Goods listed as “Free” in the Export Licensing Schedule may also be exported without an export licence as such but they are subject to conditions laid out against the respective entry. The fulfillment of these conditions can be checked by authorized officers in the course of export.

### **2. Code does not limit the item description**

The export policy of a specific item will be determined mainly by the description and nature of restriction in the schedule. The code number is

illustrative of classification but does not limit the description by virtue of the standard description of the item against the code in the import part of the ITC(HS) classification.

### 3. Classes of Export Trade Control

#### A. Prohibited Goods

The prohibited items are not permitted to be exported. An export licence will not be given in the normal course for goods in the prohibited category.

#### B. Restricted Goods

The restricted items can be permitted for export under licence. The procedures / conditionalities wherever specified against the restricted items may be required to be complied with, in addition to the general requirement of licence in all cases of restricted items.

#### C. Restrictions on Countries of Export

Export to Iraq is subject to conditions as specified in Para 2.2 of the Handbook of Procedures 2002-2007 (Vol. I) and other conditions which may be listed in the title ITC (HS) Classification of Export and Import items.

### **POTENTIAL FOR IMPORT/EXPORT**

- Additional benefit of 2% bonus, over and above the existing benefits of 5% / 2% under Focus Product Scheme, allowed for about 135 existing products.
- 256 new products added under FPS (at 8 digit level), which shall be entitled for benefits @ 2% of FOB value of exports to all markets.
- Duty Entitlement Passbook (DEPB) scheme has been extended beyond 31.12.2010 till 30.06.2011.
- Concessional Export Credit: Interest subvention of 2% for pre-shipment credit for export sectors namely, Handloom, Handicraft, Carpet and SMEs for all export sectors.
- Exporters shall now have the flexibility to get a high value EPCG authorisation by filing their EPCG application on Annual basis.

### **OPPORTUNITIES IN FUTURE**

- Potential privatisation programme

- As public sector finances improve, per capita expenditure will grow
- Major import substitution opportunity
- Opportunity to licence in products
- Opportunity to buy into local producers with technology transfer package
- Opportunity in niche sectors, e.g., phials, sterile products etc
- Joint ventures

## **CONCLUSION**

Given the lack of domestic manufacture, there is a significant opportunity for a domestic import substitution manufacturing opportunity. This will obviously rely on competencies and expertises, not explored in this report, but should not be discounted.

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