

# Business Guide for Iraq

## U.S. Department of Commerce

*Revised September 8, 2003*

*This business guide is updated periodically to reflect the current situation in Iraq.*

In May 2003, the United Nations Security Council and the United States lifted most economic sanctions against Iraq to permit the rebuilding of the country. The Coalition Provisional Authority (CPA) was established as a transitional, interim administration to restore conditions of security and stability in Iraq, create national and local institutions for representative governance in which the Iraqi people can freely determine their own political future, and facilitate economic recovery and sustainable reconstruction and development.

On July 13, 2003, the CPA established the Governing Council of Iraq as the principal body of the interim administration. With broad membership from across Iraqi society, the Governing Council represents the interests of the Iraqi people and determines the means to establish a representative government to replace the CPA. Its members have named the ministers to lead Iraq ministries, represent Iraq internationally, and determine the budget for the next year.

On July 15, 2003, the U.S. State Department lifted restrictions on the use of U.S. passports for travel to Iraq. The CPA previously suspended all tariffs, duties, fees and similar charges for goods entering or leaving Iraq until December 31, 2003.

**However, the security situation remains dangerous, and the U.S. Government strongly warns U.S. citizens against travel to Iraq.**

Moreover, the Iraqi infrastructure cannot ensure delivery of basic services such as water, electricity, and telecommunications. Iraqi commercial law remains in place that severely restricts trade and investment in Iraq from entities resident in non-Arab countries.

The U.S. Government, including the U.S. Department of Commerce, is working with Coalition partners, international organizations, and private corporations to restore basic services and facilitate economic recovery through reconstruction contracts. U.S. Government contracts, as outlined in this guide, continue to be the leading business opportunities in Iraq.

This guide covers six areas:

- I. Current Reconstruction Efforts
- II. Commercial Environment
- III. Travel Warning and Validity of U.S. Passports
- IV. Sanctions and Export Controls
- V. Overview of Key Industry Sectors
- VI. Critical Contacts for Businesses

## **I. CURRENT RECONSTRUCTION EFFORTS**

The United States is providing reconstruction and humanitarian assistance to the people of Iraq to save lives, alleviate suffering, and mitigate the impact of emergency situations. Opportunities for U.S. firms to participate in the reconstruction of Iraq are mostly associated with assessing and rehabilitating major areas of the country's infrastructure.

Projects are being carried out through U.S. Government reconstruction contracts and CPA-issued contracts. The U.S. Agency for International Development (USAID) and the U.S. Department of Defense (DOD) are the primary U.S. Government contracting agencies. As U.S. Government and CPA contracts represent the primary conduits at this time for U.S. commercial activity in Iraq, firms are encouraged to visit the USAID, DOD, CPA, and winning prime contractor websites for detailed information.

Current business opportunities provided through the CPA can be found at [www.cpa-iraq.org/commercial/index.html](http://www.cpa-iraq.org/commercial/index.html). U.S. Government (Requests for Proposals) RFPs and tenders are located at [www.usaid.gov/iraq/activities.html](http://www.usaid.gov/iraq/activities.html) for USAID contracts, and [www.hq.usace.army.mil/cepa/iraq/contracts.htm](http://www.hq.usace.army.mil/cepa/iraq/contracts.htm) for DOD contracts. Additional contact information for U.S. Government agencies and the CPA is provided at the end of this guide. In addition, USAID is restarting their sectoral conferences beginning September 4 going through December 4, 2003, listed at [www.usaid.gov/iraq/schedule.html](http://www.usaid.gov/iraq/schedule.html).

The best way to ensure consideration as subcontractors or suppliers is to directly contact the prime contractors, who are entirely responsible for choosing their own business partners.

A list of all U.S. Government and CPA Iraq reconstruction contracts and outstanding RFPs follows this guide in an annex.

A listing of U.S. Government contracts, and contact information of the prime contractors and known subcontractors, is also located at the U.S. Department of Commerce Iraq reconstruction website: [www.export.gov/iraq](http://www.export.gov/iraq).

**II. COMMERCIAL ENVIRONMENT**

The Iraqi constitution, legal system, and regulatory practices as well as the current security and infrastructure situation pose numerous obstacles to doing business in Iraq. The legal structure, as it existed at the end of the Hussein regime, is described in detail in the Commerce Department’s “Overview of Commercial Law in Iraq”, available at [www.export.gov/iraq/pdf/iraq\\_commercial\\_law\\_current.pdf](http://www.export.gov/iraq/pdf/iraq_commercial_law_current.pdf).

**Actions and Events that Improve the Commercial Environment**

**General Economic Reform:** Through the Economic Recovery and Reform contract, BearingPoint will provide Iraq and the CPA with the means to create a competitive private sector. Under the terms of the contract, BearingPoint may examine current Iraq government policies, laws, regulations and institutions that regulate trade, commerce and investment. The contract may support such institutions as the Central Bank and the ministries of Finance, Trade, Commerce and Industry. The size and capacity of the public sector, the relationships between key industries and government, and constraints to sector export growth may be examined as well. Other activities that will be undertaken include credit, micro-finance, and small business loans.

**Donors’ Conference Announced:** A meeting of potential donors to raise funds for rebuilding Iraq will take place in Madrid, Spain on October 23-24, 2003. The World Bank and the UN will be presenting their needs assessments to the conference. These assessments may guide the future priorities and direction for Iraq Reconstruction.

**Trade Liberalization:** Historically, all exports to and from Iraq have been subject to Iraqi government licensing. However, under CPA Order # 12, all tariffs, duties, fees and similar charges for goods entering or leaving Iraq have been suspended through December 31, 2003. Manifests are being checked for contraband goods. The same order prohibits several exports from Iraq, including many foods and machinery parts.

CPA Order #16 details current regulations with respect to Iraqi borders, points of entry, and current Iraqi passports. CPA Public Notice #3 authorizes Iraqis to establish direct relationships with international trading agencies.

All CPA Orders can be found at [www.cpa-iraq.org](http://www.cpa-iraq.org).

**Trade Finance:** The Export Import Bank (Ex-Im) has announced that it is no longer legally prohibited from supporting U.S. exports to Iraq. While it is still closed for routine trade finance transactions, it will consider applications for exports to Iraq that involve buyers or letters of credit from banks located in third countries.

Ex-Im is also ready to consider applications under its Working Capital Guarantee Program (WCGP) for subcontractors providing goods and services to Iraq under USAID contracts. For more information on Ex-Im activities, visit [www.exim.gov](http://www.exim.gov).

The Trade Bank of Iraq (TBI) has been established as a separate government entity, independent of the Central Bank of Iraq. It will provide financial and related services to facilitate the importation and exportation of goods and services to and from Iraq. The TBI will provide expertise and a point of contact within Iraq to bolster confidence between trading partners that funds will be received in exchange for goods delivered. The TBI will work with commercial banks (the Operating Consortium), and other export credit banks, such as Ex-Im in the U.S. and the Export Credits Guarantee Department (ECGD) in the UK. The TBI is discussed in CPA Order #20.

In addition, Ex-Im has voted to create a \$500 million facility that would provide short-term export insurance to cover transactions with the TBI. Final action to create the facility will follow a 35-day statutory waiting period.

**Property Laws:** Property issues are beginning to be addressed through CPA Orders # 4, 6, and 9 on the “Management of Property and Assets of the Iraqi Baath Party”, “Eviction of Persons Illegally Occupying Public Buildings”, and the “Management and Use of Iraqi Public Property,” respectively.

**Government Budget:** The CPA has released its July-December 2003 budget, available at [www.cpa-iraq.org/Budget2003.pdf](http://www.cpa-iraq.org/Budget2003.pdf).

**Currency:** Beginning October 15, 2003, new Iraq dinars will be available to replace both the “Saddam” dinars used in southern Iraq as well as the “Swiss” dinars used in the north. The exchange period will last three months. CPA Order #18 details the operations of the Iraqi Central Bank.

**Package Delivery:** Federal Express Corporation now offers door-to-door pick up and delivery for shipments in and out of the cities of Baghdad, Basra and Mosul.

## **Practical Barriers**

**Security:** The security situation in Iraq is dangerous. Rampant theft and violent crime persist in Iraq, and the potential for attacks against U.S. citizens and facilities remains high. Law enforcement remains difficult, although indigenous police forces are emerging under the supervision of Coalition forces.

U.S. forces control the major border points. Please see CPA Order #16 for details on border crossing procedures. Roads, while functional, remain dangerous for conspicuous foreign travelers. The U.S. State Department provides up-to-date travel warnings for countries throughout the world, and U.S. companies are advised to carefully assess the situation in Iraq. Please see the section below on travel and passports.

**Physical Infrastructure:** The current status of Iraq's infrastructure constitutes a major barrier to normal business activity. Electricity, water and sewer function on a periodic basis in Iraq.

Both Baghdad and Basra airports are currently closed to commercial and passenger traffic. Baghdad International Airport recently brought its power generating station online, reducing its dependence on the public grid. The four-letter ICAO identifier for Baghdad International has been changed from ORBS to ORBI.

The port of Umm Qasr is open to commercial traffic, but priority is given to humanitarian assistance shipments. The first container vessel arrived on June 26<sup>th</sup> and began unloading with the assistance of vessel cranes. Ocean going vessels are able to unload at only one dock. While security inside the port is improving, trespassers are still a concern. Vessel operators must file a cargo manifest with the Iraqi customs office at least 48 hours prior to the vessel's arrival. Customs officials will board the vessel upon arrival and check for un-manifested cargo and contraband. The Aqaba, Jordan port as well as Syrian and Turkish ports are all being used to bring products into Iraq.

Satellite connections are the primary international telecommunications links available. Reportedly, fifty percent of Baghdad has service for local calls. Internet service is available at some of the hotels. The CPA on July 17, 2003, announced a competition for three regional licenses within Iraq to provide mobile telecommunications. The RFP is now closed and results are pending.

Some amenities, such as hotels and restaurants, have resumed normal operations. The Sheraton, Le Meridien (Palestine Hotel), Al Hammurabi and Kindeel hotels in Baghdad are all reportedly operating on a cash only

basis at about \$50-80 per night. Hotels in the northern cities of Kirkuk, Sulaimaniya and Erbil are open as well, charging about \$40 a night for a single.

## **Legal and Financial Barriers**

**Insurance:** Currently, many companies will not insure business activities in Iraq. The Overseas Private Investment Corporation (OPIC) is exploring the provision of political risk and expropriation coverage to exporters and contractors participating in Iraqi reconstruction.

**Financial Infrastructure:** The financial and banking infrastructure of Iraq is not yet functioning normally. Some banks, specifically in Ad Diwaniyah Governorate have opened as a result of Rapid Response USAID grants. CPA has issued a Request For Information (RFI) related to a possible future RFP involving the management of Iraq's private commercial banks. Iraq's large international debt may also negatively affect future funding of reconstruction projects by international lenders. The Ministry of Finance and Banking website provides some additional information ([www.cpa-iraq.org/ministries/finance.html](http://www.cpa-iraq.org/ministries/finance.html)).

**Prohibition of Investment:** Currently, foreign investment in Iraq is restricted by statute to resident citizens of Arab countries. The Iraqi Constitution also prohibits private ownership of natural resources and the basic means of production, as well as foreign ownership of real estate.

**Enforcement:** While Iraq has civil remedies for domestic business disputes, there is no current provision for the recognition or enforcement of non-Arab foreign civil judgments or arbitral awards.

**Commercial Agents:** Foreigners cannot be commercial agents or distributors under current law.

**Joint Ventures:** Currently, non-Arab foreign nationals may only form joint ventures with Iraqi companies on a contractual basis in connection with a specific project, and only so long as there is no capital sharing between foreign and Iraqi companies.

**Intellectual Property Rights:** The United States and Iraq currently provide access to each other's patent and trademark laws and application procedures under the terms of the Paris Convention for the Protection of Industrial Property. On the other hand, U.S. copyright owners have no access to Iraqi copyright protection, as the United States and Iraq are not members of any of the same copyright treaties.

**Arab Boycott of Israel:** Iraq's current law strictly adheres to the Arab Boycott. The law requires any company wishing to do business in Iraq to answer an eight-point questionnaire, assuring the Iraqi Government that it will not do business in Israel. U.S. law prohibits U.S. persons from answering such questions (see Commerce/BIS Anti-boycott Compliance Office - [www.bis.doc.gov/antiboycottcompliance/default.htm](http://www.bis.doc.gov/antiboycottcompliance/default.htm)).

### **III. TRAVEL WARNING AND VALIDITY OF US PASSPORTS FOR TRAVEL**

This Travel Warning provides updated information on the security situation in Iraq and advises Americans of the bombing at the UN headquarters that resulted in deaths and injuries of American citizens. The security threat to all American citizens in Iraq remains high. This replaces the Travel Warning of July 15, 2003.

On August 19, 2003, an explosion occurred at the UN headquarters located at the Canal Hotel in Baghdad. An explosion also occurred at the Jordanian Embassy in Baghdad on August 7, 2003. The Department of State continues to strongly warn U.S. citizens against travel to Iraq. Although the restrictions on the use of U.S. passport travel to, in or through Iraq has been lifted, travel to Iraq remains dangerous. Remnants of the former Baath regime, transnational terrorists, and criminal elements remain active. Coalition led military operations continue, and there are daily attacks against Coalition forces throughout the country. Attacks have occurred in Baghdad, Faluja, Ramadi, Tikrit, Baiji, Baqubah, Mosul, Kirkuk and other areas, but the security environment in all of Iraq remains volatile and unpredictable. Attacks on coalition forces as well as civilian targets usually occur during the late evening and early morning hours. Travel at night is extremely dangerous.

There have been attacks on civilian as well as military convoys. Travelers are strongly urged to travel in convoys of at least four vehicles in daylight hours only. There has been an increase in the use of Improvised Explosive Devices (IED) and/or mines on roads, particularly in plastic bags, soda cans, and dead animals. Grenades and explosives have been thrown into vehicles from overpasses, particularly in crowded areas.

There is a U.S. consular officer in Baghdad who can provide limited emergency services to U.S. citizens in Iraq and is located at the Iraq Forum (Convention Center) across from the al-Rashid Hotel. The consular officer cannot provide visa service. American citizens who choose to visit or remain in Iraq despite the warning contained herein are urged to pay close attention to their personal security, should avoid rallies and demonstrations, and should inform the U.S. consular officer of their presence in Iraq.

American citizens may obtain the latest security information or other information about Iraq by phone: 1-914-360-1025, or by e-mail: [payneba@orha.centcom.mil](mailto:payneba@orha.centcom.mil). [Detailed security information](http://www.centcom.mil) is also available at <http://www.centcom.mil>.

Updated information on travel and security in Iraq may be obtained from the Department of State by calling 1-888-407-4747 within the United States, and from overseas, 1-317-472-2328. U.S. citizens who plan to travel to or remain in Iraq despite this Travel Warning should consult the Department of State's latest Consular Information sheets and the current [Worldwide Caution Public Announcement](#), which are available on the Department's Internet site at <http://travel.state.gov>.

#### **IV. SANCTIONS AND EXPORT CONTROLS**

From 1990 to May 2003, the United States maintained a comprehensive embargo on Iraq pursuant to U.S. Executive Orders and statutory requirements and consistent with U.N. Security Council Resolutions. On May 22, 2003, the U.N. Security Council issued Resolution 1483 which lifted most economic sanctions on Iraq in order to facilitate Iraq's economic development. The text of the resolution can be found at [www.un.org/Docs/sc/unsc\\_resolutions03.html](http://www.un.org/Docs/sc/unsc_resolutions03.html).

On May 23, 2003, in order to implement the lifting of U.N. sanctions and facilitate the continuing reconstruction of Iraq, the Department of the Treasury's Office of Foreign Assets Control (OFAC) revised the Iraqi Sanctions Regulations by issuing General License 575.533, which authorizes most previously-prohibited transactions with Iraq, including the exportation or reexportation of most non-sensitive dual-use goods. This license can be found at [www.treas.gov/offices/enforcement/ofac/actions/20030523.html](http://www.treas.gov/offices/enforcement/ofac/actions/20030523.html).

However, the exportation or reexportation to Iraq of any goods or technology that are subject to a license requirement under the Department of Commerce's Export Administration Regulations (EAR) continues to require specific authorization from OFAC. If you are unsure whether your proposed export involves goods or technology that are subject to a license requirement under the EAR for exportation to Iraq, please contact the Commerce Department's Bureau of Industry and Security. If determined that a proposed export requires specific authorization, exporters must contact OFAC for a license. Companies are strongly urged to consult with OFAC regarding the scope of General License 575.533 or other questions about the scope of permissible trade and transactions with Iraq.

For up-to-date information, check with:

The U.S. Department of Commerce, Bureau of Industry and Security, Export Counseling Division, Tel. (202) 482-4811, [www.bis.doc.gov](http://www.bis.doc.gov)

The U.S. Department of Treasury, Office of Foreign Assets Control, Tel: 1-800-540-6322, [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)

The U.S. Department of State, Bureau of International Organization Affairs, Office of Peacekeeping and Humanitarian Operations, [www.state.gov/p/io/](http://www.state.gov/p/io/)

The U.S. Department of State, Defense Trade Controls, [www.pmdtc.org](http://www.pmdtc.org)

The U.S. Department of State, Economics and Business Affairs, [www.state.gov/e/eb/rls/othr/19651.htm](http://www.state.gov/e/eb/rls/othr/19651.htm)

## V. OVERVIEW OF KEY INDUSTRY SECTORS

Agriculture, petroleum, and infrastructure are the prime sectors that should provide a firm foundation for trade and investment in Iraq. The country's natural resources are diverse. Endowed with two major rivers, Iraq has fertile soil in much of the country. Iraq has a generally well-educated and well-trained population of over 24 million. Most notably, Iraq possesses 11 percent of the world's proven oil reserves, second only to Saudi Arabia. Due to Saddam Hussein's defiance of the international community, Iraq's economy has been largely isolated from the international market for the past decade with consequences in all sectors.

**Agriculture:** Agriculture is a mainstay of Iraq's non-oil economy; Iraq's major agricultural commodities include wheat, barley, rice, cotton, and dates. About one-fifth of Iraq's territory consists of farmland. About half of this total cultivated area is in the northeastern plains and mountain valleys, where sufficient rain falls to sustain agriculture. The remainder of the cultivated land is in the valleys of the Euphrates and Tigris rivers. Most major agricultural enterprises are state-owned enterprises. Agricultural production yields are down, and poor irrigation management, overgrazing, and desertification have created enormous environmental problems. Iraq has, however, the capability to increase crop production dramatically with adequate inputs and agronomic training. The CPA, the U.S., and Australia are encouraging agricultural rehabilitation through local purchase programs. On June 4, 2003, USAID announced a RFP for Agriculture Reconstruction and Development.

**Oil:** Iraq's vast oil reserves (est. 112 billion barrels) will act as the country's primary engine of economic recovery. Oil dominates the country's economy, accounting for more than 95 percent of foreign

exchange earnings and possibly as much as 75 percent of GDP. Iraq's enormous hydrocarbon resources are expected to earn the country \$13-15 billion annually over the short-term. Iraq's major oil fields are the Rumalia field complex in the south and Kirkuk in the north. Iraq is also endowed with the world's 10th largest natural gas reserves at around 110 trillion cubic feet.

Major repair and upgrade work is required to restore Iraq's deteriorated oil sector infrastructure to pre-1991 production levels and to attain world-class safety standards. For over 20 years, Iraqi oil sector equipment has been poorly maintained. Rusted, outdated facilities have been operated through various improvised means. On the bright side, potentially crippling damage and sabotage to the sector during the war was avoided and the nine oil well fires in southern Iraq have been extinguished.

The Army Corps of Engineers has been assigned by the Defense Department to undertake oil sector rehabilitation. Thus far, the Corps has contracted with Kellogg, Brown, and Root as well as Washington Group International, Fluor Intercontinental, and Perini Corporation. Additionally, the Corps released a solicitation for two contracts on July 9, 2003, which will continue oil sector rehabilitation. The contract objectives include extinguishing oil fires, environmental assessment and cleanup, infrastructure assessment and restoration, oil field maintenance, pipeline maintenance, refinery maintenance, distribution of fuel products within Iraq, and technical assistance to the Iraqi oil companies. The Coalition has reaffirmed its commitment to protect Iraq's natural resources as the patrimony of the people of Iraq, which should be used only for their benefit.

Pre-war production capacity was about three million barrels per day, 2.1 million of which were exported. Nearly 100 percent of the workers in the oil industry have returned to work in the refineries and production facilities. Also, the ministry has already reached more than 50 percent production of crude oil for domestic consumption and hopes to achieve 100 percent in the coming weeks.

Current production for all of Iraq, steady at 800,000 barrels per day (bpd) since the end of the war, has now increased. Production in the south is between 600,000 and 700,000 bpd while in the north production of 500,000 bpd has been reached. Production in the south could reach one million bpd by the end of August.

Iraq's State Oil Marketing Organization (SOMO) has lined up deals with international refiners and other oil buyers to supply an average of between 725,000 and 750,000 bpd for the next five months. SOMO has indicated that additional sales – either on the spot market or through additional

contracts – could bring exports to 1.2 to 1.3 million bpd by the end of the year. At this point, all exported oil is coming out of the south of Iraq. Deals have been arranged, so far, with Shell, TotalElfina, ChevronTexaco, ConocoPhillips, Valero Energy, Marathon Oil, China's Sinochem, India's Reliance Industries, and a subsidiary of Japan's Mitsubishi.

**Airports/International Travel:** There are two international airports, at Baghdad and Basra. Smaller airfields exist at Hadithah, Kirkuk, and Mosul. The condition of Iraqi commercial passenger aircraft is very poor. Sales of airport communications, aircraft parts, airline services, transport, construction, and security equipment also represent future opportunities for companies. USAID has contracted with SkyLink Air and Logistic Support (USA) to support humanitarian and transshipment operations, while airport rehabilitation is incorporated in the scope of Bechtel's Capital Construction contract. Bechtel's critical hardware, a VSAT satellite system and an Aeronautical Fixed Telecommunications Network (AFTN), is now operational at Baghdad International. Bechtel hired an Iraqi company to create a parking and staging area to transfer passengers and baggage, and a security checkpoint will be established to screen baggage. USAID may purchase buses and trucks to transport passengers and baggage to the terminal through USAID partner SkyLink. Bechtel activities at Basrah International Airport have commenced.

The U.S. Department of Transportation has granted applications to provide air service to Iraq to World Airways, Northwest Airlines, Kalitta Air, Air Transport International, Gemini Air Cargo, Evergreen International Airlines, Atlas Air, Polar Air Cargo, North American Airlines, and Continental Airlines. The authority granted cannot alone result in new service to Iraq. It is subject to the carriers' compliance with all applicable requirements of DOT, the Federal Aviation Administration, the Transportation Security Administration, the Department of Defense and other federal agencies. In addition, the Coalition Provisional Authority in Iraq, in conjunction with DOT, is currently examining the prospect of restoring safe and secure air transportation in that country. The announcement is found at [www.dot.gov/affairs/dot05103.htm](http://www.dot.gov/affairs/dot05103.htm).

On July 2, 2003, the CPA released a notice inviting all airlines interested in providing commercial service to Baghdad to file applications. A similar notice for Basrah was released on July 25. CPA will then allocate the limited service capacity available. The notices detailing air service needs, eligibility requirements, application procedures, and safety criteria can be found at [www.cpa-iraq.org/commercial/commercial\\_air.html](http://www.cpa-iraq.org/commercial/commercial_air.html).

**Ports:** The ports at Umm Qasr and Basra are Iraq's major commercial ports and constitute the natural distribution centers for overseas suppliers.

Basra, and the lesser port at Khawar az Zubayr, were closed during the Iran-Iraq conflict and have not reopened. Umm Qasr, damaged during the first Gulf War, has only recently reopened. All of these ports need technological upgrades. In addition, the approaches to these ports are heavily silted and dotted with half-submerged wrecks. Major clearing operations continue to be necessary in the short-term. Stevedoring Services of America was contracted to support initial port operations, while port rehabilitation is incorporated in the scope of Bechtel's Capital Construction contract. Total planned dredging in Umm Qasr is reportedly 50 percent complete and ocean going vessels are currently able to unload at one dock. Bechtel has also made substantial progress in repair of the grain silo facility. Grain can be delivered by truck and loaded into one section of the facility, which stores 15,000 metric tons of grain.

**Railway:** The railway system has three major routes: the Baghdad-Kirkuk-Irbil line, the Baghdad-Mosul-Yurubiyah line (that links Iraq to Turkey), and the Baghdad-Maaqa-Umm Qasr line. In 2000, the line between Mosul and Aleppo, Syria was reopened. Service has traditionally been unreliable and in a state of disrepair, though the Iraqi Government directed more resources to improve railroad infrastructure in 2002. Major railroad infrastructure projects are incorporated within the potential scope of USAID's Capital Construction contract awarded to Bechtel.

Train service from Baghdad to Iraq's border with Syria commenced on July 30, 2003. This train is scheduled to run twice a week and will haul primarily oil and passengers.

**Roads:** Iraq's road system extends 24,000 miles and remains in relatively good condition with 84 percent paved. A number of bridges, particularly in and around Baghdad, require repair. The condition of Iraq's road network will be clarified after an in-country assessment over the coming weeks. Major road infrastructure projects are incorporated within the potential scope of USAID's Capital Construction contract.

On July 17, 2003 Bechtel announced completion of its first infrastructure project, a four-lane bridge bypass for a critical highway in Western Iraq. The Al-Mat bypass work was done by Al-Bunnia Trading Company of Baghdad. The Al-Mat Bridge provides a key link on Highway 10, which carries over 3,000 trucks daily, bringing humanitarian aid and goods to Baghdad and other Iraqi cities from Jordan.

The Ministry of Transportation and Telecommunication provides some additional information ([www.cpa-iraq.org/ministries/transportation.html](http://www.cpa-iraq.org/ministries/transportation.html)).

**Power:** Given the poor state of Iraq's power generation and distribution infrastructure, companies may have numerous and wide-ranging

opportunities in the power sector. Over the years, Iraq's power generation capacity has failed to keep up with demand.

Electricity output in early 2003 stood at roughly 4.0 gigawatts and is primarily derived from the Baiji and Mosul thermal plants and the Saddam hydroelectric dam on the Tigris. Currently, power generation throughout Iraq is 3.1 gigawatts or approximately 72 percent of pre-conflict output. Electrical generation for Baghdad is 1.3 gigawatts. The Commission of Electricity has announced that most of Iraq now operates on a three hours on/three hours off power supply. CPA hopes to guarantee power 24 hours a day at strategic sites such as hospitals, water and sewage plants, and oil installations. Basrah, currently cut off from the main grid, is expected to be connected by August 10. Ambassador Bremer has stated that he expects electricity to return to pre-war levels nationwide by the end of August. Major power infrastructure projects are incorporated within the potential scope of USAID's Capital Construction contract. The Ministry of Transportation and Telecommunication provides some additional information ([www.cpa-iraq.org/ministries/transportation.html](http://www.cpa-iraq.org/ministries/transportation.html)).

**Water:** Iraq's water and sanitation infrastructure is in dire need of repair. Water and sewage treatment plants have deteriorated over the years as a result of lack of maintenance, spare parts, war, and dwindling numbers of professional operating personnel. Over 90 percent of the urban population is thought to have access to water, but quantities per capita are insufficient. Moreover, in many neighborhoods, leaking pipes have contaminated potable water networks. Less than half the rural population has direct access to piped potable water.

Only half of the country's sewage treatment plants are operational. In Baghdad, deteriorating sewage treatment installations are unable to handle an increased flow caused by population growth. However, steps taken by a number of organizations such as the CPA and various NGOs, in cooperation with the Baghdad city water authorities and the Army Corps of Engineers, have averted an immediate water crisis in Baghdad. Bechtel is currently working a project to increase water capacity on the eastern side of Baghdad, increasing flow there from 580 million liters per day to 780 million. Work has also begun in Basrah, Diwaniyah, and Hillah on sewage treatment plants. Projects aimed at improving Iraq's irrigation systems and potable water and wastewater treatment facilities are included within the potential scope of USAID's Capital Construction contract. The Ministry of Water Resources website provides some additional information ([www.cpa-iraq.org/ministries/water\\_resources.html](http://www.cpa-iraq.org/ministries/water_resources.html)).

**Telecommunications:** U.S. companies may find opportunities in resuscitating Iraq's deteriorated telecom sector. Telecom density in pre-war Iraq was dismal, with only three phones for every 100 people. No

national mobile network exists. Given the current state of Iraq's telecommunications infrastructure, quickly establishing a functioning telecom system in Iraq is an economic development priority. The CPA recently issued Order # 11, which provides for the Iraqi Ministry of Transportation and Communications to be the licensing and regulatory body for all commercial telecommunication services in Iraq. While telephone switches and intercity links were damaged during the war, most of the damage to the communications network outside of Baghdad is repairable. The use of mobile cellular systems will serve to provide an immediate communications solution until Iraq's broader telecommunications infrastructure can be repaired and upgraded.

Bechtel will repair Iraq's emergency communications infrastructure with \$45 million of additional funding to their existing contract. Bechtel has procured from Globecom Systems a satellite gateway to restore approximately 50 percent of Baghdad's international phone service. They will repair and reconstitute the main north-south fiber optic backbone that will telephonically reconnect approximately 70 percent of Iraq. Bechtel and subcontractor Lucent will replace 12 switches in Baghdad, restoring service to 240,000 lines and bring Baghdad's total number of lines back to pre-conflict levels. In addition, MCI was awarded a contract by DOD to construct a small mobile network in Baghdad for use by coalition forces, reconstruction contractors and the CPA. Vodafone is also operating a small network near Basra to support British forces.

The CPA announced on July 17, 2003, a competition for three regional licenses within Iraq to provide mobile telecommunications. The RFP can be found at [www.cpa-iraq.org/ministries/mobile\\_phones.html](http://www.cpa-iraq.org/ministries/mobile_phones.html) and responses are due by August 21, 2003. These will be 24-month licenses and each applicant will be required to bid for at least two of the regional licenses.

There will also be opportunities for U.S. firms to establish Internet access in Iraq. Since the previous Iraqi regime considered the Internet a direct threat to the status quo, the Internet was scarcely available in pre-war Iraq. Internet centers charged a \$55 annual membership fee and Iraqi companies had to pay between \$2,500 and \$8,000 per year to install the Internet in their offices. Foreign firms and embassies paid between \$3,000 and \$12,000 per year. Computers were also restricted and only 15 percent of the population is thought to be able to use a computer. Dramatically increasing the number of computers in Iraq and accelerating Internet access throughout the country will facilitate economic development in Iraq.

**Health:** Medical potential in the country is high, with a reasonable number of qualified physicians and pharmacists. However, lack of access to information over the past decade has put the medical community well

behind on modern techniques and therapies. Nursing care is substandard, with nurses serving more as orderlies than as medical caregivers.

Management capabilities throughout the country are virtually non-existent. The completely centralized nature of the sector under the previous regime meant that only the Ministry of Health had administrative authority, leaving doctors in charge of local hospital administration. The system currently has no hospital administrators as such.

Resources tend to be concentrated in and around Baghdad, with significantly lower levels of supply and infrastructure in the south and the in the north. Iraq is critically short of “tier one” drugs such as high-quality pharmaceuticals and specialized drugs. The country is also critically short of basic medical supplies and equipment. Many of these issues are incorporated within the potential scope of USAID's Public Health contract with Abt Associates, Inc. The Ministry of Health website provides some additional information (<http://www.cpa-iraq.org/ministries/health.html>).

**Other Sectors:** The non-oil industrial sector includes such industries as petrochemicals, phosphate, sulfur, fertilizers, minerals, cement, paper, consumer goods, light manufacturing, electronics, machinery and transport equipment, textiles, leather and shoes, and food processing and packaging. Most major industrial enterprises were state-owned. Details about the current state of these industries will be available after an in-country assessment is conducted. In addition, there is likely to be an increase in demand for health care equipment and services.

## VI. CRITICAL CONTACTS FOR BUSINESS

Coalition Provisional Authority  
[www.cpa-iraq.org/](http://www.cpa-iraq.org/)

U.S. Department of Commerce  
Iraq Reconstruction Task Force  
Business Outreach Hotline & Website  
Tel: 1-866-352-4727  
Fax: (202) 482-0980  
E-mail: [IraqInfo@mail.doc.gov](mailto:IraqInfo@mail.doc.gov)  
[www.export.gov/iraq](http://www.export.gov/iraq)

U.S. Foreign Commercial Service  
American Embassy, Kuwait  
Tel: 965-539-5307/8, Ext. 2392  
Fax: 965-538-0281  
E-mail: [Kuwait.City.Office.Box@mail.doc.gov](mailto:Kuwait.City.Office.Box@mail.doc.gov)  
[www.buyusa.gov/kuwait/en/](http://www.buyusa.gov/kuwait/en/)

U.S. Foreign Commercial Service  
American Embassy, Amman, Jordan  
Tel: 962-6-592-0101, Ext. 2632  
Fax: 962-6-592-0146  
E-mail: [ammanoffice.box@mail.doc.gov](mailto:ammanoffice.box@mail.doc.gov)  
[www.buyusa.gov/jordan/en](http://www.buyusa.gov/jordan/en)

U.S. Department of Commerce, Bureau of Industry and Security  
Export Counseling Division  
Tel. (202) 482-4811  
[www.bis.doc.gov](http://www.bis.doc.gov)

U.S. Agency for International Development  
[www.usaid.gov/iraq/activities.html](http://www.usaid.gov/iraq/activities.html) - for USAID Iraq opportunities

U.S. Army Corps of Engineers  
Tel: 1-866-461-5171, the Defense Department Iraq contract hotline  
[www.hq.usace.army.mil/cepa/iraq/contracts.htm](http://www.hq.usace.army.mil/cepa/iraq/contracts.htm) - for USACE Iraq opportunities  
[www.hq.usace.army.mil/cepa/iraq/faq.htm](http://www.hq.usace.army.mil/cepa/iraq/faq.htm) - for USACE Iraq contract FAQ

U.S. Department of Agriculture  
Foreign Agricultural Service  
Lee Schatz  
Tel: 1-202-690-1180  
E-mail: [Lee.Schatz@fas.usda.gov](mailto:Lee.Schatz@fas.usda.gov)

U.S. Department of State  
Office of Commercial and Business Affairs  
[www.state.gov/e/eb/cba/iraq](http://www.state.gov/e/eb/cba/iraq)

U.S. Department of State  
Travel Warning and Updated Security Information for Iraq  
[travel.state.gov/iraq.html](http://travel.state.gov/iraq.html)

U.S. Department of State International Police Recruiting Program  
[www.state.gov/g/inl](http://www.state.gov/g/inl)

U.S. Department of Treasury  
Office of Foreign Assets Control  
Tel: 1-800-540-6322  
[www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)

U.S. Department of State, Defense Trade Controls  
[www.pmdtc.org](http://www.pmdtc.org)

U.S. Central Command  
[www.centcom.mil/](http://www.centcom.mil/)

United Nations  
Office of the Iraq Oil-for-Food Program  
[www.un.org/Depts/oip/](http://www.un.org/Depts/oip/)

Oil-for-Food Contract Inquiries  
U.S. Department of State, U.S. Mission to the U.N.  
Mr. George Southern  
(202) 736-7937  
[southernngs@state.gov](mailto:southernngs@state.gov)

## U.S. Government and CPA Contract Annex

<i>Sector</i>	<i>Title</i>	<i>Agency</i>	<i>Prime / RFP</i>	<i>Date</i>
<i>Administration</i>				
	Personnel Support	USAID	International Resources Group	February 7, 2003
	Theater Logistical Support	USAID	Air Force Contract Augmentation Program	February 17, 2003
	CENTCOM Contingency Support	DOD	Washington Group Intl., Fluor Intl., Perini Corp.	April 4, 2003
<i>Agriculture</i>				
	Agriculture Reconstruction and Development	USAID	<a href="http://www.usaid.gov/iraq/activities.html">www.usaid.gov/iraq/activities.html</a>	Not yet awarded; closed on July 7, 2003
<i>Banking</i>				
	Iraqi Commercial Banks	CPA	<a href="http://www.cpa-iraq.org/commercial/RFI_RashedRafidain.html">www.cpa-iraq.org/commercial/RFI_RashedRafidain.html</a>	Request for Information closes on August 30, 2003
	National Micro and Small Enterprise Credit Program	CPA	<a href="http://www.cpa-iraq.org/business/RFP_RFA_0001.html">www.cpa-iraq.org/business/RFP_RFA_0001.html</a>	Request for Application closes on September 15, 2003
	Trade Bank of Iraq	CPA	J.P. Morgan Chase & Co. with an international consortium	August 29, 2003
<i>Economic Recovery</i>				
	Economic Recovery, Reform, and Sustained Growth	USAID	BearingPoint, Inc.	July 25, 2003
<i>Education</i>				
	Higher	USAID	<a href="http://www.usaid.gov">www.usaid.gov</a>	Not yet

	Education and Development		<a href="#">/iraq/activities.html</a>	awarded; closed on July 25, 2003
	Primary and Secondary Education	USAID	Creative Assoc. Intl., Inc.	April 11, 2003
<i>Health</i>				
	Public Health	USAID	Abt Associates	April 30, 2003
<i>Military</i>				
	Ammunition Destruction	DOD	Parsons	August 22, 2003
	Iraqi Army Training	DOD	Vinnell Corporation	July 1, 2003
<i>Miscellaneous Equipment</i>				
	Numerous short term equipment contracts	CPA	<a href="http://www.cpa-iraq.org/business/index.html">www.cpa-iraq.org/business/index.html</a>	Varies
<i>Oil</i>				
	Oil Well Fires	DOD	KBR	March 8, 2003
	Repair and Continuity Operations	DOD	<a href="http://www.fedbizopps.gov">www.fedbizopps.gov</a> - DACA63-03-R-0021	Not yet awarded; closed on August 14, 2003
<i>Reconstruction</i>				
	Capital Construction	USAID	Bechtel	April 17, 2003
<i>Security</i>				
	International Police Program	U.S. State Department	CSC/DynCorp	April 18, 2003
<i>Telecommunications</i>				
	Mobile Phone Licenses	CPA	<a href="http://www.cpa-iraq.org/ministries/mobile_phones.html">www.cpa-iraq.org/ministries/mobile_phones.html</a>	Not yet awarded; closed on August 21, 2003
<i>Transportation</i>				
	Airport Administration	USAID	SkyLink Air and Logistic Support (USA)	May 5, 2003
	Air Service Applications for Baghdad and Basra	CPA	<a href="http://www.cpa-iraq.org/ministries/transportation.html">www.cpa-iraq.org/ministries/transportation.html</a>	Not yet awarded; closed on July 8 and August 2, 2003 respectively
	Seaport	USAID	Stevedoring	March 24, 2003

	Services		Services of America	
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