



THE STATE OF AFFAIRS FOR US BUSINESS IN IRAQ

US COMMITMENT IN QUESTION

Washington, DC Door Knock / September 22-24, 2019

I. POLICY ISSUES AND RECOMMENDATIONS

New and Enhanced Interagency Initiatives to Secure and Expand Successes for American Businesses in Iraq

- (1) Restoration and full resourcing of a U.S. Commercial Counselor and full-time staff assigned to US Embassy Baghdad (located at an office facility in a major commercial district to facilitate access by interested Iraqis) at levels and with capabilities and activities comparable to the most successful counterpart Baghdad trade promotion offices (*i.e.*, China and South Korea) (initially advocated during 2018 AmCham-Iraq Door Knock – *see* AmCham Iraq White Paper: US Commercial Counselor – Baghdad (December 2018), attached);
- (2) Effective promotion of American large corporate and small and medium enterprises business involvement in Iraq through a one-stop-shopping annual Iraq Business Summit in the United States involving:
 - (a) Advance identification and publicity to potentially interested American businesses of real business opportunities approved and funded by the Iraqi National Budget or Public-Private Partnership investment arrangements;
 - (b) Match-making between relevant (Government of Iraq/State-Owned Enterprise decision-makers and interested American businesses, and US Commerce Department/State Department business advocates;
 - (c) Relevant US Government-affiliated trade finance and investment agencies (*i.e.*, ExIm Bank, Overseas Private Investment Corporation (OPIC)) and potential private sector financing sources;
- (3) Aggressive, effective senior US Government/US Embassy Baghdad advocacy for American businesses competing for major business opportunities against Iranian, Chinese, Korean and European competitors equivalent to advocacy by the counterpart governments of those competitors:
 - (a) Leveling the playing field for American businesses generally as to contract awards on the technical, performance and price merits;
 - (b) Effective anti-corruption advocacy and measures when merited – particularly as to procurement activities, (initially advocated during 2018 AmCham-Iraq Door Knock– *see* AmCham Iraq White Paper: Anti-Corruption (December 2018), attached);
 - (c) Urging of the Government of Iraq to form an “American Infrastructure and Projects Initiative Committee” on potential projects equivalent to the Chinese-Iraqi “Belt and Road Initiative” (BRI) Committee established by the Iraqi Government earlier in 2019;
 - (d) Establishment of an Iraqi Government sovereign guarantee program for projects with American businesses equivalent to the sovereign guarantee program established by the Iraqi Government for certain projects with Chinese businesses;
 - (e) Continuation and expansion of ExIm Bank programs for Iraq through Congress re-authorizing ExIm Bank prior to the expiration of ExIm’s charter on 30

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September 2019 (see AmCham-Iraq White Paper: Reauthorization of ExIm Bank (September 2019));

- (4) Establishment of a significantly large US-originated investment facility tantamount to the \$10 Billion Chinese-Iraqi “Belt and Road Initiative” (BRI) investment agreement concluded earlier in 2019 that has financed high-value commercial Chinese infrastructure projects in Iraq
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II. AMCHAM-IRAQ OBSERVATIONS AND EXPERIENCES

Door Knock 2018

From 2-4 December 2018, the American Chamber of Commerce in Iraq (AmCham-Iraq) brought a senior level “Door Knock” delegation to Washington, D.C. to brief Executive Branch agencies relevant to the protection and advancement of American foreign policy and business interests in Iraq – as well as Members of the Senate and the House of Representatives – on what further actions the US Government should take to accomplish these goals.

Among other things, AmCham-Iraq reported on the comparatively greater successes in promoting business in Iraq realized by other countries – particularly Iran, China and Korea: (1) whose most senior political leaders have established the highest levels of cooperation with their Iraqi government peers in matters of commercial investment commitments; and (2) that have established and continuously maintained robustly-staffed commercial trade offices in Baghdad, Basra and Erbil.

US Commitment to Iraq in Question

The efforts of these State competitors to strategic US security, political, economic and political interests in Iraq (and elsewhere in the region and the world) have: (a) brought about commercial success in Iraq in the billions of dollars for companies from those countries; and (b) has diminished US influence in Iraq. *See* Section IV, below, “Assessing the Competition (September 2019).

The exercise of American soft power – including significant American commercial involvement in Iraq – is essential to the displacement of strong-and-growing-stronger Iranian and Chinese influence in Iraq that is being achieved by those countries’ highly-effective efforts to capture and dominate key sectors of the Iraqi economy for the long term. The United States is at an inflection point: the time to act is now to effectively wield the soft power arising from more extensive American businesses involvement in Iraq.

There are real, lucrative business opportunities for American companies in Iraq that, if captured, can be leveraged to effectively exercise American soft power. *See* Section III, below, “Select Potentially Competitive 2019-2020 Iraqi Business Opportunities Open to American Companies”.

And, the Iraqi decision-makers concerning these opportunities want to do business with American companies – and keep asking: “Where are the American companies? The Chinese companies are here in our offices wanting our business. And the Iranians. And the Koreans. But not the Americans. Please, Americans, come.”

A Closing Window of Opportunity

If the United States does not act on these opportunities now, those (and the soft influence they represent) *will* pass into the hands of the Chinese, the Iranians, the Koreans and others.

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To achieve such soft-power success – in other words, to level the competitive playing field for American businesses in Iraq – requires the various entities of the US Government to do more than is being done now – through the means delineated above – as suggested above, that at the very least matches and hopefully exceeds the already-successful trade and relationship promotion efforts of the Chinese, Korean and Iranian governments.

AmCham-Iraq is prepared to work hand-in-hand with US Government agencies to realize such success.

III. SELECT POTENTIALLY COMPETITIVE 2019-2020 IRAQI BUSINESS OPPORTUNITIES OPEN TO AMERICAN COMPANIES

AmCham-Iraq has conducted a brief survey of competitive 2019-2020 Iraqi business opportunities open to American companies.

There are tremendous opportunities for US business in Iraq, both multinationals and SMEs. Of particular interest to the AmCham is the following:

As a representative example, AmCham-Iraq has identified the particular projects that have been funded by the Iraqi Parliament and will be tendered by the relevant Iraqi Ministries or related State-owned companies.

- **Airport Projects¹**
 - Mosul International Airport -- \$100.5 million:
Rehabilitation and re-development of airport facilities
 - Nasiriya International Airport -- \$74 million:
Rehabilitation and re-development of airport facilities, development of marshlands
- **Infrastructure Projects²**
 - Superhighway Reconstruction – prices not yet estimated
 - ▣ Baghdad-Basra superhighway (580 Km)
 - ▣ Baghdad-Mosul superhighway (570 Km)
 - ▣ Baghdad-Kirkuk superhighway (250 Km)
 - Railway Reconstruction and New Construction – prices not yet estimated
 - ▣ Baghdad-Kut-Umara-Basra new railway line (including Kut-Nasiriya-Shuaiba-Um Qsr branch line)
 - ▣ Baghdad-Diwaniya-Samawa-Basra railway line rehabilitation
 - ▣ Baghdad-Basra railway line bridge construction

¹Source: Ministry of Transportation.

²Source: Ministry of Transportation.

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- **Facility Construction³**
 - Transportation, Education and Health Facilities– estimated at \$250 million
 - ▣ 19 strategic projects;
 - ▣ 18 mid-sized projects.

 - **Investment Project⁴**
 - New Karbala City Project – not yet estimated
 - ▣ 15 million square meters, consisting of 136 investment opportunities, including
 - >>Vertical and horizontal housing
 - >>Hotels
 - >>Shopping Center
 - >>Educational sector
 - >>Recreational sports
 - >>Conference hall
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³Source: Ministries of Transportation, Ministry of Construction, Ministry of Health.

⁴Source: Iraqi National Investment Commission.

IV. ASSESSING THE COMPETITION (SEPTEMBER 2019)

A. China

- **Beginning in 2018, China has become Iraq's largest trading partner, displacing India, accounting annually for \$30 billion in trade** through its State-owned financing entities and State-owned oil, design-build and construction companies.⁵

China is:

- Considered by Iraq to be a strategic partner for the post-ISIS reconstruction of Iraqi critical infrastructure and housing, represented in part by the August 2019 award of a \$1.4 billion contract to China Construction Third Engineering Bureau to build residential, medical and educational buildings in the governorates of Najaf, Karbala and Basra.⁶

Chinese companies are involved in the construction of power stations, cement factories and in other sectors as part of the Chinese contribution to the reconstruction of Iraq.⁷

- The sender of Chinese delegations to Iraq and host of Iraqi delegations to China of the highest-level governmental officials to solidify economic relations and obtain the most significant Iraqi contracts for Chinese businesses.

In early April 2019, a large Chinese government delegation visited Baghdad to meet with President Barham Salah and Prime Minister Adil Abdul Mahdi to discuss Chinese reconstruction investments in Iraq and Belt and Road Initiative (BRI) cooperation.⁸

In mid-September 2019 Iraqi Prime Minister Adil Abdul Mahdi visited Beijing, chairing a large high-ranking delegation composed of senior officials including ministers and governors to secure Chinese investment in Iraq for roads, transportation, services, education, and health among others.

⁵ Foreign Brief, "Iraq looks to China for investment as economy struggles to keep pace" (19 September 2019) available at <https://foreignbrief.com/daily-news/iraq-looks-to-china-for-investment-as-economy-struggles-to-keep-pace/targetText=China%20displaced%20India%20in%202018,China's%20second-largest%20oil%20supplier>.

⁶ Global Construction Review, "Chinese contractor seals \$1.4bn deal to build houses, hospital and schools in southern Iraq" (12 August 2019), available at <http://www.globalconstructionreview.com/news/chinese-contractor-seals-14bn-deal-build-houses-ho/>

⁷ XinhuaNet, "Spotlight: Iraq, China celebrate Silk Road initiative on 60th anniversary of bilateral ties" (14 December 2018), available at http://www.xinhuanet.com/english/2018-12/14/c_137672426.htm

⁸ Ashraq Al-Awsat, "Iraq: Prime Minister to Head to China to Sign MoUs", (14 September 2019), available at <https://aawsat.com/english/home/article/1902141/iraq-prime-minister-head-china-sign-mous>

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“We seek, in our visit, to form a framework relations for strategic partnership in order to rise and rebuild Iraq's infrastructure, economy and society, and to achieve tangible progress in getting rid of unemployment, poverty and illiteracy,” Iraqi Prime Minister Abdul Mahdi said in Beijing.⁹

- One of the largest purchaser of Iraqi crude, of approximately 1.45 million barrels of oil per day;¹⁰
- The pledger and provider of a \$10 billion investment/trade credit facility to “assist” in Iraq’s infrastructure development;¹¹
- A “Belt and Road Initiative” (BRI) partner with Iraq with the consequence that, with Prime Ministerial approval, the Government of Iraq has established a “BRI Committee” to further China’s commercial aspirations in Iraq;¹²
- The chosen partner of the Iraqi Ministry of Oil and the Government of Iraq, through contracts with Chinese State-owned enterprises PowerChina and Norinco International to build a 300,000 bbl/day oil refinery at the port of Fao that, when completed, will provide Iraq with refined oil products – including gasoline;¹³
- As of two weeks ago (early September 2019), the recipient of a joint venture agreement between the Iraqi Drilling Company (a State-owned enterprise of the Iraqi Ministry of Oil) and China’s Hilong Oil Service & Engineering Company to exploit numerous oilfields throughout Iraq, including the Majnoon field (one of the world’s largest).¹⁴

⁹Xinhua, “Iraqi PM hails China visit as ‘quantum leap’ in China-Iraq ties”, (19 September 2019), available at http://www.xinhuanet.com/english/2019-09/19/c_138405582.htm ;see also, Foreign Brief, “Iraq looks to China for investment as economy struggles to keep pace” (19 September 2019) available at <https://foreignbrief.com/daily-news/iraq-looks-to-china-for-investment-as-economy-struggles-to-keep-pace/targetText=China%20displaced%20India%20in%202018,China's%20second-largest%20oil%20supplier>.

¹⁰ Bloomberg News, “Iraq to boost oil sales to China by 60%”, (6 November 2018), available at <https://www.worldoil.com/news/2018/11/6/iraq-to-boost-oil-sales-to-china-by-60>

¹¹ Iraq Energy, “Chinese Downstream Ventures in Iraq: a Game Changer?”, (2 May 2019), available at <https://iraqenergy.org/2019/05/02/chinese-downstream-ventures-in-iraq-a-game-changer/>

¹² Iraq Energy, “Chinese Downstream Ventures in Iraq: a Game Changer?”, (2 May 2019), available at <https://iraqenergy.org/2019/05/02/chinese-downstream-ventures-in-iraq-a-game-changer/>

¹³Reuters, “Iraq signs contract with PowerChina, Norinco to build Fao oil refinery”, (29 April 2018), available at <https://www.reuters.com/article/iraq-oil-refining-china/iraq-signs-contract-with-powerchina-norinco-to-build-fao-oil-refinery-idUSL8N1S60M3> .

¹⁴ Foreign Brief, “Iraq looks to China for investment as economy struggles to keep pace” (19 September 2019) available at <https://foreignbrief.com/daily-news/iraq-looks-to-china-for-investment-as-economy-struggles-to-keep-pace/targetText=China%20displaced%20India%20in%202018,China's%20second-largest%20oil%20supplier>.

B. Iran

- **Iran is Iraq’s second-largest trading partner, with an annual trade volume of \$12 billion, with the intention to increase to \$20 billion.**¹⁵
 - **In the past year, the Iranian influence in Iraq has visibly increased, including in business venues throughout Iraq.** Iran, through its governmental and commercial entities, is actively moved to undercut US influence in Iraq, including through the following:
 - “Iran’s influence in Iraq is not just ascendant, but diverse, projecting into military, political, economic and cultural affairs. . . . ‘Iranian influence is dominant,’ said Hoshyar Zebari”, former Iraqi Foreign Minister and Finance Minister.¹⁶
 - Providing essential military assistance to Iraq through support to the seven original Popular Mobilization Forces constituent militias that were raised under emergency circumstances to protect Baghdad and other cities during the 2014 ISIS advances across more than a third of Iraq, and then fought in nearly every major battle against ISIS, creating an enduring atmosphere of appreciation among key Iraqi political sectors;¹⁷
 - Dominating commerce with Iraqi private sector businesses, particularly throughout southern Iraq:

“Walk into almost any market in Iraq and the shelves are filled with goods from Iran — milk, yogurt, chicken.”

“A new building goes up. It is likely that the cement and bricks came from Iran. “

“Iran tips the scales to its favor in every area of commerce. In the city of Najaf, it even picks up the trash, after the provincial council there awarded a municipal contract to a private Iranian company.”

“In Babil Province, according to local officials, militia leaders have taken over a government project to set up security cameras along strategic roads. The project had been granted to a Chinese company before the militias

¹⁵ Christian Science Monitor, “Iran’s Rouhani visits Baghdad, calls for ‘unity’” (12 Mar 2019), available at <https://www.csmonitor.com/World/Middle-East/2019/0312/Iran-s-Rouhani-visits-Baghdad-calls-for-unity>

¹⁶ New York Times, “Iran Dominates in Iraq After U.S. ‘Handed the Country Over’ (July 15, 2017) available at <https://www.nytimes.com/2017/07/15/world/middleeast/iran-iraq-iranian-power.html>

¹⁷ See “Popular Mobilization Forces”, available at [https://en.wikipedia.org/wiki/Popular_Mobilization_Forces#targetText=The%20Popular%20Mobilization%20Force%20\(PMF.and%20Yazidi%20individuals%20as%20well.](https://en.wikipedia.org/wiki/Popular_Mobilization_Forces#targetText=The%20Popular%20Mobilization%20Force%20(PMF.and%20Yazidi%20individuals%20as%20well.)

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intervened, and now the army and the local police have been sidelined from it, said Muqdad Omran, an Iraqi Army captain in the area.”

“Trade in the south is often financed by Iran with credit, and incentives are offered to Iraqi traders to keep their cash in Iranian banks.”

“Ryan C. Crocker, the American ambassador in Iraq from 2007 to 2009, said that if the United States left again after the Islamic State was defeated, “it would be effectively just giving the Iranians a free rein.”

“[T]he Trump administration has indicated that it will pay closer attention to Iraq as a means to counter Iran. . . .”¹⁸

- Iranian President Hassan Rouhani – accompanied by a high-ranking Iranian political and economic delegation – making his first ever trip to Iraq in March 2019 with the goal of “deepening bilateral relations”.

Over three days, he and his delegation met with Iraqi President Barham Salah and Prime Minister Adil Abdul Mahdi and other political leaders and signed a series of trade and infrastructure deals with the Iraqi government aimed at cementing Iran’s role as a key player for now in the following Iraqi sectors: transportation, health, rebuilding of infrastructure and housing;¹⁹

- **Presently, the primary visible US policy and practical focus in Iraq to counter Iranian influence has been application of Iranian secondary sanctions in Iraq (which includes the current US sanctions waivers to the Government of Iraq for the import of Iranian electricity and natural gas).**²⁰
 - The US sanctions program and the US military presence in Iraq – standing alone – are not sufficient to counter Iranian economic and commercial influence.
 - A strong American commercial presence in Iraq is needed.

¹⁸ New York Times, “Iran Dominates in Iraq After U.S. ‘Handed the Country Over’ (July 15, 2017) available at <https://www.nytimes.com/2017/07/15/world/middleeast/iran-iraq-iranian-power.html>

¹⁹ Christian Science Monitor, “Iran’s Rouhani visits Baghdad, calls for ‘unity’” (12 Mar 2019), available at <https://www.csmonitor.com/World/Middle-East/2019/0312/Iran-s-Rouhani-visits-Baghdad-calls-for-unity>

²⁰ Agencie France Press, “US grants energy-hungry Iraq new Iran sanctions waiver: source” (15 June 2019), available at <https://www.france24.com/en/20190615-us-grants-energy-hungry-iraq-new-iran-sanctions-waiver-source>

C. Korea

- **Korea, through the efforts of the robustly-resourced Korean Trade Investment Promotion Agency (KOTRA) office in Baghdad – coupled with an aggressive Iraqi business opportunities promotion campaign within Korea directed at the most significant Korean industrial and commercial companies – has achieved extraordinary success for Korean enterprises wishing to do large volumes of business with the Iraqi government and private sectors:**
 - In May 2019, Basra Oil Company (a State-owned enterprise of the Ministry of Oil) signed a \$2.45 billion letter of intent with Hyundai Engineering & Construction Co. (Hyundai E&C) to build a seawater processing facility in Iraq to provide 5 million barrels of fresh water per day to Basra Oil to use to increase crude oil yields.²¹
 - Also in May 2019, the Iraqi Port Authority Company in Basra (an Iraqi State-owned enterprise) award Daewoo Engineering & Construction (Daewoo E&C) a \$199.5 million contract to build a 4.5 kilometer-long temporary dike for the first phase of construction of the Al Faw New Port (container port) in Basra;²²
 - In September 2019, the Iraqi Port Authority Company awarded Daewoo E&C a \$70.35 million contract to build a 14.6 km access road to connect current roads in Al Faw New Port;²³
 - Throughout the last six years (including during the ISIS fight), Korean design-build company Hanwha Construction and Engineering initiated and has successfully advanced the New Bismayah City project in the Bismayah region, southeast of Baghdad. At 1,830 hectares, the project is the largest civil infrastructure project in Iraq’s history, with 100,000 residential units for 600,000 households. Hanwha will build the necessary infrastructure including the streets; water and sewage treatment plants; electric grids; power lines; education centers and public facilities. When completed, the new city will consist of 8 towns, 59 street blocks and 834 apartment complexes. The cost of the project is estimated

²¹ Korea Herald, “Hyundai E&C clinches \$2.45b plant deal in Iraq”, (22 May 2019), available at <http://www.koreaherald.com/view.php?ud=20190522000578>

²² Business Korea, “Daewoo E&C Lands a US\$200 Mil. Construction Order from Iraq”, (8 May 2019), available at <http://www.businesskorea.co.kr/news/articleView.html?idxno=31604>

²³ Business Korea, “Daewoo E&C Lands a US\$70.35 Mil. Road Construction Project in Iraq”, (3 September 2019), available at <http://www.businesskorea.co.kr/news/articleView.html?idxno=35620>

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to be more than \$10.1 billion.²⁴ Project financing is provided in part by guarantees from Iraqi state-owned banks.²⁵

- As of 2017, Korean exports to Iraq had grown to \$1.46 billion.²⁶
 - Since 2013, Korean-manufactured new automobiles and trucks are sold in significant numbers throughout Iraq through established dealerships.²⁷
 - Newly Korean-manufactured consumer products (including household appliances and electronics) permeate the Iraqi market.

²⁴ Hanwha E&C corporate press release, “Hanwha Engineering & Construction Revitalizes Iraq with the Successful Inauguration of Bismayah City” (undated), available at https://www.hanwha.com/en/news_and_media/business_highlights/hanwha-engineering-and-construction-revitalizes-iraq-with-the-successful-inauguration-of-bismayah-city.html

²⁵ Pulse, “Hanwha E&C’s Bismayah project in Iraq gains momentum”, (5 January 2018), available at <https://pulsenews.co.kr/view.php?year=2018&no=11338>

²⁶ OEC, “Iraq Exports and Imports” (2017), available at <https://oec.world/en/profile/country/irq/>

²⁷ The Epoch Times, “Iraq Car Market Ripe for Rapid Expansion”, (25 March 2013), available at https://www.theepochtimes.com/iraq-car-market-ripe-for-rapid-expansion-2_4133.html