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# The Way Leading to Business

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**Current and perspective  
Business Opportunities  
in MENA and Far East Countries  
10 November 2011  
ROME**



## AGENDA

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### **1. COUNTRY OVERVIEW**

- 1.1 POLITICAL OUTLOOK**
- 1.2 ECONOMIC OUTLOOK**
- 1.3 FOREIGN TRADE**

### **2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES**

- 2.1 CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES**
- 2.2 CONSULTANT ROLE AND SUPPORT**



## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

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### BASIC DATA

- ✓ Population: 32,1 million
- ✓ GDP: USD 117,7 billion
- ✓ Foreign Exchange Reserves: USD 53,4 billion

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

- In November 2010, a deal was reached between the key political parties to form a government of national unity.
- Mr. Maliki retained his position as prime minister in the new government, which includes his State of Law (SOL) coalition, the largely Shia Iraqi National Alliance (INA), the Kurdistan Alliance and the Iraqi National Movement (INM), led by former prime minister, Ayad Allawi.
- Despite representing Iraqi's main communities, the administration will probably be a weak and divided one, in which policymaking and lawmaking are held up by failure to reach consensus.
- The next provincial election is due in 2013, but may be called early in response to demands made in recent protests.

## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

- In the wake of the gradual US military withdrawal, Iraq's foreign policy will be dominated by its efforts to carve out a more independent role for itself, while seeking to balance its ties with Iran to the East and its Arab neighbors to the south and west.
- Iraq's political leaders will continue to maintain close ties with Iran.
- Dealings with Turkey will remain cautious, although economic ties will continue to strengthen. Iraq is Turkey's largest export market in the region.
- The government is likely to feel anxious about the escalation of violence in Syria, for fear over the possibility of a Sunni-dominated regime coming to dominance, that may affect its own internal political scene.



## 1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

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## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- Iraq's current account will largely mirror movements in oil exports (which constitute 98% of total export earnings).
- Export revenue recovered strongly in 2010 reflecting an increase in oil production and a rise in oil prices.
- The import bill is likely to grow robustly, led by rising demand for capital inputs and consumer goods.
- Trade surplus forecast for 2011-12 will increase to an average of \$22.9bn (22.2% of GDP).
- The Iraqi government is undertaking investigation over \$17bn of reconstruction funds that are missing.
- Economic policymaking will be constrained by the weakness of central government control. Progress will remain slow and piecemeal, hindered by vested interests and corruption, but better security should at least allow progress with upgrading basic services, such as electricity and water.



## 1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- The government is seeking to boost oil output through a series of development contracts awarded to international oil companies.
- Besides oil, three gas fields were recently auctioned off.

## 1. COUNTRY OVERVIEW: FOREIGN TRADE

- **TOTAL EXPORTS: USD 80,4 billion (est.)**
- **DESTINATION OF EXPORTS**
  - **U.S. 24.6%**
  - **India 16.1%**
  - **China 12.5%**
  - **South Korea 8.1%**
  - **Italy 7.1%**
  - **Others 31.1%**

**NB: The Planning Ministry has recommended an investment budget of USD 51 billion for investment projects.**

## 1. COUNTRY OVERVIEW: FOREIGN TRADE

- **ORIGIN OF IMPORTS**

- **Turkey**                      **24.6%**
- **Syria**                        **18.1%**
- **China**                      **14.7%**
- **U.S.**                         **6.7%**
- **Germany**                **3.8%**
- **Others**                     **32.2%**

## 1. COUNTRY OVERVIEW: FOREIGN TRADE

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### ➤ PRIMARY EXPORTS

- Crude oil
- Crude materials
- Food & livestock

### ➤ PRIMARY IMPORTS

- Food
- Medicine
- Manufactures

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES – Trade between Italy and Iraq

- In 2010 the Italian exports towards Iraq were equal to around EUR 445 millions (-23% in comparison to 2009).
- They are mainly composed by instrumental mechanics (56,2%), electric devices (16%) and metallic products.
- In 2010 the Italian importations from Iraq have increased by 22,8% in comparison to 2009 and amount to EUR 3,1 billion.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

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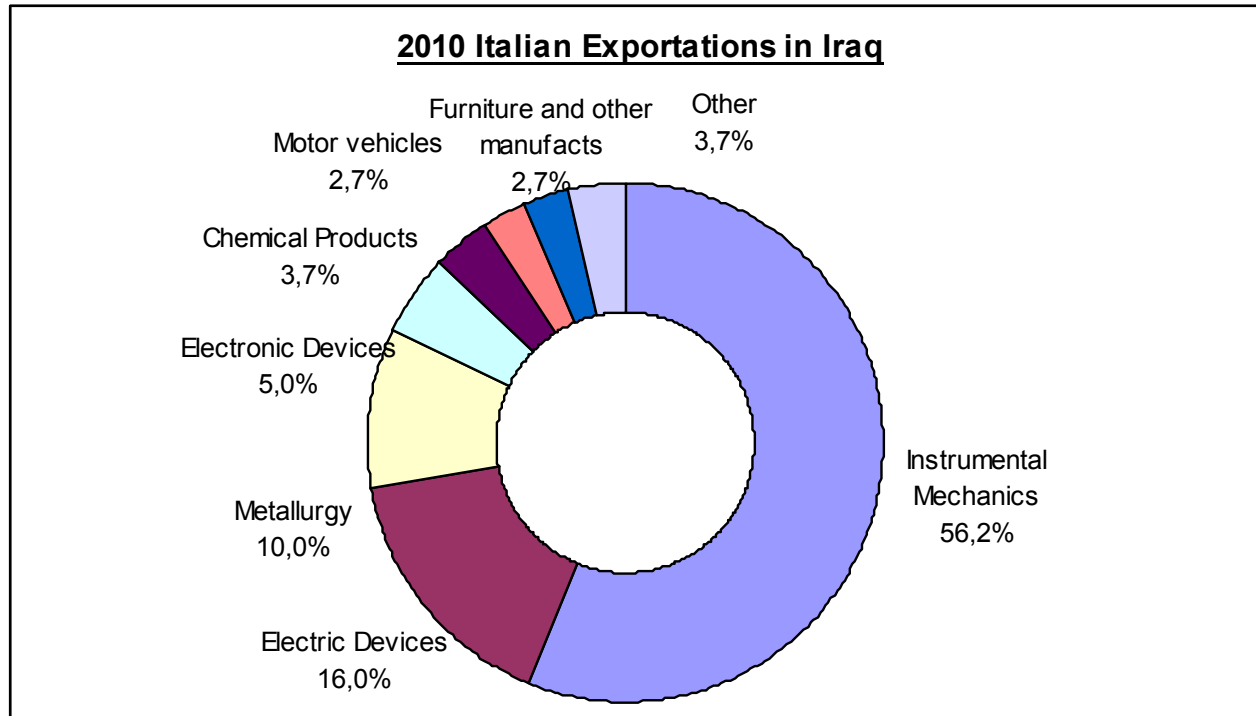
### CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

#### Overall direct investments in Iraq

- In 2010 the overall direct investments in Iraq amount to around USD 1,07 billion, with a decrease of 4,2% in comparison to 2009 (source: SACE Country Report).
- Besides the hydrocarbon sector, the main investment opportunities come from the reconstruction activities (i.e. real estate, housing, construction materials...) and from the food industry.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

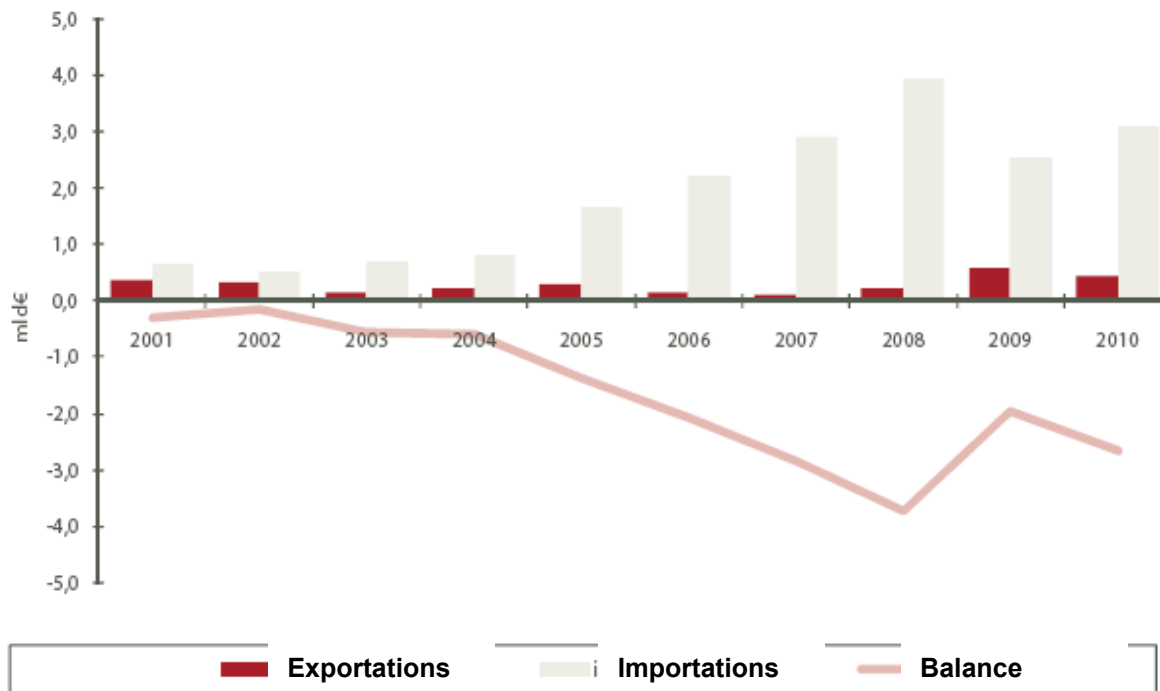
### CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES Italian Exportations in Iraq



Source: SACE Country Report

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES Trade balance Italy / Iraq



Source: SACE Country Report

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### CURRENT AND PERSPECTIVE BUSINESS OPPORTUNITIES

- The Planning Ministry is recommending an investment budget of \$51bn for allocation of \$34bn to investment projects and the balance for government spending.
- 2010 witnessed sizable increases in foreign commercial activity in the relatively secure southern governorates (Karbala, Wassit, Maysan, Najaf and the Kurdish region). This was evident when looking at deals valued at under \$1bn.
- Turkish firms clearly dominate the geographic rankings of commercial activity. While France and the U.S. superseded other regional countries.
- The top sector was residential real estate, which accounted for 33% of all reported for foreign commercial activity in 2010.
- The development of Iraq's hydrocarbon industry is well underway, with more deals announced in oil and gas than in any other sector.



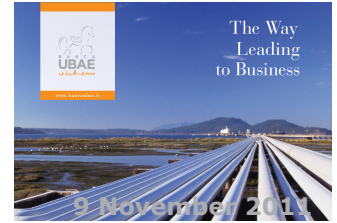
## **BUSINESS OPPORTUNITIES**

- **CURRENT AND PERSPECTIVE BUSINESS OPPORTUNITIES**

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

### CURRENT AND PERSPECTIVE BUSINESS OPPORTUNITIES

- These projects have lagged due to the large size of each deal and an expected Law to regularize projects and bids in the oil and gas sector.
- The State Company for Oil Projects (SCOP), part of Iraqi Ministry of Oil, has awarded the French-based Axens, the Basic Design and License contracts for the construction of the new refinery in Nassiriya.
- In 2010, foreign firms and investors reported \$42.6bn in investments, service contracts and other commercial activities across Iraq-an estimated 48.7% increase in total deal value over 2009.
- The Planning Commission of the Provincial Council of Baghdad announced the construction of an industrial city of approximately 500 hectares in the Nahrawan area, south of Baghdad. The project will be built by Iraqi company, Majd Al-Ard, and will cost approx. \$250m. It is scheduled to be ready in one year. The industrial city will meet modern international standards and will be environment friendly.
- It is worth noting that industrial production in Iraq has dropped by 66% after 2006.



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

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### CURRENT AND PERSPECTIVE BUSINESS OPPORTUNITIES

- Erbil in the Kurdistan region is promoting itself through. Its Chamber of Commerce, with their readiness to work with international companies and encouraging the use of Erbil, Kurdistan as a gateway to the rest of Iraq and highlights the secured environment in the region.
- Trade between Italy and Iraq reached \$650m and approximately 600 Italian companies are operating in Iraq.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **BUSINESS OPPORTUNITIES – Telecom – Mobile – Broadband & Forecasts**
  - Despite developing in leaps and bounds in post-war-Iraq, the telecoms industry still holds much growth potential.
  - The main story of telecommunications in Iraq continues to be “mobile”.
  - Four operators share the market, but Zain (Kuwait) has the largest market share, with well over 50% of the market.
  - Asiacell (which has Qtel of Qatar as a major shareholder), has over a third of the market.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **BUSINESS OPPORTUNITIES – Telecom – Mobile – Broadband & Forecasts**
  - The market's unrealized growth potential continues to attract international investment, most notably in early 2011 when France Telecom acquired a stake in one of the two remaining minor players.
  - Uncertainty continues to exist in the regulatory situation with several disputes existing between the Ministry of Communications and the mobile operators. The Ministry has claimed it is owed large sums by the operators and has also fined them substantial amounts for non-fulfillment of service conditions in their contracts.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **BUSINESS OPPORTUNITIES – Telecom – Mobile – Broadband & Forecasts**
  - A key issue is the delayed implementation of Initial Public Offerings (IPO) by the mobile operators, a license requirement that was supposed to be implemented by August 31, 2011.
  - Should 3G licenses be awarded, the mobile operators would be in a prime position to make inroads into the broadband market.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **BUSINESS OPPORTUNITIES – Telecom – Mobile – Broadband & Forecasts**
  - In an effort to rapidly deploy telecoms network infrastructure, a number of wireless local Loop Licenses were awarded. License users have since deployed CDMA networks and launched voice and broadband services.
  - Competing against the CDMA networks in the broadband market are WIMAX ADSL and satellite platforms.
  - Current internet user level is very low and hence presents a great investment opportunity.

## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

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- **MAIN ISSUES**

- Security and political instability
- The lack of back haul & regulatory uncertainty
- In May 2011, the Central Organization of Standardization and Quality Control (COSQC) in Iraq, implemented the Pre-importation Inspection, Testing and Certification of Goods to Iraq (ICIG) program. The program is designed to monitor the quality of regulated goods being imported into Iraq



## 2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- **CONSULTANT ROLE AND SUPPORT**

- The Consultant acts as a source of information on trade and business opportunities.
- Facilitate trade and investment transactions.
- Promote contact and communication, and strengthen commercial ties between Italian companies and companies based in the Levant region.
- Assist Italian companies in arranging meetings with potential customers in Iraq.
- Avail of the Consultant office to facilitate business meetings.