

Industry and Manufacturing

Investment Overview of Iraq

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Key Stats and Figures

Primary Ministry Responsible:

Ministry of Mining and
Manufacturing (MIM)

Number of MIM SOEs:

67

Number of MIM Factories:

220 among the 67



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Sector Overview

Industry and Manufacturing are the important potential economic drivers of the non-oil economy in Iraq. Unfortunately, many industrial factories that were the backbone of the Iraq economy have fallen behind global manufacturing standards. Despite this challenge, Iraq presents a unique opportunity in the Gulf region, having a substantial resource base of both minerals and hydrocarbons. The country is also endowed with considerable freshwater resources, a sea-port in the Arabian Gulf with easy access to shipping lanes, a substantial educated population, and management with strong technical skills. These factors combine to create the potential for a leading industrial power among Gulf countries. Iraq's existing industrial sector is broad and includes both light and heavy industries from vehicle manufacturing to rug factories. Iraq also has a domestic pharmaceutical industry and chemical industry.

The Role of Government in Industry and Manufacturing

The Ministry of Industry & Minerals (MIM) has taken the lead in the transition from State Owned Enterprises (SOEs) to a progressive, privatized industrial base. The MIM has been a critical party in developing the emerging legal framework to implement, strengthen, and support the sector's investment opportunities. The legislation covering investments in this sector of Iraq's economy is broad but is lead by Investment Law No. 13 (2006), which is critical in encouraging and protecting foreign companies investing in Iraq. The table below outlines other existing legislation governing foreign investment.

Other laws currently under parliamentary review pertain to: arbitration, trade and consumer protection, safeguarding and antidumping, competition law, regulations on industrial investments in small-medium sized enterprises (incorporating law no. 20-1998 with law no. 13-2006) and regulations related to industrial cities and parks. When enacted, these laws will help further encourage the growth of the private sector.

The MIM is the primary ministry responsible for the country's state-owned industrial capacity. The MIM oversees 67 SOEs with more than 220 factories distributed throughout Iraq. As Iraq endeavors to rebuild infrastructure and develop capacity, the SOEs will play a critical role in supplying both the government and private industry with the products and services required. MIM's SOEs are broadly categorized in the table to the right. Mining is classified as a sub-industry.

Legislation	Scope/Description
Law No. 22 (1997)	Organizes SOEs to work on partnership basis with the private sector and formation of joint venture enterprises.
Law No. 22 (1997), Article No. 15, Paragraph 3	Allows SOEs to have the right to share or participate with other foreign companies to implement work within its activities inside Iraq.
Companies Law 21 article 8 (1997)	Discusses creating limited liability companies with SOEs participating with less than 25% of capital shares.
Law No. 91 and amend. (1988)	Organize investments in Mining and other natural resources. Potential amendments to impose regulations on natural resource mining are in parliament.
Investment Law No: 13 (2006)	Supports the process of establishing investment projects in Iraq. Potential amendment to allow ownership of land when investing in the housing sector.
Law No. 290 (2009)	Defines Council of Ministers regulations that require that all Ministries and SOEs are obligated to purchase products and services from MIM SOEs. This is currently draft legislation.

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Industry	# of SOEs
Engineering Industries	20
Petrochemical/Chemical Industry	14
Construction/cement Industries	9
Textile Industries	8
Industrial Services	7
Food and Pharmaceutical Industries	6
Other	3

Opportunities for Investment in the Iraqi Industry and Manufacturing Sector

Iraq is planning to revitalize and transform its industrial structure from a command economy to a free market economy. Improvement in Iraq's security environment have stimulated major international companies from UAE, Germany, Britain, China, Sweden and the U.S. to commit or plan to commit to projects that are part of the revitalization of Iraq. The projects include hotels (Rotana), vehicle assembly (Scania, Daimler-Benz, and Oshkosh), agricultural processing and machinery (NCH tractors) and textiles.

To unlock its vast economic potential, the international business community is encouraged to participate as investment partners in this transformation by bringing modern technology, advanced skills, financial resources and investment to Iraq to improve the economy, increase employment, and build the country's industrial capacity.



Photo credit: Tina Hager

Greenfield Private Equity Projects

There are considerable opportunities for greenfield private equity investments throughout Iraq. Decades without

dramatic industrial expansion have created a need for new capacity, products, and services in nearly every sub-sector of Iraqi industry. Across the country, investments are being sought for every phase of the industrial process. Iraq's mineral and metal deposits offer substantial potential for mining, and the country's natural resources will need investment to increase processing and refinement capacity. Investments are also sought throughout the manufacturing industry to develop new capabilities, broaden the variety of domestically made products, and increase production.

The recommended entry strategy for greenfield projects is through a local Iraqi partner. As the country continues to refine its investment laws and bring stability to its political, security and economic activities, local partners serve as good option to expedite and navigate the legal, regulatory and physical landscapes of Iraq. Local partners have access to vital market knowledge; navigate regulatory requirements; provide labor and other inputs at competitive rates; utilize pre-established sales network; and maintain other necessary business relationships, i.e. banking, legal, and distribution, which are critical to the success of an operation.

1. Potential greenfield investments include:
2. Petrochemical Industries Project
3. Phosphoric Acid Processing Plant
4. Alumina Production Plant and Smelter
5. Bentonite Production Plant
6. Longitudinally Welded Pipe Plant
7. Seamless Pipe Plant
8. Float Glass Plant
9. Silicon and Silicones Fabrication
10. Fertilizer Plant
11. Solar Systems Project
12. Renewable Energy Project
13. Soda Ash plant

Joint Ventures and Public/Private Partnerships with SOEs

The MIM has focused on attracting private sector investment partners by promoting partnerships between international firms and its inventory of over 220 factories. The

partnerships are joint venture production sharing agreements, for terms between 10 to 20 years, to encourage the rehabilitation and modernization of key industries and make them competitive with foreign imports. The private sector investor will control all operations of the factory including marketing of the production. Under this plan private sector investors would receive a share of production output from the factory in return for their investment of capital, technology, and skills. Many of the factories are currently operating below their design capacity and there is a significant potential for large gains in productivity from investments.

There is also a proposed equity sharing plan that would commercialize the SOE factories and float Government owned shares on the Iraq Stock Exchange (ISX). The private sector could make a capital investment by purchasing ISX shares and becoming an equity partner with the Gol. This plan is still in the early stage of development as a private sector capital investment option. In addition, plans to utilize factory excess employment to make the factories effective and ensure long term sustainable profitability are being considered.

Investment files for the SOEs are available from the Investment Department of the MIM at:
invest@industry.gov.iq or dev_invest07@yahoo.com.

Private Sector Investment through the Iraq Stock Exchange

There are also "mixed sector," or partially private, companies in Iraq. The private sector can enter the Iraqi industrial sector by purchasing ISX shares and becoming an equity partner with the Iraqi government. These companies were created by the Gol's Industrial bank with the company's capital shared

by the Gol, private companies and individual investors. Mixed sector companies are listed on the ISX, which allows for foreign ownership of shares and does not discriminate between foreign and Iraqi investors.

The following is a list of mixed sector companies whose shares are presently listed on the ISX and are available for purchase.

Company Name	Public Share	Products
Light Industries Co.	38.1%	Heaters, cookers, refrigerators, freezers
Electronic Industries Co.	51.6%	TV, radios, computers, telephones, PABX communication systems, power equipment
Modern Paint Co.	58.0%	Paints and resins
National Chemical & Plastic Co.	57.3%	Plastic sheets, industrial leather, plastic bags
Hillal Industries Co.	27.0%	Air conditioning, air coolers, welding equipment
National Bicycle and Metal Tube Co.	27.8%	Metal tubes, bicycles, metal furniture
National Food Industries Co.	19.7%	Soft drinks
Iraqi Carton Co.	63.0%	Packaging
Modern Construction Material Co.	66.0%	Construction materials
Khazer Construction Material Co.	25.0%	Concrete blocks
Kende for Medicine and Vaccines	25.0%	Vaccines
National Furniture Co.	41.0%	Office and home furniture
Iraqi Engineering Co.	34.0%	Clutch and brake materials
Baghdad Salam Food Industries	25.0%	Soft drinks
Ready Made Wear Co.	68.0%	Suits, shirts, and other clothing
Fallujah for Construction Material	28.0%	Concrete blocks
Kirkuk Construction Material Co.	29.3%	Concrete blocks

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