

Kurdistan and its neighborhood

Michael M Gunter assesses the developing relationships between the Region and its near neighbors, as well as growing ties with the United States and Europe

The term 'Kurdistan' has historically referred to that area of the Middle East where Turkey, Iran, Iraq, and Syria converge, and within which Kurds live in the majority. Before the First World War, this region was largely divided between the Ottoman and Persian empires. This concept of Kurdistan, however, is not the entity with which this brief essay is concerned. Rather, 'Kurdistan' here refers only to that area of northern Iraq or Iraqi Kurdistan, which, since the fall of Saddam Hussein in 2003, has legally become recognized as the Kurdistan Region, governed by the elected Kurdistan Regional Government (KRG).

LOOKING FORWARD Never before have the Kurds been able to obtain a legally recognized entity of the stature of the KRG. Furthermore, Kurdistan stands out as an island of relative peace and prosperity in an Iraq still ablaze with violence and economic malaise. Yet Arab Iraq remains the KRG's partner in the project of building a democratic federal Iraq. As such, the relationship between Erbil and Baghdad since 2003, while at times tense, has always maintained a forward-looking attitude, recognizing that compromise and consensus are needed, and that Kurdistan's success is also Iraq's success.

Looking north, the relationship between the Kurdistan Region and Turkey has been transformed. Since the establishment of the Turkish Republic on 29 October 1923, the Kurds were viewed as an existential threat to the survival of the Turkish state. Thus, Turkey also took a leading role in suppressing any manifestation of Kurdish nationalism in any other bordering state. As recently as February 2008, the Turkish military launched attacks across its borders into Kurdistan in an attempt to eliminate the PKK.

CHANGING ATTITUDES This Turkish neighborhood problem for Kurdistan started to lessen only as economic ties between the two began to develop impressively after 2003. Then, even more recently, Turkey's new political foreign policy of zero problems with its neighbors led to its foreign minister, Ahmet Davutoglu,



expanding his country's strategic depth by visiting Kurdistan in October 2009. Turkey expanded this political rapprochement in March 2010 by opening a high-powered consulate in Erbil. Then, in June 2010, Masoud Barzani was invited to Turkey under his title of President of the Kurdistan Region. More recently, in March 2011, Prime Minister Recep Erdogan became the first Turkish premier to visit the Kurdistan Region of Iraq. Thus, Kurdistan's all-important Turkish neighbor to its north now presents a far friendlier outlook.

Kurdistan's other main neighbor, Iran, presents challenges and opportunities to the KRG. Kurdistan and Iran share a long history of cooperation, as illustrated when Iran threw open its borders for more than 1.5 million Iraqi Kurdish refugees fleeing Saddam Hussein's wrath, following the abortive Kurdish uprising in northern Iraq in April 1991. Since then, Erbil and Tehran have developed strong diplomatic and commercial links, with extensive trade being conducted across several sectors and significant Iranian commercial activity across Kurdistan.

GLOBAL OUTLOOK Finally, while not traditionally neighbors given the geographical distances separating them, the United States and the European Union have become virtual neighbors of Kurdistan due to globalization and their influence on the world.

Kurdistan stands out as an island of relative peace and prosperity in an Iraq still ablaze with violence and economic malaise



President Barzani has built relationships during meetings with world leaders and senior ministers, including (clockwise from top left) Palestinian President Mahmoud Abbas, US President Barack Obama, German Foreign Minister Frank-Walter Steinmeier and Turkish Foreign Minister Ahmet Davutoglu

This is especially true of the United States, given its all-important role in creating and supporting Kurdistan, evidenced by Kurdistan establishing a representative office in Washington, DC.

In addition, in January 2010, President Barzani visited the US capital. Also, in September 2010, Dr Fuad Hussein, Chief of Staff to President Barzani, and Falah Bakir, the Head of Kurdistan's Department of Foreign Relations, conducted a series of meetings with US government officials in both the executive and legislative

branches. Furthermore, Turkey's ongoing accession process with the European Union has already brought Europe literally up to the borders of Kurdistan.

To navigate these challenging neighborhood shoals demands astute diplomacy. To a large extent, Kurdistan has met this challenge by committing to a federal status within Iraq that is acceptable to its neighbors, while enjoying the opportunities, stability, and freedoms that the resulting autonomy has brought. ■

Transcending the politics of confrontation

Turkey's increased openness in its approach to relations with the Kurdistan Region has reaped strategic and economic benefits for both sides, writes Liam Anderson

On 11 March 2010, consul general Aydin Selcen arrived in Erbil to open the government of Turkey's new consulate in the Kurdistan Region. Barely three months later, Masoud Barzani embarked on his first official visit to Ankara as the Region's

recognized President. Although largely overlooked by the western media, these events are among the most geopolitically significant of Iraq's post-war era.

Most obviously, they represent tangible recognition on the part of the Turkish government that an autonomous Kurdistan Region is a permanent and legitimate fixture on the Iraqi political landscape that has, as one observer put it, "institutionalized itself". More broadly, these events were symptomatic of the tectonic shift



During his groundbreaking visit to Ankara in June 2010, Kurdistan Region President Masoud Barzani met with Turkish Foreign Minister Ahmet Davutoglu

The strengthening of relations between Ankara and Erbil yields significant economic benefits for both sides

in the relationship between Ankara and the KRG that has occurred over the last couple of years. A relationship once characterized by implacable hostility and punctuated by inflammatory rhetoric has been superseded by recognition of shared strategic interest and the realization that both sides are better off as allies than as enemies. Driving this transformation has been a fundamental recalculation on Ankara's part of its strategic and economic interests in Iraq and the region as a whole.

Domestically, the Turkish government's announced policy of "democratic opening" toward its own Kurdish population in August 2009 implied a recognition that there could be no purely military solution to Turkey's prickly problem with the PKK. In any negotiated solution, Iraq's Kurdish leaders are likely to play a key role. From a pragmatic perspective, meanwhile, the AKP relies heavily on Kurdish votes to sustain its dominant position in Turkish politics, providing another incentive for friendly relations with Erbil.

In terms of Ankara's efforts to exert influence within Iraq, a positive relationship with Iraqi Kurds also makes good strategic sense. The Turkish parliament's decision to deny the United States use of Turkish bases to launch the northern front of Operation Iraqi Freedom effectively marginalized Ankara from post-war political developments in Iraq. Devoid of any tangible influence over unfolding events in Iraq, it was reduced to issuing ominous threats from the sidelines, which it had neither the will nor the capacity to carry out.

With nothing to be gained from a policy of overt hostility toward the KRG, the Turkish government wisely switched course during 2008-09; thereafter, a more studied and statesmanlike approach to relations with the KRG has yielded major benefits for Turkey. The imminent departure of American troops, meanwhile, will create an "influence vacuum" in Iraq that regional powers, notably Iran, will compete to fill. Ankara's best hope of influencing events in Baghdad will be via good relations with Iraqi Kurds. Hence, for Ankara, the road to Baghdad runs through Erbil.

Finally, and most obviously, the strengthening of relations between Ankara and Erbil yields significant economic benefits for both sides. The numbers themselves are truly impressive: in 2009,



Turkish companies play a major role in Kurdistan's oil and gas sector

trade between the Kurdistan Region and Turkey reached an estimated \$8-9 billion in value; some 60 percent of the foreign companies operating in the Region are Turkish; and, perhaps, 80 per cent of goods consumed in the Region are of Turkish origin. These numbers look set to increase significantly if the government of Turkey and the Kurdistan Region succeed in establishing the envisaged free-trade zone across their common border.

There are even Turkish interests involved in the controversial oil and gas sector. For example, Genel Enerji owns 44 per cent of the Taq Taq oil field, while another Turkish company, Petoil, is in the process of pumping \$50 million into developing oil and gas in the Kurdistan Region. In the longer term, there are plans to link up Iraq's oil and gas reserves, via the Kurdistan Region, to the main Nabucco pipeline. This would make Turkey a major outlet for the export of Iraq's oil and gas to Europe, and provide strong incentives for all sides to maintain cordial relations.

Although there are clearly issues that have the capacity to disturb relations between Ankara and Erbil in the future, such as the continued presence of the PKK on Iraqi Kurdish territory and the fate of oil-rich disputed territories in northern Iraq, the deeper the relationship becomes, the easier it is to envisage such problems being dealt with in a spirit of mature consensus. Neither side has much to gain, and both have an awful lot to lose, from a return to the politics of confrontation. ■

Opportunity to forge firmer links



President of the Kurdistan Region Masoud Barzani (third from left), at a meeting with US President Barack Obama in the Oval Office, Washington DC, in January 2010

The already close relationship between the Kurdistan Region and the United States is set to become stronger, writes Qubad Talabani, KRG representative in the US

As the United States enters a new phase of its relationship with Iraq, it should be enormously proud of how far the country as a whole, and the Kurdistan Region specifically, has come. The US should be equally excited about the progress we are striving to make. The Kurdistan Region of Iraq is, in many ways, a success story. Thanks to the sacrifices and valor of US and coalition troops, it became a source of stability, tolerance, growth, safety and peace in Iraq. Today, the Kurdistan Region and the US are proven allies, with shared interests as well as shared values.

In January 2010, President of the Kurdistan Region Masoud Barzani met with US President Obama in the Oval Office. During this meeting, President Obama reiterated US support for the Iraqi Constitution and the democratic process in Iraq, stressing that the US would remain strongly committed to the security and prosperity of the Kurdistan Region within a federal Iraq.

Further, as a symbol of continued friendship and cooperation between the US and the Kurdistan Region of Iraq, Congressmen Lincoln Davis (Democrat – Tennessee) and Joe Wilson (Republican – South Carolina) formally created a Kurdish American Congressional Caucus within the US House of Representatives, aimed at strengthening America's ties with the Kurdistan Region.

Moreover, the continuous US-KRG dialogue reflects shared values. One of the many symbols of the KRG's commitment to development of the Region on the American model is its creation of the American University of Iraq in Sulaimani (AUI-S). Founded in 2006 and committed to providing an American-style liberal arts education at both undergraduate and graduate level for Iraqi students, AUI-S has been fully accredited by the American Academy for Liberal Education.

With our bustling economy, our continued democratization and the strengthening of our judiciary, we must take time to remember and acknowledge the enormous sacrifice of the US and the American people in its efforts to liberate Iraq. Without this sacrifice, for which Kurds will forever remain grateful, we would not be witnessing our tremendous growth.

Today, we in the Kurdistan Region are the strongest friend and ally that the US has in our part of the world. Our home is the place with the most progressive press law in the region; the place with a higher percentage of women in our legislature than most of the nations in the world; the place where Christians and others fleeing religious persecution from elsewhere in Iraq come to find sanctuary and a future.

The Kurdistan Region is also the place where those seeking to invest – from some of our newest friends such as

the Koreans to neighbors such as Turkey – find our new economy vibrant, promising and full of opportunity. We hope that this enthusiasm will spread to the US private sector, as the opportunities are plentiful.

Our story from the Kurdistan Region has been uplifting, but there is more to come. Our policy to become a major producer and supplier of power strengthens our standing in Iraq and beyond. Our focus on investing in our future by appropriating \$100 million on sending students abroad for Masters and Doctorate qualifications underscores our forward-thinking approach. We understand that greater political, democratic and economic reforms are necessary. We are working on them, and we are on the right path.

As the US continues drawing down its military forces in Iraq, the KRG looks forward to increased diplomatic and economic relations between the US, Iraq and the Kurdistan Region. Moreover, the KRG welcomes the US Department of State's decision to establish a diplomatic consulate in Erbil to solidify US-KRG mutual strategic, business and cultural interests. This consulate, coupled with our representation in the US, will serve not only as a symbol of the unbreakable bonds between the US and the Kurdistan Region, but also as a bridge to help strengthen ties in the future. ■



US Secretary of State Hillary Clinton meeting KRG President Masoud Barzani at the State Department, Washington DC, during his visit in January 2010

A successful exercise in community policing



Karim Sinjari, KRG Minister of the Interior, highlights the improvement in the Region's security and explains ongoing developments in law enforcement

The Interior Ministry—in cooperation with the *Asaish* (security force) and intelligence apparatus—of the Kurdistan Regional Government (KRG) has primary responsibility for internal security throughout the Region. This is a constitutional authority and responsibility guaranteed by the Iraqi Constitution—recognition of the fact that we have had responsibility for our own security ever since 1991, when the former Ba'athist regime withdrew all its apparatus of government administration. We have taken this responsibility very seriously ever since then.

We have been fortunate that, since our liberation in 2003, we have obtained improvements for our security forces in terms of training and equipment from our friends in the coalition forces. We have also been fortunate that our own budgetary situation has been more reliable and we have been able to obtain some resources on our own.

But we have also been victims of our own success. Some of our friends in the coalition assume that we have no needs within our security apparatus, and believe that all or most of the security resources coming to Iraq must go to other parts of the country. However, they do not realize that the security we enjoy in Kurdistan is a delicate balance.

Make no mistake, we do have threats against our security within Kurdistan. We have been very fortunate that we have had a small number of terrorist attacks against our people—fewer than in some areas of Europe or the West. However, one attack is an attack too many. Because we are a plural and democratic society that has been supportive of our friends in the coalition, we find that the extremists bring their doctrine of hate and destruction to us. We also have an international border that shares its vast expanse with three of our neighboring countries, this in a part of the world

where the vast and porous borders are sometimes used by those intent on causing instability. Due to all these factors, our vigilance must be constant.

Most of what we have achieved within Kurdistan has been built upon a foundation of dedicated, resourceful and loyal service from the men and women of our security services. They provide security without all of the benefits of equipment and technology that other professionals around the modern world enjoy.

It is also important to recognize why we have had to rely solely on the valuable human resources we possess within Kurdistan. From 1991 to 2003, we were living under a situation of double sanctions—those sanctions imposed directly by Saddam Hussein, and indirectly by the world community, as they monitored their sanctions against Saddam's regime. Due to those sanctions, the United Nations' Oil for Food Program could provide us with nothing to help in protecting our internal security.

Today, we are intent on further developing our array of police forces into a modern, professional body of security forces. Our law-enforcement community consists of our general police force that handles standard criminal matters, as well as an array of specialist police forces.

It is the *Asaish* (which literally means "security" in English) that shoulders the main load in our fight against terrorism. It is this force that is responsible for counter-terrorism, counter-espionage and counter-narcotics operations. They have proven time and

**Our citizens know
that the security
forces are there
for their protection**

again that they well understand the threats we face, and are always seeking new ways to combat them, often preventing terrorist activities before they can happen.

One of the reasons why our security forces are so successful is their close relationship with the citizens of the Kurdistan Region. Whereas people once feared the security forces, today our citizens know they are there for their protection and are not afraid to cooperate with them.

Regarding more conventional crime, I am happy to say that our crime rates are very low, especially compared with any other major urban area of the world. We do have some instances of theft and burglary, and some violent crime as well. However, almost all the violent crime is what I would call social in nature, in that the perpetrators know each other and the incidents are often between, or within, families.

In spite of all of these challenges, we are dedicated to protecting Kurdistan while operating within the law. It has been a key principle of the Kurdistan Regional Government to ensure that our security forces understand and respect the principles of human rights, and to become guardians of a democratic lifestyle, civil society and, in particular, women's rights.

In outlining our security situation, it is important to understand that Iraqi Kurdistan is very different from the rest of Iraq. Certainly there has been improvement in the south of Iraq, but we have enjoyed a headstart in stability. Our people are optimistic as they see new development and construction going on around them and a government working to improve services and quality of life.

Many investors and developers in the international business community also see reasons for optimism and are looking to Kurdistan as their gateway to the rest of Iraq, as they can safely establish headquarters here. They will then be poised to take advantage of our location as the security environment continues to improve further in the rest of Iraq. ■



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Oliver Westmacott is president of GardaWorld, Garda's (TSX:GW) Global Risk Consulting Group.

How long has GardaWorld had an interest in Kurdistan?

Gardaworld is extremely proud to have been the first international security provider to focus on the Kurdistan Region, with dedicated operations starting in 2003. We focused on building a business using Kurdish personnel, primarily with expatriates purely in training and management functions. The intention to be the first security provider in the Kurdistan Regional Government (KRG) to focus on the oil and gas sector came to fruition in 2005 with the commencement of seismic operations on the Taq Taq concession. Today, 95 percent of our personnel are Kurds, many of whom have been with our company for more than five years.

Initially, our business focused on providing security for telecommunications and electrical power-line infrastructure projects, which progressed to providing cover for more than 3,000 sq km of oil and gas exploration acreage, and low-profile Kurdish-led executive protection for over 20 clients. Working with our clients on Corporate Social Responsibility programmes is also a growing area for us. We provide increasing amounts of remote

primary-care medical support to rural communities within oil and gas concession areas, with which we actively engage to determine ways our clients can assist – from building schools to providing electricity, or drilling wells.

What is the security situation like on the ground?

Security in the Kurdistan Region remains very stable. Since establishing operations in the Region in 2003, there has not been a single terrorist incident targeting foreigners, and there has not been a significant successful attack in the Region in more than two years. The current economic boom is bringing with it ever-increasing numbers of foreign workers and large-scale commercial tourism, and retail projects are now commonplace.

What are your guiding principles?

To provide as high a quality service to international best practice standards using as great a proportion of Kurdish people as possible, to invest heavily in training, internal career progression, and paying competitive salaries. As a global publicly listed company, we are



bound to the highest ethical standards and are able to leverage our international experience. As a major security services operator in the Region, we consider ourselves to be unique in this respect.

What does the future hold for the Kurdistan Region?

The KRG is clearly leading the way in Iraq by ensuring an environment that is extremely appealing to both domestic and foreign investors, with its huge opportunities in a variety of business sectors, particularly agriculture, tourism and oil and gas. I am extremely excited by the economic, political and social progress that is being made in the Region. With the eagerly anticipated resolution of the Oil Law, which will clarify the economic future of the Region, Kurdistan promises to be one of the most exciting regions of the Middle East in the coming years.



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A safer environment for investment

An interview with Masrour Barzani, Head of the Kurdistan Region's Security Protection Agency

Can you outline the improvements made in the security situation in the Kurdistan Region in recent years?

The Kurdistan Region has been relatively safe in past years, but no one can guarantee absolute security anywhere in the world. The economic boom, the presence and investments of the thousands of foreign companies, the establishment of diplomatic missions, particularly in Erbil, and, of course, zero foreign victims are the benchmarks of a safe and stable situation.

Why is security good in the Kurdistan Region?

There are many reasons. To mention just a few: the dedication of our officers and personnel who tirelessly devote themselves to protect lives, the trust that our people have in our security forces, and their continuous relationship of providing and passing information on suspicious activities. The Kurds are generally tolerant people who reject extremism. Different religions, sects, and nationalities live side by side all over Kurdistan. This reality has left little room for extremism and radicalism to grow in our Region.

What security services protect the Kurdistan Region? How are they legally mandated?

According to the Iraqi Constitution Article 121, the KRG is responsible for the security of Kurdistan. Here in the Kurdistan Region, according to Parliament Decree no. 46 of November 20 2004, the Kurdistan Region Security Protection Agency was



Masrour Barzani, Head of the Kurdistan Region Security Protection Agency

established to lead, coordinate, and protect the security situation in Kurdistan—against terrorism, organized crimes, and other sources of threats to the Region. The Ministry of the Interior, and the Special Units of Peshmerga Forces within the Jurisdiction of Ministry of Peshmerga, are also part of these efforts. In 2006, our Parliament passed a counter-terrorism law to identify the legal procedures for counter-terrorism cases in the Kurdistan Region; our security organization has been working according to this law.

The term 'Asaish' is mentioned often in the press. What is it?

'Asaish' is the Kurdish name for security. The General Directorate of Security in our agency is mainly responsible for counter-terrorism, counter-narcotics and counter-organized crime. It is important to note that the Asaish has no political-party affiliation at all. It is an organization of the KRG.

How effective is KRG intelligence in countering terrorist threats?

Our organization has spared no efforts to make sure that we protect the lives of our people and provide a safe and permissive environment: an environment for stability and more economic growth. Our policy is to eliminate any kind of terror, but, understanding that there is no absolute security, we spare no effort to minimize the activities and impact of such groups.

It must be said that our coordination with other relevant counterparts has helped us to dismantle, disrupt, and bring to justice more than a few dozen terrorist groups and their leaders, and to save many lives over the past few years. We have managed to prevent many catastrophic attacks that were planned by suicide bombers and other, sophisticated means.



Female future members of the security forces stand to attention during training at the Police Academy in Erbil

Is there a problem with criminality in the KRG? How is this countered? What plans have been put into effect to ensure that the police and judiciary are now fit for purpose?

Tackling criminality is under the jurisdiction of the Ministry of the Interior. Since its establishment, the KRG has always insisted on the independence of the judicial system, and ensured the professionalism of Region's police forces. We can proudly say that our judicial system and our courts are functioning according to the provisions of the legal system with all the independence they need, without any intervention from any other powers. As for the police forces in the Region, their training is managed by our Police Academy, which was established in 1997. It has been very effective in professionalizing our police system and improving our capacity.

How can foreign investment improve the security of the Region?

A good economy and a higher standard of living contribute to lessening the opportunities for terrorists. Foreign investment will have an outstanding input: to create job opportunities for our young generation, strengthen our infrastructure, upgrade skills, and integrate the Region's economy with the rest of the world.

Explain why, from a security perspective, investing in Kurdistan should be seen as a safe action to take.

Since May 9 2007, there have been zero terrorist incidents. The public's support for the security apparatus, the people's demand for further development, and the professionalism of our security organizations have allowed a friendly environment for investment.

What are the challenges facing the KRG in the years ahead?

Combating terrorism is our main challenge. As we continue to improve and develop, we will be faced with more challenges. Political, economic and social challenges will still be there. The outstanding issues between Baghdad and Erbil, if not resolved, could develop into more serious problems.

Our government will need to tackle corruption more effectively, and to move beyond political statements.

Civil liberties are very important in any democratic country. Law and justice must be fully enforced. As we must do more to protect all rights for our people, our government must work harder to protect and defend the rights of women, and grant them more equal opportunities in the society. ■

Prosperity and security

An interview with former KRG Prime Minister Nechirvan Barzani, who outlines Kurdistan's progress so far and his hopes for the Region's future

In the last several years the Kurdistan Region has developed at a remarkable pace. Can you comment on this achievement by outlining your vision as the Prime Minister of the previous cabinet, particularly with respect to economic advancement?

The first thing to bear in mind is that the citizens of the Kurdistan Region have been the engine of this process. When I assumed office, there were a number of specific economic benchmarks that I believed would create a framework for steady development. First and foremost, we had to impress upon the people and government officials that the private sector, and not the KRG, must be the driving force behind commercial growth.

The KRG has had a lynchpin role to play in two essential aspects: improvements to infrastructure and better delivery of basic services. No economy can function if the roads are in poor condition, if electricity is in short supply, or if the legal architecture to protect investment and business contracts is absent. I would like to commend the officials of each governorate for their contributions in implementing a number of strategic projects that have reshaped the Region.

Can you describe in detail how your cabinet implemented these goals? Which aspects of development have been most important?

Our economic development has been impressive in a number of sectors. During my term as Prime Minister I was proud to roll out a



Former KRG Prime Minister Nechirvan Barzani

five-year plan to revitalize the agricultural industry, a strategically important sector with vast potential and an important source of labor. Our retail and hospitality industry has experienced tremendous growth. But the developments in oil exploration and the use of oil and gas to power our electricity grid were, perhaps, the most important steps forward.

It is important to recall that absolutely none of our success would have been possible without security. The people and the government of the Kurdistan Region owe an enormous debt of gratitude to our security personnel. Without their hard work and determination we would not be where we are now.

How do you perceive the Kurdistan Region as a regional economic player? How is the Region interacting, cooperating, and competing in the Middle East?

The Kurdistan Region is a federal entity of Iraq with a great deal of autonomy. As in other federal systems, the federal authorities of Iraq set monetary, defense, and foreign affairs policy. At the same time, the Constitution rightly grants Regions and governorates the freedom to move forward with economic initiatives, and is designed to ensure that all Iraqis move forward together. This is of special significance with respect to oil and gas.

The KRG has created its policies bearing this in mind. Beyond simply a gateway to Iraq, the Kurdistan Region has become a base of operations for many firms and organizations, ready to expand into Iraq when the time comes. In addition, the Kurdistan Region is well placed to serve as a bridge between the Gulf and Europe.



Oil and gas continue to be major drivers of economic growth in the Kurdistan Region

Is it accurate to describe economic interaction as essential to your relationships with neighbors and the international community?

Certainly. Our relationships with members of the international community have been based largely on mutually beneficial economic partnerships. I am very proud of what we achieved during the previous administration. Of special significance has been the growth of genuine friendship between our Region and Turkey.

The KRG has made a concerted effort to reach out to the Arab world. It is fulfilling that we finally have Arab countries with diplomatic representation in the Kurdistan Region. Like Turkey, Iran is an important regional state and we have done our best to promote trade and economic cooperation and to facilitate peaceful and good neighborly relations. Largely attracted by forward-looking legislation, a number of nations from Europe and beyond have increased their presence.

How do you view the past and future of the Region? What are the greatest obstacles and opportunities that lie ahead?

When I was young, we could only dream of living in safety and peace. Prosperity is important, but it is security that is the foundation for all that we have achieved. The new generation will not recall life under the Ba'ath regime, and they wish to live as their peers in the developed world. The Kurdistan Region will have to adapt to new circumstances.

We certainly have a number of challenges to face in the years to come. Based on my experience, though, I remain thoroughly optimistic. Years from now, I believe the Kurdistan Region of Iraq will be a hotbed of economic activity and, perhaps, even a regional hub.

We possess all the attractive traits of an emerging market, and international investors and companies are encouraged to explore opportunities. The time to invest in the future is now. ■

Planning a vibrant, sustainable economy

An interview with Dr Ali Sindi, Minister of Planning in the Kurdistan Regional Government

Please explain the mandate of the Ministry of Planning; what are its objectives and how do you plan to achieve these?

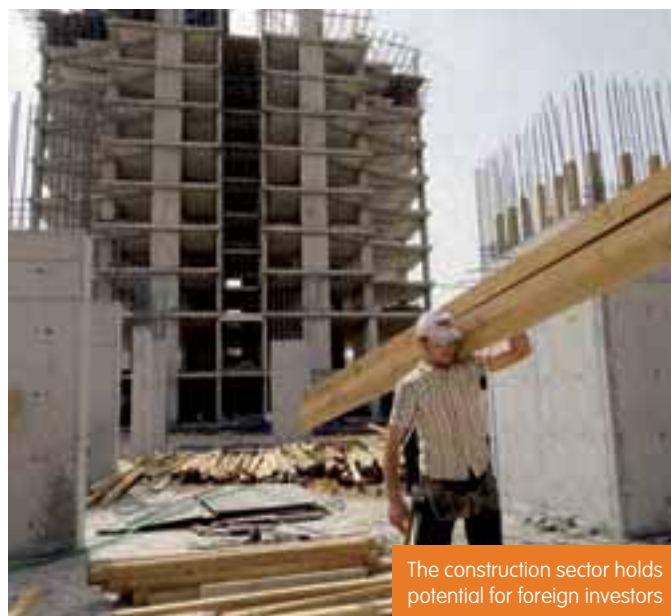
The Ministry of Planning was established by the KRG in 2006, according to Parliament Law number 7. The Ministry is responsible for the development of strategic plans and long-term objectives to help improve the Kurdistan Region. Such responsibilities include the preparation of the annual investment budget, gathering data and statistics for the Region through surveys and censuses, and the development of quality-control standards for food and materials (in coordination with the central government in Baghdad).

The Ministry of Planning is also considered as the branch of the KRG that specifically deals with the donor community and international organisations, such as the United Nations organisations, the World Bank, and USAID, when coordinating development projects and addressing non-political issues.

Considering the areas of activity in which the Ministry of Planning has involvement, where are there significant opportunities for foreign investors to become involved in the Kurdistan Region?

The privatisation process, which was engineered by former Prime Minister Nechirvan Barzani, has proven to be a great success story. Foreign investment within the electricity sector now means that there is a huge difference between the status of electricity provision in Kurdistan and the rest of Iraq. By solving such a major problem in this way, we have gained valuable experience and are now expanding to other sectors within the Region.

According to our statistics, there is currently a need for 135,000 housing units across the Kurdistan Region. This is where investors and the private sector can play an important role. Not



The construction sector holds potential for foreign investors

only does the housing sector provide a significant opportunity for foreign investment, but it also ensures a return on investment since the KRG has established the housing fund which, last year, specifically allocated \$200 million to be spent in such a way that guaranteed a profit for the investors.

The Kurdistan Region expands across 80,000 sq km and, despite its vast urban and rural areas, there is not one single highway [of an international standard]. Therefore, the road construction sector is another area that provides significant investment prospects since it has yet to be reached by the private sector in terms of operation, construction and maintenance.

In the health sector, we believe there are good opportunities because of a rise in the standard of living and an increase in income; people are now looking for a better quality of service, often travelling to Jordan, Iran and Turkey to seek medical care. However,

with the government's bureaucracy as it currently stands, there are some limitations to the improvement of quality or expansion of coverage, particularly with specialties and new techniques. These limitations have led to a review of the health system in Kurdistan and have, subsequently, opened doors for foreign investors and the private sector; for example, health insurance companies.

With the massive expansion of Erbil, Sulaimania and Dohuk, can you reflect on the level of planning that is going in to expanding these cities?

When it comes to planning, things are happening at different levels. At the level of the KRG, we are preparing annual plans in addition to long-term plans. When you refer individually to Erbil, Sulaimania and Dohuk, each of them has a master plan that has been developed over the last three years. For the first time in Kurdistan's history, these big cities are now expanding in a more organised way, rather than a chaotic way like in the 1990s, and before. Moreover, the layers and dimensions of this expansion are now surpassing the urban areas; funds have been allocated within the investment budget to enable governorates to develop master plans for the towns as well, focusing on districts and some sub-districts.

This Ministry of Planning seems very well placed to combat the problems of corruption that existed within the KRG. Can you reflect on the improved vision of the KRG and explain why investors should consider the Kurdistan Region a safe place to invest?

Investors should be interested in Kurdistan and feel confident that their money will be invested wisely. Until four years ago, the KRG had no involvement with investors and the deals that were established. However, this is a very different story today; we now have regulations in place, such as the Investment Law, which guarantee total protection for the investor.

In terms of vision, the KRG is constantly striving to improve the public and private sectors of the Region. Since 2007, the KRG has accepted help from international organisations such as PwC (PricewaterhouseCoopers), KPMG and the UK's National School of Government in order to improve the quality assurance of the KRG's performance in the various sectors—a change that we can definitely feel is happening for the better. The growth in Kurdistan will be very fast over the next few years and as a direct result, we will continue to look to the international community, such as foreign investors, for help and assistance in order to make the most of the opportunities that will arise. ■



The population of Erbil is experiencing the benefits of increasing foreign investment in Kurdistan with the growth of leisure facilities across the city

The world's economic struggles in recent years do not seem to have affected Iraq as much as the political volatility that has held back its economy and the rebuilding of the country



Having been present in the Iraqi real-estate market for a decade, ATCONZ has accumulated a good understanding of how the 'big machine' works, and has considered where, when and how to start rebuilding Iraq. We found the answers in 2005, when we engaged in a Kurdistan-Iraq market survey, which resulted in a \$100 million housing project north of Erbil. The project is expected to be completed at the end of 2012.

In total, 263 all-sector licenses were awarded by BOI in the Kurdistan Region between August 2006 and August 2010, of which 78 were allocated to housing projects, with investments of \$5.807 billion – 42.19 percent of the \$13.766 billion total capital invested through all 263 licenses.

Common opinion is that joint-venture (JV) investment allows for a truly beneficial investment partnership, with the transfer of education, management skills and professional workmanship. However, statistics show that this type of investment represents only 4.83 percent of the capital invested and, collectively, the foreign and JV investments represent only

14 percent of total projects. Perhaps this is why economic development is moving at such a slow pace.

In our opinion, unless these figures reach thresholds of 30 to 40 percent in the medium to long term, Kurdistan-Iraq will not see serious economic development. There are many opportunities for foreign investors to enrich the local economy and create the solid foundation for future growth and prosperity.

According to a UN report, the growth rate of the population 2007 was 8.1 percent, which is considered very high. Twenty thousand new units were needed yearly in Erbil alone from 2007 onwards, and the KRG has started to implement housing programs such as the Housing Fund, which targets the low-income population.

We have identified the following major challenges in the housing sector:

- Underdeveloped infrastructure services
- The high cost of building materials
- Lack of finance or high interest rates
- Lack of foreign investment

- No stringent quality assurance/control by authorities to enforce accepted international or local standards
- Cultural factors

Using our experience as investors, developers, contractors and traders, we can carry out multiple projects in the KRG and the rest of Iraq. We believe that the challenges facing the housing sector can be addressed by implementing a special program involving a pragmatic partnership between three parties: government; financial organizations, and developers.

We know that the government is willing to assign free lands for housing projects and, as an oil-rich state, can afford to subsidize mortgage interest rates. It could also offer state guarantees to financial organizations, making it possible for experienced developers to start work immediately on the development of Iraq's infrastructure and the completion of integrated projects, in compliance with local and international standards. Such a program will be successful if it is implemented by a strong government.

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Type of investment	Number of projects	% by type	% in capital \$ Volume
National	226	86	68.7
Foreign*	20	7.6	26.42
Joint Venture**	17	6.4	4.83

*Only 11 foreign investment countries listed. In our observation, the UAE and Kingdom of Saudi Arabia, Iran, Japan, China, India, Australia, Italy are not included on that list.

** From the KRG BOI data, UAE joint venture with Iraqi companies. Total investment is \$11.55 million, Iran \$1.85 million and some major countries are non-existing.

Boosting exports to balance trade

An interview with Sinan Chalabi, Minister of Trade and Industry in the Kurdistan Regional Government

Minister, please provide an overview of the current status of industry in Kurdistan, and the strategy for promoting trade within the Region.

I have been Minister of Trade and Industry since the establishment of the sixth cabinet of the KRG in October 2009. From the first day of my appointment, it was clear that the economic characteristics of the Kurdistan Region had changed dramatically since 2003. The old system, dominated by social ties, had been replaced by an open-market system, in order to integrate Kurdistan with the rest of the world. Factories that had formerly belonged to the KRG were sold to the private sector, with the intention that they must take the lead.

With regard to promoting trade, we are importing approximately 90 percent of goods from outside—food, manufactured goods, and so on—and have been able to do so as a direct result of the huge revenue we receive from our oil trade. However, to strengthen the Region's development, we need to achieve a balance between the goods we are importing and exporting, the latter being an area that needs attention. Of course, an important step is to attract investors so that we can benefit from the knowledge and expertise that they can offer in this area.

You mentioned that the vision of the Ministry and the KRG is to have an economy that is led by the private sector, but with the KRG's support. In addition to the laws that have been passed, please explain how this support works.

The KRG is dedicated to establishing an attractive environment for local and foreign investment; the Region benefits from a high level of security, offering a comfortable and stable setting within which the Region's economic development can be encouraged. However,

we are fully aware that we cannot resolve our issues overnight. This is a gradual process that must be approached step by step.

We are working on establishing the Anti-Monopoly Law, the Competition Law and the Consumer Protection Law, with the intention of strengthening and increasing trade. We believe that investments from the private sector should become one of the main pillars of our economy, and are therefore committed to offering a safe and protective environment for foreign investment to develop in Kurdistan.

It is fair to say that the various sectors of industry within the Region are underdeveloped, presenting significant opportunities for investment. What do you think potential investors should be looking at, specifically?

Kurdistan has suffered from decades of underinvestment. Previously, only projects and investments that were beneficial for the rest of Iraq were implemented in the north: for example, dams were constructed in order for the rest of Iraq to control the water levels and to generate electricity.

However, no consideration was given to the agricultural aspect of the Region. Therefore, Kurdistan is now experiencing great failings within this sector of industry, which clearly presents a significant opportunity in the future.

Kurdistan is in an interesting geoeconomic position, often described as weak because it is landlocked, yet a pivotal Region among many different states. Trade is a very important part of that pivotal aspect. How significant is trade between Kurdistan and the wider Middle East?

We have trade with Iran, Lebanon and the UAE. However, the greatest trade we have is with Turkey, owing to its high-quality



Further investment in industry will be needed to increase Kurdistan's exports

products and the improvement of our political relationship with it. Of the 1,170 foreign companies currently registered under the Investment Law, approximately 60 percent are Turkish.

Furthermore, Iraq has signed a total of 48 protocols with Turkey and is planning to construct two extra bridges over the Khabour River in anticipation of the huge increase of trade through the Ibrahim Khalil land port. The completion of the highway from Mersin to Zakho will also facilitate and encourage trade between these two countries.

Between May 2009 and May 2010, 1,444 new companies were registered with the KRG, a rise of almost 14 percent in one year. Of these, 105 were foreign companies. This increase emphasises the demand for investment and business within the Kurdistan Region.

What would you say to potential investors in order to encourage them to come to the Kurdistan Region?

Many people are under the impression that it takes a brave person to come from a foreign country and invest here in Kurdistan, but I disagree. Before I became minister and was in the private sector, I invested more than \$40 million from Turkey as a foreign investor to build an International Baccalaureate school in Erbil.

I recognize the Region as a safe haven for my investment: near-perfect security, fertile land, and an attractive business environment to enhance economic development. I'd encourage anyone who is thinking of investing to come and see for themselves what this Region has to offer – they won't be disappointed. ■

Encouraging investment



Professor Gareth Stansfield interviews Herish Muharam, Chairman of the Board of Investment for Kurdistan

How is trade and investment being encouraged, and what has been done to facilitate investment initiatives in Kurdistan?

We are keen as a Board to create opportunities for investment and, through enacted legislation, we now have a legal framework and institutionalized investment activities. It is clear not only to me, but to outsiders as well, that the Board of Investment in particular and the KRG in general are moving in two directions: one direction is to

mobilize the institutions so that they can absorb investment by relieving pressure on the potential investors, the other is by initiating activity under the Investment Law.

Can you explain the terms of the Investment Law and, particularly, whether local ownership is needed of companies' investments, as well as the environment that it creates to encourage investment?

The Investment Law was designed four years ago by the Board of Investment to give potential investors an incentive to come to Kurdistan. It offers foreigners, regardless of nationality and



The intention behind our investment strategies is to work in collaboration with investors to improve Kurdistan

religion, an equal opportunity they may not get elsewhere by promising freehold ownership of property and protection from compulsory partnership. Those involved with the passing of this Law carefully considered the environment of Kurdistan and the climate in which any potential investment will take place, as the aim is not only to generate money for Kurdistan's economy, but also to bring knowledge and experience to the Region.

Furthermore, the Board of Investment has taken steps to improve on the opportunities we present by holding discussions with our partners, attending conferences and through matchmaking exercises with our counterparts in other countries. We provide an entire support package, from the moment an investment proposal is submitted to the Board, right through to the monitoring and supervising of a project once it has been licensed.

Can you quantify the amount of investment in the Kurdistan Region?

Currently, there are 290 active projects, generating almost \$14 billion of investment. This consists of 25 percent foreign direct investment, five to seven percent for joint ventures (mixed domestic and foreign investments), and the rest coming from investors within Kurdistan. From this, almost \$3.5 billion worth of projects have been completed. Foreign direct investment is mostly from Arab countries, particularly the UAE and Lebanon, then Europe and the US.

What makes Kurdistan an attractive investment proposition?

The Kurdistan Region is a part of a very rich country, but the rest of Iraq is not quite ready to accept investment. The KRG therefore envisaged Kurdistan being a gateway to the rest of Iraq. This concept offers an attractive investment opportunity, but Kurdistan itself is also attractive. The KRG has a legal framework that gives full protection while being open-minded and fully flexible when dealing with potential investors. Moreover, the KRG's willingness to acknowledge and fight corruption within the Region is another attractive quality.

What opportunities are arising that illustrate to potential investors why Kurdistan is an exciting place to be over the next five years?

So far, we have been trying to use the legal framework we have implemented to overcome social problems, such as housing. The Board of Investment has developed an initiative to support low-income families in owning a house, dramatically improving the lifestyles of communities. Another sector in which we have made improvements is that of power and electricity. This illustrates how Kurdistan has successfully turned its shortcomings into opportunities for foreign investment.

Moreover, I can easily separate Kurdistan's investment activities into two categories; investment projects with quick returns, such as the building of houses, and long-term investments, such as the building of five-star hotels. These long-term opportunities help to promote the region of Kurdistan by making it an attractive place to visit and, ultimately, invest in.

Agriculture is an area that desperately needs to be developed. The Board of Investment is currently working in collaboration with community-based organisations to support farmers in going back to their villages, introducing them to the investors who have purchased the land and encouraging them to work as farmers for them. The result is that farmers earn a better wage and achieve a better standard of living while increasing the level of productivity within the Region.

Any final thoughts?

Kurdistan should be considered as a model for how countries should be 'living together' in the Middle East. There are many aspects that are developing quicker than was to be expected, such as democracy, which helps our government to operate in a more effective way. Currently, a large proportion of the region's natural resources is not being utilized to best advantage and we are keen to develop strategies to overcome this. The intention is to work in collaboration with investors to improve Kurdistan, and we will do this by sending out the real message rather than a misleading one. ■



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10 - 13 APRIL

GITEX SAUDI ARABIA & COMPUTER SHOPPER
16 - 19 MAY

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16 - 19 MAY

SAUDI ELENEX, LUMINEX, AIRCON & WATERTech
29 MAY - 1 JUNE

SAUDI BUILD - THE PMV SERIES
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19 - 22 SEPTEMBER

SAUDI BUILD & SAUDI STONE-TECH
16 - 19 OCTOBER

SAUDI PRINT, PACK & PLAS
28 NOVEMBER - 1 DECEMBER

SAUDI SIGN & GRAPHIC
28 NOVEMBER - 1 DECEMBER

MAKINAT SAUDI ARABIA
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RIYADH MOTOR SHOW & SAUDI AUTOSHOP
11 - 15 DECEMBER

Beirut - Lebanon



BEIRUT BOAT
18 - 22 MAY

PROJECT LEBANON
31 MAY - 3 JUNE

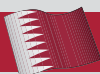
ENERGY LEBANON
31 MAY - 3 JUNE

OUTDOOR LEBANON
22 - 26 JUNE

ARAB REGULATORS AND INSURERS FORUM
17 - 18 OCTOBER

MAKINAT LEBANON
6 - 9 DECEMBER

Doha - Qatar



PROJECT QATAR
2 - 5 MAY

ELENEX QATAR
2 - 5 MAY

MAKINAT QATAR
2 - 5 MAY

HEAVY MAX
2 - 5 MAY

QITCOM
24 - 26 MAY

DIYafa
22 - 24 NOVEMBER

Kuwait City Kuwait



GCC POWER
20 - 24 NOVEMBER

Amman - Jordan



PROJECT JORDAN
9 - 12 MAY

ELENEX JORDAN
9 - 12 MAY

JOB FAIR
21 - 23 JUNE

Erbil - Iraq



PROJECT IRAQ
19 - 22 SEPTEMBER

PMV IRAQ
19 - 22 SEPTEMBER

ELENEX IRAQ
19 - 22 SEPTEMBER

MAKINAT IRAQ
3 - 6 OCTOBER

IRAQ MEDICARE
4 - 6 OCTOBER

ERBIL INTERNATIONAL FAIR
24 - 27 OCTOBER

IRAQ AGRO-FOOD
21 - 24 NOVEMBER

Building relationships across borders

An interview with Falah Mustafa Bakir, Head of the KRG's Department of Foreign Relations

Minister Bakir, as you know, investors and private-sector representatives attach great importance to the ability of the Kurdistan Region to maintain strong relations with members of the international community. Can you tell us about the development of the Department of Foreign Relations and its role within the KRG?

The Department of Foreign Relations (DFR) came about because of a growing need to better coordinate our interaction with foreign representatives and visitors. It was, in many ways, a natural progression, and I believe that the department now serves an important and unique purpose for the KRG. Personally, it has been a pleasure and an honor to participate in a critical aspect of KRG policy, creating partnerships overseas and strengthening friendships with key allies, in coordination with Iraq's federal Foreign Ministry.

An example of this is the rapid expansion of diplomatic representations posted in Erbil, the capital of the Kurdistan Region. There are now 20 such offices, including consulates general, embassy offices, trade offices, and honorary consuls. The DFR promotes and facilitates the activities of diplomats in the Region, and I believe that their presence and their contributions have begun to make a positive and tangible impact on our citizens. This can be seen through workshops and seminars, visa services, and cultural and educational programs all offered by diplomatic offices.

A separate aspect of the DFR mandate includes the supervision and coordination with KRG offices overseas, which now number 11. Our offices in the United States, the United Kingdom,



Falah Mustafa Bakir

Belgium, Germany, France, Italy, Sweden, Spain, the Islamic Republic of Iran, Switzerland, and Australia have proved very useful in spreading the word of the success and economic opportunities to be found in the Kurdistan Region.

The DFR also serves as the liaison point for coordination with the United Nations, its agencies, and other international organizations or non-governmental organizations.

Two principle duties define the Department: facilitation of the visits of official delegations, and policy work for the stance of the KRG as it interacts with the outside world. Our Department deals primarily with diplomats, and the establishment of strong ties has proved to be an important part of the KRG strategy. I believe diplomacy and economic activity go hand in hand, and the KRG is fully aware of the importance of its diplomatic arm in promoting foreign investment and future prosperity.

What has happened within the past year in terms of the Kurdistan Region's relationships with the outside world?

The past year has brought important developments in our relations with the outside world. Kurdistan Region President Masoud Barzani has been extremely active, recently visiting the heads of state in France, Germany, Italy, Austria, Turkey, Egypt, Jordan, Saudi Arabia, Lebanon, the United States, the United Kingdom, and others. The United States ended its combat operations in Iraq, amplifying the importance of its diplomatic activity here. The Department of Foreign Relations assisted in the drafting of a Letter of Intent between the KRG and France, signed by President Barzani and French Foreign Minister Bernard Kouchner earlier this year, designed to further strengthen this important partnership.

Prime Minister Barham Salih led a high-profile delegation at the KRG Trade and Investment Conference in London, arranged by the KRG-UK office in coordination with our Department. The conference was a resounding success and helped to raise our profile as a strong economic player in the Middle East.

Egypt and Jordan have both opened full consulates general in Erbil. These decisions are a very important step forward for our relations with the Arab world, and were achieved after President Barzani visited both countries.

Along with a number of important visits abroad, the KRG received guests from around the world interested in building partnerships, exploring economic opportunities, and developing stronger political ties. Several trade ministers, including those from Turkey, Sweden, the United Arab Emirates, Jordan, the Czech Republic, Lebanon, and Germany, have all traveled to the Region recently with large business delegations. The US Vice President Biden and several delegations of US political and defense officials conducted repeated visits. The DFR has expanded considerably as the quantity and diplomatic level of guests continues to increase, reflecting the growing importance of the Kurdistan Region on the geopolitical map.

Your department has earned a reputation as the 'conduit' between the KRG and international representatives. Can you describe the experience of a visiting delegation in the Kurdistan Region?

The Kurdistan Region, as part of Iraq, inherits an image that does not accurately portray the real situation on the ground. For this reason, visits are of enormous importance, and the KRG encourages delegations to see the reality. We coordinate closely with the visiting government's foreign ministry, including reviewing options for specific site visits and particular sector-specific areas of interest. The DFR also ensures that the delegation absorbs some of our culture, usually including a visit to the Citadel and a chance to enjoy Kurdish cuisine, in addition to official meetings.

The department has a Protocol and Delegations Directorate to handle logistics and maintain continued communication, and an International Relations Directorate to address substantive matters with foreign representatives on a daily basis. Separately, our International Organizations Directorate takes the lead on the visits and programs of the United Nations agencies and non-governmental organizations.

Arranging these visits requires attention to protocol, but also careful attention to the content of the visit, so that our guests

obtain a true sense of the Region while engaging in the right sort of meetings. It has been my pleasure to ensure that visiting delegations truly understand the Kurdistan Region. In many cases, communication and substantive follow-up with guests after such visits is as important as the visit itself. The DFR is always available to explain the policy and the developments of the Region to our friends overseas and follow up on matters of mutual interest.

One of the privileges of my position is to welcome and bid farewell to our guests. The most common reaction is the genuine appreciation of our progress, stability, and prosperity, which is often a pleasant surprise for delegations. Visitors from near and far are amazed that this is happening in Iraq, and I don't think they would have believed it had they not seen the Kurdistan Region with their own eyes.

Do you have a message that you would like to extend to our readers and to potential investors based on your experience as Head of the Foreign Relations Department?

The KRG has been developing this Region and the concept of a safe, investor-friendly environment since 1992. We have encountered many obstacles and efforts from the former regime to thwart our progress. In the last several years, our government and our people have been able to really grow and explore our options for a stronger economy and a better life. And although there are still challenges ahead, I believe we have a clear vision and strong leadership to guide us towards a stable and prosperous future.

The current situation in the Kurdistan Region is the result of many decades of hard work and struggle. I am pleased to invite investors, business people, government officials, and diplomats to come to the Region and share in our success. ■



Falah Mustafa Bakir welcomes US Vice-President Joe Biden to the Region in 2009

Turkish investment: developing durable relationships



Trucks and tankers queue on the Turkish border to bring their goods into the Region

An interview with Aydin Selcen, Consul General for the Republic of Turkey in Erbil

Please give a brief overview of the current economic relations between the Kurdistan Region and Turkey.

Currently, the bilateral business volume with the region is US\$6 billion. Our export volume to Iraq in 2010 was \$7.5 billion, of which 70 percent is to Iraq's Kurdistan Region (IKR). More than half the registered foreign businesses in IKR are from Turkey. In other

words, 741 companies from Turkey are based in Erbil. So, if you take IKR as an independent entity, for statistical purposes, it will easily be amongst the top 10 business partners of Turkey.

As Consul General, what targets did you set in order to strengthen the relationship between the Kurdistan Region and Turkey?

Turkey is one of the fast-developing nations. Our economic growth rate in 2010 is 8.9 percent. So, economically speaking, we had high

aspirations for the future of our bilateral relations. Firstly, we noticed the need for Turkish banks within the IKR. Now, in agreement with Ankara and Baghdad, three of the biggest Turkish banks established fully operational branches in Erbil; Ziraat Bankası, Vakıflar Bankası and Is Bankası. Secondly, it was imperative that Turkish Airlines (THY) offered regular flights to and from the region. THY Istanbul-Erbil flights start on the 14th of April 2011. This in addition to ATLAS Jet which already flies seven days a week to IKR from Istanbul.

What other significant developments are you working on?

The Habur border gate, between Zakho and Turkey, was rehabilitated a couple of years ago by the Union of Turkish Chambers of Commerce (TOBB.). However, today we have less than full capacity with regard to transportation levels even though we have more than 1,500 trucks and 800 private vehicles crossing from each side to the other per day. It is our intention to significantly expand on this by increasing the number of customs officials and operate a 24-hour, seven-days-a-week, service. Additionally, the building of an adjacent bridge to the one used for inbound traffic from Iraq is envisaged.

Furthermore, there are already four Turkish oil companies based in the Region—Genel Energy, Petoil, Petroquest and Dogan Energy. In terms of development, though, it is extremely important that we connect the oil and gas resources available in Iraq to Turkey, starting with our neighbouring region.

In terms of Turkish investment opportunities in the Kurdistan Region, what developments do you consider the most successful, and where has there been room for improvement?

In terms of success, the Turkish construction industry is by far our greatest development, being rated as number one, contractually speaking. In addition to new infrastructures, sanitation-irrigation projects and dams, a vast majority of buildings in IKR have been built by Turkish construction companies. Both Erbil International and Sulaymaniya airports are examples of just a few accomplished projects.

However, despite our strength in contracting and trade within the Region, we were not so significant in direct investment until recently. Among the few investments cited were Erbil Steel and Bilkent International School—both investments are worth \$40 million each. We needed to encourage more Turkish investors to come to the Region. By the end of 2010, the Turkish investment volume had significantly increased, with a target to surpass \$1 billion by the end of 2011. This was a result of direct investment in construction material factories together with health sector.



Turkey's Prime Minister Recep Tayyip Erdogan is welcomed to the Kurdistan Region by President Masoud Barzani

Looking forward, what are the challenges and opportunities that lie ahead for Turkey and the Kurdistan Region?

Things are looking very positive for the future. Relations between Turkey and the Iraqi Kurdistan Region have improved significantly. The visits by the Turkish Prime Minister, Mr Recep Tayyip Erdogan, to Erbil in March 2011 and by President Masoud Barzani to Turkey in June 2010 were both of historical importance. In 2010, Turkey's Foreign Interior and Foreign Trade Ministers each twice visited Erbil, and the National Education Minister visited once. There were also visits by the Governors of Mardin and Adiyaman provinces.

We are continuously working towards diversifying and developing durable and sustainable relationships. Turkey's overall target is full economic integration with Iraq, as cited by our Prime Minister during his visit to Baghdad. However, the biggest challenge that still lies ahead is the fight against terror, even though we are working together to resolve this. We are not stuck in the past, but looking forward to a better future. ■

London conference places Kurdistan center stage

The Kurdistan Trade and Investment Conference 2010 in London confirmed the KRG's commitment to promoting international commerce, writes Tom Hardie-Forsythe

I first entered Kurdistan in Iraq in March 1991. Then I was a British Army officer, part of Operation Safe Haven. Our mission was to protect the tens of thousands of people who had run for their lives into the mountains, pursued by Saddam Hussein's forces. The surrounding landscape was like a moonscape, rubble and yet more rubble, due to the destruction of over 4,000 villages in Saddam's Anfal genocide campaign against the people of the Kurdistan Region. What I could not see then was the true backdrop of a people possessing both remarkable resilience and a capacity for more than just survival.

Nearly two decades later, having spent some time as both willing player and observer in a remarkable transformation of this land—engineered mainly by astute KRG management in partnership with international agencies, NGOs, and business interests—I found myself sitting in a hotel lounge in the City of London, reminiscing about how much has changed. I said to Bayan Sami Abdul Rahman, the KRG's High Representative to the UK, "In 1991, we could barely get six people in a room to talk about Kurdistan." "Now we have 600!" she replied.

These were the delegates who gathered in London for the Kurdistan Trade and Investment Conference in June 2010. They came to hear from the KRG and the private sector about why they should do business with the Region. It was a testament to the KRG's seriousness in promoting international commerce that Prime Minister Barham Salih and seven of his cabinet ministers came to speak at the conference.

While trade delegations from around the world have visited Kurdistan and our chambers of commerce have traveled extensively, the KRG wanted to introduce the Region to companies and journalists that had not yet visited or knew little of it.

Bayan Sami Abdul Rahman organized the conference knowing that there would be some interest in our emerging market, but she and her colleagues were thrilled when the conference became oversubscribed and full to capacity.

The two-day event had a buzz, with delegates milling around in the breaks and journalists from CNBC, the BBC, *The Guardian*, *The Wall Street Journal*, and the newswires interviewing the high-profile speakers in the press room. The British, international, and Middle Eastern media were particularly keen to interview Prime Minister Salih and the Minister of Natural Resources, Dr Ashti Hawrami.

Among the other speakers were American and Emirati government officials, including Baroness Wilcox, Baroness Symons, Baroness Nicholson, and Foreign Office Minister Alistair Burt. The conference gave Burt and Baroness Nicholson added encouragement to visit Erbil for the first time, and both have now seen it for themselves.

In the planning, the KRG felt it was important for Kurdistan's private sector to be out in force. Delegations from Kurdistan's chambers of commerce and the Contractors Union flew in, and the chairman of mobile operator Asiacell—one of the Region's biggest companies—addressed the conference. It was also vital to show that Kurdistan is by no means a backwater. Representatives from HSBC, Lafarge, Pepsi-Cola Bottling, YouGov, and Austrian Airlines talked about the success they have enjoyed so far as multinationals that have made an early entry.

It was heartening to see senior figures in the Iraqi government showing their support for the Kurdistan Region's ambitions. In their speeches, Fawzi Hariri, Iraq's Minister of Industry and Minerals, and Dr Sami Al-Araji, chairman of Iraq's National Investment Commission, confirmed that Kurdistan is the safe and secure gateway to doing business in the rest of Iraq.

I chaired a session on agriculture and spoke at another on governance. Any perception that the only serious interest at the



Images from the London conference: (from top right) Prime Minister Barham Salih gives his speech; Bayan Sami Abdul Rahman, KRG High Representative to the UK, speaks to delegates; Dilshad Barzani, KRG Representative to Germany, with his counterpart in the United States, Qubad Talabani

conference was in hydrocarbons was soon dismissed by the high attendance at these sessions and subsequent follow-ups.

The Minister for Higher Education and Scientific Research, Dr Dlawa Ala'Aldeen, spoke honestly about the challenges he faced and the commitment of the KRG to improving education and research standards. On the back of the conference, representatives from Sheffield Hallam and Leicester universities are now visiting Erbil and discussing exchanges, training, and

Kurdish research applicants. Also, the Ministry of Agriculture and Water Resources, in partnership with Kurdish landowners and farmers, later sponsored a stand at the World Fruit and Vegetable Expo in London.

Kurdistan opened up to the world in earnest from 2003. The London Conference was an important milestone, signaling a new and even more ambitious stage of development, and pointing the way ahead to even more exciting possibilities. ■

Representing the Kurdistan Regional Government in London

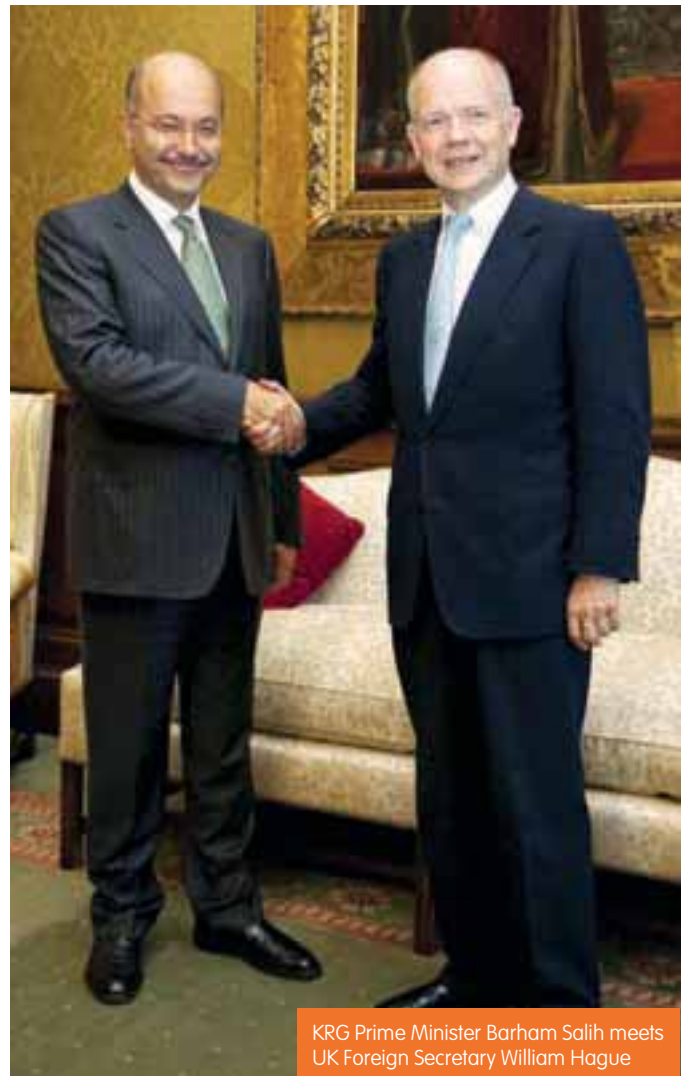
Bayan Sami Abdul Rahman, the KRG's High Representative to the UK, describes the deepening relationship between Kurdistan and Britain

I first returned to Kurdistan in 1992 as a fledgling reporter, after growing up in exile in the UK. I visited many places, including Halabja, a city in rubble with families living among the ruins and munitions shells. Four years earlier, Saddam's forces had bombed the city with conventional weapons before attacking it with chemicals, killing 5,000 people and injuring thousands more. At the time of the attack on Halabja and other Kurdish communities in Iraq, the Kurdish diaspora in Britain held demonstrations and lobbied the British government, parliament and media. It seemed that our appeals to stop Saddam Hussein's genocide campaign, and to help our fellow Kurds, fell on deaf ears.

Much has changed since then. Iraq has been liberated by the UK, US and others that joined the coalition; Saddam is no longer; and Iraq's parliament and Supreme Court have recognised both the attack on Halabja and the Anfal operation as genocide. British MPs and peers mark the anniversary of the genocide in parliament annually.

There is still a great deal to do, but it is fair to say that Kurdistan has been transformed and that the transformation has been noted by the UK government, parliament, business community and institutions. Several high-level visits on both sides since the liberation in 2003, numerous trade delegations, and engagement by institutions reflect deepening diplomatic ties between Kurdistan and Britain.

In 2005, I was appointed the KRG's High Representative to the UK. The office, with a young and determined team, is a dynamic and active diplomatic mission in London. The job is made all the



KRG Prime Minister Barham Salih meets UK Foreign Secretary William Hague



Prime Minister Salih, UK Minister for the Middle East and North Africa Alistair Burt and Bayan Sami Abdul Rahman



Bayan Sami Abdul Rahman speaks at the KRG London trade conference in June 2010

easier by Kurdistan's historic links with the UK, such as with Britain's three main political parties and some of its leading political figures, whose interventions in Iraq have saved lives. Furthermore, in the current KRG cabinet, the Prime Minister and three ministers were educated in the UK.

Besides maintaining relations with the Foreign and Commonwealth Office, the KRG UK Representation works with the British government's investment arm, UK Trade and Investment (UKTI), as well as with several trade associations, universities, think tanks, cultural organizations and non-governmental organizations (NGOs). Some examples include the Westminster Foundation for Democracy, the National School of Government, academic institutions such as the University of Exeter, and the Sports Council for Wales.

The Representation is based in London, but endeavors to deepen the links between Kurdistan and Scotland, Wales and Northern Ireland, as well as England and the UK as a whole. The most recent example of this is a visit by our office to Belfast in September 2010 to meet Northern Ireland's trade minister, which was followed by a visit to Kurdistan by Invest Northern Ireland, the region's leading investment promotion unit.

Increasingly, Kurdistan's pivotal role in Iraq and the Middle East is being recognised in the UK. Kurdistan is part of Iraq and at the heart of the Middle East; it is at the crossroads of Shia and Sunni Islam, and home to Christians and Yazidis.

The Kurdish leadership has shown its ability to help fellow Iraqis out of a crisis or stalemate. For example, Kurdistan has become a safe haven for Christians escaping the violence in other parts of Iraq. Another recent example is President Barzani's

initiative to bring the Iraqi political blocs together to form a government after eight months of deadlock, a move welcomed by Britain's Foreign Secretary, William Hague.

British companies are also increasingly seeing Kurdistan as a peaceful, vibrant destination for investment, and as the commercial gateway to Iraq. UKTI led the largest British trade delegation to Kurdistan in October 2010 to participate in the Erbil International Trade Fair, a breakthrough that followed the successful Kurdistan Trade and Investment Conference in London a few months earlier.

In another sign of strengthening relations, the British Embassy Office in Erbil will be upgraded to a full consulate, and a UKTI member of staff has been appointed to the office.

Our message to Britain has been that it is in her strategic interest to engage with Kurdistan—a fledgling democracy in a region with few examples of multi-party systems, elections or commitment to dialogue and consensus. As one British MP recently observed, the coexistence of the various communities in Kurdistan—Kurds, Turkmen, Caldo-Assyrians, Muslims, Christians, Yazidis and other sects and religions, and respect for Judaism—makes Kurdistan a rare example of tolerance and diversity in the Middle East.

This message of peace, progress and shared interests is at the heart of the KRG UK Representation's work in London.

I have visited Halabja many times since 1992, most recently with a group of British MPs and peers. Following their visit, they pledged to work towards international recognition of the Kurdish genocide—illustrating just how far we have come in raising Kurdistan's profile in Britain. ■

Building a hub for shopping and tourism

Vian Rahman, of the Kurdistan Regional Government's UK Representation, describes how the expanding retail and leisure sectors are driving investment in commercial property

New commercial buildings are changing the face of Kurdistan's cities for residents, business people, and tourists alike. The market's main trend is currently toward retail—such as hypermarkets, shopping malls, and specialist stores—and restaurants, leisure facilities, and hotels. The retail culture in the Kurdistan Region is strong and becoming more powerful, with high per-capita expenditure on consumable goods, food, and entertainment. There is slower, but steady, growth in office and business premises, although many companies still use residential buildings as office space.

Since the liberation of Iraq in 2003, the commercial property market has changed completely. In effect, there was no commercial market as most businesses were run from large dwellings, and a few large buildings were run as hotels. Now a complete turnaround is well under way, with foreign architects bringing good designs to the market. Developers from both Kurdistan and abroad are, for the first time, using international business models for their projects.

Factors influencing the market include a chronic shortage of retail and business premises. Iraq's former Ba'ath regime intentionally held back economic progress in Kurdistan, and the Region was under a double embargo in the 1990s. Since 2003, the private sector, supported by the Kurdistan Regional Government (KRG), has been building in earnest. Demand has been fueled by the KRG's policies on hydrocarbons, a liberal investment law and project licensing. Kurdistan's business community and middle classes now travel more frequently and have begun to understand the benefits of first-class commercial property.

Two of the largest commercial property projects under construction are Empire World, covering one million sq m and

being developed by the Kurdish company Falcon Group, and a 100,000sq m development by Kuwaiti firm KREDCo. Meanwhile, in the capital, Kurdish conglomerate Ster Group is developing a high-rise office block, the Ster Tower.

Kurdistan's business community is showing remarkable ambition, a willingness to take risks with its capital and a drive to catch up with the Region and the rest of the world. In just a few years, Erbil, Sulaimania, and Dohuk have become famous throughout Iraq for their leisure and shopping facilities. Historically, Kurdistan has had a healthy domestic tourism industry, but now there are the added attractions in the cities. Hewa Group's Majidi Mall in Erbil and several other smaller malls across the Region are drawing the middle classes and visitors by selling international retail brands such as Mango, Ecco, Chopard, Diesel, and Levi's, and offering the novelty of supermarket shopping. Majidi Mall is modeled on Turkish shopping complexes, but Hewa Group is planning to build a second mall modeled on western European shopping and leisure complexes, in partnership with British commercial property consultancy firm BTWShiells.

Within the leisure sector, the capital's best-known theme park is Family Fun, to which owner Darin Company plans to add a shopping center, ice rink, cinema complex, and bowling alley. The mall will include France's Carrefour, the world's second largest hypermarket chain. Such big names, either directly or through their Middle East franchise licensees, are now showing that they have confidence in Kurdistan, as a market in its own right and as a safe foothold for launching into the rest of Iraq at a later stage.

As Kurdistan has turned itself into a hub for leisure and business visitors, hotels and motels fill up quickly at peak times. This has attracted international hotel operators, which will soon help to fulfill some of the peak-season demand. The Kurdistan Regional Government's Board of Investment is keen that the high-end hotel builders have agreements with established operators at an early stage, to ensure they will be properly managed.

Kurdistan's business community is showing remarkable ambition, a willingness to take risks and a drive to catch up with the Region and the rest of the world



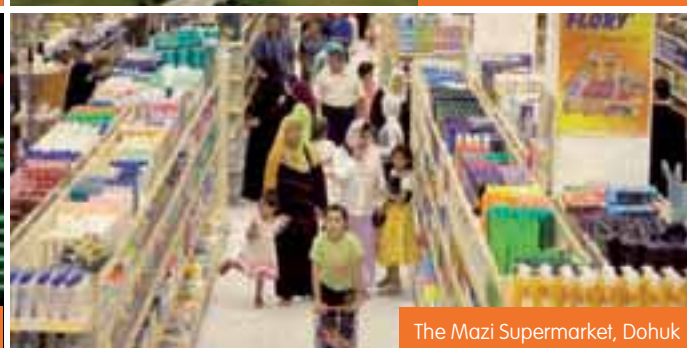
New shopping complexes are modeled on successful developments abroad



Shandihar Park, Erbil



Family Mall, Erbil



The Mazi Supermarket, Dohuk

In Sulaimania, hotel chain Millennium and Copthorne has made an agreement to operate a trio of four- and five-star hotels that are being built by the Kurdish company Faruk Group Holding. In Erbil, Lebanon's Rotana Hotel is nearing completion, and Turkish operator Diwan will manage another new hotel that is currently under construction.

As in most places, build costs fluctuate mainly with the prices of global commodities, steel, and cement. However, the Kurdistan Region remains favorably priced in comparison to Europe, the United States, and neighboring countries. For developers and landlords, average rates of return on sales and rents are higher than the European and US average in most commercial property sectors.

Turkey has had a major influence on commercial property, especially since the strengthening of political ties. Most advanced materials are brought in from or via Turkey, and the majority of large-scale government and private projects have an element of Turkish involvement. Charges are higher than those of their Iraqi counterparts, but a commensurate and welcomed increase in quality has been achieved.

The challenges of investing in commercial property are in understanding the market dynamics when there is a lack of data, and finding good local partners that have international standards of practice and business modeling. The opportunity presented is a greenfield area possessing exponential growth potential and with pro-market conditions and regulations. ■

Opportunities in financial services



Vian Rahman highlights the potential for investment in the Kurdistan Region, covering areas ranging from insurance and banking to mortgages and loans

If you drive around Kurdistan's cities for the first time, you might be surprised at the number of shiny new SUVs and sedans on the roads, a sign of the affluence that some of the residents are now enjoying. What's equally surprising—indeed alarming—is that very few of the cars, whether new or older, are insured.

The Kurdistan Regional Government is making efforts to rectify this situation. A state-owned insurance company in had

been in existence before the 1990s, but this disintegrated following the upheaval of the Gulf War. The KRG Ministry of Finance has established a national insurance company with capital of \$3 billion, and has also licensed three private insurance firms. One of these is StarKar Insurance, which launched in 2007 and is owned by the Kurdish Ster Group.

While, for most insurance needs, people will be able to choose from either the state company or private firms, third-party liability insurance will become mandatory and will have to be taken out with the government. Such a car insurance scheme already operates across the rest of Iraq.

Banks need to be willing to take more risks and publicize the benefits of their services

For business insurance, firms can use local or foreign insurance brokers, as long as the brokers have offices or branches registered in the Kurdistan Region. The only international broker to be licensed in Iraq so far is Anglo Arab Insurance Brokers (AAIB), which recently made an agreement with global insurance services company Marsh on energy, power and aviation insurance for Iraq.

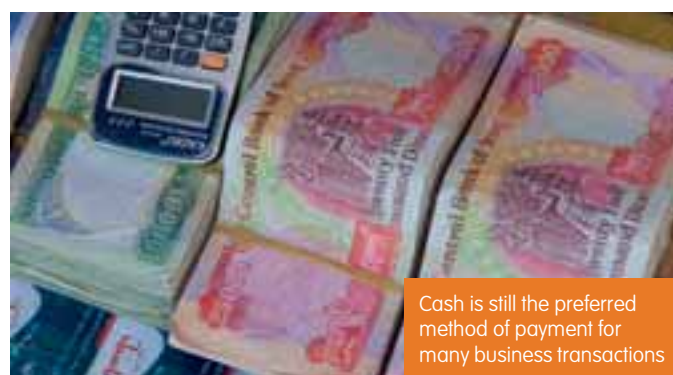
Currently, policies are rare not only for vehicles, but also for life, health, home and building, travel, and other needs. Therefore, the opportunities are many. The challenge is to raise public awareness of the benefits of insurance relative to its cost.

Banking services are far more established than insurance. There are currently more than 80 state and in excess of 50 private bank branches in the Kurdistan Region. Trade Bank of Iraq (TBI), which was established by the federal government in 2003 to link Iraq with international banks, provides letters of credit and project finance loans. It arranged finance to Mass Global to develop three power generation plants in the Kurdistan Region, which has transformed the provision of mains electricity from around four hours to 20 hours a day.

However, while banks are functioning relatively well for trade finance and transactions, many of the private banks have low loan-to-deposit ratios. The Iraqi system's assets are still dominated by the state-owned banks Rasheed and Rafidain, according to a 2007 USAID report on Iraq's banking system. Nevertheless, foreign banks still recognize the value of entering the Kurdistan Region and Iraq. HSBC is already present under the Dar Es Salaam name, and Standard Chartered Bank, which has a representative in Erbil, is considering opening a branch there.

The Lebanese have already decided to use Kurdistan as the launch pad for their Iraq operations, with Byblos, BBAC and Intercontinental. Turkey's VakifBank, Isbank and Ziraat are also planning branches, on the back of the very high volume of trade that Turkey enjoys with Kurdistan.

Nevertheless, the development of financial services is patchy. While the presence of banks is increasing, the few ATMs that can be found in Kurdistan often don't function. This is partly because, so far, the number of bank accounts held by the general



Cash is still the preferred method of payment for many business transactions

public is low, so the habit of going to ATMs hasn't yet taken hold. People are used to keeping large sums of money at home and investing it in land and property, rather than in savings or stocks, and many business deals are still transacted in cash. The Islamic hawala system of foreign exchange, based on trust, remains strong and can be found in every city. So, for banks to make the most of the opportunities, they need to be willing to take more risks and publicize the benefits of their services.

Government initiatives may also help to change perceptions and the reliance on ready cash. The KRG is offering 10-year mortgages from a housing fund to enable government employees and low-income families to buy new homes built by private developers. Although this is a government scheme, it is opening people's eyes to the opportunities offered by mortgages and loans, and private lenders should eventually feel the benefits.

Kurdistan's ambitious pro-market policies include setting up an Erbil Stock Exchange. Licensed in February 2010, this will be based on the model used in Dubai and Abu Dhabi. It will offer greater flexibility for foreign investors, facilitate the Region's credit flows, and stimulate links to the international business community.

Financial services currently account for only around two per cent of all business in the Kurdistan Region. With a growing private sector needing more services, and greater contact with other countries creating a more sophisticated consumer, the financial services sector is likely to grow significantly. ■



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