THE KURDISTAN REGION

INVEST IN THE FUTURE

AN OFFICIAL PUBLICATION OF THE KURDISTAN REGIONAL GOVERNMENT

2009









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Contents



FOREWORDS

12 **Welcome**
HE President Masoud Barzani

20 **Good Business Sense**
Bernard Kouchner, French Foreign Minister

22 **A Positive Outlook**
Rt. Hon. David Miliband MP
U.K. Secretary of State for Foreign and Commonwealth Affairs

23 **A Beacon of Stability**
The Hon. Lincoln Davis, Member of the United States Congress, Co-Founder, Kurdish American Caucus, and
The Hon. Joe Wilson, Member of the United States Congress, Co-Founder, Kurdish American Caucus

24 **The International Community and the Kurdistan Region of Iraq**
Minister Falah Mustafa Bakir, Head of the Kurdistan Regional Government's Department of Foreign Relations

29 **Towards Stability**
Michael Ignatieff, Leader of the Official Opposition, Parliament of Canada, Ottawa

INTERVIEW

30 **Creating a Bright Future For All**
Professor Brendan O'Leary interviews Prime Minister Nechirvan Barzani

OVERVIEW BY PROFESSOR BRENDAN O'LEARY

38 **Kurdistan: a History**

41 **Making a Federation**

44 **Hope Tempered By Anxiety**

46 **The U.S.: Leaving Iraq**

WHY INVEST IN KURDISTAN?

48 **Developing a Dialogue**
Gareth Stansfield

51 **Profiles**
Dr. Barham Salih, Deputy Prime Minister, Iraq and Hoshyar Zebari, Minister for Foreign Affairs, Iraq

SECURITY, LAW AND DEMOCRACY

52 **Securing Kurdistan for all its People**
Professor Brendan O'Leary

56 **Lawful Kurdistan**
Prime Minister Nechirvan Barzani

60 **The Dispute Over Kirkuk**
Liam Anderson

PROMOTING ECONOMIC GROWTH

62 **The Ministry of Planning**
Professor Brendan O'Leary interviews Minister of Planning Osman Shwani

64 **Economic Development and Investment Opportunities**
Dr. Zeki Fattah

66 **Investment Board of the KRG**
Professor Brendan O'Leary interviews Herish Muharam, Chairman of the Investment Board of the Kurdistan Region

68 **Banking**

70 **Turkish Investment**
Aydan Kodaloglu

72 **Promoting Business**
Yasmin Motamedi

FORGING PARTNERSHIPS

74 **United States Representation**
Qubad J. Talabani, KRG Representative to the U.S.

75 **United Kingdom Representation**
Bayan Sami Abdul Rahman, KRG High Representative to the U.K.

KEY SECTORAL DEVELOPMENTS

76 **Viability, Stability, Prosperity**
Riad al Khouri

NATURAL RESOURCES

78 **Revenue Sharing**
Dr. Ashti Hawrami

80 **Hydrocarbon Resource Management in a Federal System**
Professor Brendan O'Leary interviews Dr. Ashti Hawrami, KRG Minister for Natural Resources

93 **DNO: a Case Study**
Bayan Sami Abdul Rahman

94 **The Authority of the Kurdistan Regional Government over Oil and Gas under the Constitution of Iraq**
Professor James Crawford, SC, FBA, LLD

96 **Proven and Potential Oil Reserves**
George Yacu

98 **The KRG, Iraq, Oil and Gas**
Jonathan Morrow

100 **Energy and External Investors**
Jeremy Asher

102 **Powering Up Kurdistan**
Professor Brendan O'Leary interviews Hoshyar Siwaily, the Kurdistan Regional Government's Minister of Electricity

108 **Making Kurdistan Green**
Stafford Clarry

110 **There's Gold in Them Thar Hills**
Michael Howard

INFRASTRUCTURE AND DEVELOPMENT

114 **Sulaimania International Airport**
Kamaran Ahmed

115 **An IT Revolution**
Botan Mahmoud Osman

118 **Internet and Mobile Provision**
Hiwa Afandi

122 **Construction**
Vian Rahman and Alexander Hardie Forsyth interview Imad Ahmad Sayfour, Minister for Housing and Reconstruction

123 **Sustainable Development in Kurdistan**
Dr. Anwar A. Abdullah

124 **No Longer Just Up in the Air: The Capital's New Airport**
Vian Rahman interviews Stewart Vickers, Technical Director of Scott Wilson

127 **Commercial Property**
Vian Rahman



128 **Healthy Options**
Michael Howard

130 **Public Universities: Challenges and Change**
Professor Brendan O'Leary interviews Dr. Mohammed Sadiq, President of Salahaddin University, Erbil City

HOW TO INVEST IN KURDISTAN

136 **Constitutional Development in Iraq: 2004-2009**
Professor Karol Soltan

138 **Opportunities Abound**
David Michael Tafuri

141 **Opportunities**
Stephen F. DeAngelis

CULTURE AND SOCIETY

143 **Tourists Size Up Something New**
Michael Howard

145 **A Taste of Tradition**
Agri Ismail

146 **Women Rise to the Challenge**
Michelle Grajek

147 **Sporting Ties**
Taha Barwary

148 **Religious Diversity**
Professor Hamit Bozarslan

149 **Community Relations**
Liam Anderson

150 **Developing Media**
Bayan Sami Abdul Rahman

151 **Lights! Camera! Action! Hollywood goes to Kurdistan**
Stephen LoCascio

154 **Directory**

170 **Advertiser Index**

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Headquarted in Erbil, **Wan Group** is the parent company for four different subsidiaries, each embracing its history of service excellence. The company continues to build upon its reputation for quality professionalism, strength and success.

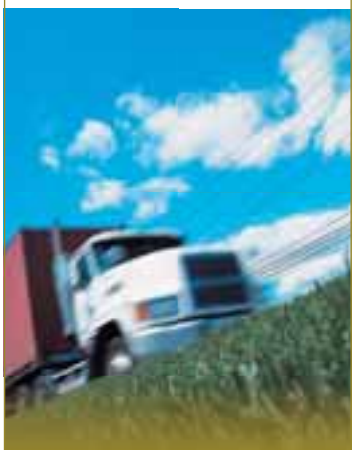
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OAGSG runs an operational service yard in outer Ainkawa (Erbil) with a machine shop, training facilities and other related services.





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HE President Masoud Barzani

Welcome



I AM VERY pleased to welcome this publication, which is addressed to our friends, to the curious, and to the prospective investor. As I do so, the people of the Kurdistan Region and its political parties are preparing for the next regional elections in our vibrant democracy. I hope the people will participate in this election in large numbers and freely vote for those they believe are best capable of serving the people: 40 political entities have registered with the Electoral Commission.

In the popular uprising of March 1991, in the town of Koye, I promised the people of Kurdistan that we would have elections so that the people could freely elect their representatives. For us, having elections is a fundamental principle. Everyone in Kurdistan enjoys this freedom and we are proud of what we have accomplished.

I have full faith in the people of the Kurdistan Region. I am confident our people know what is best for their future. I have urged the Independent Iraqi Electoral Commission to invite independent and international observers to monitor our forthcoming election so that no one can later question the results. I have also requested that the election of the President of the Kurdistan Region occur through a direct popular vote, and I have asked the Parliament to make preparations for this.

Since 1991 there have been many changes in the world, especially in the Middle East. Objectively, our Region is now of significant importance,



recognized and highly regarded around the world – an achievement that has not come cheap; it is the result of the struggle of our Peshmerga, the people of Kurdistan, and the sacrifices of our martyrs. We have major achievements to our credit in institution-building, and the growth of peaceful prosperity. Safeguarding these gains is the responsibility of every person in Kurdistan, including the political parties. It is true that the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) have shouldered the lion's share of this responsibility. So they are responsible for any ills, as well as for any achievements, and they both need to work to uproot these ills. It is natural that complaints are leveled at these two parties. However, their role must be fairly assessed. Thanks to the freedom that has been consolidated, people are free to criticize these two parties and their leaders. These two parties obtained their mandate from the people of Kurdistan. They can maintain this mandate, or lose it, only by the will of the people.

Positive Developments Since 1991

At the time of the uprising in 1991 there was only one university in the Kurdistan Region, namely the University of Salahaddin, which had seven colleges and 31 departments. It had a student population of 7,754 and teaching staff of 489. In 1991, there were only three technical institutes in the three cities of Erbil, Sulaimania and Duhok, which together had 14 departments. During the academic year 2008-2009, there were six public universities with 105 colleges and 382 departments. Today, there are 20 technical institutes and three technical colleges in the Region. Furthermore, 17 new colleges and 12 technical institutes have been opened to further develop science, the arts, the social sciences, and economics in a number of district and sub-district towns. There are several research centers in our universities that did not exist before: such as the Kurdistan Institute for Strategic Studies and Scientific Research, and the Medical Board. There are now 4,017 teaching staff with Masters and PhD degrees. They teach 76,371 students at our universities and institutes. Higher education is free for all students; the Kurdistan Regional Government (KRG) funds the education centers. There are also six private universities and two private colleges with about 7,000 students. These private universities and colleges are accredited by our Ministry of Higher Education.

Education has improved significantly since the days of 1991. Back in 1990-1991 there were only 1,320 schools, some 21,291 teachers, and 531,970 students. In 2008-2009, the number of schools has quadrupled to 5,482, the number of teachers quadrupled to 83,314, and the number of students has more than tripled to 1,329,542.

Since 1991 some 4,120km of new roads have been opened, and 8,690 km of road have been paved with asphalt. Since 1991 safe drinking water has been piped some 8,900km, and more than 4,030 water projects have been completed, including some strategic ones, such as the Ifraz project to supply Erbil, the New Dokan project to supply Sulaimania, the Mezne project for Mezne and Mergesor districts and the projects in Soran and Zakho. And since

We believe in justice, in coexistence, and in pluralism

1991, some 6,800km of sewage networks have been completed in cities and towns across the Region.

The health sector has also seen its share of development. Back in 1991 there were 27 government-funded general hospitals. As of the end of 2008, there were 49. In 1991, there were a total of 163 health centers; in 2008 the number was 740. In 1991, there were only 42 surgical wards; today there are 149. Before 1991 there were no private hospitals. Today there are 30 private hospitals, offering treatment in a variety of specializations. In 1991, there were 1,153 doctors. Today there are 3,226.

Between 1991 and 2007, 11 new power stations were installed. In 2008, the new Erbil power plant produced 500 mega watts (mw) of power. The first stage 750mw plant at Chamchamal will start operations shortly. In Duhok, work is underway for two fuel-powered power plants, as well as a hydropower plant. In the Khabat district, the construction of a 300mw thermal power plant is under implementation. Once complete, all these power plants will significantly reduce the shortage of electrical power in the Region.

The KRG is working on a number of other projects to further develop and increase power production. Since 1991, some 96 power distribution stations and 3,410km of power lines have been installed. So far, 450 districts, sub-districts and villages have been connected to the power grid. Power generators have been provided for remote villages and communities.

Renewal, Reform and Deepening Democratization

We are open to all calls for reform and renewal that emanate from inside Kurdistan. We believe in justice, in coexistence, and in pluralism. We believe in these principles and have striven to consolidate them in our society. We do not apply these principles because of external pressure, but because they are ours, and because they are right. We have been building a new government, committed to transparency, and the rule of law. We have public finance watchdogs and public finance integrity bodies. We are determined that the rule of law must be respected. Respect for human rights, especially for women's rights, has always been a priority for us. The killing of women, through so-called "honor killings" is a deplorable practice from our traditional culture and we must all work together to uproot this appalling practice. The KRG must not in any way behave contrary to the principles of human rights.

I recently learned from the Federal Iraqi Government's Ministry of Planning that poverty levels in the Kurdistan Region are much lower than other parts of Iraq. The KRG has always sought to improve the living conditions of the people.

THE PIONEERS
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DNO



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1001 Viking Leif Erikson was first to discover the Americas



1911 Explorer Roald Amundsen was first to reach the South Pole

1926 Explorer Roald Amundsen was first to reach the North Pole

2004 DNO was first to explore for petroleum in the autonomous Kurdistan Region of Iraq

DNO Iraq AS is a subsidiary of **DNO International ASA** which is listed on the Oslo Stock Exchange. DNO signed Production Sharing Agreements with the KRG in June 2004 and immediately commenced exploration activities in the Kurdistan Region of Iraq. With the success on the first exploration well, a fast track field development program was initiated. Crude processing facilities were secured and a 44 km pipeline has been installed to connect with the existing Iraq/Turkey pipeline infrastructure for export to international markets. Alternative facilities to load tankers at a rate of 40,000 barrels of oil per day are installed.

DNO commenced test production in 2007 from the Tawke field with 100% Iraqi personnel content. Effective training schemes are in place to further enhance competencies. Several hundred jobs have been created by DNO for the benefit of the local society.

DNO

www.dno.no

Revenues from oil and gas belong to all the people of Iraq, in all the regions and provinces

The report says that just 4 percent of people in the Kurdistan Region live below the poverty level, whereas in Iraq as a whole the figure is 23 percent.

The KRG provides services in all areas of the Kurdistan Region without discrimination. Arabs, Turkomens, Chaldeans, Assyrians, and Armenians are all important components of the Kurdistan Region, and their rights are guaranteed. We are all equals, and there should be no negative discrimination. The rights of all communities are guaranteed in the draft constitution of the Kurdistan Region. Eleven seats have been allocated to these communities so they can freely elect their representatives.

The Kurdistan Region and the Federation of Iraq

There have been well-advertised problems between the Kurdistan Regional Government and the Federal Iraqi Government. But I take this opportunity to reaffirm our commitment to the permanent Constitution of Iraq, and its Article 140. We will not accept alternatives to this article, which mandates a referendum on the status of Kirkuk and other disputed territories. We are right to be concerned about the treatment of Kurds outside our Region, in the city of Mosul, for example. We have the right to ask why the relevant parties have excluded us from participation in government in Mosul since the January 2009 provincial elections, but in Kirkuk the very same parties demand participation and consensus.

There has not been any progress on the draft Iraqi oil and gas law since 2007. The Baghdad Oil Ministry, judged objectively, simply by its performance, has been a failure; it has failed all Iraqis, not just the people of the Kurdistan Region.

In February 2007, there was agreement on a draft oil and gas law, and together with an accompanying letter, an annex. The annex letter said that if the draft law was not passed by the Iraqi Parliament by the end of May 2007, then the KRG would have the right to sign contracts under its own laws.

This draft law was approved by the Iraqi Council of Ministers, and then sent to the Iraqi Shura Assembly (a state council advisory body). Under the pretext of rephrasing language in the draft, all the provisions of the draft were fundamentally modified. This is no way to manage a democratic and pluralist federation.

At the time of drafting the Iraqi Constitution in Baghdad in 2005, there was a lengthy discussion on the powers of the Kurdistan Region over oil and gas. We agreed that the Iraqi Federal Government would manage the existing oil fields together with the Regional Government; and that new oil fields would be managed by the Regional Government. We have not engaged in any unconstitutional conduct. We have signed oil and gas contracts based on the provisions of the aforementioned annex letter, and our lawful constitutional authority. Our contracts are constitutional. We are still prepared to accept that draft law.

We believe that revenues from oil and gas belong to all the people of Iraq, in all the regions and provinces. There are no disagreements on this matter. The KRG's Natural Resources Minister, Ashti



President Barzani and Iraq's President Talabani talk before the regional parliament election in Erbil

Hawrami, has just informed the world that an oil field in Zakho is capable of exporting 100,000 barrels per day. The KRG is ready to use the Iraq oil pipeline that goes through Turkey to export from this oil field. All the revenues are to be distributed among all the people of Iraq.

The key problem has been that the federal government has not been willing to cooperate, and simply unwilling to allow anyone else in the provinces of Iraq and our Region to work effectively – perhaps because we have proven we can do things more efficiently, transparently, and fairly.

But I say to the world, we have not done anything against the Constitution. It is the Federal Government that has failed to respect the Constitution. We have repeatedly said that the Constitution should be the guide, and we have demonstrated our commitment to the Constitution. We remain ready to cooperate to resolve all the outstanding issues, including the oil and gas law.

External Relations

The Kurdistan Region currently enjoys much better relations with neighboring and regional countries than in the past, especially with Turkey, and we are very pleased about this. In 2008 and 2009 I visited Kuwait, Qatar, Iran, and the U.S. I also paid a visit to several European countries. I can say that we have good relations with our neighbors. Our relations with most Arab countries are also improving.

The recent meeting with U.S. President Obama, the visit by the President of the Palestinian Authority and by the U.S. Chairman of the Joint Chiefs of Staff, the telephone call from U.S. Secretary of State Clinton, and the visit by the new U.S. Ambassador to the Region are all reflective of our desire for friendship and peaceful cooperation.

The message from the Obama administration has been clear in reaffirming its commitment to Iraq and especially the Kurdistan Region.

As you will read here, our Region has achieved much, but knows that it has much to do. We are open to the outside world – to tourists, investors or friends, and to ideas. Your critical and fair judgments are welcome. We look forward to extending both our traditional and modern hospitality to you. I invite you to come here and to experience the promise of the Kurdistan Region, to savor its sights and scenery, and to help us move toward our brighter future.



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In both onshore and offshore exploration and production, Crescent Petroleum has shown its vast level of experience in the construction and operation of oil and gas production facilities, pipeline transmission and the drilling of deep, high pressure/high temperature horizontal wells.

Crescent Petroleum is the only international oil company that has had a continuous presence in Iraq for the last 17 years, and has been the only international oil company to maintain an operational office in Baghdad throughout this period. Being the only Iraqi-owned international oil company, Crescent Petroleum is firmly committed to the long-term development of the Iraqi oil and gas industry and energy sectors.

Crescent Petroleum in Iraq

Iraq Current Projects: In equal partnership, both Crescent Petroleum and Dana Gas are investing US$650 Million in a fast track gas development project in the Kurdistan region of Iraq, the largest investment in Iraq for decades, providing employment opportunities for over 2,000 Iraqis of all ethnic groups, and saving the government over US$2.5 billion a year in imported fuel costs. The project is to develop, produce, process and transport gas from two major gas fields to fuel the urgently needed generation of electricity for at least 4 million Iraqis, which involves installing two brand new US-built processing plants and laying 180 kilometres of gas pipeline across mountainous and mine-field terrain.

"Gas City" Industrial Complex: In addition, Crescent Petroleum and Dana Gas are developing a joint gas strategy with the Kurdistan Regional Government to optimise economic value creation from gas, including essential job creation. This strategy involves the creation of an innovative, sustainable, synergistic gas industrial complex. Similar gas strategies are being formulated for Anbar and Basra Governorates, where Crescent Petroleum is already engaged with the relevant provincial and federal authorities in a view to meet local infrastructure needs, fully utilize the currently flared gas, and launch the Anbar and Basra Gas Cities on an even larger scale than the one in the Kurdistan Region.









Other Iraq Projects: Crescent Petroleum had previously conducted a very large scale study of the Ratawi oil field in southern Iraq on the request of the Ministry of Oil, and had finalized a complete fast track development plan to achieve escalating oil production within 18 months reaching a plateau production of 250,000 barrels of oil per day. Crescent Petroleum also conducted training courses for Ministry of Oil staff in reservoir modelling, together with hands-on training in geophysical processing and interpretation while conducting the recent study of an exploration area in southern Iraq also at the Ministry of Oil's request under the jointly signed Memorandum of Technical Cooperation.

Corporate Social Responsibility (CSR) & Education: Crescent Petroleum has been actively involved in sponsoring important initiatives related to Iraq such as the AMAR-Crescent Development Centre in Basra; and has also sponsored three leading Iraqi universities (including Basra University, Baghdad University and The American Univerity of Iraq in Sulaimaniya) to attend the GetEnergy 2008 educational conference in London. On CSR, Crescent Petroleum is playing a leading role in addressing local community needs, where it has donated power generators, water purification systems and public health equipment to the Iraqi people, conducted several school building rehabilitation projects, and constructed a number of soccer and athletics fields in different locations in Iraq.

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Good Business Sense

Bernard Kouchner, French Foreign Minister



I AM PERSONALLY delighted to support the Kurdistan Regional Government's commitment, expressed so thoughtfully in this book, to invest in the future of the Region, and in the future of all its inhabitants.

It is truly heart-warming to witness the re-building of Kurdistan's public health, educational, and civil infrastructures, which were so badly ravaged during the last decades.

Less than 20 years ago, the Kurdish Region was a ruined land, many of its people were in flight to Turkey and Iran, and most of its villages had been destroyed. Fortunately, relief aid mitigated the population's sufferings and the international community found ways to protect the Kurds.

The outcome makes it a positive story. The Kurds have been able to rebuild their land. They have developed their institutions and set up a system of governance. They have played an important role in the framework of the new Iraq – pluralistic and democratic, respectful of all its components, of which the Kurdistan Region is an important part.

France, like the international community as a whole, is assisting Iraq in its recovery from wars and destruction, in its economic development and in supporting its transition towards democracy.

The recent history of the Kurdish Region is a symbol of resilience and imagination. After so many hardships, it is not despair that can be found in the cities of Dohuk, Erbil and Sulaimania, but cranes, construction workers and engineers at work.

The Kurds have been able to rebuild their land. They have developed their institutions. They have played an important role in the framework of the new Iraq

During the last years, the Kurdistan Region has enjoyed being one of the only regions in Iraq relatively spared by the spate of sectarian violence. We can now hope that this privileged situation will expand to the rest of Iraq.

France welcomes the Kurdistan Region's progress. Foreign investment will help Kurdistan deepen its development, as it will in all other regions of Iraq. It is not needed as an act of charity, or of prudence. It just makes good business sense – the opportunities are plentiful, and they will directly improve people's lives.

A Positive Outlook

Rt. Hon. David Miliband MP
U.K. Secretary of State for Foreign and Commonwealth Affairs

I AM PLEASED to contribute to *The Kurdistan Region: Invest in the Future*, which outlines the Kurdistan Regional Government's (KRG's) aspirations and investment opportunities presenting themselves in the Kurdistan Region.

The Region has had a turbulent past and suffered great loss under the former regime, in particular through Saddam's Anfal campaigns, which saw the destruction of some 4,500 villages. Following international action taken in 1991 to protect the communities in the north and south of Iraq from the former regime – establishing the no-fly zones – the Kurdistan Region was able to enjoy a degree of autonomy. However, there followed further instability during the years of internal disputes between the two main parties: the Kurdistan Democratic Party (KDP), led by Masoud Barzani, and the Patriotic Union of Kurdistan (PUK), led by Jalal Talabani. Both eventually called a truce. This allowed Masoud Barzani and Jalal Talabani to focus on governing and rebuilding the Kurdistan Region together. Both men today remain key to Iraq's future as the President of the Kurdistan Region and President of Iraq, respectively.



Foreign Secretary David Miliband

Naturally, the Region is keen to ensure the level of autonomy enjoyed over the last decade and a half. Iraq's new Constitution recognises the unique position of its predominantly Kurdish area and population through Article 141, which protects the legislative, judicial and commercial progress made by the Kurdistan Region before the fall of the previous regime. The KRG is the only regional government to have been formed in Iraq. Article 4 recognises Kurdish as one of the two official languages of Iraq – a level of recognition that had not previously been afforded to the Kurds in Iraq.

When I met with President Massoud Barzani on his recent visit to the U.K., he spoke of the great improvements to the Region, but also of what remains to be done. Prime Minister Nechirvan Barzani and President Masoud Barzani have both expressed their commitment to continuing to develop the Region; from the provision of services, to issues such as human rights and greater accountability of government.

The significant progress made in security throughout Iraq has opened up the way to realise Iraq's commercial aspirations. The benefits of not only the improved security, but also the warming relations with neighboring Turkey, are being felt throughout the Region and the rest of Iraq. The Region's revised Investment Law is commendable. It offers impressive tax and customs exemptions, full property ownership rights for strategic projects, no requirement for a local partner, and no restrictions on capital flow or company registration. There is still outstanding legislation to be passed, including an Iraq-wide hydrocarbon law, which will go a long way to encouraging confidence in prospective investors.

Iraq is now open for business and the private sector has an opportunity to flourish

Sectors such as agriculture, power, infrastructure and financial services will be priority areas for development. We know that training and education are priorities for the Kurds to maximise their own resources to the benefit of the Kurdish people. The aims of the Kurds to open up their markets to foreign expertise should see increased prosperity and enterprise resulting in jobs for the population.

I wish the KRG well in this endeavor. As I said on my last visit, Iraq is now open for business and the private sector has an opportunity to flourish. I hope on future visits to see more U.K. trade and investment activity in the Region and throughout Iraq.

A Beacon of Stability

The Honorable Lincoln Davis, Member of the United States Congress, Co-Founder, Kurdish American Caucus, and **The Honorable Joe Wilson**, Member of the United States Congress, Co-Founder, Kurdish American Caucus

AS CO-CHAIRS OF the Kurdish-American Congressional Caucus, we applaud the Kurdistan Region of Iraq for achieving so many successes on the road to creating a stable democracy. We admire the perseverance, welcome the ambition, and honor the sacrifices of Iraqi Kurds in securing a vibrant civil society and thriving economy, and for the Kurdistan Regional Government's (KRG's) firm commitment to a federal, democratic Iraq.

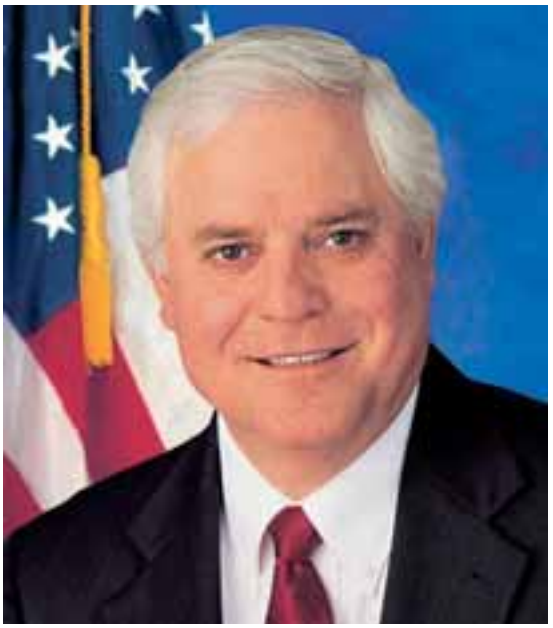
We have fond memories of our visits to the Kurdistan Region; remembering the abundant construction equipment that crowded Erbil's skyline, and the energy of a resilient people rebuilding their lives and their country. There, amid the mountains, live a gracious people who embrace Americans as their friends.

There is no doubt that the Kurdistan Region of Iraq is playing a pivotal role in the future of that nation. The Kurdistan Region is a vital component to America's vision of a peaceful and flourishing Iraq. For American relations with key allies – particularly Iraq and Turkey – U.S. policy toward the Kurds is critical. Over the course of a decade, Iraqi Kurdistan has transformed into a beacon of stability, security and prosperity in Iraq, as well as the entire Middle East.

Kurdistan is a vital component to America's vision of a peaceful and flourishing Iraq

Today, there are many thousands of Kurds residing in the United States, some of whom we have had the pleasure to meet and befriend. The growing Kurdish diaspora in the U.S. and around the world is representative of one of the world's largest ethnic groups. We are proud to have co-founded the caucus to give the Kurdish people a voice in the United States. This publication is an important tool to promote investment opportunity in the Kurdistan Region and to share the Kurdish success story with our friends, family, and colleagues.

To the Iraqi Kurdish people, we wish you a secure and prosperous future, and look forward to continuing our friendship.



The Honorable Lincoln Davis



The Honorable Joe Wilson


Germany opens consulate in Erbil, 2009

Minister Falah Mustafa Bakir, Head of the Kurdistan Regional Government's Department of Foreign Relations

The International Community and the Kurdistan Region of Iraq

THE KURDISTAN REGIONAL Government (KRG) has actively pursued the development and enhancement of relationships with members of the international community.

For too long, our people were stifled by successive repressive Iraqi regimes, and were unable to enjoy the global development seen in other parts of the world.

The KRG is now able to benefit from collaboration with foreign governments and international firms. This cooperation is at the center of our strategic vision for economic development, and has spurred impressive foreign investment and enterprise, opened the door for commercial exchange, and prompted strengthened diplomatic friendships.

The KRG's officials in our economic, financial and trade sectors have worked hard to create an atmosphere that encourages domestic growth sparked by foreign input in investment and know-how. At the same time, the pursuit of a forward-looking and transparent government that is committed to the rule of law and accountability has made the Region increasingly attractive for investment and commercial activity.

The activities of the KRG Department of Foreign Relations are guided by the vision of the KRG leadership. Our emphasis on openness and



I am honored to welcome individuals and delegations from around the world

international friendship has fueled the continued expansion and strengthening of diplomatic relationships, facilitating development in every sector.

There are currently 15 states with diplomatic representation in Erbil, including four full consulates. The states with diplomatic representation include Austria, the Czech Republic, France, Germany, Iran, Italy, Japan, the Republic of Korea, the Netherlands, the Russian Federation, Spain, the U.K., and the U.S. A number of other countries have begun the legal process of opening diplomatic offices in the Region.

As Head of the KRG Department of Foreign Relations, I have met with many private sector delegations that have come to the Kurdistan Region of Iraq seeking to operate in our Region, both here and as a gateway to the rest of Iraq. Our Region is an excellent place for investment and business enterprise for several reasons, including our investor-friendly laws, our secure and stable environment, and our appreciation of international participation. As we engage in reconstruction, opportunities abound, as has been observed by several foreign governments, and the response has been a growing diplomatic presence.

I am honored to welcome individuals and delegations from around the world as they visit our Region. We host a wide range of guests – diplomats, businessmen and women, researchers, academics, tourists, and others. I often have the opportunity to observe the first reaction of visitors as they arrive in our Region's capital, Erbil. Guests notice the security, the economic development, and the friendliness of our people. They can see our willingness to engage with people from all nations around the world.

As the conduit between the international community and the KRG, our department is the focal point for key diplomatic and private sector visitors, ensuring that our guests will enjoy productive and comfortable visits. We work closely with overseas offices, the Board of Investment, and relevant KRG ministries and departments to ensure strategic commercial and political objectives are addressed.

As much as we value our international visitors from afar, the relationships we maintain with our neighbors are just as important. In particular, the last year has seen a remarkable growth of understanding between the Kurdistan Region of Iraq and Turkey. As the leading contributor of foreign direct investment to our Region, Turkey has a well-defined stake in maintaining our friendship. Prime Minister Barzani has emphasized the importance of dialogue in this relationship, and has reiterated the KRG's wish to engage with the Turkish leadership in pursuit of peace and understanding. And now there is ample reason to be optimistic regarding a future of mutual benefit and development.

In addition, cooperation and exchange between the Kurdistan Region of Iraq and the Arab world is a top priority. Lebanon is the second largest investor in the Region, and our growing relationships with Arab firms and governments are very much welcome.

The Department of Foreign Relations oversees the work of KRG representative offices abroad. These overseas offices work to foster cooperative relationships with the Kurdistan Region in economic, social, cultural, and developmental spheres. The Department also oversees the KRG relationship with international organizations.

The Kurdistan Region has been ambitious in developing its international presence. However, we operate as part of the Federal Republic of Iraq, and the Department of Foreign Relations maintains close cooperation with the Federal Ministry of Foreign Affairs.

There is vast potential in the Kurdistan Region – in agriculture, commercial enterprise, industry, natural resources, real estate, tourism, and other sectors. On behalf of the KRG, I am delighted to welcome investors to the Region. We are open for business.







COMMITTED

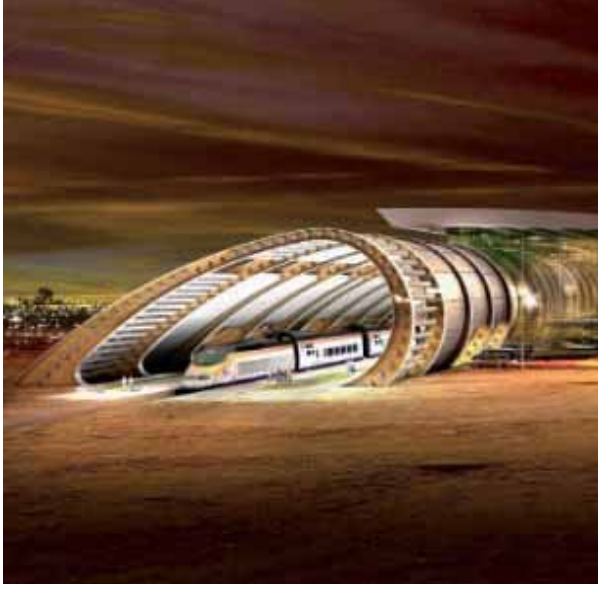



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– Quality is our responsibility –







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Recent achievements by Hardam

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- Water well and distribution in Ashty Q. Khabat
- 28 miscellaneous water sanitation projects in Balissan valley.
- Sewage system for Shahidan Q.
- Renovation of many schools and hospitals such as Pashy Gawrah high school, Rawandoz High School, VRD in Prosthetic Limb Center in Diana, Soran hospital, Diana Primary school, Soran UNOPS base, UNGCI and Habitat bases in Soran.
- Logistics and transportation of 750 Shelter Houses for Action Nurd Sud (ANS) and 1250 Shelter houses and life support items for families in Roste valley and Sidakan.

Towards Stability

By **Michael Ignatieff**, Leader of the Official Opposition, Parliament of Canada, Ottawa



I'VE ALWAYS HAD a special affection for the Kurdish people. The feeling dates back to the first time I crossed into Iraqi Kurdistan from Turkey in 1992. I remember the rough plywood sentry post and checkpoint with the hand-painted sign on top that read in both Kurdish and English: "Welcome to Kurdistan." A cheerful, young Peshmerga with a sunburned face stamped my passport with the insignia of the nascent Kurdistan Regional Government. From that moment onward, I felt a sense of kinship with the Kurds that has stayed with me to this day.

I can remember how my taxi drove up the hill to Dohuk, in the gathering dark, past mile after mile of tents on both sides of the road, with neatly stacked displays of canned goods for sale and rows of jerry cans full of diesel. Times were hard then. Kurdistan was a threatened enclave. Saddam's troops were only 40 miles away, kept at bay by the American and British planes that patrolled in the skies overhead. Yet, instead of menace and fear, I remember laughter and hope and optimism on that trip. Finally, Kurds told me, we have a place we can call our own. And nobody, they said, will ever take it away from us again.

On that trip in 1992, I remember going to Erbil, Salahaddin, Sulaimania and, of course, to Halabja. I will never forget listening to the stories of survivors and visiting the graves. I also remember the endurance of the people in Halabja, making new lives among the ruins of their devastated city. That spirit of practical endurance is what I most remember from that trip in 1992.

I returned in March 2004 and was amazed by the progress that had been made in 12 years: better roads, construction of new mansions on the road from the border to Dohuk and a new airport in Erbil. Times were still hard – electric power was intermittent – but the same steady spirit I had seen in 1992 was reinforced by pride and confidence.

In 2004, the rest of Iraq was sliding into anarchy. A jihadist attack had claimed 100 lives in Erbil a month before I arrived. A Kurdish friend who went to Mosul while I was there was attacked and burned to death in his car. The chaos seemewd frighteningly close, yet, Kurdistan remained an island of stability. I remember giving a lecture on human rights at the police academy in Erbil. Torture was occurring at Abu Ghraib at that time. I implored the police cadets not to disgrace their new freedom with this crime.

I have not returned since 2004 – though I keep hoping I will make it one day – but my friends tell me the Kurdistan economy has opened up to foreign investment. Kurdish Canadians come and go between Canada and Kurdistan. It is no longer the threatened enclave I visited in 1992. It is now a prosperous and constitutionally recognized region in a federal Iraq that, against all expectations, is making solid progress towards stability.

These positive developments are chronicled here under the able editorship of one of Kurdistan's most devoted friends, Professor Brendan O'Leary. I rejoice at the progress that has occurred and confidently expect that great chapters in the history of the Kurdish people will be written in the years ahead.

I returned in March 2004 and was amazed by the progress: better roads, construction of new mansions on the road from the border to Dohuk and a new airport in Erbil



Creating a Bright Future For All

Professor Brendan O'Leary interviews
Prime Minister Nechirvan Barzani
at his official residence in Erbil

Prime Minister, why should a foreigner or a foreign company invest in the Kurdistan Region?
The Kurdistan Region of Iraq has experienced unprecedented development since the overthrow of the former regime in 2003, and we offer a range of exciting opportunities for foreign investors, despite the global economic crisis.

Iraq as a whole has had to be rebuilt from scratch, after 35 years of totalitarian dictatorship. Though the country is rich in natural and human resources, it strongly needs foreign investment of all kinds to rebuild and upgrade its infrastructure and its educational, health and governmental systems.

After the removal of Saddam Hussein's regime in 2003 we were the only part of the country that was psychologically ready for the new Iraq, partly because much of the Kurdistan Region had been free of his direct influence since 1991. After years of isolation, we embraced foreign interaction and encouraged foreign direct investment.

We deliberately crafted a legislative and security framework to be attractive for external investors. The Parliament of the Kurdistan Region passed the Investment Law in July 2006. It is comprehensive and investor-friendly, offering generous incentives to outside investors, including the right of full property ownership, tax and customs duty exemptions, repatriation, and partnerships.

In August 2007 our National Assembly passed the Kurdistan Region oil and gas law. Under the Iraqi Constitution, regions have the right to manage their own previously unexploited oil and gas reserves. We are implementing our rights, and will share the oil revenues with the rest of Iraq. This will benefit not only the people of our Region, but also the rest of the country. This law ensures that reputable oil and gas companies will work here, and it will provide funding for the development of our private and public sector institutions.

The Parliament of the Kurdistan Region has passed legislation to ensure that the rule of law is upheld at all times, and that our law enforcement authorities have the necessary powers to punish illegality and corruption if it occurs. We are determined to avoid the problems that have bedeviled the rest of the country. Rather than let sectarian hatred and political infighting cripple us, we are taking positive steps to maintain and consolidate stability and prosperity.

Our industrial sector is primed for foreign investment. Under the former regime, industry was stifled in Kurdistan – we are ready to reverse that trend. Tourism is another obvious area for development. We are blessed with striking mountains and gently undulating lowlands. The famous River Tigris and its tributaries run though our land. Our people have long taken advantage of our stunning natural heritage. We think the outside world will value it just as highly.

Another top priority is to reform the education system – from kindergarten to university. Our children are held back by out-of-date teaching methods and poor physical facilities. Educational reform is the most important aspect of our long-term development. Our people are our greatest natural resource, and we are making a major investment in human capital to forge a better way of life for all the people of the Kurdistan Region. We desire training, cultural exchange programs, and scholarships for our citizens. After being cut off for so long we are thirsty to interact with our friends from the outside world. Foreign investors can profitably collaborate in the employment and development of our rich human resources.

We are especially enthusiastic to reform our agricultural sector. We have highly fertile soil and abundant fresh water reserves. We were once the wider region's breadbasket, but the former regime instituted a program of forced urbanization, moving people from rural areas to collective towns. Now we import food that we could grow ourselves at competitive costs of production. We aim to reverse

Foreign investors can profitably collaborate in the employment and development of our rich human resources



this situation and become an exporter of food to countries throughout the Middle East.

Our Region has made great strides. We have a golden opportunity that must be seized with both hands. To achieve our goals we will need the help of the international business community, but this is not a one-sided equation. There are abundant opportunities for foreign companies to invest in our Region and earn lucrative rewards.

If investors wish to have local partners then they may, but it will not advance their case at the Investment Board

Thank you Prime Minister. I'd like to ask you about a more controversial subject – corruption. Iraq, according to at least one set of international indicators, "enjoys" the reputation of being the second most corrupt country in the world. In reading Arab newspaper reports about Kurdistan and Kurds, which are often picked up in other international media, the suggestion is widespread that an investor needs a local partner in Kurdistan, and that in particular you need a relationship with a member of the Barzani or Talabani families.

These general stories about the Kurdistan Region are just not true. All external investment is channeled through our independent and professional Investment Board. I challenge anyone to identify an instance in which the Board has demanded an investor to name a local partner, or to identify his or her connection with prominent families in Kurdistan. If such a claim can be made, which I doubt, appropriate lawful investigations can follow.

We are in a transitional period, emerging from a long dictatorship. And there may well be people who wish to abuse relationships, or claim that they can do so. It may well be that visiting businessmen in hotel lobbies are approached by people who suggest that they have connections that will work magic. But I say do not believe them. Such people do not represent the Government. Our Investment Board is clean, open, and transparent. No one who wishes to make a proposal requires a local partner.

Corruption is a problem in all developing countries – and in developed countries too! We have followed two strategies to tackle it. First, we have sought the best international counsel to guide our legislation and our practices. We have appointed PricewaterhouseCoopers' Global Anti-Corruption Unit as consultants to the KRG. They are advising us, helping us to develop programs in the areas of transparency, good governance and government procurement. The World Bank also advises us on a regular basis, and we take their counsel seriously. Second, we have sought to put our own houses in order, through administrative reform and law-enforcement.

Direct bribes and outright theft are not our greatest problem. It is the legacy from Iraq's old bureaucracies, which generates incentives to bypass regulations, and which generates deep public distrust of government. Within the KRG we have formed anti-corruption committees. We have a commission that evaluates all claims made of corruption. We are strengthening our courts. We understand that any level of corruption is unacceptable and the inefficiencies and inequalities created by corruption stand in the way of effective economic development.

And with all due respect, some of the claims made about corruption in our Region are politically motivated rather than factually accurate. Our general neighborhood is not one with an outstanding record of democracy, the rule of law, and human rights protection. Critics around us sometimes seek to find our weak spots, wishing to devalue our very positive experience of self-government.

That does not mean, of course, that there is no corruption. There is. But we never condone it – and we are completely serious in tackling it and prosecuting it. I want to repeat that there is absolutely no need for a local partner. If investors wish to have local partners then they may, but it will not advance their case at the Investment Board. That is the place to go. And let me be clear. We run our show according to the law. If any companies have done anything illegal to pursue or maintain their position then the relevant contract will be canceled.

One issue that obviously arises is the development of the rule of law in Kurdistan. What can you tell us about Kurdistan's legal system and its implications for external investors? And what other institutional developments are being put in place to promote a law-governed democracy?

This is a very important subject in the Kurdistan Region, and related to what we have just discussed. In the past, the courts in Kurdistan fell under the administration of the Ministry of Justice. I have deliberately ensured that we have totally separated our judiciary from our executive system, making sure that our courts are truly independent bodies. Our laws on investment are clear and they are enforced.

Our major problem in the judicial system is the lack of personnel with experience and systematic education and training. We have a program under way to renew our judicial system. We have opened sustained training courses, both for those starting out and those in mid-career. I must acknowledge that the Americans have helped Iraq a lot in these respects. Kurdish judges have long been respected for their professionalism and integrity, but we know that we must extend their numbers and deepen their technical capacities.

I have asked both the Americans and the European Union for further help in this area. We will pay for the programs; what we want is expertise. We especially want it from the E.U., particularly from those countries whose systems are derived from the French model, the one with the most historical influence in Iraq. We do not want short three-week courses. What we want is a five-year program that will have a sustained long-term impact. We want





We want civil society to help secure freedom of the press, religion, human rights and women's rights

to send our officials abroad to strengthen their expertise. We established a new Judicial Council in September 2008. Its mission is manifold, but its core objective is to make sure that the law is respected and implemented, and it makes recommendations to ensure that is the case. It is in its early days, but shows promise.

We are also building the capacity of our professional public officials. The United Kingdom's Civil Service College has been very helpful in running quality assurance programs for our public servants. We intend to have such a college here, fully funded by the KRG.

The Government itself is being streamlined. We are learning from others and seeking to educate the people of the Region on the role of government as a positive enabler. Government used to be viewed as a kind of bank – dispensing money to those in need. While a government must take care of the less fortunate, its primary role should be to help people help themselves and equip them to do so.

We are also changing outdated cultural attitudes. Expanding the role women play in our society is crucial. Our Parliament is required to include at least 30 percent women, and we have three female cabinet ministers, as well. A Minister of State for Women's Affairs spearheads and coordinates our efforts. We have begun well, but we must do more. This is why the President and I frequently address the role of women in our speeches, and condemn without reservation the abuses of women that sadly still occur.

We are encouraging our civil society, not just our Government. It is not our desire to control civil society; we understand that some of the time civil society will oppose government policies and have contradictory voices, and this must be accepted. We want civil society to help secure freedom of the press, religion, human rights and women's rights.

The backdrop to our progress is our good security. The security forces and the people of the Kurdistan Region have worked in concert to ensure that terrorists have no bases here. We are proud of this achievement, and work diligently to maintain this state of affairs to protect our citizens, our visitors, and our economy.

The KRG has developed a policy to broaden our international relationships, and we aim to have representation offices in several countries around the world. These offices will help promote bilateral trade and cultural ties.

Everyone knows we live in a difficult and sometimes unstable neighborhood, but we are dedicated to having good relationships with our immediate neighbors. We believe these relations should be conducted on the basis of a mutual respect for our constitutions and sovereignty, maintained through dialogue and negotiation. Having suffered for so long from military intervention under the previous regime, we know first hand that long-lasting solutions are not created from the barrel of a gun.

We are very keen to continue our relations with the United States and the European Union. We will never forget the debt of gratitude we owe the U.S. Without its leading role in the intervention to remove the former regime, we would still be suppressed. Indeed, sometimes it seems to us that the U.S.'s attention is distracted by the less than perfect situation in the rest of the country, and that the Kurdistan Region has become a victim of its own success. Our peace and stability mean we are no longer seen as an immediate priority. Such thinking is mistaken. While we have made great progress, we will need all the help we can get from our friends in the international community to consolidate our success. To this end, we work hard to develop and maintain our relations with countries all around the world.

We know first hand that long-lasting solutions are not created from the barrel of a gun

Prime Minister, the Constitution of Iraq reinvented Iraq as a federal and pluralist democracy. What is the KRG doing to ensure that the Region becomes a pluralist democracy?

Our Government has made it clear that Kurdistan is a land for all its peoples. Just as England is not just for the English, or Ireland for the Irish, or Denmark for the Danes, Kurdistan is not just for Kurds. Arabs, Turkomen, Chaldeans, Assyrians, Armenian, and other ethnic groups are respected as nationalities; Christians, Yezidis, and Muslims are respected as people of faith. All nationalities and people of all religions study in their own language, if they wish, watch TV and listen to radio in their own language, and interact with officials in their own language when possible. All minorities are free to organize their own political parties and civil associations. People from all nationalities are members of the major political parties, part of our civil service, members of our Parliament, and ministers. It is my settled will to ensure that within Kurdistan's own regional constitution all the people of this land will have their national and religious rights fully respected, at the very best standards available in the world. We have taken time to develop our constitution, but I hope it will be ready in 2009. We will not be found wanting in the defense of pluralism.

Prime Minister, I'd like to conclude by asking you about the Kurdistan Regional Government's relations with Baghdad. If one reads the papers one can see a lot of unresolved issues between Baghdad and Erbil, for example, over the boundaries of the Region, Kirkuk, oil and gas, and security questions. What assurances of stability can you give to foreign investors?

The new Constitution of Iraq is our contract with the rest of the country. As long as it is upheld, we will be its full champion. But we also have to realize that history weighs heavily on our previous relations with Baghdad. That relationship eventually manifested itself in the destruction of more than 4,000 villages, the use of chemical weapons, not only in Halabja, and in 182,000 missing people due to the genocidal Anfal campaign of the late 1980s.So the reasonable question is, 'Why did we decide to go back to Iraq?'

The answer is that the Constitution of 2005, freely negotiated, recognized most of the rights we have sought since the inception of Iraq in 1920. Iraq has been remade as a voluntary union. The Constitution ends dictatorship. We went back to Iraq on the basis of this constitutional renewal and its commitment to power-sharing. The new constitution, voted for by 80 percent of the population, established a federation. Provided our rights are respected all will be well, and we are hopeful that they will be. But we do not rely on hope alone. We will defend our rights. We are doing all that we can in helping the federal government with its political development, and we believe that dialogue and negotiation are the keys to solving our mutual problems.

I think the difficulties to which you refer are natural. Natural because in many parts of Iraq after 35 years of a totalitarian regime, a dictatorial and authoritarian mentality is widespread. It takes time to consolidate a politics of dialogue and deliberation. Not everyone is used to constitutional politics. But we have a good text and we have our fundamental law. We will talk through these problems and avoid talking with weapons. It will not be easy, but we are at work with Baghdad in multiple committees to resolve outstanding difficulties. We are intent on resolving all problems constitutionally, democratically, and peacefully.

The good thing about a federation is that it is no longer a story of Baghdad versus Erbil. That's because Kurdistan is in Baghdad as well – we have members of the Federal Parliament, the federal cabinet, and the Presidency. They are all working in good faith to make the new Iraq work. While we are proud of our autonomy and what we have achieved on our own, we are also dedicated to creating a bright future for all of Iraq. Iraq can only function as a federation and we are determined to make this experiment succeed for the good of all peoples in Iraq.

Professor Brendan O'Leary interviewed Prime Minister Barzani in November 2008 and again in March 2009. This article consolidates these interviews.

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An overview by **Professor Brendan O'Leary**

Kurdistan: a History

"HAPPY IS THE country which has no history.'' The Kurds of Iraq recognize the power of this old aphorism. They had a terrible 20th century because they had no place they could truly call their own. But since 1991 they have had their own government, and their own fledgling democracy, and since 2005 they have had their autonomy recognized in Iraq's new permanent Constitution. The Constitution was endorsed by four out of five of Iraq's voters, in a referendum validated by the United Nations. The Kurdistan Regional Government (KRG) is no longer an idea. It has become flesh.

The story of the triumph of the KRG out of bloody adversities and against bloody adversaries, is well worth telling. Not just as a good luck story, or as a tale of vindication, though it is both of these. It is essential to know something of it to understand the place, its peoples and its parties, and, not least, to think about what may come after the United States withdraws its military from Iraq.

The etymology of Kurdistan tells us that it is a land abounding with Kurds. The idea of "Greater Kurdistan," the dream of many Kurds since the 19th century, encompasses everywhere Kurds predominated within the jurisdictions of the Ottoman and Saffavid empires of Turkey and Iran, respectively. So conceived, Greater Kurdistan was a fat crescent-shaped swathe of land running from south-eastern Anatolia in present-day Turkey, through what is now north-eastern Syria, the north and west of Iraq, through to the eastern flank of present-day Iran.

When the 20th century began there was no Greater Kurdistan. There was a "Kordestan province" in Iran, but it did not cover all the space dominated



Kurdish nationalists consistently fought for an autonomous and unified Kurdistan Region

by Kurds. Elsewhere, Greater Kurdistan was divided among numerous Ottoman provinces. Kurdish nationalists sought to change these facts, and the coming defeat of the Ottoman Empire offered them what looked like a wonderful chance. (Those interested in the history of Kurdish nationalism will find a fairly reliable account in the late Wadie Jwaideh's *The Kurdish Nationalist Movement: Its Origins and Development*.) The Kurds were promised a state of their own by the Great Powers after World War I, but that project was defeated. Instead, Ottoman Kurdistan was partitioned between the three new states of Turkey, Syria and Iraq. The new Turkish state would soon deny the existence of Kurds as a people, and forcibly try to make them Turks, while Syrian governments coercively moved their Kurds away from their borders, deprived some of their citizenship, and denied the rest their cultural rights. The fate of the Kurds of Iraq was different.

The Kurds of Iraq were not meaningfully consulted about their incorporation into the new state created by Winston Churchill at the Cairo Conference of 1920. But they had been minimally promised autonomy under the mandatory provisions of the League of Nations, which ruled that the Ottoman province of Mosul, which covered much of the present-day Kurdistan Region, should become part of British-made Iraq, rather than Turkey. However, no meaningful autonomy was granted by the British Imperial Government, which deliberately misled the League of Nations in its annual reports, and spent much of its time putting down Kurdish revolts that were inevitably classified as merely "tribal."

When Iraq became formally independent in 1932, Arab-dominated governments in Baghdad did not make good on the abandoned British promise of autonomy. They preferred to divide Kurdistan in Iraq into separate governorates (provinces), and districts. They refused to make Kurdish an official language, or regularly to appoint Kurdish officials in Kurdistan, despite the fact that Kurds comprised at least one fifth and perhaps up to a quarter of Iraq's population.

Independent Iraq was governed under a foreign, British-imposed monarchy, which had originated in Arabia. This was the Hashemite Kingdom of Iraq. Its officialdom and military were dominated by the Sunni Arab minority of the cities of the center, many of whom saw Iraq as part of a wider "pan-Arab" nation. In this vision, there was no place for Kurds, an Indo-European people with their own language that is far closer to Farsi (Persian) than to Arabic. There was also no democracy.

Not surprisingly, Kurds regularly revolted in favor of autonomy or independence. Kurdish nationalists, initially led by leaders such as Mustafa Barzani and Ibrahim Ahmed, consistently fought for an autonomous and unified Kurdistan Region, with the right to its own security forces, full domestic self-government, with Kurdish as an official language, both of the Region and of Iraq, and with regional control over natural resources and economic development.

When the Free Army Officers overthrew the monarchy in Baghdad in 1958, Kurds hoped that they would get a better deal in the new republican Iraq. But neither autonomy nor democracy emerged from the series of coups and counter-coups that marked the next decade. Kurdish guerrillas returned to the mountains, and defeated all efforts to repress them.

The Baath party, doctrinally pan-Arabist in origin, took power in Baghdad in 1963. It was quickly ousted from power, but then made a surprising comeback in 1968. At that juncture it was weak and insecure, and it sent the young Saddam Hussein to negotiate with

Mustafa Barzani. They made an agreement. The then Vice President Hussein agreed to the formation of an autonomous Kurdistan, with a National Assembly, initially within an area that fell well short of Kurdish claims. The Baath Party recognized the Kurdish language, however, and promised to appoint Kurdish ministers and officials. There would be no Iraq-wide democracy, but Saddam promised that Baghdad would subsequently negotiate the full territorial extent of the Region – including the status of oil-rich Kirkuk and other "disputed territories."

Saddam and the Baathists soon broke their commitments, which had been mere tactical maneuvers. Saddam, in particular, was determined not to cede Kurdish-majority Kirkuk to the new Kurdistan Region, and together with his colleagues sought pretexts to provoke conflict with Barzani's forces. War resumed. When Saddam could make no headway he negotiated a deal with the then Shah of Iran in Algiers. In 1975 he ceded the Shah's demands for adjustments in the river and maritime borders between Iraq and Iran in return for a pledge by the Shah to stop providing support to Barzani's army. The Americans and the Israelis followed the Shah in betraying their commitments to the Kurds of Iraq, who were pawns in a cold war and a regional game. The withdrawal of Iranian and other logistical support to Barzani's Peshmerga (literally "Those who face death") sealed their fate. The revolt collapsed, Barzani went into exile and died in Washington, and his leading comrades divided into separate parties with different views over what had gone wrong.

Betrayal by great and regional powers was the lot of the Kurds of Iraq in much of the 20th century. Betrayal would be repeated before the world's television audiences in 1991. At that juncture, President Bush called upon the Kurds (and Shia Arabs) to rise up against Saddam. The latter had invaded Kuwait to seize its oil to deal with the debts his regime had incurred in fighting the Iraq-Iran war, a war Saddam had started in order to reverse the concession he had made to the Shah. During the Iran-Iraq war the Kurds of Iraq fought against Saddam. He responded with ferocity: the destruction of villages, mass expulsion, detention and genocidal assaults. Not surprisingly the Kurds responded to President Bush's call to revolt against Saddam. But Bush and his advisers left the Kurds to Saddam's mercy after the U.S. Administration decided not to remove the dictator from power, and that undoing the conquest of Kuwait sufficed for its purposes. Having been called on to revolt to weaken Saddam, the Kurds were left on their own again, to flee to the mountains. At least this time, the Kurdish plight attracted international humanitarian rescue. A safe haven protected from the air by the U.S., Britain and France emerged within the Kurdistan Region. Saddam responded with typical ruthless cunning. He withdrew to a new line from northern Kurdistan, taking care to keep Kirkuk and its vicinity. He withdrew all financial and administrative support from what was supposed to be part of the same country. He imposed his own sanctions. So, Kurdistan suffered under two sets of sanctions: the UN's sanctions against Saddam; and Saddam's own, against his "own people."



These successive betrayals are seared in the memories of older Kurds, who have told me: "We were betrayed by Presidents Wilson and Ford, and the first Bush; we should not assume better from their successors, Republican or Democratic." But betrayal from within was also part of the history of Kurds in the 20th century. Intra-Kurdish conflicts regularly weakened Kurdistan's potential bargaining power. British and Arab governments in Baghdad regularly raised troops among Kurdish tribes opposed to Kurdish nationalists – and these tribesmen did not switch to the nationalist cause led by the Kurdistan Democratic Party and the Patriotic Union of Kurdistan until Saddam appeared likely to fall from power in the First Gulf War. Kurdish nationalists themselves had divided into multiple parties after the defeat of General Barzani, and they were regularly encouraged by regional powers to fight one another, as well as Saddam. And after the safe haven was established in Kurdistan in 1991-2 there would be a short, sharp and nasty civil war among Kurds that was not finally resolved until 1998.

The 20th-century history of the Kurds of Iraq was, therefore, about as grim as it gets for nations without states of their own. They suffered racial and linguistic discrimination – exclusion from major public positions in successive Iraqi regimes, including employment in the oil industry; and intermittently enforced Arabization in schooling. They were eventually subjected to coercive assimilation. They were expelled from oil-rich Kirkuk and other places in the disputed territories, where Saddam believed there was more oil. Their region was deliberately under-developed by Arab governments in Baghdad. They suffered genocide. They were used and abused by great and regional powers, and were often contemptuously dismissed as the clients of such powers. They were also disunited, facilitating those who would profit from these divisions.



Making a Federation

HISTORY IS NOT destiny. The Kurdistan Region's people and political leaders have learned from their history. Throughout this century they have been prudent in their goals, and have successfully avoided internal conflict. In 2002 and 2003 Kurdistan's principal parties united with the Iraqi opposition to help the American-led overthrow of Saddam Hussein. The Kurdish Peshmerga provided troops and sacrificed lives to assist the Americans in taking Kirkuk and the disputed territories from regime-loyalists. Kurdish leaders then worked constructively to negotiate the new Iraq – in the Transitional Administrative Law of 2004, and the Iraqi Constitution of 2005.

The Kurdish leadership avoided the temptation to opt for a unilateral declaration of independence, knowing that would unite the regional powers against them. Instead, they settled down to negotiate all of their core historic demands in Iraq's Constitution of 2005. "Democracy for Iraq, Autonomy for Kurdistan" had been their historic slogan. They have worked as best they could to put it into effect, and they have done so in paper, on the parchment of the new Constitution, and in large part in practice.

They have worked to make a new Iraq – a democratic Iraq, a federal Iraq which recognizes Kurdish as an official language, and in which their Region has the self-government it has long sought. They are also working, as you will read throughout this book, to build prosperity after the horrors of dictatorship, war and genocide. They have rehabilitated the Kurds who collaborated with the Baathist tyranny. They are de-tribalizing. They are prioritizing individual human rights, including women's rights, and they are determined to show that they will respect the minorities of Kurdistan.

Autonomous Kurdistan initiated the first institutional experiment in democratic constitutionalism in Iraq. In 1992, with the blessing of the U.S., Britain, and France, the autonomous enclave held elections for the Kurdistan National Assembly – the first truly free and fair democratic elections in the history of the state. Two parties emerged triumphant at the polls: the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK) almost cleanly dividing the vote between them. They formed a power-sharing government but were under tremendous pressure from Saddam, from UN sanctions, and from the neighboring powers who did their best to damage Kurdish agriculture and to squeeze off the prospects of independence. The autonomous entity soon divided along party lines, and separate administrations operated out of Erbil and Sulaimania, dominated by Masoud Barzani's KDP and Jalal Talabani's PUK, respectively. Each did their

By 2006, Kurdistan's parties would pull off the remarkable feat of creating a unified, power-sharing government

best to develop their local economy, but had a hard time enduring sanctions. The parties' respective armed forces fought one another: Saddam and the Ayatollahs of Iran manipulated events in their favor, backing one party each. Many claimed that the Kurds would waste their first taste of self-government in Iraq.

But they did not. By 2006, Kurdistan's parties would pull off the remarkable feat of creating a unified, power-sharing government in Kurdistan, having previously facilitated the formation of, and their inclusion within, a power-sharing coalition in the new Federal Government in Baghdad. They were able to do so because they were the key political and military members of the Iraqi opposition who participated in the overthrow of Saddam Hussein's regime in 2003.

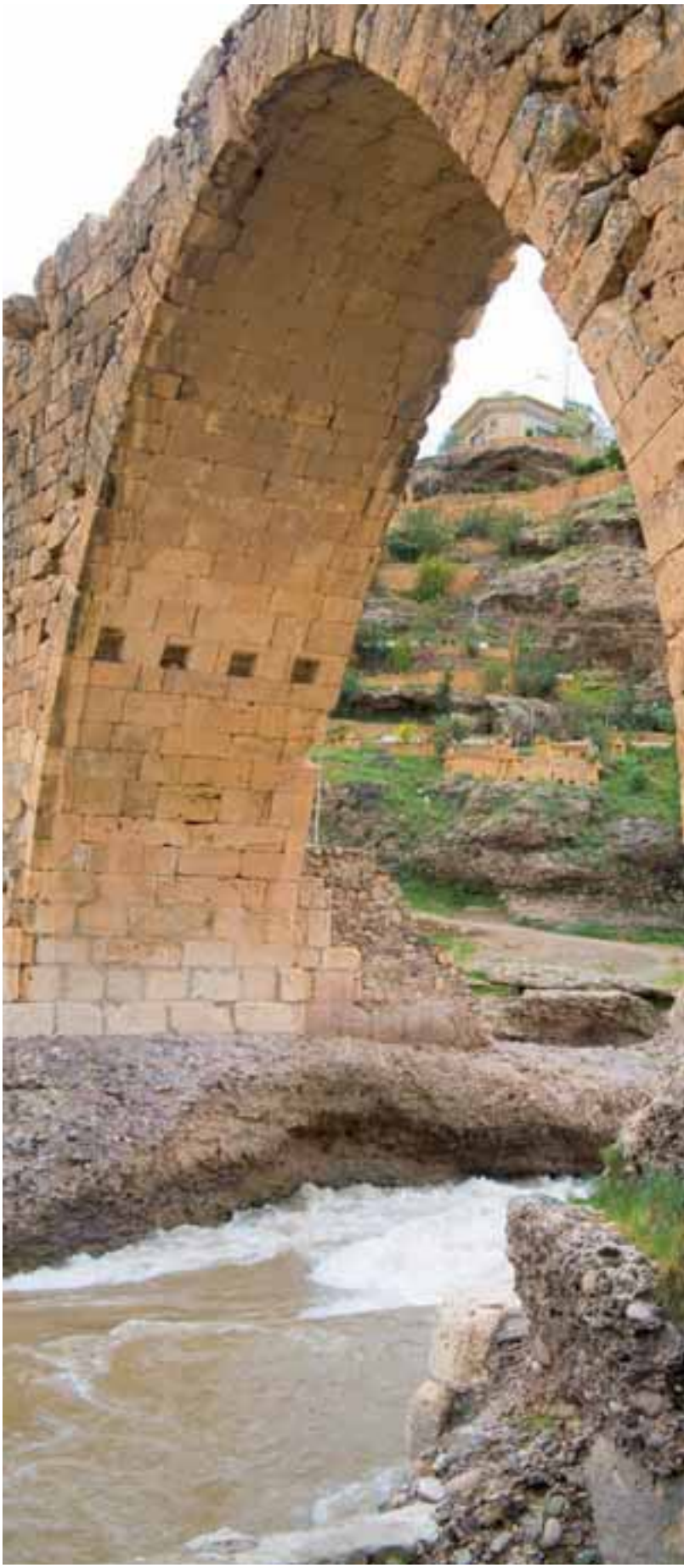
In January 2005, a fresh set of elections for the Kurdistan National Assembly were held in very different circumstances, after the negotiation of the transitional administrative law of March 2004, and just before the negotiation of Iraq's constitution in the Summer of 2005. Following the elections, the new Kurdistan Parliament elected Masoud Barzani as the President of the fully unified Regional Government, with the support of both major Kurdistan parties, and other parties. A Kurdistan unity coalition cabinet is still in office, led by Prime Minister Nechirvan Barzani, the Prime Minister of the previous KDP-led Administration in Erbil, with the former Deputy Prime Minister of the PUK Administration in Sulaimania, Adnan Mufti, serving as the Speaker of the Parliament.

Simultaneously, nearly all of Kurdistan's parties coalesced for the Iraq-wide federal parliamentary elections of January 2005. After these elections, a coalition government was formed in Baghdad, in which Jalal Talabani became the President of Iraq in April, and Barham Salih, the former Prime Minister of the PUK administration in Sulaimania, became one of Iraq's Deputy Prime Ministers. Both men were re-elected to these positions in April 2006, after Iraq's December 2005 elections. Other prominent Kurds took charge of major ministries in Baghdad.

In between the two Iraq-wide elections of January and December 2005, Kurdistan's parties and leaders were major players in the negotiation of Iraq's Constitution. The text was substantively negotiated by August 2005, and then was ratified by four out of five of Iraq's voters in October of that year. There was an almost unanimous affirmative vote in the Kurdistan Region.

The new Constitution of Iraq wholly fulfills the Kurds' long-held demand for autonomy for Kurdistan and democracy for Iraq. Whether that will just be a paper victory is the issue. An old Kurdish poem has it that the lot of the Kurd is one "of a thousand sighs, a thousand tears, a thousand revolts, and a thousand hopes." Many Kurds believe now is the time for implementing hopes, and that sighs, tears and revolts are no longer politically necessary.

It is not difficult to see why. The new Constitution recognizes the Kurdistan National Assembly, Government and Region, and all of the Region's laws and contracts since 1992. It grants the Kurdistan





The KRG promotes a peaceful and democratic resolution of the Kurdish questions in all the neighboring states

National Assembly complete autonomy in all but the very small number of exclusive and limited powers of the Federal Government, and the right to nullify or modify any federal legislation where powers are shared between the federal and regional governments.

It recognizes Kurdistan's exclusive right to provide its own internal security – and recognizes the Peshmerga as the lawful army of Kurdistan, which had been so established by Law Number 5 of the Kurdistan National Assembly in 1992. It also grants the Kurdistan National Assembly and the people of the Kurdistan Region the ability to veto any constitutional amendments that affect their powers and rights.

Kurdish is now an official language of Iraq, as well as in the Kurdistan Region, and the Kurdistan Regional Government (KRG) has the right to have offices to represent the Region in all embassies and consulates on matters within the Kurdistan National Assembly's powers.

The Iraqi Constitution, remarkably, does not give the Federal Government any independent right to tax within the Region, and grants the Regional Government legal supremacy over natural resources, because the latter are not one of the exclusive powers of the Federal Government.

The Constitution is unfinished. Iraqi leaders are required to draft laws governing the formation and powers of a senate (a chamber of the Federal Union). They are also required to draft laws governing the formation and powers of the Federal Supreme Court. In both cases, the relevant legislation will require a two-thirds affirmative vote in the Iraqi National Assembly. Since all Kurdish parties have 21 percent of the seats in the current federal assembly, such legislation is most unlikely to be detrimental to Kurdistan's interests. The Constitution also addresses a matter of profound importance for Kurds. Article 140 enables the province of Kirkuk to unify with Kurdistan after a referendum, and provides for the resolution of the boundaries of other disputed territories where Kurdish-majorities presently lie outside the KRG and the boundary drawn by Saddam. If the relevant constitutional provision is implemented then most Kurds in Iraq will be within the Kurdistan Region, and a fourth major city, Kirkuk, will be part of its democracy. That city will be distinctive if the process succeeds, because it has significant Turkomen, Arab and Christian minorities, so it too will have to have power-sharing arrangements.

The Constitution of Iraq, therefore, makes Kurdistan freer within the Federation than are many new member states within the European Union. Kurdistan's major political leaders mean what they say. They negotiated in good faith to make Iraq work as a democratic and pluralist federation, and they will act in good faith to make it work. What they will not do is abandon their freshly recognized rights and powers, many of which make possible their future democratic and economic development – including freedom of investment.

The Kurdistan Government has been prepared to make compromises to make the Federal Government work. Though under the Constitution of Iraq they would be entitled to control all of the revenues that will flow from previously unexploited oil and gas fields, they have agreed in principle jointly to make a federally and regionally binding law that would share all revenues, from both old and new oil and gas fields, across Iraq as a whole. They have also shown that they are prepared to defend the Constitution with their blood. They have dispatched Kurdish troops to other cities in Iraq to aid the Federal Government and multi-national coalition forces, even though some questioned the wisdom of this decision within Kurdistan. Peshmerga troops are recognized as impartial in the sectarian civil war that has ravaged central Iraq, though not the south or Kurdistan, and they are acknowledged as the most disciplined soldiers in Iraq. Kurdistan's leaders have protected the Region from the violence that has occurred in Arab Iraq, and are determined to continue to do so. Presently, no American or foreign troops are on Kurdistan's soil. The Region is more than capable of maintaining its own security.

The Kurdistan Government is also determined to act in a responsible and neighborly way toward both Turkey in the north and west, and Iran in the east. The Prime Minister has put on record that the KRG will not allow its territory to be used to launch attacks on any neighboring country, making it clear that it will not allow either Turkish or Iranian Kurds to use its soil for military actions. Instead, the KRG promotes a peaceful and democratic resolution of the Kurdish questions in all the neighboring states, Turkey, Iran and Syria. This is both a principled and a prudent stance, disciplined by historical experience. The KRG has no wish to jeopardize its enormous political gains through rash actions. It will defend what it has won against any foreign or other opponents who use violence, but it will never be a party to aggression.

Politically, Kurdistan's leaders see themselves as having two fundamental goals in the decade ahead. One is to satisfy their people's hunger for full economic and democratic development, to build the free and prosperous Kurdistan for which so many paid with their lives. The second is to implement and defend Iraq's Constitution, and to make sure it becomes meaningful, so that it can withstand the inevitable departure of American troops from the rest of Iraq. Kurdistan's leaders have shown remarkable skill in working toward these goals in the last decade. They know they will need to demonstrate the same skills in the decade ahead.

Hope Tempered By Anxiety

The Kurds of Iraq in the 21st century

THE PEOPLE, POLITICAL parties and civil society of the Kurdistan Region, as we have seen, have many reasons to be cheerful going forward into the 21st century. They have successfully negotiated the autonomy they have long sought with their partners in Iraq, and ratified that agreement, through an irreversible referendum, in the Federal Constitution of Iraq. No representative democratic Arab politician in Iraq, whatever their views on other questions, proposes the complete unwinding of the constitutional rights of the Kurdistan Region.

Kurdistan's institutions are consolidated: the National Assembly, Government, police, army and courts, are all operating according to the rule of law, and will deepen their effectiveness and accountability in the years ahead. Kurdistan controls its own security, effectively, and has resolved its past internal disagreements in a spirit of genuine reconciliation. Islamist extremism is wholly contained, and dramatically less evident than in any other Muslim majority region of the world. The Kurdistan Region is politically secular, tolerant and inclusive.

Across the Kurdistan Region, from Zakho to Halabja, the evidence of the new prosperity is everywhere, in innumerable private and public construction projects. Attesting to confidence in a new and better future, since 2003 many thousands of homes have been constructed, reconstructed, or renovated. The private sector has also been heavily investing in hotels, amusement parks, tourism complexes, shopping malls, and innumerable other businesses that require electricity. Billions of dollars are being spent by the Kurdistan Regional Government (KRG) on public infrastructure projects, including roadways, universities, and airports.

Kurdistan's parties are pivotal players in the reconstruction of Iraq. They have cooperated with the Shia religious parties in making the Federation, but have been mindful (being mostly moderate Sunnis themselves) not to exclude the interests of Sunni Arabs in post-Saddam Iraq. They are widely recognized as good faith, impartial and effective operators in the new Iraq, so much so that other parts of Iraq are trying to follow their example.

An open Kurdistan, with an increasingly vibrant media and dynamic public space, is a beacon of liberty in the local neighborhood. As importantly, it is showing decisive policy outcomes: improved economic welfare, enhanced public health and life expectancy, and improvement across the span of human development indicators. It is attracting back some of its diaspora, a dramatic signal of progress.

Kurdistan's north-western neighbor, Turkey, is a new economic powerhouse and another consolidating democracy. Turkey's businesses have major investments in the Region, and oil pipelines are but one of a number of mutual dependencies that provide bases for mutually beneficial cooperation. The KRG is determined to deepen peaceful,





neighborly cross-border relations with Turkey, not least because its neighbor is a prospective member of the European Union.

The KRG welcomes the prospect of the frontier of the European Union moving to its immediate vicinity, knowing that the EU's expanding democratic space will enhance the stability of both Turkey and the KRG. Sustained Turkish-Kurdish cooperation is the major local external goal of the KRG. It is also in the interests of the Turkish Government, which will benefit from a democratic, secular and peaceful Kurdistan, as a buffer and mediator with the more turbulent states and provinces to its south and east. Turkey's realists have worked out that the KRG can be its best ally in the neighborhood. Effective diplomatic initiatives will see this vista realized.

Kurdistan also stands to benefit from the dramatically improved relations between the Iranian Government and Iraq. Tehran's political class is delighted that the Shia religious parties are the major players in the Baghdad Federal Government, and in Iraq's southern provinces. Iran has long established relations with the parties of the Kurds of Iraq, which they sometimes assisted in the struggle against Saddam. The new Iraq suits Tehran – despite Iran's very poor relations with the United States. The KRG and Kurdistan's parties, determined to be mediators within Iraq, and to remain allies of the U.S., are well placed to use their good offices in dispute resolution.

Sustained Turkish-Kurdish cooperation is the major local external goal of the KRG

The KRG is universally acknowledged as the U.S.'s most reliable ally in Iraq. Whatever their judgment on the American intervention in Iraq, no responsible American politician denies America's debt of gratitude to Kurdistan – not least for its sacrifice of its soldiers and resources in bringing down Saddam and in rebuilding Iraq.

The KRG's responsible pursuit of federalism, rather than independence, has ensured that it will remain in Washington's good books. The previous U.S. Senate decisively passed a resolution, supported by Senators Biden (Democratic Party) and Brownback (Republican Party), which advocated that the U.S. Government should support the full implementation of Iraq's Federal Constitution – exactly the position of the KRG. This century, the Kurds do not expect to be betrayed by the U.S., but they are fearful that the combination of President Barack Obama's determination to withdraw U.S. troops from Iraq and the emergence of new Arab centralizers, determined to consolidate their power in Baghdad, might undermine Kurdistan's newly won freedoms, and damage the Constitution.

The U.S.: Leaving Iraq



LEAVING IRAQ RESPONSIBLY requires the Obama Administration to promote a secure balance of power. That is made feasible by Iraq's Constitution. It will also require the new U.S. Administration to encourage clear internal territorial demarcations within Iraq's Federation, especially between Kurdistan and the rest of Iraq. The responsible transfer of power must be completed with the cooperation of both the Federal Government of Iraq and the Kurdistan Region. These institutions are the expressions of Iraqis' and Kurds' democratic will. Prioritizing their protection provides the right guidelines for the Obama Administration to leave Iraq with integrity. The key difficulty, known to all, is that some of the Arab leadership in Baghdad is at odds with that of the KRG.

But the Constitution of 2005 re-structured Iraq as a voluntary union of its constituent peoples. It proclaims, on paper, a pluralist federation, maps the path toward different and flexible forms of decentralization, and creates multiple incentives for power-sharing within a deliberately limited Federal Government. It remade Iraq as a parliamentary democracy – enabling its Shiite Arab majority to express itself as such, though subject to constitutional restraints, the most important of which lie in the formal strengthening of regions and provinces (governorates). This Constitution remains a coherent vision of how to remake Iraq as a feasible democracy. It is also Iraq's fundamental law, even if it is often disrespected in Arab Iraq.

The prospects for this Constitution remain much better than outsiders tend to think. Pessimistic analysts generally forget that each provincial government will now want to exercise its powers as violence subsides in Arab Iraq, and as American and coalition troops are withdrawn to barracks. In the light of day they will not want Baghdad wholly to run their local administrations. In the provincial elections in 2009 in Arab Iraq, in no province did any party or slate win 50 percent of the vote, and in only one did any slate come close. This voting pattern is, therefore, leading to multiparty coalition governments in every Arab-majority province. The Kurdistan Region's elections, that will take place after this book goes to press, will kick off with the KDP and the PUK running on a joint slate, so power-sharing will also be the name of the game in Erbil. Power-sharing, both within provinces and within the Federal Government, is the unavoidable consequence of proportional representation and of a genuinely multi-party world. Power-sharing makes federalism viable and necessary; it is what Iraq needs – not a strongman.

Some claim that recentralization is the settled will of Arab Iraqis, and point to an inevitable clash with Kurdistan. That is misleading. What many Arabs currently reject is aggregating their provinces into regions, like Kurdistan, but they do not necessarily reject empowering their own provinces, and most recognize Kurdistan's distinctiveness and entrenched regional autonomy. And even if all Arabs were all full-blooded centralists, they cannot constitutionally weaken Kurdistan's powers because it has an entrenched veto over amendments that might reduce its rights. Breaking the Constitution or riding rough-shod over the KRG's powers would lead some people in Kurdistan to advocate secession. That is a possible vista to be avoided, and it is one that the Kurdish leadership is determined to avoid, through dialogue and negotiation.

The recentralization and over-centralization of Iraq is the greatest long-run danger to a democratic Iraq, and the Kurdistan Region. President Obama and Secretary of State Clinton and others are being encouraged by some to support the incumbent Prime Minister of Iraq, Nouri al-Maliki, on the grounds that he is a secular centralist, as well as the victor of the provincial elections. In fact, he leads a Shiite Islamist party, and in no Shiite majority province (ten of Iraq's 18) did his slate win as much as 40 percent of the vote. Al-Maliki, too, has to share power. Moreover, with proportional representation, and the existing fragmentation of electoral support among Arab parties, no one can be confident that Prime Minister al-Maliki will remain pre-eminent. Indeed, it seems very likely that in the reconstruction of a new federal power-sharing cabinet in Baghdad, after the next federal elections, which are scheduled for January 2010, most parties will be interested in restraining the growth of executive power.

In the period ahead we can, therefore, expect that the Kurdish leadership will be arguing that in his



U.S. President Obama meets with Iraqi President Talabani and Iraqi Vice Presidents Abdul-Mahdi and al-Hashemi in Baghdad

responsible withdrawal from Iraq, President Obama should support Iraq's Constitution, and its federal, multi-party coalition Government, and that it should not over-invest in any particular person or party. They will want the U.S. Administration and others to encourage power-sharing, not power-centralization. They will point out that Prime Minister al-Maliki heads a multi-party parliamentary coalition, that he is not an executive president, and that Iraq has sufficient order to make federalism work. What Iraq does not need is another dictatorship, Sunni or Shiite, or another strongman. If the Obama Administration questions the *idée fixe* that Iraq must be recentralized, as Vice President Biden did when he was Chair of the Senate Foreign Relations Committee, it will realize that it is much wiser to adopt a pro-Constitution policy, not just because it is legally and democratically better, but because it will enable a more judicious U.S. exit.

A responsible U.S. exit will certainly require concentrated diplomacy to deter unwelcome foreign interventions, and to build more constructive relations among all of Iraq's neighbors. There are positive possibilities here. The U.S. withdrawal from Iraq may reduce Iran's interests in destabilizing the new Iraq. The U.S. pursuit of *détente* with Iran and of a new policy with Turkey are both independently appropriate. If U.S. policy is re-thought in favor of *détente* with Iran, as is currently apparent, then balancing Baghdad against Tehran can be abandoned as an overriding U.S. goal. Nothing in U.S.-Iranian relations will be easy, but the way forward is apparent. The re-engineering of U.S. policy toward Turkey is also necessary if there is to be a responsible U.S. departure. Turkey fears an independent Kurdistan. But a secure KRG within a federal Iraq will not be an independent Kurdistan; rather, it will be a satisfied, prosperous secular region, a buffer between Turkey and harder-line Islamists. The KRG will seek Turkey's respect for the sovereignty of Iraq and of its Constitution, and will encourage Turkey on its long path toward joining the European Union. Such rapprochement between Turkey and the KRG is necessary if the U.S. exit from Iraq is not to be destabilizing. The signs are promising.

This benign scenario requires that all major parties, with the good offices of the U.S. and other governments, support the committees currently trying to resolve disputes between Baghdad and the KRG on boundaries, natural resources, budgetary allocations, and security. Settling the internal boundaries is crucial; without that, no responsible exit is possible. President Obama has promised a responsible, and not a reckless U.S. exit from Iraq. All know that a reckless exit would lead to the exact opposite of what both Iraq's new Constitution and President Obama stand for – democratic, tolerant, and multiracial pluralism. That is why the KRG will be an active participant in facilitating a responsible U.S. departure from Iraq. The Kurdistan Region hopes to be rewarded for its prudence, for its constitutionalism, and for its past sacrifices. Its Government knows that there are major challenges ahead, many of them addressed in the articles that follow, but they are not roadblocks to success. They will be addressed with the same optimism, determination and flexibility that Kurdistan's people and politicians have shown since 2003.

Brendan O'Leary's How to Get Out of Iraq With Integrity *is published by the University of Pennsylvania Press. He is Lauder Professor of Political Science at the University of Pennsylvania, where he directs the Penn Program on Ethnic Conflict. In 2005 he was the Lead Editor of* The Future of Kurdistan in Iraq.

Developing a Dialogue

Gareth Stansfield looks at the challenges inherent in the relationship between the KRG and the Federal Government of Iraq

IT IS NOW possible to write about the relationships between the Kurdistan Regional Government (KRG) and the Federal Government of Iraq, which would have been unthinkable 50 years ago. It is also possible to consider the relationship between Kurds and Baghdad in a positive light because of recent remarkable political transformations. From being in a state of semi-permanent rebellion against the Iraqi state, and suffering from policies of genocide, ethnic expulsion and coercive assimilation (called "Arabization"), the Kurds have now become Iraq's leading democratic force. They participate in all levels of Iraqi government – the provincial, the regional, and the federal.

Governing the Kurdistan Region is a sophisticated and increasingly mature KRG. It was formed in 1992, following Iraq's defeat in Kuwait, and the subsequent evacuation of the Iraqi military from much of Iraq's three northern provinces. The KRG was formed after a deliberative political process, enshrined in a series of laws that allowed multi-party elections to take place in the chaotic aftermath of the first Gulf War. It was a democratic founding moment – and not born from the authoritarian whim of Peshmerga-dominated parties, as is wrongly assumed by critics of the Kurds.

The elections gave authority to the Kurdistan National Assembly (KNA) to legislate for the formation of the KRG, and since 1992 it has governed Kurdistan. The ensuing decade was not easy. External pressures from double sanctions (by Saddam and the UN), and interventions by Turkey



and Iran, were deeply destabilizing. Internal conflict between the Kurdish parties – largely spurred on by Saddam and the regional powers – divided the KRG into two administrations, one in Erbil and the other in Sulaimania. Yet the Kurdistan National Assembly survived, and the idea of the KRG was never lost. After 1997, a peace process coordinated the activities of the two administrations, and began the process of normalization. The unification of the KRG was finalized in 2006, with the merger of the two administrations under the premiership of Nechirvan Barzani.

The Kurds and the KRG had walked down a hard and rocky road between 1992 and 2002. But along with the years of conflict, a hard-pressed economy, and the constant fear of Saddam's revenge, a very important development occurred. For the first time in the Kurds' experience in Iraq they lived under an authority that, while not perfect, was deemed legitimate. Over the course of the decade, this legitimacy strengthened as the KRG became more institutionalized in the minds of its citizens. By the end of the 1990s, the word "government" had become synonymous with the KRG, whereas before the word would have invoked a reaction of great anxiety: it would have meant "Baghdad," "Saddam," and Iraq's secret police. Legitimacy gave the Kurdish parties increased cohesion and security in the dangerous times before 2003, and the wisdom of experience which would serve them well in the difficult period following the removal of the Baathists from power.

Iraqi President Jalal Talabani (left) and President of the Kurdistan Region Masoud Barzani (right)



This relationship will determine the future of the Kurds in Iraq, and the direction of the Iraqi state itself

The KRG emerged as the most capable of the governing institutions in Iraq following the U.S.-led regime change. No other part of Iraq was as stable, no other part as safe, and that was largely because of the continued existence of the KRG for over a decade and its acceptance as a legitimate body by the people of Kurdistan. Unlike the rest of Iraq there was no military occupation of Kurdistan by the multi-national coalition that overthrew Saddam's dictatorship with the help of their Kurdish allies.

The KRG's capabilities had an immediate impact upon Iraqi politics. It became a key partner in the reconstruction of Iraq, not a subordinate body. After the 2005 constitution had demarcated Kurdistan's and the Federal Government's powers, the Kurds could now participate in Iraq as recognized equals, rather than being seen as provincial nuisances. Kurdish experience was also directly transferred into participation in the Federal Government itself. The Kurdish politicians Barham Salih and Hoshyar Zebari were respectively appointed to the key positions of Deputy Prime Minister and Foreign Minister, while Jalal Talabani become the first Kurdish President of Iraq, and its first head of state to be elected from a democratic and constitutional process.

Yet it is the relationship between the KRG and Iraqi Government where the most encouraging developments have taken place. This relationship will determine the future of the Kurds in Iraq, and the direction of the Iraqi state itself. It is a relationship that has had its ups and downs. Yet it is one that has endured remarkably difficult and tense times without being irrevocably damaged.

The tensions have the same cause as the optimism engendered by encouraging developments: the federal nature of the new Iraqi Constitution. The Constitution allows for the existence and interaction between Baghdad and the KRG, yet this interaction requires compromise and understanding on both sides – which have not been in plentiful supply in the past.

Joint committees of the KRG and the Federal Government are at work to overcome difficulties regarding the organization of Iraq's and Kurdistan's oil industry, and their revenues, and to find durable and sustainable solutions to the governance of Kirkuk, and the status of the disputed territories. The Constitution has to be implemented. It would be impossible for the KRG or KNA to sanction any other course of action without losing the support of their electorate, and losing their hard-won legitimacy. The key difficulties arise when the Iraqi Federal Government fails to implement the Constitution, leaving the Kurdish leadership looking weak in the eyes of its electorate. The continued development of a productive KRG-Iraqi Government dialogue is essential to preserve Iraq's integrity, and to keep it on a democratic and constitutional path.

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Profiles

When the Kurds had a disagreement with Baghdad, they used to go to the mountains and fight. Today, they engage politically. Below are profiles of two key Kurdish leaders in the Federal Government in Baghdad



Dr. Barham Salih
Deputy Prime Minister, Iraq

Dr. Barham Salih joined the Kurdish movement in his teens, landing himself in jail, but not denting his commitment to the struggle for Kurdish rights and democracy and peace in Iraq.

Born in 1960 in Iraqi Kurdistan, Dr. Salih joined the Patriotic Union of Kurdistan (PUK) at the age of 16, while it was still an underground movement in Iraq. He was arrested twice by the Baathist secret police and forced to sit his high-school finals in prison, but still managed to achieve the third-highest grades in the country for his year.

In 1979 he arrived in Britain as a refugee and went on to achieve a BSc in civil and structural engineering at the University of Cardiff, followed by a PhD in statistics and computer modeling from the University of Liverpool. He is married to Dr. Sarbagh Salih, an agronomist and women's rights activist, and has two children.

In 1989, PUK leader Jalal Talabani appointed Dr. Salih the party's spokesman in London, where he was working as an engineering consultant. In 1991, Dr. Salih moved to Washington D.C. where he served as representative for the PUK and the Sulaimania administration of the Kurdistan Regional Government (KRG) for ten years. During those years, Dr. Salih brought the Kurdish question to the attention of the British and American governments and the international community at a time when neither Iraq nor Kurdistan were high on the political agenda.

In 2001 he became Prime Minister of the Sulaimania Administration of the KRG and is credited with spearheading the reconstruction and progress made in the governorate. Dr. Salih was the target of an assassination attempt by the al-Qaeda-affiliated group Ansar al-Islam in 2002, which killed his assistants. As a member of the KRG, Dr. Salih was involved in helping preparations for Operation Iraqi Freedom and expelling Ansar al-Islam from Iraqi Kurdistan.

Dr. Salih remains an advocate for a strong Kurdish role in a strong Iraq, and is active in reinforcing Iraq's relations with the international community after decades of isolation and hostility. Between 2004 and 2005, Dr. Salih served as Deputy Prime Minister in the Iraqi Interim Government and had responsibility for economic affairs, before being elected in 2005 to the Iraqi Transitional Government as Minister for Planning. He also joined the Council of Representatives, Iraq's permanent Parliament. He was elected Deputy Prime Minister of the first Council of Ministers of the Federal Government of Iraq in 2006.



Hoshyar Zebari
Minister for Foreign Affairs, Iraq

Hoshyar Zebari is a veteran of the Kurdish movement, having taken up arms against Saddam Hussein's regime in the 1980s before becoming a key spokesman for the Kurdish struggle overseas and post-Liberation Iraq's foreign minister.

Zebari was born in 1953 in the city of Aqra, Iraqi Kurdistan, and was educated in Mosul before obtaining a BA in sociology from the University of Jordan. He later went on to study in Britain where he was a leading Kurdish student activist while studying for an MA in the sociology of development from the University of Essex.

In the late 1970s, Zebari was involved in the Kurdish Student Society in Europe and was Chairman of the Overseas Student Committee in the United Kingdom. During that time, he was elected to the Kurdistan Democratic Party's (KDP) Leadership Central Committee – a high rank within the party's leadership structure. In 1989, he was promoted to the party's highest tier – the Political Bureau.

In the 1980s, Zebari joined the armed struggle against Saddam Hussein's regime and fought alongside Masoud Barzani in the mountains of Iraqi Kurdistan. Towards the end of the decade, Zebari moved into international affairs, becoming Chief Representative of the Kurdistan Front in Europe in 1989, highlighting the genocide and chemical bombardment that the Baathist regime was imposing on Kurdistan.

Zebari was the KDP's spokesman during the 1991 Gulf War and later became the coordinator with the coalition forces in Zakho for Operation Provide Comfort.

On becoming Head of the KDP's International Relations Bureau in 1992, Zebari turned his attention to public diplomacy and media outreach, in addition to organizing conferences for the Iraqi Opposition. In the 1990s Zebari was elected to the Leadership Council of the Iraqi National Congress – an umbrella organization for groups opposed to Saddam Hussein's regime.

After the liberation of Iraq in 2003, Zebari became Minister of Foreign Affairs in the Iraqi Governing Council, a role he says he entered determined to alter fundamentally the image of the Ministry, which had long been seen as one of the most clandestine branches of Government. Since then, Zebari has served as Iraq's Foreign Minister – in the Interim Government (2004), the Transitional Government (2005), and as a member of the Council of Ministers of the Federal Government of Iraq since 2006.



During the past few years, there has been a marked improvement in the security of the Kurdistan Region, says **Professor Brendan O'Leary**

Securing Kurdistan for all its People

THE KURDISTAN REGION has largely been free of the political violence that has characterized the rest of Iraq since 2003. Since one major bombing in Erbil in 2005, the Region's capital city has had no major terrorist incidents – London has suffered more from suicide bombings in the same years. I feel much safer walking around any part of Kurdistan than I do in parts of the city where I live, Philadelphia. No American soldier has been killed in the Kurdistan Region – in fact they go there on vacation. When I was in Kurdistan between 2003 and 2005 it was safe and secure, but security arrangements were very visible. In my visits during 2008 and 2009 the security arrangements were much less obtrusive and far more relaxed – though the vigilance remains.





The good security situation mainly exists because its Government is legitimate, and has the cooperation of the vast bulk of its public

The good security situation mainly exists because its Government is legitimate, and has the cooperation of the vast bulk of its public. The number of Kurdish Islamists is electorally small – they win fewer than one in 20 votes. Islamists are watched and reported on by a vigilant public, which does not wish to experience what has happened in Arab Iraq. Secular parties robustly lead the Kurdistan Regional Government, and its officials follow the Turkish practice of appointing imams in mosques.

Security organizations, intelligence officials, and the police operate under Article 117 of Iraq's Constitution, which makes the Kurdistan Region responsible for its own police, security forces, and army. The Kurdistan National Assembly has passed a counter-terrorism law, which guides the police and puts them under full judicial regulation. The Asayesh is the KRG's equivalent of the FBI. It engages in both counter-intelligence and counter-terrorism.

Karim Sinjari, who spent time in exile in Sweden, and who is interviewed overleaf, is the Kurdistan Region's Minister of State for the Interior. I first met him in 2003. He has several times shown me around Kurdistan's police training colleges – including when Michael Ignatieff lectured on human rights to young cadets. Minister Sinjari now sits at the center of an effective network of well-trained police, who have recently had their salaries raised.

The Peshmerga regional army units are spread out to defend the major urban centers of Dohuk, Erbil and Sulaimania. Guards protect important infrastructure – and protect oil extraction facilities and pipelines within the disputed territories (majority Kurdish areas that Saddam prevented from being part of the Kurdistan Region but scheduled to become part of the Kurdistan Region under Article 140 of Iraq's Constitution). Multiple vehicle checkpoints, especially at Kurdistan's perimeter, and increasingly computer-based intelligence have been very effective at deterring Arab jihadist operations. The KRG's security successes offer a positive role model for what may subsequently be possible in Arab Iraq, if local politicians decide to take advantage of the Constitution to organize security on a regional or provincial basis.

A major security problem arises from the unsettled status of the disputed territories, including the city of Kirkuk. Here Kurds, Turkomen and Arabs contest the appropriate location of regional, district and sub-district boundaries, and in the case of Kirkuk the boundaries of a governorate (province). These subjects are addressed in Professor Liam Anderson's contributions to this book. Both the budgetary and the territorial disputes are being tackled in committees with members from the Baghdad and Erbil governments.

PROFESSOR BRENDAN O'LEARY INTERVIEWS KARIM SINJARI, MINISTER OF THE INTERIOR

Minister, can you tell me what improvements there have been in security since 2003?
Let me first say what it was like before 2003. Before 1991, people hated the police. They rightly saw them as the tools of Saddam and his repressive regime. We then won our autonomy, even though it was not properly recognized by the wider world. We had to work very hard to build trust between our new police and the communities they protect. They are now seen as law enforcers rather than law abusers. We now have very significant and willing cooperation from our public, unlike Saddam's police.

We were autonomous between 1991 and 2003, but we suffered from two embargoes; that of the world community against Iraq, and that of Iraq against our Region. Iraq cut us off completely from its policing materials, its colleges, and all the basic essentials. The embargoes really handicapped us. For example, before 2003 we did not even have supplies of fingerprint powder. After 2003 the international doors were opened, and we were able to re-equip and make a fresh start. Since 2003, coalition forces and governments have helped us with training and with equipment. We have received help from some European countries, such as Germany. Of course, we are not perfect, but I am satisfied at our progress. We have radically improved our training and technological capabilities.

In our Police Training Colleges we no longer teach Saddam's history; instead, we teach human rights, democratic systems, and multi-party systems. Our ordinary police are high-school graduates whom we put through three years of training. Our officers are college graduates, whom we train for eight months. We have a good and growing number of women. We have police recruited from the minority religions and nationalities. Salaries have been raised to a starting salary of 500,000 Iraqi dinars a month, and we have decent pension arrangements.

What is the scale of criminality in the Kurdistan Region?
Crime, of course, exists everywhere: theft, killing, assaults, rape and murder. But compared with the rest of Iraq, or with neighboring countries, or the wider region, we are in very good shape. Moreover, we have data, in which we are confident, that shows a 30-40 percent fall in a range of crime rates in recent years.



And how do you explain that?
Good police work, as you would expect me to say, but our better police work is explained by what we have just discussed. I would also put it down to our dramatically improved economic development, and the higher employment and higher income levels of our citizens.

What about security against terrorism?
We are vigilant, and we have been effective. The Asayesh works on counter-terrorism and counter-espionage. It is an intelligence agency with the power of arrest.

We have a Higher Committee for Security – the Interior Minister, the Asayesh, the Peshmerga and the Traffic Police are all represented on it. They plan and evaluate. The Committee is replicated at governorate, district and sub-district level (where mayors are involved).

We cooperate. We know that intelligence and cooperation are critical to our continued success. We have helped the international coalition forces, and they have helped us. Many times we stop attacks inside Arab Iraq, not here. If they plan to do something here we nip their actions in the bud – with the coalition forces or Iraqi federal forces.

Since May 2005 we have had no major terrorist incident within the KRG, despite the fact that Mosul, where Baathists roam freely, is a mere 50km from Kirkuk. They have tried to infiltrate us, but we have stopped them – so far. Erbil, for example, is a flat city so we have ringed it with a ditch, 73km long, which ensures we can check all vehicles carefully without disrupting normal life too much.

How can foreign investment and aid help you?
In training and equipment. We worked with Americans in introducing an investment program performance monitoring system, a computerized policing system for personnel management, iris IDs of police staff, and communications among police stations. In a year and a half in Baghdad they could not do anything. I urged them, "why not come and practice here?" They came, and within five weeks they did what they could not do in Baghdad.

We are working to get a DNA machine, and seeking better equipment to check for weapons. The Koreans provided us with a computerized fingerprinting program. We will be constantly upgrading our systems with foreign investment and counsel.

In many countries, police are a source of corruption. Have you significant corruption? What do you do to prevent it?
I would be a liar if I said I could assure you that no police are corrupt, but it is very limited. We are confident that salary raises have helped; we also have strengthened internal disciplinary investigations and have punished infractions. We pay attention to public complaints, and we try to put in place systems of operation that minimize the chances for corrupt conduct.

What about crimes against women? Gender-based violence? Spousal abuse?
The Prime Minister has rightly taken a vigorous and tough stand on all these questions and chairs a High Committee on all these subjects – including genital mutilation of baby girls. The Interior Ministry has the lead responsibility. We have carried out careful investigations and analyses and have good data on all these subjects. We have arrested and charged far more people. They have been judged and in some cases have faced execution or long sentences. And that has had a transformative effect. Women are now far more likely to come to the police for help or with complaints, and if the question cannot be resolved to their satisfaction, we have safe havens for them while we arrest offenders.

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Lawful Kurdistan

The address given by **Prime Minister Nechirvan Barzani** at the opening of the Judicial Council building in May 2009

WE IN THE Kurdistan Regional Government (KRG) have always lent continuous support to the independence of the judiciary, and have worked to set in place the foundation of justice. The independence of a judicial authority means respecting human rights and committing to the law and international conventions.

We have tried, in accordance with global standards, to provide an environment conducive to the establishment of judicial authority – these criteria have been put forth to serve humanity and protecting the rights of the individual and the independence of the judicial system.

We in the KRG will remain committed to these criteria as we establish our judicial system and fair courts in the Region. Such a system requires that no one can be arrested without a legal decision and the necessary warrants.

Anyone who is arrested has the right to know why he or she has been arrested. He or she must be given the right to access legal counsel. So here we must define and set out the mission of the judicial system and the courts. As the highest judicial authority in the Region, the Judicial Council, through the courts – especially the Court of Cassation – can review the dossiers of suspects and of the accused. It can also review the decisions and verdicts issued by the courts.

And that is why, as a legal and humanitarian duty, the Judicial Council and the courts must very carefully look into all verdicts that are issued. During the reign of previous regimes of Iraq, a large number of our people were victims of the lack of fairness in court. Many people were sent to detention centres and prison without any evidence or cause. They were treated inhumanely, and were never tried in public courts.

In post-dictatorship Iraq, the law should be above everyone, and we must be fully committed to Constitutional articles and legal texts. No one group should be considered above the law in this country.

The law can be of help to anyone who feels that his or her rights have been violated or ignored. Therefore, the more we respect the law, human rights and justice, the better we are able to garner international support for our people.

The law regulates all of our communal relations – legal principles are in the service of everyone. Fair courts guarantee the basic rights of the individual when his or her rights are violated, or if an individual faces any kind of punishment.

Today in the Kurdistan Region, the judiciary is completely separate from the other authorities and has complete independence. We in the KRG emphasize the independence and freedom of the judiciary and the courts, and we will work to ensure that they remain independent.

Persons, parties or groups should not interfere in the affairs of the courts in any way. In return, courts should protect and defend their independence and must not bend to the pressure of any person or party. To protect this independence, judges should make the Constitution and law their reference.

Judges should bravely tackle the challenges they face in upholding justice and the independence of courts – through proper court proceedings. We need the international community to place more confidence in our democratic experience.

I would like to speak very frankly – our judicial system is not without shortcomings. And you must try to improve our system in all fields so that we can improve these shortcomings and earn international credibility for the democracy that we have begun. We must continuously strive for this support. Everybody, including officials, judges, lawyers, prosecutors and investigators, share this duty to improve our system.

We in the KRG emphasize the independence and freedom of the judiciary and the courts, and we will work to ensure that it is independent

The independence of the judicial system is one main pillar in the achievement of this goal. In the past, you were part of the executive branch. But now you have independence and your own budget. Your constitutional and legal independence is a guarantee for the independence of your verdicts.

We in the KRG face many challenges ahead of us. But in my opinion, no challenge is more important than strengthening the authority and independence of our judicial system at the present time.

It is obvious that there are many reasons why this is the case.

One: The Kurdistan Parliament and KRG have taken many steps in the field of international humanitarian law, the protection of human rights, eradicating violence against women, combating corruption and ensuring security in the Region. But these steps will not be effective if our courts and



judicial system are not strong and effective enough to uphold our laws.

The principled basis of any progressive society requires that citizens understand and truly believe that the laws of the land are supreme and that no person or party can be considered above the law. In order for our laws to be respected and implemented, society must know with confidence that the courts and judiciary are independent, strong and committed to the law.

It is the responsibility of the judiciary, with the passage of any law, to implement that law from the moment it is issued. This has not always occurred, unfortunately. We have found that, after the passage of the Press Law, some courts and judges were still applying the old version of the law and not the new one. This caused an unnecessary problem for us.

Two: Economic development in the private sector requires that workers, employers, contractors and companies all have full confidence that economic transactions and activities will be respected, and that their property and capital will be secure and legally guaranteed.

This principle applies equally to foreign and domestic businesses. Therefore, the presence of a stable, qualified, and effective judicial system is an absolutely integral ingredient for our economic development in the Kurdistan Region.

Three: There is a need to admit that our judicial system and courts are influenced, in a way, by political forces. Hiding the facts will not solve this problem. Therefore, you can help us at all levels to achieve our goal in building this independent authority.

We must prove to ourselves and to the world that we are on the right path towards renewing our

Government institutions based on contemporary principles. I have stated this many times before. For decades we were isolated and suffered without the support of the outside world.

During those times we could not benefit from global development. This equation has now changed, and we are pleased by the increased international attention the world now pays to the Kurdistan Region. Many public and private sector groups from around the world are offering to help by investing and assisting with training and development programs to address our needs. This international attention paid to our Region is welcome, but it is not one-sided. It gives the international community an opportunity to watch us directly.

Therefore, the world is monitoring us closely to determine whether we are taking steps to make ourselves more progressive, more transparent and more efficient in our activities. To keep the world assured of our intentions and attitudes, we need to demonstrate to everyone concerned that our Region's judiciary is capable of administering justice in a fair, open and independent way.

Our criteria for progress should be based on content, not on appearance. That is why the success and advancement of the Kurdistan Region is connected to the issues in the judicial system, human rights and the supremacy of law – and not only to building, reconstruction activities, or beautiful streets.

Four: In order to be fully respected and understood, our judicial authority, courts and overall system must be more transparent and independent. Court deliberations and proceedings must be made publicly available to interested parties, and the results of judicial proceedings must be published in written form more quickly. In addition to this, the courts must put forth greater effort in explaining their mission, activities and decisions to the people. We would earn respect through good practice, and not through slogans.

Although there still remains much to do, we have made significant progress in improving the quality of our judicial system. I would like to refer to some of the recent developments:

- We have taken the decision and passed legislation to unify the Court of Cassation, the highest court of the Kurdistan Region, in order to make it both stronger and more independent.
- The judicial authority and the Judicial Council have now been established in the Region. This is the third pillar of governance, together with the legislative and executive branches.
- We have allocated a separate budget for our courts, allowing them self-administration and, therefore, greater independence. I would like to assure you that the KRG will do all it can to support your independence.
- We have effectively and continuously pursued the inclusion of judicial participation in further training courses. We are providing advanced technology to the courts so that they can work with global institutions that aim to upgrade the performance of our judges, prosecutors, investigators and all judicial staff members.

We have recently discussed this issue with the United States, the European Union and nations with relevant



As society changes and progresses, so legal processes, court procedures, and legal and judicial education and awareness also must change



experience and expertise. And we in the Government are ready to move forward with these programs in order to develop the judicial system.

I would like to also say a few words about the judges – the main pillars of our judicial system. Despite being cut off from and neglected by Baghdad since the uprising, we have always tried to raise the quality and training of our judges. We met with limited success, due largely to the lack of necessary resources and partnerships for this important objective.

Therefore, I would like to stress that it is absolutely vital to recognize that our judges must receive proper training and ongoing legal education in order to maintain their level of knowledge and secure their continued progress. The KRG is now in a position to provide such initiatives and programs. Our judges should be respected properly in society. We know that, while judges derive their legal power from the Constitution, they also build moral power from being unbiased and from their professional capabilities and effectiveness.

We are aware that there are many programs in Baghdad to train and build the capacity of judges. It is important that we are not deprived of these efforts, because such programs are implemented with the help of many international institutions, such as UN agencies. And the Kurdistan Region, as a part of Iraq, must participate in all these training courses. Therefore, the judges and experts in the judicial field must not stop and say that they are at their final level of education. Contrary to that, as society changes and progresses, so legal processes, court procedures, and legal and judicial education and awareness also must change.

In addition, this subject should be taught at various educational levels so that awareness is spread throughout our society. We therefore deem it necessary to establish institutions to build the capacity of judges. The KRG is ready to allocate the necessary support for such an institution.

To further strengthen the judicial authority in practice, there must be complete coordination among the judicial authority and the relevant authorities of the KRG, such as the Ministries of Justice, Interior, Social Affairs, Education, Higher Education, and other governmental departments. Another important aspect is the development of legal curricula at universities and colleges in the Kurdistan Region, in a manner which is in line with modern curricula.

In addition to this, law colleges should pay attention to both the Arabic and English languages. This effort will help to upgrade the educational level of those who work in the judicial system. In addition to law colleges, legal awareness should be introduced as a part of the general curriculum beginning from secondary school.

Unfortunately, no steps have been taken thus far in this regard. I ask both the Ministries of Education and Higher Education to pay attention to this important aspect as they update and enrich their education courses, and take immediate steps to achieve this goal.

Working together closely, judicial establishments and civil society organizations can promote awareness among individuals and familiarize them with their legal rights. This is a good stimulant to reduce crime and secure peaceful coexistence. And here, the media in general can support and encourage this aim.

Today we stand on a historic stage at a delicate time as we build the institutions of civil society. We are at the beginning of a long road. But we are dedicated, with a committed vision in this process.

I am very pleased today to see the strengthening of institutional authority and the separation of powers taking place in the short term of the fifth cabinet of the KRG.

The Dispute Over Kirkuk





Kurdish students walk to school in the oil-rich city of Kirkuk

Liam Anderson explains why a compromise between the Kurds, Turkomens and Arabs is best to resolve the dispute over Kirkuk

ON DECEMBER 31, 2007, the constitutional deadline for the implementation of Article 140 of Iraq's constitution was not met, leaving unresolved one of the country's most contentious and volatile disputes.

Article 140 provided a clear mechanism for determining the future status of Kirkuk, and the failure of the Iraqi Federal Government to implement its terms, in violation of an explicit constitutional mandate, has created a serious political crisis in Iraq that can only be successfully resolved through negotiation and compromise.

Unless all the major parties to the dispute – Kurds, Turkomens and Arabs – are willing to make the necessary compromises, the issue of Kirkuk will fracture the fragile political consensus that underpins the new political order in Iraq.

The line on Kirkuk promoted assiduously by Turkomen and Arab leaders, and accepted uncritically by many in the West, is that the Kurds have monopolized political power in Kirkuk since 2003 and are bent on grabbing its oil wealth with a view to imminent secession.

So, to understand the broad dimensions of a potential compromise, it is first necessary to set the record straight. The issue of oil is, at most, only peripheral to the dispute. Kurdish political leaders helped draft constitutional provisions that mandate the equitable distribution of oil revenues across all of Iraq, regardless of where the oil is produced, and that allowed the Federal Government to have a joint role in the management of oil fields in production in 2005, Kirkuk included. In any case, in the event of a contested secession, Kirkuk's oil is of little use to the Kurds; they cannot yet consume it domestically because they have insufficient refining capacity, and they cannot easily export it without the cooperation of those who control the neighboring sections of the pipeline system – namely Arab Iraq and Turkey.

When we realize that potential oil allocation disputes have already been resolved in principle, it is easier to see that a compromise solution to the Kirkuk dispute is within reach. Currently, the Kurds are numerically dominant in Kirkuk. The Kurdish list polled 53 percent of the vote on a turnout of more than 85 percent in the most recent (December 2005) election in Kirkuk. The election was intrusively monitored by international observers to prevent large-scale fraud, and ultimately certified by the UN as free and fair. The Kurds' electoral dominance would be even more pronounced if the mainly Kurdish-dominated districts of Kalar, Kifri, Chamchamal and Tuz, which Saddam cut away from Kirkuk province, were restored to the governorate, as required by Article 140. And, not least, lawfully under Article 140, significant change in the electoral register has been taking place – expelled Kurds have returned and had their franchise restored; while Arab settlers have been paid to return to the South of Iraq and registered to vote in southern provinces.

In practical terms, what these considerations mean is that the Kurds do not need to share power to govern Kirkuk city or province democratically. They are no more obliged to share power in Kirkuk than they are entitled to share power in other governorates, such as Ninevah, in which they comprise a minority. For the same reasons, the demand of Kirkuk's Arab and Turkmen leaders for a share of political power equal to that of the Kurds is neither realistic nor reasonable; at least not without reciprocal concessions on their part.

The obvious point of compromise, put forward by a range of analysts, is to allow Kirkuk province to be incorporated into the Kurdistan Region, as allowed by a referendum under Article 140 (expressing Kurdish majority preferences), but with the Kurdistan Regional Government agreeing to include in its constitution provisions guaranteeing proportionality and power-sharing within Kirkuk city and province.

Rhetorically, all parties to the dispute, including the Iraqi Turkomen Front, Turkey, the Kurds, and most Arabs, have accepted the need for compromise. A compromise solution will certainly be better than a solution imposed on one side by the other. A compromise that gives every major community something, and no one everything, stands a good chance of producing a stable, productive future for all the people of Kirkuk.

A compromise solution would allow Kirkuk to fulfill its undoubted potential as an economic powerhouse in the Middle East

In turn, it would finally allow Kirkuk to fulfill its undoubted potential as an economic powerhouse in the Middle East. Kirkuk already has much to offer; a highly educated and sophisticated urban professional class; relatively low levels of ethnic tension – particularly in light of what Saddam did; and a potentially fruitful meeting place at the confluence of three civilizations (Arab, Turk and Kurd). Kirkuk has been deliberately starved of funds for decades by Baghdad governments, leaving all aspects of its infrastructure, including its oil fields, in chronic need of investment. A compromise deal that places Kirkuk under the protection of the Kurds' highly effective security forces, and with all the benefits of the Kurdistan Region's favorable laws on foreign investment, could finally unleash Kirkuk's largely untapped economic potential.

Liam Anderson is Associate Professor of Political Science at Wright State University. He is the co-author of The Future of Iraq (2005, second edition), and Crisis in Kirkuk (2009).

The Ministry of Planning

Professor Brendan O'Leary interviews the Minister of Planning, **Osman Shwani**

How does one arrange financing for projects in the KRG?
As your readers will be aware neither the Kurdistan Region nor Iraq has had a proper modernized banking system until recently. But there are now 22 private sector banks operating in the country, though their operations are still somewhat limited.

But is it true that they can't do capital loans, and just practice exchange and deposit facilities?
They do provide capital loans, but their facilities in these respects are limited. The High Economic Committee of our Government has proposed to establish a new bank with the Government having less than a 20 percent share. We want it to be an investment bank, with private managers, with the Government as a minority shareholder.

The global financial crisis has obviously slowed progress on the maturation of this project. But we want to develop it. The Government's investment will encourage others, and we want to encourage people not to hoard their cash, which is plentiful, but to make use of it as capital.

Could I open a current or a business bank account today?
Yes, for example, at Dar-es-Salaam or Byblos bank, provided you had your passport and other ID, you could open a current account today. And they would want to check on your business license for commercial banking. Where there are more difficult issues is with insurance, where we are underdeveloped. We hope to make progress on this front, but the global markets are shaken at the moment.

Has the Kurdistan Region benefited from not being involved in global financial institutions?
We have not gained any advantage during the upside of the recent period of economic growth, but then we have not been shaken too much by the current downside, unlike a lot of other regions or countries. The Region has no debts. The fall in oil prices in the world at large means that we can expect falling government revenues and, therefore, falling government expenditures. But we will not have anything resembling a collapse; rather, we will have a limited retrenchment.

We do not think we are going to witness some radical system transformation in the global economy. Instead, we expect better risk management and regulatory regimes to be implemented in the major regions of the world, under the leadership of the United States, the European Union, Japan and other Asian countries, and in international institutions, and we look forward to participating in the reformed global economy as full citizens.

Can you please explain the role of the Ministry of Planning? The Prime Minister says that the KRG wants a strong private sector-driven economy. What is the role of a ministry of planning in a capitalist economy?
We are not a Soviet or state socialist ministry of planning. We engage in infrastructure planning, and coordination, steering and nudging rather than ordering. We are not a replacement for any of the line ministries. We ensure that Government projects to be implemented by the line ministries go through a fair and competitive tender process. We review legislation and administrative rules, adopting or amending rules, or proposing changes to make sure that the private sector can flourish lawfully. We provide information about investment opportunities. We aim to ensure that the Government's investment budget is efficiently spent, in capital projects on schools, roads, and hospitals. At present we are at work on 2011 expenditure planning, helping to set priorities.

Does your role involve organizing conflict-avoidance, rather than control of other ministries?
That's certainly a core part of our intended mission. We seek to smooth out overlaps, and aid ministries to coordinate their actions – without supplanting them. We do not want to be like the Baghdad Planning Ministry of old. Our role is coordinating, human resources development, data collection and analysis.

May I ask about data collection? Is your Ministry responsible for collecting national accounts?
Yes, that's our Ministry. We are working with an American University to develop regional accounts, as well as working overall for Iraq with the IMF to provide reliable regional and federation-wide accounts. We are conducting a household survey with the World Bank, collecting information on 155 items to develop a price index. We will be taking 2007 as our base year, and we believe we will be able to estimate our GDP and GDP per capita reliably in 2009.

What about human resources development? Does that involve discussions with the universities and institutes on expected manpower needs? Or management quality? What is at stake?
We are engaged firstly in capacity building and training programs within the KRG, in management, administration, and public finance. We are liaising with multiple national and international organizations to the same end – with the World Bank, the UNDP, and UNICEF. We have sent officials to Japan; we have sent 300 people to be educated in the Republic of Korea. But we are also engaged in reforming our administrative system, taking into account the counsel of the World Bank to improve our efficiency and effectiveness.

We are also engaged in advocacy and guidance with our social ministries, e.g. education and health, where we are aiding fundamental reviews of what is required of personnel in these sectors, now and in years to come. We are facilitating all ministries in developing best practices in their human resource management. We know that human resource management was a striking feature of the success of the East and South East Asian economies, Republic of Korea, Taiwan, Singapore, Malaysia and others.

Have there been successful changes in public management?
Yes, we reviewed those functions where citizens have to visit public offices, to reduce waiting times, and to produce more efficient internal processing routines. We have made it possible to ensure that the issuing of a work permit is a one-day job, not a seven-day job. We are taking a similar approach across all sectors – trying to eliminate



the wasteful routines developed under Saddam's time and before. But, of course, administrative reform is not a one-day job. It requires deep engagement in improving the caliber of our public officials.

We have made sure that the Government's capital budget, since 2007, has been publicly available. We are putting data online, sectorally organized; and governmental databases are being developed for application within regional ministries, and in governorates and municipalities.

In all this activity, especially human resource development, do you have any particular country in mind as a role model to implement? And if so, why?

Yes we do, and it's South Korea. We have some historical similarities – notably the experience of civil war and cultural issues that constrained the effectiveness of our public institutions. In the 1960s their GDP per capita was roughly $100, but now theirs is the 11th ranked economy in the world. It may be going through difficulties now, but we want to learn from its growth process. We have many of our officials currently at the Korean Development Institute, where they are interacting and learning from others with the same mission – officials from Vietnam, Cambodia, Uzbekistan, Turkey, Ukraine, Ghana and Algeria.

Does the KRG have priorities in inward investment? Or is it open across the board?

Our Investment Board is open, and encourages investors across all sectors, except natural resources, which is under a separate ministry. In its early stages it has succeeded in the housing and construction sectors, where the payback periods for investors are fairly quick, and the risks fairly low. But in the longer term, we want extensive diversification, and that's part of our role. And we want to develop according to our comparative advantages. We should have a flourishing agricultural sector, given our lands, climate, and water. We want to be able to ensure our own food-security (a very high proportion of our food is currently imported).

Why is that? Yesterday when I ate at a restaurant I asked where each item came from. The tomatoes came from Turkey, the cucumbers from Syria, the pistachios from Iran, and so on, and yet there is this marvelous farmland in the vicinity.

You are right. Our agriculture has been in bad shape. The Baghdad Government under Saddam Hussein practiced ethnic cleansing in the 1970s and 1980s; more than 4,000 villages were destroyed, notably during the notorious Anfal campaign, which killed more than 180,000 people, many of them farmers and agricultural laborers. Obviously, the existing infrastructure was destroyed, or rapidly decayed. When the KRG was established in 1991 we had a very limited budget, and found it very difficult to organize a full-scale return to the land, though we have had some successes in rebuilding and restocking villages. So we suffered from a coerced over-urbanization, later exacerbated by the UN Oil for Food program, which, ironically reduced the incentives for local agricultural production. We also had some unexpected droughts.

All of these factors – Saddam's genocidal destruction, forced urbanization, droughts, and the absence of a good road network – inhibited full reconstruction. But the opportunity to develop and redevelop our agricultural sector is certainly there, and that's what we are intent on accomplishing.

Why will you succeed? Isn't it extraordinarily difficult to encourage people to leave cities to go back to farms?

We believe that it's a question of incentives. If people believe they will have better incomes and lives as farmers, then enough of them will leave the cities and return to the land. We have provided road networks, energy, and health centers near the villages, and good education facilities. So, the basic infrastructure is there, or being put in place. We will put 50-60 percent of the Government's capital budget next year into agricultural uplift, but we are also seeking foreign direct investment in the agriculture sector, as opportunities are plentiful.

A last question minister, why should a foreign investor come to the Kurdistan Region? Why not go to Uzbekistan, or South East Asia; why come here?

The straight answer is that we offer extraordinary opportunities. Our natural resources, oil, gas and minerals, are immense but, our extraction industries minimally developed. We place high priority in transparency and rule of law. Our demography is right: we have a young population; there will be no need to hire foreign labor. We are putting the right infrastructure in place, including human capital development that will offer employees fluent in English, as well as Kurdish and Arabic. Our energy costs will be low. We have a friendly Investment Law. We are safe – we have good security. We are democratic; we are pro-American and pro-European. We are the other Iraq, not the Iraq of sectarian war. Our landscapes are beautiful. We are going places – don't miss the chance to help us become rich.

From a firmly rooted agricultural industry, to a developing tourism sector, **Dr. Zeki Fattah**, Economic Advisor to the Prime Minister of the Kurdistan Regional Government, describes the Region's key investment prospects

Economic Development and Investment Opportunities



Kurdistan has the capacity to produce several exportable cash crops

SINCE IRAQ'S NEW Constitution, the share of the Kurdistan Region in Iraq's substantial oil revenues has made a major difference. Thanks to the unprecedented hike in oil prices in this decade, Kurdistan's share increased significantly until the last two months of 2008. Even with the latest oil price adjustment, the Region's share remains substantial. These revenues have facilitated significant development in the Kurdistan Region's economy. A considerable portion of the revenue is being used to sustain development and infrastructural transformations. Income per head in the Region in 2008 amounted to $6,000, compared to $5,000 in the previous year; a rise of 20 percent in one year. In real terms, this new level of GDP per head is higher than the level recorded for Turkey, equal to that in Lebanon, and twice as high as that in Egypt and Jordan.

The rapid growth of the economy has been boosted by increased local investment in production and services; the return of trained human capital and financial resources from the extensive Kurdish diaspora; and the influx of foreign direct investment (FDI) into the Region, which amounted to $39 billion in 2008. Foreign investment is substantial, especially, but not only, in the oil and gas sector. Investors are benefiting from wide-ranging business opportunities, and from the Kurdistan Region's Investment Law.

The Kurdistan Regional Government's (KRG's) liberal approach to trade and economic policy, rooted in free market principles, is maximizing advances forged by the Investment Law. In the near future, two complementary laws are expected to be ratified by the Kurdistan National Assembly, our Parliament: the Competition Law and the Consumer Protection Law. Both have been drafted according to best international standards, with the aim of smoothing business operations in the Region's free market economy.

The business environment has benefited from a healthy expansion of the higher education system. New American, English, Turkish and Lebanese universities and technical schools are being opened, offering an array of business, management and market-oriented courses, in addition to technical and scientific subjects that blend well with market demand. The full range of commercial and personal banking services are now offered inside and outside



the Kurdistan Region. The day when the Region can operate its financial market separate from Baghdad is nearing.

There are great opportunities in the Region for investment banks, and urgent and expansive need for insurance banking services. There are lucrative opportunities for the operation of multinational insurance banks, especially those offering vehicle, health, life and business insurance. In addition, ample opportunities exist for specialist agricultural, estate, construction and industrial banks. Many of these opportunities are being hotly pursued.

The bloated public sector inherited from the previous regime's three decades of Soviet-style centralism is being gradually and carefully dismantled, and reduced in size. This is partly being achieved by facilitating investment and expansion in the production base, and by increasing the supply of local technical, managerial and organizational skills. Some innovative methods are being deployed, including the restructuring of the Kurdistan Region's engineering skills-set, outsourcing engineering activities from government ministries, and creating private contracting, engineering and design companies, which can compete or partner with foreign construction companies. The Kurdistan Region offers excellent opportunities to multinational contracting, engineering and design companies that may wish to enter into partnerships and joint ventures for project implementation, training and skill development.

With some of the major infrastructural projects in the Region nearing completion, as well as a number of strategically important transport and communication projects, the Council of Ministers is promoting investment in energy and refinery projects, as well as in the critically important areas of agriculture and food production. These sectors have been elevated to prominence by the recent world food and energy crises.

Kurdistan has the capacity to produce several exportable cash crops, and high income and price-elastic agricultural produce. The Region's climate, significant availability of water, improved infrastructure, expanding local market, and proximity to the large Iraqi and Gulf markets create tremendous prospects – especially in storage facilities, developing technical agricultural colleges, transportation and distribution systems, packaging and marketing.

There are equally compelling opportunities in the oil and gas sectors, including a wide range of upstream and downstream activities.

Major irrigation projects, dams, and water supply management are under public sector management, but investment and technical support for these projects are sought from friendly governments and the international community. Both FDI and public private partnership in this area are encouraged.

Monetary policy in Iraq is the prerogative of the Iraqi Federal Government, though it has no competence to determine Kurdistan's own fiscal policies. Since the liberation of Iraq in 2003, core macroeconomic variables, including the exchange rate of the Iraqi dinar, the Federal Bank interest rate and the inflation rate, have generally been

There are great opportunities in the Region for investment banks, and urgent and expansive need for insurance banking services

stable. The balance of payments has remained healthy, and there has been a marked improvement in Iraq's foreign currency reserve. The stability of Iraq's macroeconomic policy performance has aided economic development in the Kurdistan Region – dramatically so, compared with the rest of Iraq. Effective and stable macroeconomic policy performance usually has more productive effects in an environment of security and stability, such as that evident in the Kurdistan Region.

Our outstanding economic performance was only temporarily and marginally affected by the world inflationary trend that preceded the current financial crisis. The inflation was fueled by the global increase in food and energy prices, and this entered the Region's economy through the extraordinary increase in imports to the Region. Since then, however, the price spurt has been halted, and price increases have tapered off. But the factors that pushed prices created a great impetus for investors. Marked increases in local and international investment can be seen in all economic sectors. The flurry of investment in construction and housing is visible to any visitor, but more investment is still needed in farms and factories. The KRG's policy of facilitating ownership of land by locals and by foreigners has played an important role in making this possible. Increased economic activity has created a significant employment spillover. The Kurdistan Region is now a Mecca for job seekers from all over Iraq, and beyond.

The speedy pace of economic development has, however, created a structural imbalance in the skills composition of the labor force. But our authorities are dealing with the skill shortage effectively. For example, foreign companies are permitted to bring in their own skilled labor from abroad, and workers are free to transfer wages and earnings. Training facilities inside and outside the Region are being used. Vocational schools are being refurbished and teaching curriculums reviewed. The next stage in our supply-side improvements includes an extensive program to establish technical schools.

Tourism ambitions are discussed elsewhere, but there are ample signs of progress, and of capital-deepening. The new Erbil International Airport, which can handle passengers in the millions, opened in 2007. A number of five-star hotels are appearing, a series of international trade exhibitions and conferences are held annually, and malls, parks, restaurants and entertainment centers are now filling the cities. Even the Region's taxi fleet has been entirely renewed. We are going places, and despite the global downturn, Kurdistan is brimming with new-found confidence and energy.

Professor Brendan O'Leary interviews **Herish Muharam**,
Chairman of the Investment Board of the Kurdistan Region

Investment Board of the KRG



Why was the Investment Board created?
We were created to ensure that there would be a professional, open, and transparent way for all investors, foreign and domestic, to conduct lawful business in the Kurdistan Region, across all sectors of the economy – except natural resources.

So the non-oil and gas sector are governed under different laws?
Yes, we have a separate Ministry of Natural Resources, because the management of the oil and gas sector is distinctive. Our Board has full legal autonomy in all other sectors of the economy, and the Kurdistan Regional Government (KRG) has full constitutional powers in these sectors. We also have decisive constitutional autonomy in oil and gas, but we agree that as a matter of practical and political cooperation, there must be both regional and federal laws and regulations in that sector.

To clarify, the KRG's investment law makes no distinction between foreign and domestic investors outside of oil and gas sector?
Yes, the law is very clear in this respect. Compared with other political entities, both sovereign and autonomous, the investment law of the KRG is designed to be very friendly, easy and clear. I think investors will find it difficult to find an article that is vague. No legal distinction is drawn between foreign and domestic investors. We grant each identical ownership, and full rights to own their properties, including land, and activities. We grant the right to repatriate capital. I would also emphasize our ten-year tax holiday for new investments, five years of exemption from customs and duties for the import of materials.

There is no compulsory partnership of any form. We will endorse and facilitate such partnerships if outsiders want them, but to maintain freedom of economic competition and transparency, we play no role in their creation.

Are partnerships with local investors neither obligatory, nor even especially encouraged?
That is right. They are not obligatory. We do not encourage them. We will, of course, facilitate them, but our Board never deals at the individual level in facilitating such partnerships. That we never, ever do. We will introduce prospective external investors to the Chamber of Commerce, the International Businessman's Union, to the Contractors' Union. We can advise on sectoral capacities and capabilities.

How does the Board function?
The law specifies that the Board is autonomous but accountable to a High Committee of the KRG, chaired by the Prime Minister and the Deputy Prime Minister. The Board consists of seven Director Generals, chaired by me. The High Committee meets once a month. I report on our activities, problems, plans, and bottlenecks. All relevant Ministers can be at the High Committee. That's how we established the "one-stop shop" policy for investors, so that they can be simultaneously processed for access to all the governmental services they may require, such as utilities. The High Committee facilitates policy coordination and effectiveness. For example, the Prime Minister issued a decree to all ministries that all ministries must reply to any correspondence with the Board of Investment within 15 days.

So, the High Committee serves as a review body?
Yes, we can make proposals for change. At present, we are making studies of a range of associated laws that affect investment. Fortunately, there are no major issues, yet. But, we are always engaged in self-scrutiny, and send our conclusions to the High Committee. For example, after a review of what was happening in the housing sector, we proposed changes in procedures to assist the Government's housing policy better than we were doing.

We at the Investment Board concluded that our regulations had been part of the reason for extensive

Nishan Trade Center in Erbil



There is no secrecy at this Board. There is no computer here with a password

developments of expensive housing that seemed to be speculative, or for second houses, and was not directed at more obvious public needs. That, in consequence, was affecting the allocation of Government supplies and services. We reviewed the sector – including the impact of divorce, showing that housing conditions were affecting divorce rates. We decided to ask the Government to ask the Board to encourage investors capable of building housing suitable to the income capacities of local people. We suggested a Government fund of $100 million to support the industry's development in a more targeted way – to be made available to those purchasing houses. The loans should reach up to 30 percent of the price, provided the house price did not exceed $60,000. We also targeted some of the socially needy to qualify for loans of up to 50 percent, including, for example, disabled people, families headed by a widow, and unmarried women over the age of 50.

We will always avoid individual cases completely; that's not our business. This is merely steering and nudging the market after learning. We are not simply trying to encourage a social housing sector, but we wish to avoid illegal urbanization that mars many parts of the world

What does the Board do?

We promote investment and facilitate businesses, both foreign and domestic, to invest in Kurdistan. We attend conferences, foreign and domestic. We organize in-country seminars and we plan on opening offices in the KRG's missions abroad. We issue our *Investment Guides*. We talk to the media. So far, our promotion strategy is not satisfactory: I want to establish targets and benchmarks there, and to learn from the experiences of other countries.

We interact with ministries, setting up good protocols and procedures. We aim to make fast decisions, within the law. If that means I make some mistakes, so be it. The Board and I will learn from them. We have our website to communicate generally. It's not of the caliber I'd like it to be, but we will work on that – including a section on answers to frequently asked questions. We have avoided being charged the Earth by international consultants – carefully establishing what we want and what we do not know before seeking targeted advice. This is no one-man decision board; in fact this board could operate without me. I take that as a good sign. We are collegial; we are determined to do our best for investment in the KRG, displaying no geographical favor or bias, no partisan political bias, and no culture of favors.

We are especially concerned about getting advice on anti-corruption policies and transparency tools. You will have seen the reports: I was extremely worried about Iraq's global rank of second to bottom in clean government. We have been telling people we are part of the new Iraq. We are, but we are determined not to be part of Iraq's corruption. We never issue licenses without three or four affected ministries approving our actions. There is no secrecy at this Board. There is no computer here with a password. I invite the media to make investigations. I challenge them to come to this open access office, take a file, make a copy, conduct their own investigations, rather than listening to me. And that goes for foreign media too.

Who is doing foreign investment in Kurdistan? Is Turkey investing or trading? How is the global economic crisis affecting Kurdistan?

There is direct investment by Turkish companies, but, as you suggest, they are very heavily involved in freight, and in construction. Even when there have been political tensions between the KRG and Turkey, we have successfully separated matters of commerce from matters of politics. Firms from the Gulf States have been the major investors, especially in construction. We are still disappointed in the scale of U.S., French, and U.K. investment, but with better information, we expect progress here. We are starting to get diverse inflows of foreign investment – some of which will undoubtedly grow further with our expansion of our oil and gas capacities. We have licensed two operational international airports, cement plants, power supplies on a build-own-operate basis, and thousands of housing and commercial units.

The current global financial crisis has made investors wary, worldwide, but I have a suspicion that could play to our advantage. We are a cash economy. We have not been fueled by government debt, or by the debts of our own citizens and companies. We can develop our banking and financial sectors without, we hope, the mistakes that have been made elsewhere. We are lawfully entitled to at least 17 percent of Iraq's oil revenues – that means we are a low risk on major projects. We have the ability to pay – even if the price of oil falls. And we are still intent on developing our private sector.

Tell me about the private sector

Our private sector is in the early stages of economic development. Our businesses are good at focusing on individual contracts, but they are not yet very capable of thinking sectorally, i.e., lobbying the Government for changes in their interests, such as contracting out those parts of public sector activities that might well be more competitively and effectively provided in the private sector. It is part of the KRG's task to develop, collect and analyze data better – to help our own private sector to think well.

What about foreign investors? Are they better organized in making sectoral requests to the Board and the KRG?

That's true of the larger international companies, as one would expect. What foreign investors always talk about is "guarantees." I always check what they mean here. Are they seeking guarantees against sabotage, robbery, natural disasters, or against nationalization? We know we have to develop our insurance sector. We think that will flow from the spread of international banking here.

We need to work on the media, and in educating major firms about Iraq's Constitution. Many think – wrongly – that they must go through the Baghdad Government. Not so. But we must get that message across more effectively, which is one reason why I have participated happily in this interview.



Banking

The Kurdistan Region is an ideal place to expand commercial and retail banking business in Iraq

The banking law of 2004 introduced an efficient banking regime. Now, international banks are choosing to develop their branch networks from Kurdistan

INVESTORS IN ANY emerging market identify an efficient banking system as critical to the success of any project. Banks in the Kurdistan Region offer secure and reliable services that enable the investor to implement and manage any development project, contract, or office.

International banks have identified the Kurdistan Region as the ideal location from which to develop their network of branches across Iraq. In 2008, Byblos Bank of Lebanon opened a full service branch in Erbil. The Dar-es-Salaam Bank, majority owned by HSBC, recently upgraded its branch in Erbil. The Commercial Bank of Kuwait plans to open a branch in Sulaimania, and a major international bank is soon expected to open its first name-brand branch in Iraq in Erbil.

These international banks compete with a range of Iraqi private sector banks such as the Middle East Investment Bank, the Kurdistan Investment Bank and Warka Bank.

At the time of going to press, 15 private banks had headquarters or branches in Kurdistan's major cities of Erbil, Sulaimania and Dohuk. Some have major international and regional shareholders. The rapid expansion of these facilities is clear evidence of the belief that the Kurdistan Region is an ideal place to expand commercial and retail banking business in Iraq. In addition, Iraq's Government banks are operating branches in Kurdistan.

The Trade Bank of Iraq was established in 2003, in association with a consortium led by JP Morgan, to provide letters of credit and other credit instruments to local and international contractors and suppliers working in Iraq. The Trade Bank has now expanded the range of services offered from its principal Kurdistan Region branch in Erbil.



The banking sector in the Kurdistan Region is regulated by the Central Bank pursuant to the transitional banking law of 2004, which introduced a modern, comprehensive regulatory regime, encompassing strict capital adequacy requirements in accordance with Basel II.

Any customer with an established presence in the Kurdistan Region can open current or checking accounts in any major currency. There are no exchange control restrictions, and the customer will not be prevented from repatriating funds from the Kurdistan Region to head office outside of Iraq. International wire transfers are efficient and reliable. Checks clear more quickly than in most developed countries, and debit cards are available from a number of banks in the Region.

Customers may purchase high-yield certificates of deposits from banks in the Kurdistan Region. The interest rates payable relate to the interest rates offered to Iraqi banks by the Central Bank of Iraq. As central banks in the developed world lower interest rates, and the Iraqi dinar appreciates against the U.S. dollar, the banks in the Kurdistan Region offer a chance of significant capital growth.

STARTING UP INSURANCE IN KURDISTAN

Dean Killock, Regional Director of Al Fajer Kurdistan, describes opening up an insurance sector in the Kurdistan Region

Al Fajer Kurdistan insurance and reinsurance broker (AFK) is an international insurance broker, which is part of Anglo Arab Insurance Brokers (AAIB) based in Jordan. As a group, we have been active in the market since 2005, and established our locally registered office in Erbil in 2008.

The company provides full insurance services to businesses operating in the Region and, through our group offices, we are able to offer clients a service in the Middle East and the rest of the world. We have a range of products and services for almost all sectors of the insurance market.

The Kurdistan Region has immense potential to develop very rapidly and we see our role as working alongside the companies in other sectors that are and will be expanding the Region's domestic commerce and industrial production. Insurance is a necessary product for most investors because it allows some of their risks to be minimized through the use of appropriately designed products.

The development of the financial services sector in the Region will certainly occur. It will be driven by the needs of private sector businesses, foreign and domestic. But equally, it will take off extensively when the Kurdistan Regional Government starts to oblige companies to comply with insurance requirements on projects contracted out to commercial companies. We also anticipate direct stimulation of the insurance sector through legislation and regulation.

Together with the banking sector, insurance has played a pivotal role in the development of the world market economies. The number and size of the insurance companies in the most advanced economies is testament to that. Emergent markets, such as the Kurdistan Region, invariably follow suit.

At Al Fajer Kurdistan we are constantly looking to innovate and bring new products to the market. One example is our international travel insurance policy, which offers medical and other cover for travel outside of the Kurdistan Region. Such coverage is an essential requirement for many visa-issuing consulates or embassies. The product provides peace of mind and security for travelers in the event of illness or accidents when they are away from home.

We are committed to the enhancement of the financial services sector in Kurdistan, and we are actively engaging with public officials to assist where possible in the dynamic reform and reconstruction process that is underway.

We anticipate greater understanding of the benefits that insurance products can offer in the general marketplace, and that our sector will be recognized as a valuable and necessary part of the economic progress of the Kurdistan Region. We also expect foreign competitors before long.

Aydan Kodaloglu, President and CEO of AK Group International Consulting, describes business prospects in the Kurdistan Region from the perspective of a business consulting group



Turkish Investment

AS A CONSULTANT advising clients about investment opportunities, I am always on the lookout for new places where a promising investment climate is emerging. I look for where several things come together: a new market, energy and enthusiasm, openness to change and innovation, and a business-friendly Government eager for economic growth. Iraq in general now fits this description. But the Kurdistan Region of Iraq, with its untapped potential, its considerable resources, and its peaceful, secure and stable political situation, is the most interesting and promising region of Iraq.

Saddam Hussein did whatever he could to block the Region's development, so in part, there is catch-up development to be done. But the Kurdistan Region also has fresh-starter advantages. Any new development, whether in telecommunications, infrastructure or energy, may use the latest available technology. That is one reason why there has been such striking development in the Region, especially after 2005. Infrastructure, telecommunications and energy are booming.

"A cup of coffee is worth 40 years of friendship." This is a famous maxim in Turkey and its neighborhood. Enjoying many cups of coffee over the years, Turkey and the Kurdistan Region of Iraq have been interacting for decades. And both the Government of Turkey and the Kurdistan Regional Government's (KRG's) leaders are eager to enlarge and deepen the relationship between them.

The border between Turkey and Iraq extends 330km. Currently, there are more than 500 Turkish

companies working in the Kurdistan Region. Turkey's trade volume with the KRG has reached more than $6 billion dollars. The oil pipeline from Kirkuk to Ceyhan, running since 1977, extends some 1,876km, and is one of the best examples of its kind, with a capacity of 35 million tons per year. President Özal of Turkey was a pioneer in advancing trade between his country and the Kurdistan Region. He envisaged increasing the existing pipeline with a parallel natural gas line, and increasing the capacity of the oil line.

In the rapidly growing oil sector, Genel Energy has been a pioneering Turkish company. It has been a major contributor to the growth of the oil industry in the Kurdistan Region. Its capable CEO, Mehmet Sepil, saw the great potential of the energy sector in the KRG, and moved quickly and successfully to establish its operating company, TTOPCO, as a key player. TTOPCO has developed the Taq Taq oil field, which has the potential production rate of 200,000 barrels per day. Petoil, another well known Turkish oil corporation, has been successfully working in Bina Bawi with its U.S. partner, since 2003.

Turkish-U.S. joint ventures are an ideal form of cooperation that will contribute to the fast development of the Kurdistan Region. Cultural similarities between Turks and Kurds, and the easy rapport that seems to exist between each of them and their American colleagues, make it much easier for American investors to work in the area.

The volume of trade and investment is expected to increase quickly, spurred on by the development of the Zakho Free Trade Zone, on the border between Kurdistan and Turkey, improved transport routes, and increased and improved logistics between Sulaimania and Erbil through to Turkey. Transportation between Turkey and the Kurdistan Region is a major trade sector in its own right. There are 200,000 trucks working just in the transportation of oil and oil derivatives.

In the $6 billion trade between Turkey and the Kurdistan Region, one finds virtually every significant business sector, such as chemicals, steel, vegetables textiles, cement, electrical products, automobiles and furniture.

Recently, Turkey's Special Envoy to Iraq, Ambassador Murat Özçelik, paid a visit to Erbil. His visit paved the way to much closer ties between Turkey and the Kurdistan Region of Iraq, officially confirmed in meetings between Turkey's President and the Kurdistan Regional Government.

Turkey – an energy bridge between East and West, as well as North and South – and the Kurdistan Region, with its huge energy potential, are natural partners in commerce, for the immediate future, and for the longer term.

Once the Kurdistan Region settles its differences with the Government of Iraq on the hydrocarbon law, we will see an even more flourishing local economy, which will become increasingly attractive to world investors. But while the oil and gas law is still being negotiated between Baghdad and the KRG, savvy investors are already moving to stake out their positions. They will not be sorry.



Turkish trucks wait to cross Turkey's Habur border gate to Iraq

Promoting Business

By **Yasmin Motamedi**, Executive Director, Middle East and Africa Affairs, United States Chamber of Commerce



Prime Minister Barzani meets with Lt. Gen. (Ret.) Daniel W. Christman, Senior Vice President for International Affairs, and members of the Kurdistan Region of Iraq's Investment Task Force

THE U.S. CHAMBER of Commerce's Iraq Business Initiative (IBI), along with its Kurdistan Region of Iraq's Investment Task Force, was launched in June 2008, under the U.S. Chamber's Middle East and Africa Affairs Department.

The U.S. Chamber of Commerce is the largest business organization in the United States and was established in 1912. The organization represents 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

As the voice of business, the Chamber's core purpose is to fight for free enterprise before Congress, the White House, regulatory agencies, the courts, the court of public opinion, and governments around the world. Initiatives that cover energy, infrastructure, education and training, and workforce issues, help drive the Chamber's job creation and economic growth agenda.

The IBI is a core program of the Middle East and Africa Affairs Department. It is also an important part of the organization's International Division and is focused on helping the U.S. business community compete in the global marketplace.

The IBI is made up of a group of very distinguished American businesses. Its mission includes increasing members' access to Iraqi markets, helping expand investment opportunities, and promoting dialogue and access to decisionmakers in the U.S., the Government of Iraq (GOI), and the Kurdistan Regional Government (KRG). It also encompasses effective advocacy and business development programs throughout Iraq and the United States.

The IBI is the premier venue for dialogue between American and Iraqi business and governmental decisionmakers, and over the last three years the U.S. Chamber has led the way in the dialogue about economic development in Iraq. There are a number of challenges that Iraq and the United States face in this crucial time of transition and the Chamber is dedicated to overcoming them.

Why Iraq?

At this important moment in history, it is in the U.S.'s strategic advantage to improve and deepen its economic relations with Iraq, including the KRG. One vital ingredient to the relationships is trade and investment. Economic development in Iraq is critical to its stability, peace and prosperity, but it is also essential to American national security interests.

America's security interests, as broadly defined by our policymakers, includes our established defense and foreign policy concerns, but also includes the improvement of our own economy.

There is great potential for expanding economic and business partnerships between the U.S., the GOI and the KRG. The aim of the Iraq Business Initiative is to generate and implement new ideas for partnerships and business policy that can influence the thinking of our Government, our business leaders, and their counterparts.

There is a window of opportunity for American business to invest in Iraq. The Iraqi economy has shown some recent broad-based strength. The cultivation of credible investment opportunities is key to creating a more stable environment for business in Iraq. Iraq's Kurdistan Region, with its secure business climate and investor-friendly regional Government, has paved the way, creating a hospitable atmosphere for international companies both to invest and to operate enterprises.

The current global economic crisis has brought about great positive shifts in international capital flows, including sovereign wealth and private capital in the Middle East and East Asia. It has also brought continued diversification of emerging economies in many regions, and helped expand intraregional trade and investment in the Middle East and North Africa, South and Southeast Asia and other regions.

The U.S., however, has largely been absent from the scene. In comparison to our major global competitors,



the American private sector has been somewhat disengaged. In contrast, European, Russian, and Asian companies have led the efforts with the new Iraq economy, and they continue to do so – many with strong backing and support from their governments. These countries and business leaders see Iraq as a new frontier for trade and investment. The Chamber's goal is to ensure that American business takes advantage of the opportunities in the Kurdistan Region and the rest of Iraq.

The Obama Administration has committed itself to expand economic and business partnerships with Muslim-majority countries, including Iraq. The IBI supports those efforts. We believe that now is the time to energize that effort. There are, of course, barriers to deeper economic and business partnerships, and the IBI will not shrink from constructively addressing these challenges.

Both a wide range of economic challenges and many undeveloped opportunities still exist in Iraq. There is great diversity in local economic conditions, regulatory and governance frameworks, and entry points. There are also many opportunities and experiences in sectors that exist in manufacturing, agriculture, trade and tourism partnerships. It is important for us to work together building human capital and linking education, job skills and employment. Getting young Iraqis back to work and developing the Iraqi economy requires increased engagement by the private sector in Iraq's economy.

The Chamber's experience across a range of emerging markets shows that it is imperative for the private sector to engage in the policymaking process. The IBI provides the private sector with such an opportunity in Iraq. In the past year, it has been actively facilitating specific business opportunities in Iraq, providing its members with access to key decisionmakers and has pursued targeted advocacy on their behalf.

In the past two years, the Chamber has taken four trade missions to Iraq – two trade missions to Baghdad, and two to the Kurdistan Region of Iraq. The IBI is currently planning further trade missions to the Kurdistan Region – tentatively, in August and December 2009.

There are golden opportunities for investment in Iraq, especially within Iraq's Kurdistan Region

In the past year, the IBI hosted and a number of business delegations and economic stakeholders from Iraq, and several distinguished Iraqi officials, including President Masoud Barzani; HE Prime Minister Nechirvan Barzani; Iraqi Deputy Prime Ministers, Dr. Barham Salih and Dr. Rafi Al-Eissawi; HE Dr. Fuad Hussein, Chief of Staff to President Barzani; HE Falah Bakir, Minister and Head of the Foreign Relations Department of the KRG; HE Dr. Kareem Waheed Al-Aboudi, Minister of Electricity; Prime Minister Nouri al-Maliki; and KRG Representative to the United States, Qubad Talabany.

The U.S. Chamber of Commerce is actively engaged in building bridges for global commerce and establishing the relationships necessary to ensure that our members are not locked out of lucrative international markets.

There are golden opportunities for investment in Iraq, especially within Iraq's Kurdistan Region. The U.S. Chamber of Commerce's Iraq Business Initiative, with the support of its membership, has taken a leadership role in facilitating and strengthening that engagement.

American private business has an opportunity that it cannot afford to miss, and the men and women of our armed forces have sacrificed a great deal to make this a reality. The key elements are there to once again make Iraq a strong economy in the region. While progress won't happen overnight, it is the mission of IBI to continue to maintain focus on meaningful engagement that promotes real business-to-business linkages and job creation. This, in turn, will foster greater stability in a part of the world that is crucial to our national security and business objectives.

Finally, on behalf of the U.S. Chamber, we would like to offer our most sincere appreciation to the KRG, including Qubad Talabany, U.S. Representative to the KRG, for their unwavering support of the IBI program at the U.S. Chamber of Commerce.

United States Representation

The Kurdistan Regional Government



Qubad J. Talabani
KRG Representative to the U.S.

AS PART OF the Kurdistan Regional Government's (KRG's) commitment to maintain and deepen its relationship with the United States, the KRG liaison office provides the most comprehensive perspective of the Region, its people and its position within Iraq.

Since opening, the liaison office has worked closely with the U.S. Administration, Congress, the U.S. business community, students, academic experts, the media, and think tank scholars to provide updates on the latest developments, as well as guidance on a wide range of issues, opportunities, and challenges in Iraqi Kurdistan. As part of these goals, the KRG representation in the U.S. helped to organize and launch the Kurdish-American Congressional Caucus (KRG-U.S.), which seeks to promote knowledge and understanding of Kurdistan, and to give voice to the 55,000 Kurds currently residing in the United States.

The KRG-U.S. is dedicated to advancing the commercial opportunities and interests of the broader U.S. business community in the Region. To this end, the U.S. liaison office is an indispensable first stop for those wanting to learn about investment laws and opportunities, as it connects interested businesses with the appropriate agencies within Iraqi Kurdistan and provides assistance in nurturing these new relationships. The KRG-U.S. works closely with leading organizations, such as the U.S. Chamber of Commerce, which sponsors trade missions to Iraqi Kurdistan and created a Kurdistan Region of Iraq Investment Task Force; and the U.S. Department of Commerce, which sent a delegation to Iraqi Kurdistan as part of the first official U.S. Government trade mission to Iraq in 20 years, and the first official mission to the Kurdistan Region.

For those from Iraqi Kurdistan now living in the United States, the liaison office provides guidance with legal queries and help in pursuing educational opportunities. The KRG's Washington D.C. home serves as a resource center for all those from Iraqi Kurdistan and their families who live across the United States. The KRG-U.S. maintains a community outreach program to mobilize Kurdish communities nationwide through organizing direct meetings and events, supporting cultural initiatives and language schools, and involving youth groups in a wide variety of activities.

The U.S. liaison's cultural outreach program gives North America a taste of Iraqi Kurdistan's multi-ethnic and varied heritage, through cuisine, traditional costumes, music, and dance. In addition, the office ensures that the Kurdish heritage and history is not forgotten, by honoring those slain in the Anfal campaign with a ceremony in Washington D.C. and coordinated ceremonies throughout the United States.

Cultivating educational links is another key part of the mission, and includes developing and helping to launch courses in Kurdish studies in U.S. colleges and universities, and creating exchange programs for students and teachers between U.S. and Kurdish facilities.

Each year the KRG-U.S. Representation facilitates Kurdish delegation visits to the United States. It also assists American delegation visits to the Kurdistan Region, as well as academic, religious and other groups, to further strengthen relations. In a complementary effort, the Washington D.C. office launched and continues to coordinate "Leader-to-Leader" visits to and from Iraqi Kurdistan. These visits offer peers the chance to exchange legislative and executive experiences, foster closer ties between regions sharing agricultural, cultural and business activities, and provide opportunities to enhance democratic traditions.

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United Kingdom Representation

The Kurdistan Regional Government

LONDON PLAYS HOST to several regional representations – Quebec and Flanders to name a few. Among the newer arrivals and the most proactive is the Kurdistan Regional Government (KRG) U.K. Representation, which has had a British presence for a decade.

Although the KRG may be the relatively "new kid on the block," the work of promoting friendship and understanding between Britain and Kurdistan began several decades ago, initiated by leading figures in the Kurdistan Democratic Party and Patriotic Union of Kurdistan. Their challenge was often simply to educate people about where Kurdistan was, and to encourage support for a people facing brutality and repression.

The work of the KRG's London office has widened since the liberation of Iraq and Kurdistan's circle of friends has grown

The work of the KRG's London office has widened and changed since the liberation of Iraq and Kurdistan's circle of friends has grown, and interest among politicians, diplomats and the business community has increased.

Bayan Sami Abdul Rahman, the KRG High Representative to the U.K., and her team work closely with the Middle East Association, the leading British trade organisation for the Region whose members range from blue-chips to small businesses. The KRG regularly participates in and hosts seminars to highlight the trade and investment opportunities in Kurdistan with the MEA. More recently, it co-hosted events with the London Chamber of Commerce and Industry and the business community in the North East of England. It plans to do more with Northern Ireland and other parts of the U.K.

With the support of the KRG, five trade delegations have been to Kurdistan since 2006, with many of those companies finding partners, agents, contracts and investment opportunities, while others have renewed old acquaintances and refreshed their knowledge of Kurdistan and Iraq.

Investment promotion is just one aspect of the KRG's work in the U.K. The representation coordinates with various British Government departments, and is in close contact with MPs and Lords, particularly those in the All-Party groups on the Kurdistan Region and on Iraq. They receive regular updates on developments in the Region, and visit Kurdistan to see for themselves. Think tanks and academic institutes, the media and the international diplomatic community in London are the other key areas of focus. Naturally, support is offered to the Kurdish community in Britain. Coordination with the Iraqi Embassy is a key part of the KRG's work.

The KRG London office continues to be the hub for inquiries, and acts as the bridge between Kurdistan and the United Kingdom, including Wales, Scotland and Northern Ireland. But Kurdish community organizations, Kurdish families, businesses and professionals all around the U.K. continue to build friendships that have a more individual impact.



Bayan Sami Abdul Rahman
KRG High Representative to the U.K.

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Viability, Stability, Prosperity

Kurdistan is on the road to prosperity. **Riad al Khouri** reports



KURDISTAN'S ECONOMY IS set to take off, attracting a growing number of investors from the Middle East and beyond. As the global recession spreads, the rich are no longer getting richer, while the less prosperous do relatively better. Former high-fliers, such as Dubai and Kuwait, have fared poorly over the past few months and their outlook is grim, but other Middle Eastern areas are less affected; not ravaged by a housing bubble or plummeting bourse, Kurdistan will be such a Cinderella economy.

Though the situation in central and southern Iraq may be improving somewhat, things there are still unstable; but the Kurdish Region is another story. For a start, there is security and a low crime rate, with a prison population of about 1,000 out of a total of approximately 5 million inhabitants. The comparable ratio in the U.S. for example is 50 times higher.

Kurdistan's petroleum reserves are abundant and will underpin prosperity; only about 10 percent of the Region has been explored, and there is a lot more oil waiting to be tapped. Additionally, costs of extracting crude are among the lowest in the world, with large deposits lying close to the surface in much of the province.

Apart from oil, Kurdistan has lots of other resources. Hoping to tap into them, increasing investments in agriculture, education, tourism, and industry have come to the Region in the past few years; but there is also great room for expansion in these and other sectors.

To exploit the vast potential in agriculture, the Kurdistan Regional Government's (KRG's) plan for the agricultural sector was launched recently, aiming to make the best of the Region's abundant output of cereals, fruits, vegetables, livestock, etc. In addition, agri-industry projects are coming on stream as part of this trend.

The Government of the Region is also developing the irrigation infrastructure to help expand production of agricultural products, as well as the transport needed to get them to Middle East and world markets, with new highways being built, and others under repair. Also crucial is the major airport expansion project in the regional capital of Erbil, which will help Kurdistan open up to business and tourists alike. Though already served by several carriers, such as Turkish Airlines, Royal Jordanian, Austrian, and Emirates, the big new airport facility opening in Erbil in 2009 will make it easier for businesses to operate in Kurdistan, as well as promote it as a tourism destination.

Kurdistan has a lot to offer. Erbil is one of the oldest continuously inhabited cities in the world, and boasts a huge citadel designated by the United Nations Educational, Scientific and Cultural Organization as a major historic architectural site. Yet, in order for that and many other spectacular natural or historic attractions throughout Kurdistan to pull in tourists, hotel facilities need to expand. With major five-star hotel brands arriving in Kurdistan soon, most notably Kempinski and the Middle East group, Rotana, both of which are coming to Erbil, the province's stability is acting as a spur to the development of tourism.

The viability of Kurdistan is no longer in question: the aim must be to assure strong, sustainable growth

Another sector benefiting from the Region's stable outlook is education, with universities and a returning diaspora providing a skilled workforce. Private schools are also opening, including international ones, amid increased interest from western educational institutions.

In these and other areas, with Arab money pulling out of world bourses, the province could become an investment magnet. For Kurdistan, conflict is a thing of the past; and the Region is firmly on the road to a higher level of prosperity and economic development, despite the world crisis. One task will be to make appropriate distinctions for investors between the laws and security of Kurdistan on the one hand, and the rest of Iraq on the other. Kurdistan's political development has succeeded in assuring stability; and is now regarded as Iraq's major success story. The viability of Kurdistan is no longer in question: the aim now must be the encouragement of further investment to assure strong, sustainable growth.

Bayan Sami Abdul Rahman interviews **Bayiz Talabani**, Acting Minister for Finance and Economy, about the ministry's role and aims

BAYIZ TALABANI, THE acting minister for finance and economy, was born in 1944 in Kirkuk. He has completed 12 accounting courses in Iraq and outside the country, and worked in the field of finance for four decades, including seven years at the finance ministry. Talabani has been active in the Kurdish movement since his teens. He was injured in the fighting against the Baathist regime in the Kurdish Ailul (September) Revolution of the 1960s and 1970s, and faced imprisonment and exile. Talabani joined the Patriotic Union of Kurdistan in the mid-1970s and remains a key member of the party.

What are the challenges facing the finance ministry?

There are many challenges facing us as we continue to rebuild Kurdistan and Iraq as a whole. We need to build the physical infrastructure, but also to strengthen the economic infrastructure to enable the private sector to flourish and our society to heal itself through peace and prosperity.

The Kurdistan Regional Government (KRG) should receive 17 percent of Iraq's budget. Does it?

One of our challenges is ensuring that the 17 percent allocated to Kurdistan from the federal budget is received by the KRG. Although this figure is part of a political agreement, in practice there are disagreements with Baghdad on the starting point for how the 17 percent is calculated. The Federal Government argues it should be calculated after Iraq-wide spending, such as for defence or for the Hajj pilgrimage, is deducted. Our view is the 17 percent should come out of the overall budget.

We are in dialogue with Baghdad on this and we continue to discuss and negotiate – this is the new Iraq. Compared with the days before the liberation, the financial situation in Kurdistan is much better. The budget, the growing economy, and the investment interest from abroad are all things we didn't have before.

You said the finance ministry needs to encourage the private sector to grow. Previously, you've also mentioned banking and insurance

Yes, we need the private sector not just to work, but to flourish in Kurdistan. The Government can't provide every job and every salary. As the private sector grows in scope and strength, it can provide sustainable jobs and help the economy to grow.

There are many Government and private banks in Kurdistan and other parts of Iraq, but some of them do little more than transfer Government salaries and pensions. Some of the private banks have links with international institutions, but some of these tend to have a small capital base. One of the advantages of the current situation in the banking sector is that Iraq has been largely insulated from the banking crisis around the world.

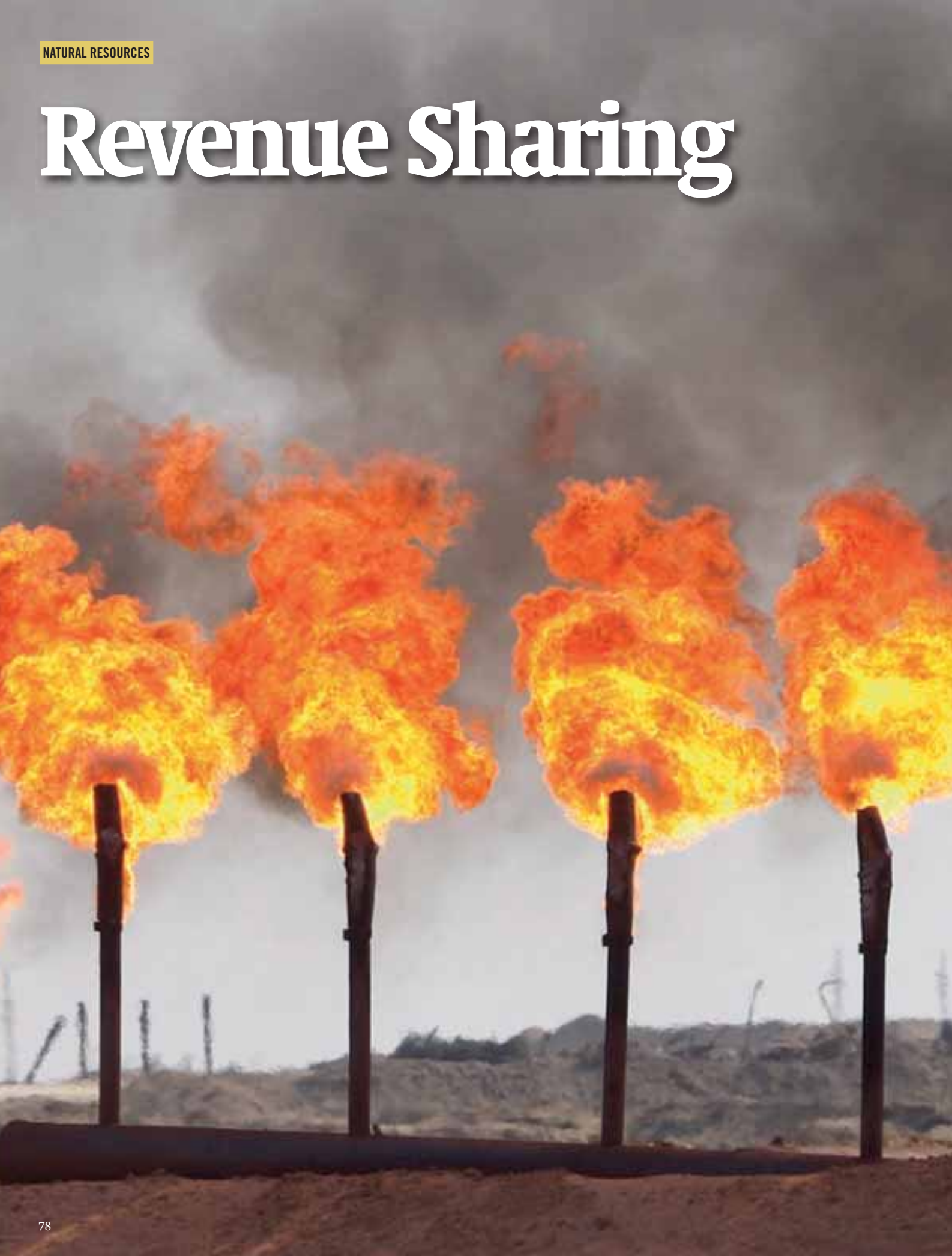
There is interest from international banks, for example, HSBC's Dar-es-Salaam Bank has a branch in Erbil and plans to open in Dohuk this year. We look to international investors to see the opportunities in Kurdistan.

How are you making Government less bureaucratic and more transparent?

One of the successes at the finance ministry is that we have tried to cut bureaucracy and reduce spending. We welcome the increased scrutiny from the Kurdistan Parliament of the KRG's budget. The KRG's spending plans are discussed in Parliament, and they are scrutinised again, retrospectively, to ensure the money was spent correctly. These are entirely positive developments.

Riad al Khouri is a Dean of Business School, BMU Lebanese French University, Erbil; and Senior Fellow of the William Davis Institute, the University of Michigan, Ann Arbor.

Revenue Sharing





From an address by **Dr. Ashti Hawrami**, KRG Minister for Natural Resources, to a conference on the United Nations Assistance Mission in Iraq with Iraqi parliamentarians, April 2009

I LOOK FORWARD to a constructive dialogue to solve the fundamental constitutional issue of revenue sharing in our Federation of Iraq. Constructive dialogue requires the recognition that the Iraqi people, including the people of Kurdistan, overwhelmingly endorsed the Constitution as the ultimate law of the land. Revenue sharing is a fundamental obligation placed upon all public authorities by the Constitution of 2005.

The Constitution is what it is. We are not going to debate possible changes that would weaken Kurdistan's rights. Any attempts to make fundamental changes just will not succeed in another referendum. The Kurdistan Parliament has made it very clear that no proposed changes that weaken the Kurdistan Region's constitutional rights will be acceptable. Constitutionally, Iraq is now a federation; the Federal Government is not permitted to keep all the oil revenue, or to continue with its previous centralized financial planning and controls. In the past, for the Kurdistan Region, our regional oil has been a curse and source of oppression; we have paid a heavy price for "having" it, yet not having it. But, from now on we expect oil revenues to be a source of prosperity, economic development, justice and fairness for our Region, as well as for the rest of Iraq.

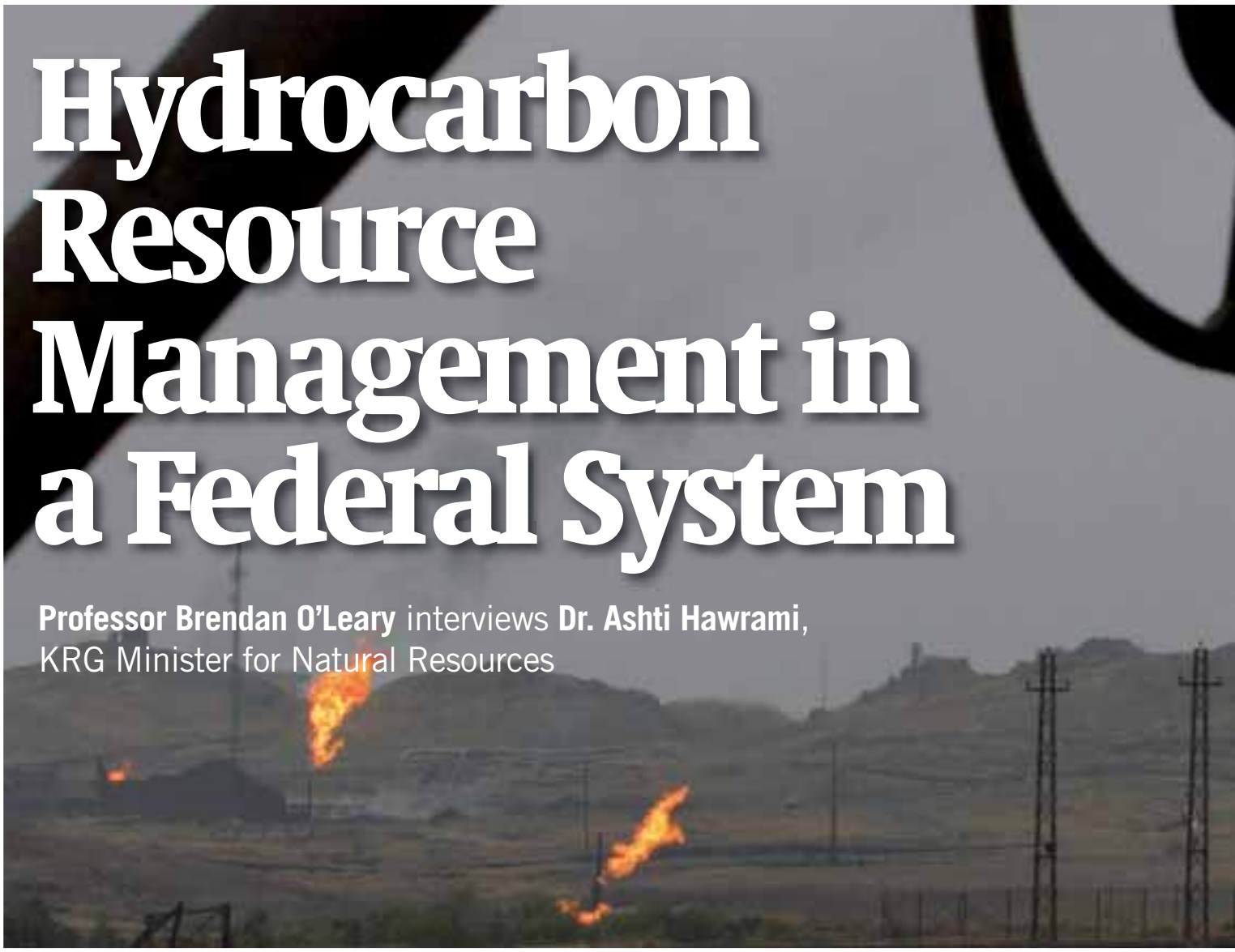
We expect oil revenues to be a source of prosperity, economic development, justice and fairness to our Region

We must not forget that Iraq is a geographically, nationally, ethnically and religiously diverse country. That points toward the logic of federalism. Bad memories of centralized power practices are also deeply rooted. That is why fair and transparent revenue sharing is an absolute necessity to bind us all together. But even if we were not so diverse, and even if we did not have our good Constitution, we should all realize that centralized planning has failed everywhere in the world. So why should Iraq continue policies of unworkable centralization that only generate inefficiency and corruption – and pave the path for dictators? We must explore ways and means within the spirit and framework of the Constitution to find a just way to share the wealth of our country without taking away each other's rights.

"Revenue sharing," as such, came to public and international prominence after the phrase "hydrocarbon revenue sharing" was set in Washington, as a "benchmark" for progress in Iraq. Regrettably the "benchmark" terminology was completely misunderstood by those who delivered it to Iraq, and our focus was shifted to an Iraq-wide hydrocarbon investment law for at least 9 months. The cart, in other words, was put before the horse. Without prior agreement on a revenue-sharing law, making a hydrocarbon investment law becomes unnecessarily contentious.

It was only after the negative experiences that we had in producing the February 2007 draft hydrocarbon law that we managed to get back to the revenue-sharing law. By May 2007, we had a good draft document on revenue sharing for discussion, but, unfortunately, by the time we arrived at the final "agreed draft" in June 2007, many of the key clarities, transparencies, and intergovernmental checks and balances had been taken out of it. Despite the shortcomings, we all accepted the June draft. But later on, people without constitutional authority again fundamentally altered it. The entire process came to a complete standstill on the one hand because of the linkage made with the hydrocarbon investment law, and on the other hand, because of the deterioration in relations between the Federal Government and the Kurdistan Regional Government (KRG).

I want to emphasize that we in the KRG are not unhappy with the June 2007 revenue-sharing draft, though we believe that the May 2007 draft would have been far better, especially in its oversight, transparency, and accountability provisions. But as far as I am concerned, the KRG is not backward-looking; we are prepared to let bygones be bygones. If there are proposals from Baghdad or anywhere else that are consistent with the framework of the Constitution, we are ready to hear them. We deliberately made our own investment law constitutionally compliant. Fairness, simplicity and clarity are the essential elements. If we have an agreement on revenue sharing, we can and must move quickly to pass a hydrocarbon law for Iraq as a whole. Without new inward investment, there will not be much revenue to share. The stability of Iraq depends on having both a revenue-sharing law and an investment law.



Hydrocarbon Resource Management in a Federal System

Professor Brendan O'Leary interviews **Dr. Ashti Hawrami**, KRG Minister for Natural Resources

The Kurdistan Region has attracted foreign investment, particularly exploration and production companies, through production-sharing contracts (PSCs). Some Iraqis and even some Kurds are suspicious of the model. What's the case for PSCs?

This model has variations around the world, but in essence, it is a risk-reward contract. The contractor/investor takes the risks, and is rewarded based on performance. A contractor's reward is linked to cost-effectiveness, efficiency and the maximization of project profits. With this kind of contract, the interests of the state and the interests of the contractor are always aligned. Both sides are motivated to improve and maximize production and reserves.

I have been working internationally in this industry for more than 30 years and I have not seen a successful system that isn't production sharing, or a similar type of contract. The Kurdistan Region's model is simple. Ownership of oil and gas by the contractor does not start until after the agreed delivery point. The contractor costs are only allowed to be recovered gradually from a portion of the production, and the rest of the oil is considered to be profit oil, which mainly goes to the state, with a small percentage of it going to the contractor.

In setting up our model we examined PSCs from about 15 countries: in the Arab and Islamic world, from Algeria to Indonesia; and from Vietnam to the North Sea. We looked at the best practices. We want to keep the contract unambiguous and the working relationship between the State and the contractor transparent. So, we formulated the Kurdistan Region oil and gas law and our contracts with clauses that minimize conflicts between the contractor and the Government, and with strong disincentives for dangerous, wasteful or corrupt practices.

We want to keep the contract unambiguous and the relationship between the State and the contractor transparent



We amalgamated the best practices and created our first draft model in August 2006. But we did not just trust our own judgment. We published our draft on the internet, and asked for comment from consultants, legal firms, NGOs, and international companies. Then we held two large seminars in London where we got a great deal of feedback. Most people liked it. Some did not. One big company went through the first draft model paragraph by paragraph. We edited our draft PSC, and republished it again, and incorporated what we felt were the most constructive comments and criticisms. By the time we were on our third review of the model contract we had our regional oil and gas law submitted to the Parliament in the Kurdistan Region.

Is that law compliant with Iraq's Constitution?

Our oil and gas law was engineered to be wholly in harmony with Iraq's Constitution. We took the model PSC and the oil and gas law and presented them to our Parliament, which spent about eight sessions hotly debating them. In one session, 23 MPs out of 111 stood up to make comments on just one of the proposed Articles in the law. But, the law was passed by a unanimous vote. We are very proud of that rigorous process, and the resounding success of the legislation.

If we now return to our PSC model and make a comparison with a service contract model, the advantages of PSCs can be seen, particularly for the exploration blocks and the exploitation of small undeveloped discoveries. In a service contract, the state essentially pays for or buys a service from the contractor. A service contract is unfortunately designed to reward the contractor more for spending and less for optimizing oil production or maximizing oil reserves; indeed, contractor's maximum profitability often is achieved better by not optimizing production and by not adding new reserves. The real loser from such arrangements is the State, which will be left with oil still in the ground, and a mismanaged oilfield that needs to be reengineered at a greater expense. By contrast, under a risk-reward contract (including a PSC), the contractor is rewarded for spending less and achieving more; and is motivated to be as efficient as possible, to benefit from the full potential of the

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oilfield, and this, of course, is to the benefit of the State, as it receives most of the increased revenues and profits from the project.

In our PSCs the contractor gets net profit share ranging from nine to 12 percent, depending on the exploration risks of the project. Independent international experts have compared our PSC model with service contracts, and concluded that our contracts will provide superior returns for Iraq – and therefore, are fully compliant with the Constitution, which demands market-driven policies to maximize revenues for the Iraqi people.

Unfortunately, Iraq lacks the expertise and the vast level of funding required to increase oil production levels and to maximize returns in a timely manner. The Federal Oil Ministry, currently tasked to manage these fields, does not have adequate resources or management skills to do the job. Hence the need to bring in the private sector.

The Baghdad Ministry of Oil's policies have, over the years, been damaging to our precious big fields, like the Rumaila, and Kirkuk. During 2004-2006, I studied these two fields before my appointment as a Kurdistan Regional Government (KRG) minister. I was then still running my U.K.-based specialist consulting organization. These two fields are damaged beyond belief, and, remarkably, no action has been taken to improve on poor practices of the past. The deterioration is still continuing. In another two or three years, the damage will be permanent, and most of the trapped reserves will be irrecoverable.

The KRG's model contract name "PSC" has caused problems for some people. They wrongly associate modern PSCs with the bad concession agreements of the 1930s and 1940s: PSCs do not mean the transfer of full ownership rights to contractors, and Iraq will not be losing sovereignty or control over any of its resources. That is why I generally prefer to use the term "risk-reward contract."

When I explained that production sharing really means that the contractors take all the risks and Iraq takes around 90 percent of the profits, it strongly helps public understanding. Our Parliament wanted an oil and gas law that would be successful and would provide maximum benefit to the people – that's why they supported our PSC model.

I am sure that the federal members of the Iraqi Parliament would also support similar contractual models provided that they were offered the chance to hear full explanations of the merits of such internationally tried-and-tested model contracts.

How do you foresee the resolution of the current oil and gas disputes with the Federal Government in Baghdad?

These disputes are not just about oil and gas. They concern the failure, to date, by the Federal Government to implement the Federal vision of Iraq, as laid down in the Constitution, including revenue sharing.

Article 112 is very clear on this important issue: all the Iraqi people are entitled to an equal share of the oil and gas wealth of the country and this sharing is required to be regulated by law. Currently, however, oil revenue is controlled centrally and allocated only (and not entirely) through a centralized budgetary mechanism, rather than through constitutional revenue-sharing. For example, the Governorate of Basra or Mosul, or the KRG itself, ought to receive directly a share of the revenue according to their respective populations, which they can then allocate in their local budget for local expenditure and projects. Legislation should have been enacted for this purpose in accordance with the Constitution.

Having started from zero, we are now ready and able to export 100,000 barrels of oil a day

Another example is the federal oil and gas law. Articles 111, 112 and 115 of the Constitution are clear. The management of fields that were in production at the time the Constitution was validated must be shared by the Federal Government with the Region, and the producing Governorates; and the new fields and exploration activities are to be under the sole management of the Region, or the Governorates. However, the Federal Government has been reluctant to pass the required legislation on these matters, as demanded by the Constitution.

I think that in the year ahead we will see a resolution of these issues, as well as other pending constitutional issues. In January 2009, we had provincial elections, which strongly showed regional voting patterns throughout Iraq, outside the KRG, and which will require power-sharing coalitions. There will be general elections at the end of 2009. At that point, we will hopefully have a more permanent democratic government that will recognize and implement the federal Constitution. Until then I don't think we will see any real movement.

But the KRG is continuing its work to serve Iraq's interests and Iraq's unity. We have done an excellent job in formulating a transparent contractual negotiations framework to attract investment into our part of the country. We have seen the fruits of that framework and the follow-up investment. Having started from zero, at the time of going to press, we are ready and able to export 100,000 barrels of oil a day. We could have done that well over a year ago, had it not been for the lack of cooperation from the Ministry of Oil in Baghdad.

Most of the declared discoveries in the KRG have been of oil. What about gas?

We have done some initial evaluations. The whole Zagros belt in Kurdistan is rich in natural gas as well as oil. I expect more oil and gas discoveries before the end of this year. We already have more than enough gas for our current commissioned power generation needs. Indeed, Kor Mor field may satisfy internal supply demands, but should further need arise, we can rely on some of the associated gas from our oil fields, or, if necessary, use part of the gas from



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Chemchemal field. But, even if we distribute the gas to homes for heating or cooking, we believe we will have substantial excess gas. So we are also looking at the concept of a "gas city" to create a center for a downstream gas industry.

And we are looking at exporting. Europe would be our natural market, but we are also looking at the Turkish market as they need natural gas for domestic use. We have many Turkish companies working here, so we already have close relations with Turkey and gas exports would be a natural part of cementing those relations.

The Kirkuk-Ceyhan pipeline has been the normal strategic oil export route from Iraq to Turkey. Are you considering other options?

We aren't excluding any, but the obvious solution is to build on the existing infrastructure, and use the pipeline that goes to the Turkish border and then to Ceyhan. It is quite a distance from the current new discoveries, however, and from the expected oil finds resulting from the ongoing exploration program. We need additional infrastructure to connect them all, so we could have a major internal pipeline running through the center of our Region and linking up with the existing Kirkuk pipeline at Zakho, inside Iraqi territory, near the Turkish border, and from there joining the Ceyhan pipeline.

The capacity of the Ceyhan pipeline is about 1.6 million barrels of oil per day (bpd). Kirkuk is only producing 500,000 or 600,000 bpd. Even if we produce from all the other northern fields, including the Taq Taq and Tawke discoveries, the capacity required won't go beyond 1 million bpd. So the capacity exists to receive the additional oil from the Kurdistan Region.

It is in everyone's interest that Kurdistan export oil, and that we contribute to the overall production of Iraq

We will build the new internal pipeline. We have already configured a metering station at Zakho, so the Kurdistan Region's oil will join the pipeline at Zakho, rather than to the south of the Kirkuk area. This is the most sensible thing to do, both to ensure pipeline security and as a matter of simple logistics. We have identified the route, and we wait to see the initial results of the ongoing exploration before we move to construction.

Exporting is not a difficult issue. It doesn't matter how the oil gets to the market, because the revenue will always be shared, according to the revenue-sharing formula of the Constitution, throughout Iraq. It is in everyone's interest that Kurdistan export oil, and that we contribute to the overall production of Iraq. A problem would arise if the country's overall export levels are not increased substantially, and if the Baghdad Ministry of Oil continues to deliver only around 2 million bpd. At that point, we in Kurdistan











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would be subsidizing the rest of Iraq with our regional exports. In the end the people of Iraq won't stand for such poor performance or policies from Baghdad.

Can you clarify the current refinery capacity in the Kurdistan Region?

There are currently no proper refineries in Kurdistan. We do have some small topping plants that produce fuel oil and maybe a little diesel. These are typically 1,000 to 1,500 bpd plants. Combined, they can process a total of about 15,000 bpd. We do have two larger plants that were commissioned by the Baghdad Ministry of Oil in 2003. One of them is located near the Kurdistan Region capital city, Erbil, and the other one is in Sulaimania province, at a place called Bazian. These two plants were never completed. Their products are of poor quality and they do not meet environmental standards. Having spent around $60 million on them, the Baghdad Ministry decided to leave them unfinished, so they were handed over to the Region. We estimated that they would need around $100 million worth of investment each to bring them to acceptable product standards, and to ensure minimal damage to the environment. So we passed the two plants to the private sector, but on condition that they invest the required funds to complete them as quickly as possible. The plants will produce 20,000 bpd each. They should be operational within six months to a year. Even after the upgrade they will still produce 48 percent fuel oil, for which there is little market. However, it will still be a significant step forward for the Region and for Iraq.

In parallel to that, we have commissioned another 120,000 to 140,000 barrels of refinery capacity, to be provided by modern facilities producing only a small percentage of fuel oil. We expect those projects to come online in about two years. Three refinery modules to be located near the Taq Taq field are being constructed in Houston, Texas, and another two for Erbil. We have awarded a contract for a refurbished plant from Eastern Europe to be brought to Kurdistan, which will be installed during this year.

Do you have any plans to implement a modern petroleum retail sector?

No, but we are open to suggestions from investors. I think 200,000 bpd will be enough for the Kurdistan Region. But if investors want to take the risk of finding a market, they are welcome to increase the capacity. I think that a larger refinery project would need planning and coordination across Iraq.

What role is the KRG taking in providing training for locals?

We have about 2,000 people in the Kurdistan Region with technical qualifications in the oil and gas industry. Most of them are in need of further training and reorientation. Most have a degree in geology, geophysics or mechanical-chemical engineering, but there are only a few petroleum engineers.

These are mainly people who, even though they are university graduates, were prevented from working in the Iraqi oil industry by the previous regime. Even now – for instance in Kirkuk – 90 percent of the oil industry is operated by non-Kurdish personnel. It



is scandalous that now, more than six years after Saddam's fall, discriminatory employment policy by the Baghdad Ministry of Oil continues in Kirkuk, and throughout the rest of Iraq.

We have established petroleum-engineering departments in various universities in the Kurdistan Region to address training challenges and to provide a cadre of skilled workers for the oil industry of Kurdistan Region, and the whole of Iraq.

How is the KRG working to capture the early bounties of the oil and gas sector? Do you require the oil companies to invest in social programs?

Contractors like our model – although they often comment, to our satisfaction, that our commercial terms are harsh. To tie down the contractors on their commitments, and make sure that they start working immediately, we charged them upfront signature bonuses, and made them commit to social and contract area capacity support projects. In this way, they prove that they are serious and incur early costs that they can only recoup by starting work right away.

A lot of the contractors wanted to invest in social programs anyway. Most of the companies are responsible, and want to leave something for the people in their contract area. But instead of leaving it to the companies' free will, we made it a contractual obligation that any contractor must pay towards social programs and local community and support projects that the Government can't afford to fund at the moment.

These programs and projects include schools, new housing for the Anfal victims, re-housing of the homeless, medical services, hospitals, and water purification systems. Some contractors run their own social projects, and some put money in a fund for that purpose. These programs come in addition to, not instead of, the maximization of the Government share of revenue.

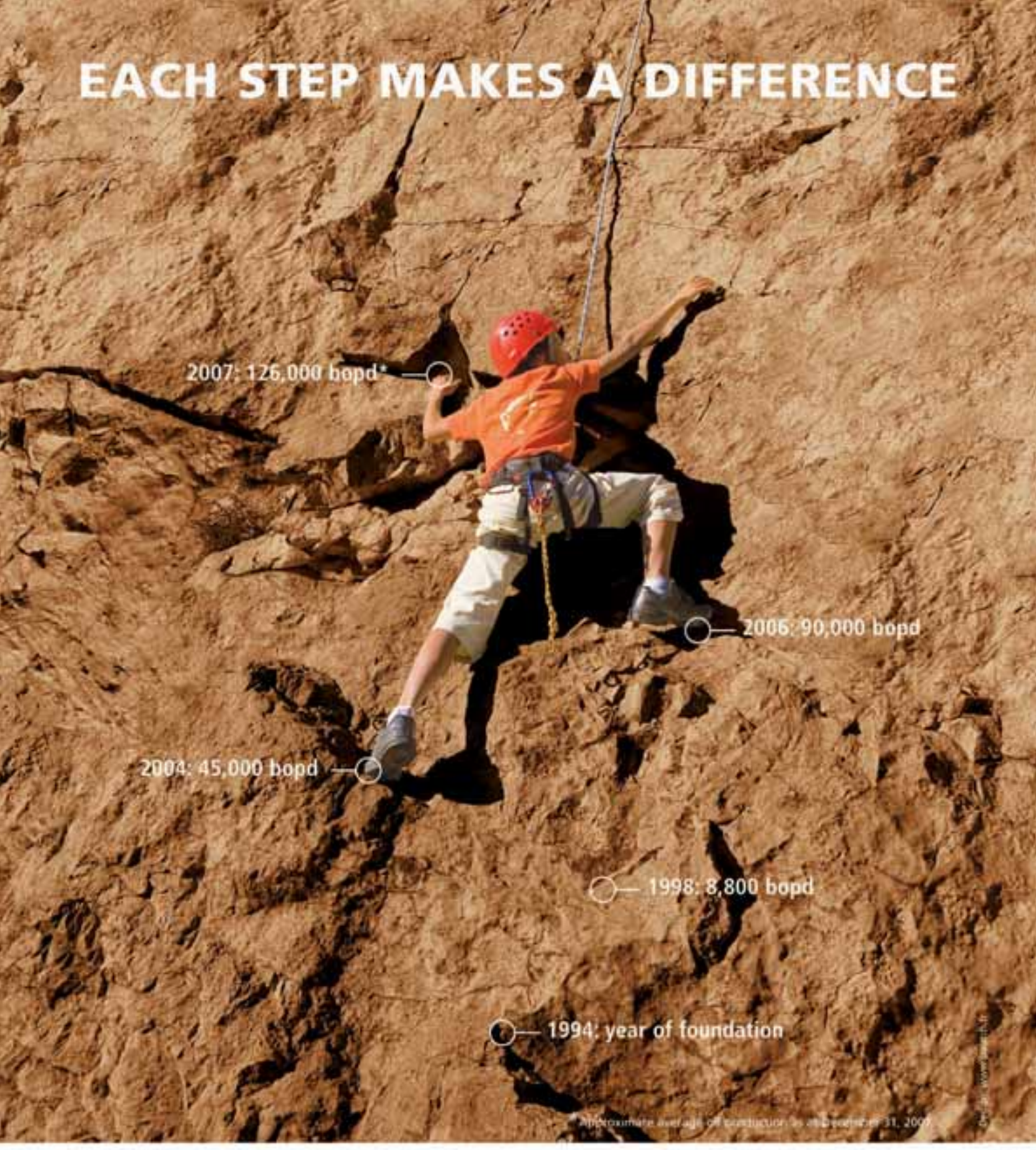
I want a fully developed industrial base that will make Iraq and its Kurdistan Region economically diverse

Where do you see the Kurdistan Region in the future?

By the end of 2010, there will be no more fuel shortages and the Kurdistan Region will be exporting around 450,000 bpd. In five years from now, exports will be around 1 million bpd. I would like to see a complete gas infrastructure by then, permitting exports to our neighbor in Turkey as well as Europe, and the development of an industrial base, using the gas and the necessary infrastructure to handle mid-stream and downstream processing.

In ten years, I want a fully developed industrial base that will make Iraq and its Kurdistan Region economically diverse and strong so that we can remain prosperous when the oil reserves decline and eventually run out.

That all depends on political stability, and the key to that is a united, federal Iraq with healthy non-centralized power-sharing in economic development. We must have a federal State that makes room for everyone in Iraq: Kurds, Arabs, Shiites, Sunnis, other ethnic and religious communities, believers, as well as non-believers; the people must be made to feel that Iraq is their country. This can only be achieved by actions, not by slogans or promises. The way to achieve that is by implementing the Constitution – in full.



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KNOC in Kurdistan



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Tel: +82 31 380 2079 • Fax: +82 31 387 9321 • E-mail yibong@knoc.co.kr
www.knoc.co.kr



KNOC in Kurdistan

KNOC started its oil and petroleum operations in the Kurdistan Region in 2007.

We started our exploitation operations in the Bazian Block, which is located in the southeastern part of the Kurdistan Region.

Two additional operating blocks, Qush Tappa and Sangaw South, located near Erbil and Sulaimani, were signed up soon afterwards.

Currently KNOC has three operating blocks and two non-operating blocks in this region.

Operating status of KNOC blocks

Bazian Block
- Carried out remote sensing study and geological field survey
- Acquiring 2D seismic data and processing (350 L-km)
- Currently the block is under evaluation for upcoming drilling in 2009

Sangaw South Block
- Carried out remote sensing study and geological field survey
- Preparing 2D Seismic Data Acquisition in April 2009

Qush Tappa Block
- Carried out remote sensing study and geological field survey
- Preparing 2D Seismic Data Acquisition in May 2009



KNOC Blocks in Kurdistan

Blocks	Operating			Non-Operating				
					Hawler Area			
	Bazian	Sangaw South	Qush Tappa	Sangaw North	Khabat	Dimir Dagh	Zab	Hawler
Participating Interest	50.4%	60%	80%	20%	15%	15%	15%	15%
Area (km^2)	473	354	1,003	492	530	441	199	382



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Bayan Sami Abdul Rahman follows the successful progress of Norwegian oil company DNO in Kurdistan

DNO: a Case Study



DNO, THE NORWEGIAN oil company listed on the Oslo Stock Exchange, signed the first oil exploration contract in Iraq after the liberation, and now it may be among the first to export oil from the Kurdistan Region through Iraq's pipeline to Turkey.

Kurdistan is capable of exporting 100,000 barrels per day (bpd) this year, increasing to 1 million bpd after three years, according to Dr. Ashti Hawrami, Minister for Natural Resources.

DNO signed two production-sharing contracts (PSCs) with the Kurdistan Regional Government (KRG) in June 2004 to drill in Dohuk and Erbil governorates. The deal was struck before Iraq's Constitution was negotiated, but what appeared to be political risk on DNO's part paid off. By the end of 2005, Iraqis had voted in the Constitution, which gives the KRG (and other regions that may be formed in the future) the right to manage unexploited oil fields. Since DNO's pioneering move, the KRG has signed several contracts with companies from Asia, Europe and North America – including Korea National Oil Company, Reliance Industries of India, Hunt Oil of the United States, Heritage Oil of Canada, and OMV of Austria.

DNO began work on the Tawke-1 field near the border city of Zakho in Dohuk governorate in 2005. It hired Terra Seis, a Maltese seismic company. The data quickly showed the presence of oil, confirming what generations of sheep-herding families in Tawke village had suspected from seeing black sludge seeping out of the hills. Those families now hope the wealth under the ground will create new jobs and bring prosperity to Kurdistan and Iraq. Prime Minister Nechirvan Barzani, speaking at the Tawke-1 drilling ceremony in late November 2005, echoed those hopes: "The time has come that instead of suffering, the people of Kurdistan will benefit from the fortunes and resources of their country."

A month after drilling started, DNO announced it had struck oil. DNO has, since then, drilled 14 wells and constructed central processing facilities with a design capacity of 50,000 bpd. It has produced 5,000-7,000 bpd on average as a test from the Tawke field.

The oil has been sold on the domestic market, but DNO had completed the connection of the Tawke field to the Kirkuk-Ceyhan pipeline, which exports oil via Iraq's pipeline network to Turkey.

DNO's ground-breaking work in Kurdistan contributes to the future of the Region and Iraq as a whole

As the political process has evolved in Kurdistan and Iraq, DNO and other oil companies have seen this reflected in their contracts. DNO was among several companies that had signed PSCs with the KRG before the Region's oil law was passed in August 2007. The KRG reviewed the contracts to bring them into conformity with the law and with its model PSCs.

By March 2008, DNO confirmed it had signed revised agreements, amending the PSC it held for the Duhok and Erbil license areas. The Duhok license area was divided into two – one for the Tawke oil field and one for the remaining Duhok area. The revised agreement reduced its working interest in the three fields to between 40 percent and 55 percent, while the balance was held by the KRG with a third-party interest to be appointed by the Government. This latter process was completed in April 2009 when 25 percent of the Tawke and Dohuk PSCs were assigned to Genel Enerji of Turkey, while the Erbil PSC was assigned to another investor, with the KRG retaining 20 percent in each PSC. DNO says the move has reduced its cost obligations.

DNO's ground-breaking work in Kurdistan is contributing to the future of the Region and Iraq as a whole. Drilling of the Erbil field began in November 2007 where DNO has discovered hydrocarbon through two exploration wells; it continues with geological and geophysical studies in the Dohuk field, while the Tawke field is poised to send Kurdistan's oil to the world market as part of Iraq's wealth of natural resources.



The Authority of the Kurdistan Regional Government over Oil and Gas under the Constitution of Iraq

Professor James Crawford, SC, FBA, LLD

Executive Summary

1. Article 112 of the Constitution of Iraq gives only a qualified right to the federal Government to "undertake the management of oil and gas extracted from present fields." This right is to be exercised "with the producing governorates and regional governments," and is subject to a condition of fair distribution of revenue on a basis regulated by law. As to non-producing and future fields, there is under Article 112, Second, no federal right to manage, although regional management of such fields has to respect strategic policies to be formulated by the federal Government "with" the KRG.

2. The enactment of an oil and gas revenue sharing law is not a condition precedent to the management of oil and gas, whether extracted from "present" fields or otherwise. The federal Government has the right of initiative under Article 112, First, provided it acts "with the producing governorates and regional governments." However, the federal Government must propose arrangements for management of oil and gas extracted from present fields which are constitutionally compliant: so far, it has not done so.

3. The KRG is itself bound by Article 111: it is not open to it unilaterally and permanently to take over management of present (i.e. producing) fields in the absence of any arrangements from revenue sharing. As to fields other than present fields, the federal Government has no unilateral rights under Article 112, Second, and in the absence of agreed strategic policies, the KRG is entitled to proceed in the exercise of its own constitutional authority and in compliance with its own constitutional duties.

4. The Kurdistan Region Oil and Gas Law is consistent with the constitution of Iraq and is



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29 January 2008

H.E. Nechirvan Barzani
Prime Minister
Kurdistan Regional Government
Erbil
Kurdistan Region - Iraq
Republic of Iraq

Dear Prime Minister

I am pleased to enclose with this letter a formal legal Opinion on The Authority of the Kurdistan Regional Government over Oil and Gas under the Constitution of Iraq by Professor James Crawford, SC, FBA, LL.D.

This Opinion confirms the constitutional authority of the KRG to manage the oil and gas resources of the Kurdistan Region as set out in the Oil and Gas Law of the Kurdistan Region - Iraq (Law no. 22 of 2007), which is in full conformity with the Constitution of Iraq.

Conversely, the Opinion makes clear that the draft Oil and Gas Law of the Republic of Iraq, proposed on 15 February 2007 but never enacted, departs significantly and in many respects from the Constitution, and would therefore by operation of the Constitution be void in that form, or in any similar terms that did not conform to the applicable provisions of Iraq's Constitution.

In accordance with your instructions, arrangements are being made to publish Professor Crawford's Legal Opinion.

Please accept the assurances of my highest regards.

Jeremy P Carver, CBE
Head of International Law

effective to govern the development of oil and gas in the Kurdistan Region. In the continuing absence of agreement pursuant to Article 112, Second, on the "necessary strategic policies," the KRG is entitled to manage its oil and gas resources, and should do so openly in a manner which gives effect to the principles set out in that Article.

5. Existing contracts entered into by the KRG for oil and gas exploration and exploitation since 1992 are valid unless they conflict with the constitution. Pending agreement between the KRG and the federal Government on strategic policies, the authority of the KRG to authorise the conclusion and implementation of new contracts is unqualified.

To read the full document, visit: http://www.krg.org/s/?s=30

Proven and Potential Oil Reserves

George Yacu looks at Kurdistan's natural assets. Many of these proven reserves are within the Erbil governorate

THE KURDISTAN REGION is richly endowed with natural resources, especially oil and gas. In that respect, it is representative of Iraq, where more than 47 productive reservoir formations have been identified across its two major basins, the Arabian and the Zagros.

Geologists are aware that within the Arabian Basin there are four primary producing reservoir intervals: the Yamama formation (Early Cretaceous, Berriasian); the Zubair formation (Early Cretaceous, Barremian-Hauterivian); the Nahr Umr formation (Early Cretaceous, Albian); and the Mishrif formation (Late Cretaceous, Turonian). Several other reservoir formations contain oil and gas pay zones. These include the Ordovician Khabour formation (sandstone), Triassic Alan formation (limestones), Late Jurassic Najmah formation (limestone), Early Cretaceous Ratawi formation (limestone), Late Cretaceous Hartha formation (limestone) and the Middle Miocene Lower Fars formation (sandstone).

Within the Zagros Basin, which underlies the Kurdistan Region, there are five primary producing reservoir formations: the Qamchuqa Group (Early Cretaceous, Hauterivian-Albian); the Kometan formation (Late Cretaceous, Turonian); the Shiranish formation (Late Cretaceous, Campanian); the Kirkuk Group (Asmari formation) (Oligocene-Early Miocene), and the Jeribe Formation (Miocene). Several other reservoir sequences contain commercial volumes of oil and gas. These include the Mus formation, the Lower Jurassic Butmah formation, the Cretaceous Upper Balambo formation, the Oligocene Euphrates formation and the Early Miocene Kalhur formation. Some of these can be seen in the accompanying map.

There is a wide range of prospective source rocks within Iraq, in both the Zagros and Arabian Basins

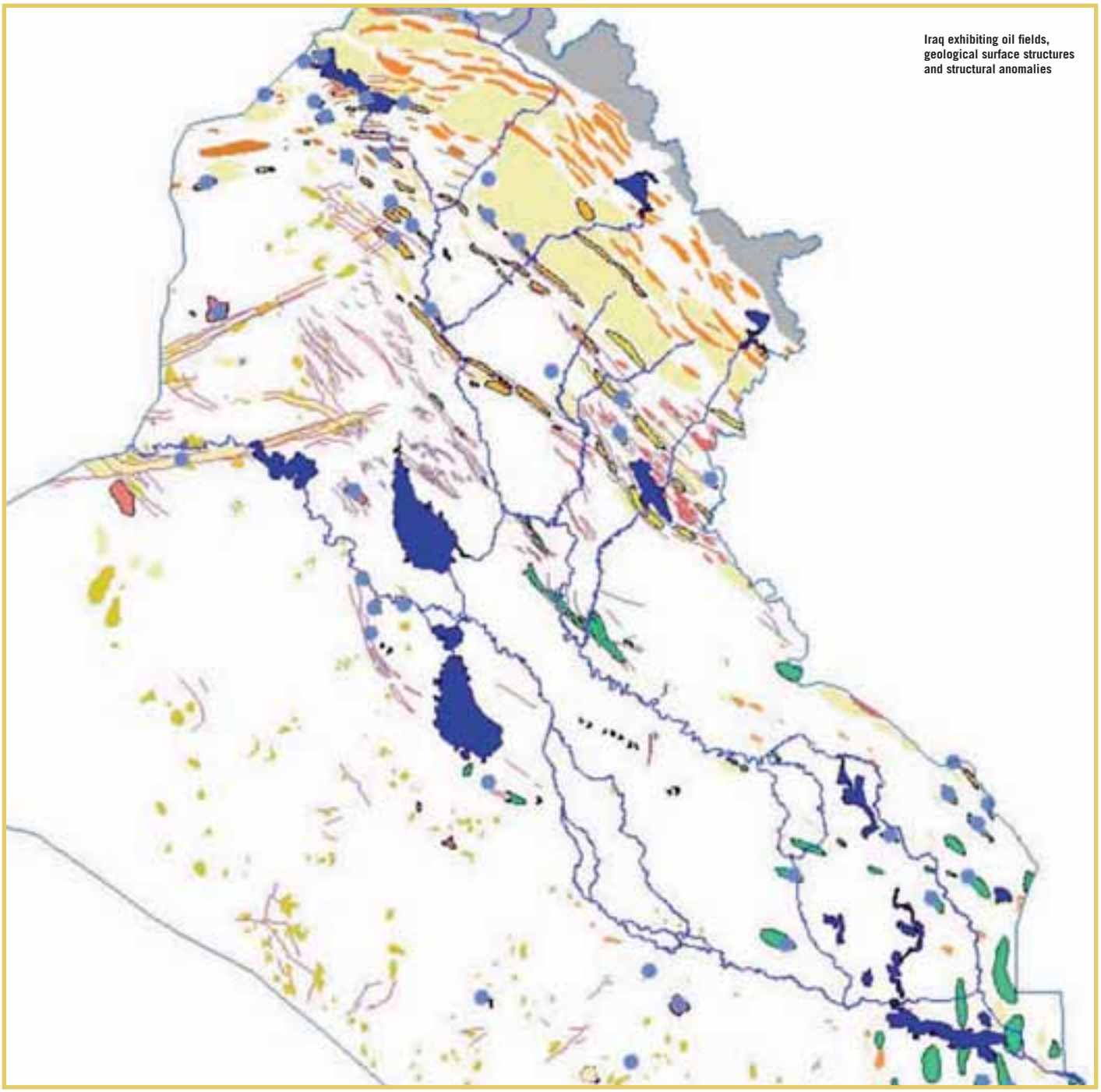
There is a wide range of prospective source rocks within Iraq, in both the Zagros and Arabian Basins. The principal source rocks range in age from the Late Jurassic to the Late Cretaceous. Some mature source rocks are also developed in the Ordovician, Silurian, Carboniferous and Permian sequences. Maturation of the Late Jurassic source rock formations began in the Late Cretaceous (90 million years ago) with peak oil generation from 85 million years ago onwards.

Furthermore, there are in Iraq some 550 geological anomalies, of which some 120 have been drilled to date. Of these, 80 fields have proven oil reserves of some 115 billion barrels (bb). Geologically, these are distributed as follows: Cretaceous 76 percent, Tertiary 23.9 percent, and Jurassic and older 0.1 percent.

Many petroleum experts, local and international, believe that the 435 unexplored geological anomalies have in excess of 85bb of oil. These assessments have been repeatedly cited in news articles, reports, conferences, and think-tank briefings. Definitions of the reserve categories were not specified in most of the write-ups, so it is not possible to verify, independently, the numbers quoted; but most experts believe that the figures are on the conservative side.

Before quoting figures for the Kurdistan Region, I would like to define and specify, in a simple way, the definitions of the oil reserve categories I use. Proven reserves are defined by two features. First, oil has been definitely discovered through drilling; and second, there is a 90 percent certainty that its extraction is commercially viable, based on past production history, or comparison with the reservoir behavior of nearby producing fields. Potential reserves, by contrast, refer to where oil is thought to exist given the evidence of the unexplored geological anomalies, and where it is expected to become economically recoverable.

Using these criteria, about 43.7 billion out of 115bb of Iraq's proven reserves of oil lie in the Kurdistan Region – including fields in Kirkuk and the disputed territories. That is about 38 percent of Iraq's proven reserves. But, contrary to the conventional wisdom, most of these proven reserves are within Erbil governorate, where the capital of the Kurdistan Regional Government (KRG) is situated, and not



Iraq exhibiting oil fields, geological surface structures and structural anomalies

within Kirkuk governorate as the international media often suggest.

By contrast, 25.5bb of Iraq's potential reserves of more than 85bb, lie within the Kurdistan Region. That is 30 percent of Iraq's potential reserves. These potential sites are now under licensing with some 30 companies to explore and discover the additional reserves. More international and regional companies are expected to join this large family.

These estimates are based on my empirical knowledge – including certain studies in which I participated or supervised directly (or indirectly) over the last 35 years. The proven reserves that I cited above do not take into account the recent important oil discoveries in the Kurdistan Region.

Older Iraqi reports and studies indicate the presence of more than 100 tcf (trillion cubic feet) of gas, which mostly lies in the Kurdistan Region. The latest exploration activities in the Kurdistan Region have, however, led to an upward revision of that figure: to more than 200tcf of potential gas reserves. The Federation of Iraq can soon be exporting substantial volumes of gas from Kurdistan in addition to new oil exports of more than 1 million barrels per day.

George Yacu, a geophysicist, with a degree in geophysical engineering from Saint Louis University, U.S., worked for the Iraqi National Oil Corporation from its inception. He is an advisor to the KRG.

Jonathan Morrow explains how new laws have been increasing oil and gas production

The KRG, Iraq, Oil and Gas



IN THE LAST year, the Kurdistan Regional Government (KRG) has made great progress in its oil and gas sector. A large number of significant new investors have arrived. Oil and gas discoveries have been made. Discussions are underway for the export of petroleum from the Kurdistan Region.

Though less progress has been made at the Federal Government level on the two most crucial laws for the industry – revenue sharing, and investments in oil and gas projects – the KRG has been active in promoting both laws. All Iraqi citizens, including citizens of the Kurdistan Region, need a world's best practice federal law for the equitable sharing of oil and gas revenues Iraq-wide, and a law to attract world-class investment to the oil and gas sector outside Kurdistan.

New investors

When the first edition of *Invest in the Future* was published in 2008, the KRG had only very recently passed its oil and gas law, and had just begun to execute long-term production-sharing contracts (PSCs) with international investors for the exploration and development of oil and gas in the Kurdistan Region.

The KRG now has more than 25 PSCs, all of which are still in the five-year exploration phase. The first batch of contractors included DNO, Genel Enerji A.S./Addax Petroleum, Reliance, Western Oil Sands (WesternZagros), PetPrime, Hunt Oil, Perenco S.A., and Heritage Oil and Gas. In 2008, that list has grown. The KRG has now awarded PSCs to Sterling Energy, Norbest Limited (TNK affiliate), OMV, MOL, Nikoresources/Vast Exploration, Talisman Energy, Aspect Energy, Hillwood, Gulf Keystone, Oil Search, the Korea National Oil Corporation, and a consortium of Korean companies. The KRG has also executed a service agreement with Dana Gas, and Crescent Petroleum, for the management of the Kor Mor gas field and the supply of the gas for local power generation.

The KRG will remain a strong proponent of all efforts to raise Iraq's oil and gas production

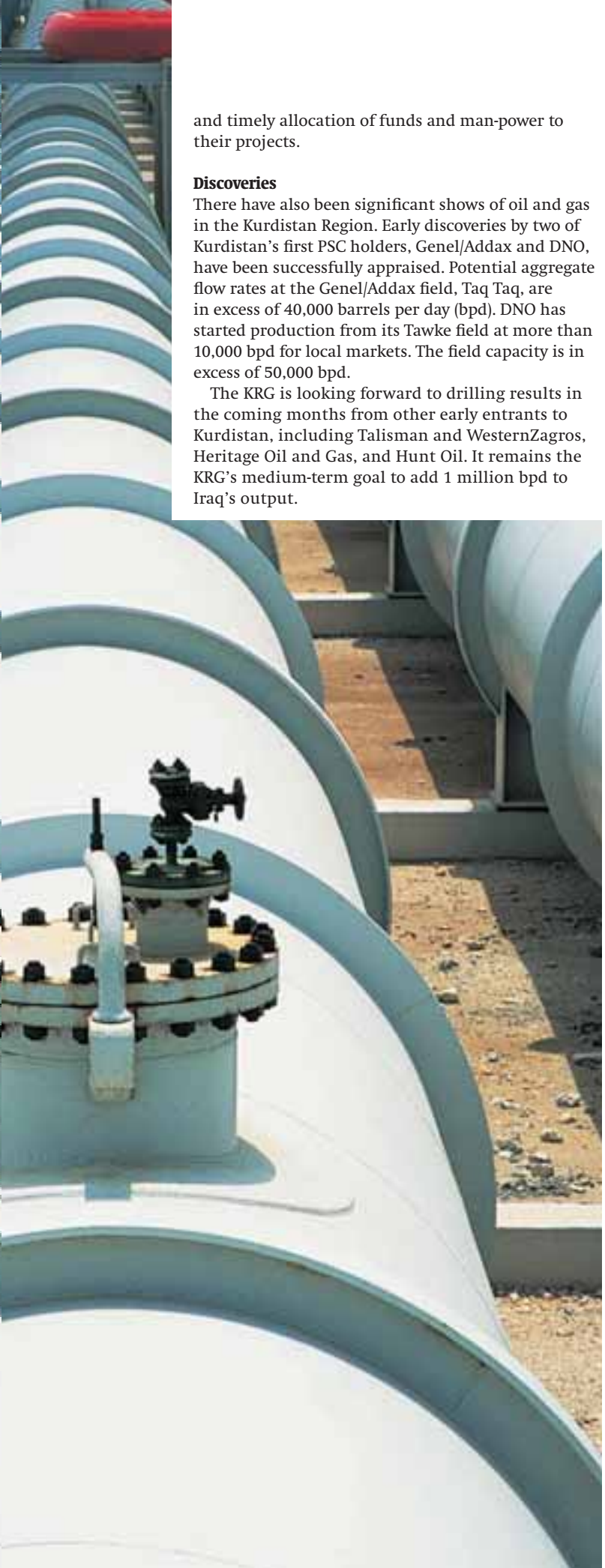
All are experienced companies with significant technical and financial resources. They are from a wide range of countries, all of which have good diplomatic relations with Kurdistan and Iraq. Three of the companies – OMV, Reliance and SK Energy – are in the Fortune Global 500. Crescent Petroleum is the largest privately-held oil and gas company in the Middle East. All companies have an excellent track record in oil and/or gas exploration, and the efficient

and timely allocation of funds and man-power to their projects.

Discoveries

There have also been significant shows of oil and gas in the Kurdistan Region. Early discoveries by two of Kurdistan's first PSC holders, Genel/Addax and DNO, have been successfully appraised. Potential aggregate flow rates at the Genel/Addax field, Taq Taq, are in excess of 40,000 barrels per day (bpd). DNO has started production from its Tawke field at more than 10,000 bpd for local markets. The field capacity is in excess of 50,000 bpd.

The KRG is looking forward to drilling results in the coming months from other early entrants to Kurdistan, including Talisman and WesternZagros, Heritage Oil and Gas, and Hunt Oil. It remains the KRG's medium-term goal to add 1 million bpd to Iraq's output.



Mid-stream

DNO has commenced work to connect a pipeline from Tawke to the northern pipeline system in Iraq for export from Turkey. Discussions are well underway between the KRG, the Federal Government for the Tawke tie-in, which will provide a significant boost to Iraq's daily production and oil revenues, and will provide Turkey with significant tariff revenue.

Progress has also been made by Dana Gas and Crescent (DG/C) in their power generation project on the Kor Mor field. DG/C is now producing 100 million cubic feet of gas per day from the Kor Mor field, which will be transported 180km to power plants near Erbil and Sulaimania, solving electricity shortages. The DG/C investment in Kor Mor is the largest private sector investment in Iraq to date.

In the past year, the KRG has also commissioned nine modular refineries for the provision of petroleum products to the Kurdistan and Iraq-wide domestic markets. Refineries near Koya and Miran, in the Sulaimania Governorate, and a third near Kalak, in Erbil Governorate, have been commissioned, each designed for around 20,000 bpd. All of these are expected to be fully operational within the next two to three years.

Federal laws

Since the Constitution of Iraq entered into force in May 2006, there has been a pressing need for an Iraq-wide revenue-sharing law and an oil and gas law for areas of Iraq outside Kurdistan Region.

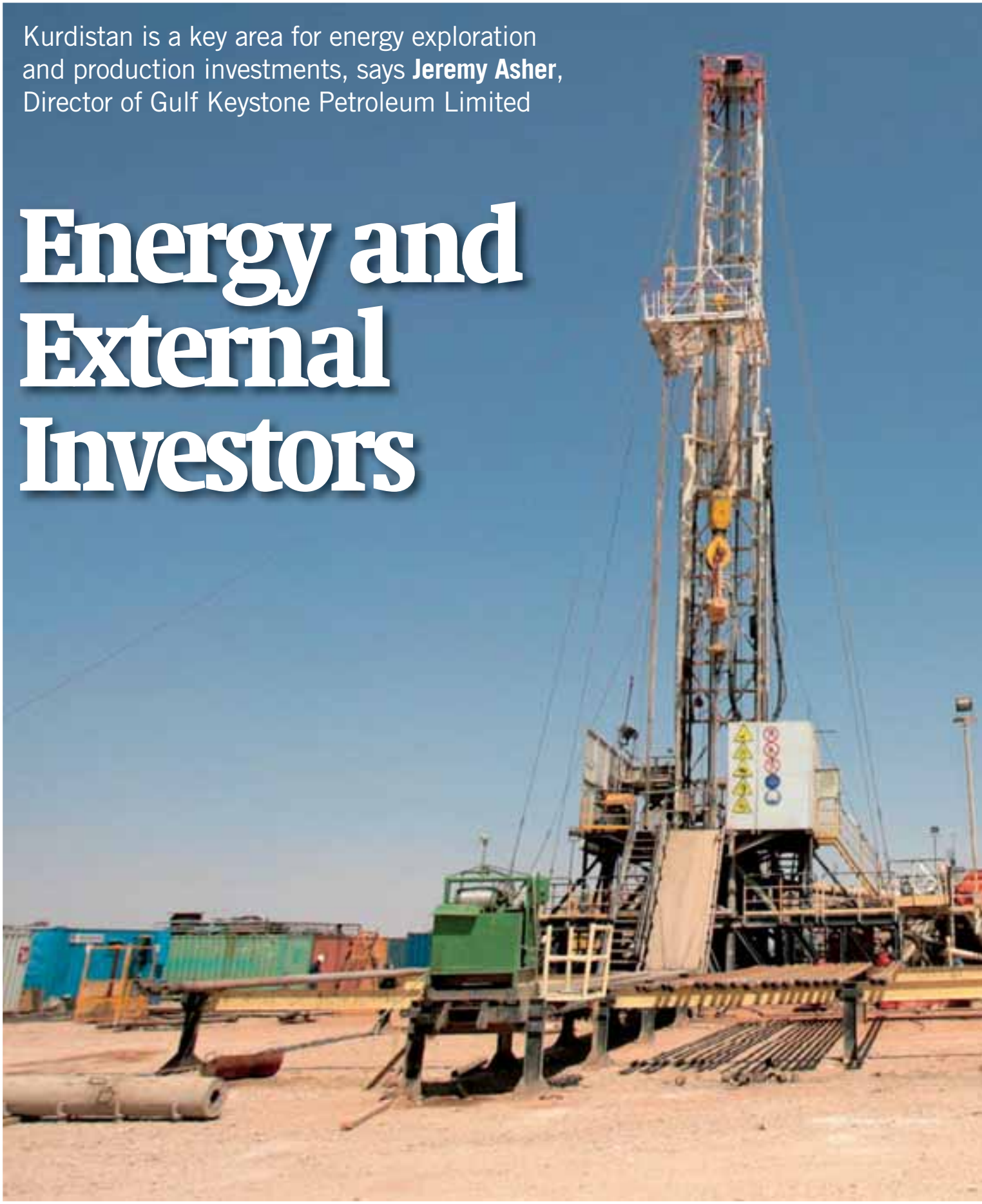
A revenue-sharing law will play a crucial role in ensuring that the Government revenues from any oil and gas field in Iraq – whether in Kurdistan Region or outside it – is shared equitably and proportionately throughout Iraq according to population distribution. Under such an arrangement, Kurdistan will automatically receive no less than 17 percent of Iraq's oil and gas revenues. Such an arrangement will ensure that revenues from oil and gas located in areas that are the subject of disputed ownership between the KRG and Baghdad will be distributed fairly, regardless of whether the KRG or Baghdad ends up administering those fields. A draft revenue-sharing law was concluded in 2007 and the KRG believes that this draft should be ratified by the Iraqi Parliament as a vital element of Iraq's federal architecture.

A new oil and gas law for Iraq will build on the revenue-sharing law by maximising the revenues for distribution. Currently, the Ministry of Oil in Baghdad is relying on the pre-2003 Iraqi laws, and outdated contractual models, in its attempt to attract foreign investment to the oil and gas sector. The KRG's view is that these laws create a poor legal and economic platform for any investment – either foreign or domestic – and that they should be replaced by a new law based on the Constitution. The KRG will remain a strong proponent of all efforts to raise Iraq's oil and gas production.

Jonathan Morrow, Legal Advisor, KRG Ministry of Natural Resources / International Counsel, Hills Stern & Morley LLP.

Kurdistan is a key area for energy exploration and production investments, says **Jeremy Asher**, Director of Gulf Keystone Petroleum Limited

Energy and External Investors



IN THE CURRENT world economic climate, energy projects must be ever more focused on "good fundamentals." For an oil and gas exploration company such as Gulf Keystone, these include:

- access to a proven hydrocarbon area with significant upside potential;
- a stable regulatory environment;
- a stable tax regime;
- political stability and security;
- the possibility of realizing win-win contracts for all parties involved – the Government, the exploration and production companies and the service contractors; and
- access to a market for the oil or gas production and sufficient infrastructure for export to those markets.

Finding opportunities that fulfil all, or even most, of these criteria has always been a challenge, and is becoming increasingly difficult.

In Kurdistan, under the Kurdistan Regional Government (KRG) in cooperation with the Oil Ministry in Baghdad, we at Gulf Keystone have found that all of these conditions are either already met or are well on their way towards full realization.

Kurdistan is, indeed, a proven hydrocarbon environment that has ample evidence of numerous, mature oil and gas basins, many of which have significant surface oil seeps. Yet the area is, for historical political reasons, grossly under-explored, and therefore, has huge upside potential.

The relatively modest amount of exploration activity undertaken to date fully supports this perceived upside potential, including substantial discoveries at Taq Taq and Tawke – making Kurdistan one of the most exciting areas for oil and gas exploration in our generation.

The regulatory environment for exploration and development activities has been well thought out, and is transparent and well understood by the companies working in the Region. The criteria for participation by the KRG and local partners, and the fees and royalties payable, are clear and open. The KRG's implementation of these rules and contract conditions has, in our experience, thus far been straightforward and free of surprises.

The stability of the tax regime will only be known in time, though the PSA terms provide some protection, but the political stability in the Region during the past five years, and the level of security for our operation is nothing short of remarkable, given the recent history. We have found the basic infrastructure is in good condition and access is essentially unrestricted. Importation of necessary equipment has been occasionally subject to slight delays, but nothing extraordinary. The supply lines and import facilities are also reliable.

There is a healthy choice of service contractors available. The contracting process specified in the PSAs has been trouble-free, the KRG representatives have been engaged and supportive, and this has resulted in a good working relationship with all parties involved.

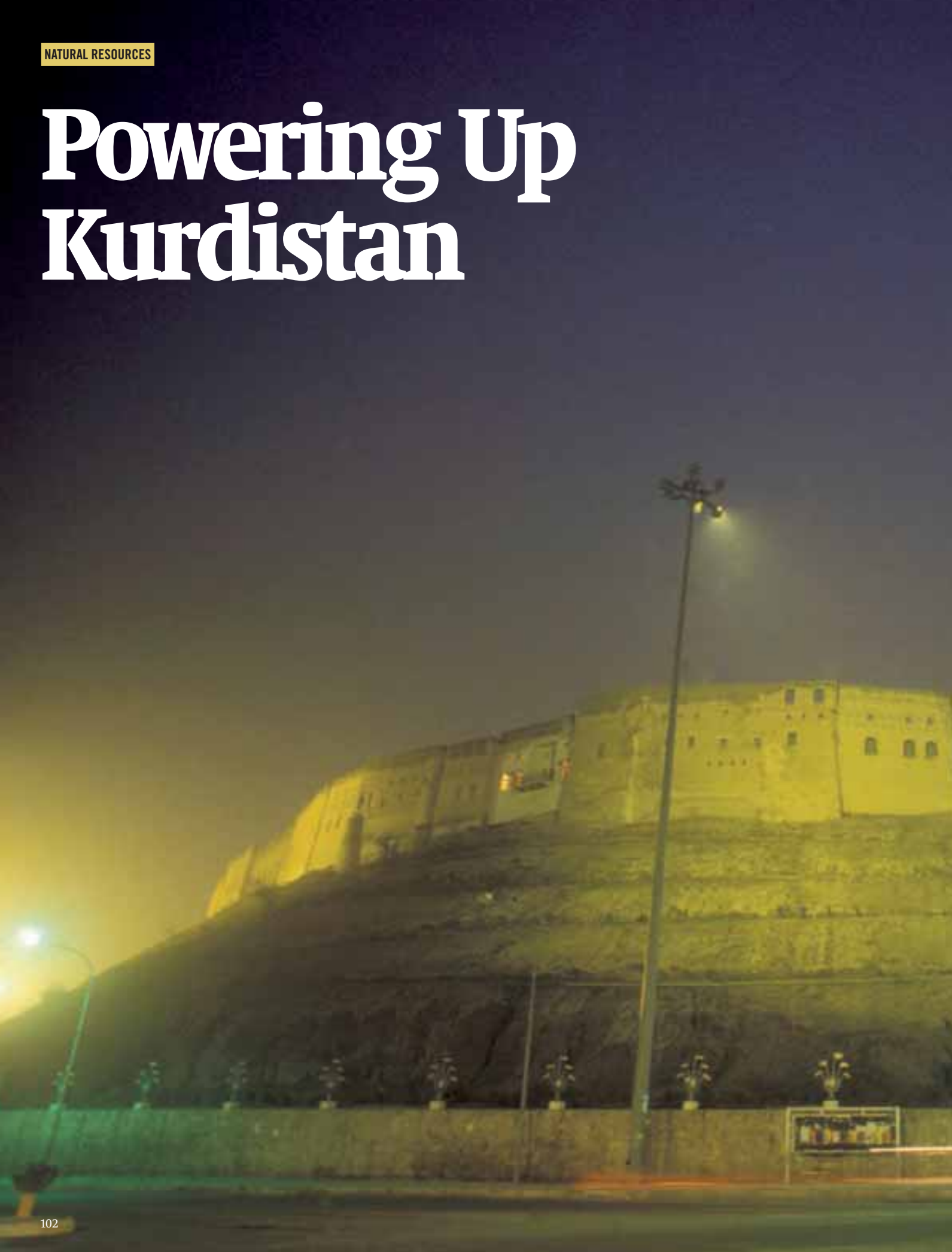
Finally, there is local demand for oil products and power, which is stimulating the construction of local refining and power generation capacity; beyond these local requirements, access to foreign markets and oil export infrastructure has been the subject of significant discussion between the different regulatory bodies in Erbil and Bagdad. Considerable progress has been made in this crucial area, as illustrated by the recently agreed plans to allow crude oil from the Tawke and Taq Taq developments to be exported via the Kirkuk-Ceyhan pipeline.

In summary, we believe that Kurdistan is one of the most attractive places in which to make exploration and production investments; nature can always be fickle, but the KRG has done everything possible to enable successful operations and to share risks and rewards with foreign investors, fairly.

In 2009, Gulf Keystone Petroleum Limited, an independent oil and gas exploration production company, successfully spudded its first well in Kurdistan.

The regulatory environment for exploration and development activities has been well thought out

Powering Up Kurdistan



Professor Brendan O'Leary interviews **Hoshyar Siwaily**, the Kurdistan Regional Government's Minister of Electricity

What are the general problems with electricity production and management in the Kurdistan Region?
Currently, the demand for electricity is high, due to the rising level of living standards and the process of reconstruction and development here – so demand is increasing on a yearly basis. On the supply side, at least until recently, we were very constrained because of the small number of generation plants we had in the Region. We also had very significant problems with transmission and distribution.

Until last year, the two main sources for generation in the Region were the two hydropower plants in Dokan and Darbandikhan. The design capacity of these two plants was 650mw, but successive droughts had reduced their operating capacity in 2006 to 186mw, and to 146mw in 2007. We generated even less from them in 2008.

What does the Region as a whole require?
The Region, defined to include just the three governorates of Dohuk, Erbil and Sulaimania, needs between 1,600 and 1,700mw, depending on the weather and the season. If the disputed territories become part of the Kurdistan Regional Government (KRG), then demand will rise further – though if the Kirkuk governorate joins us, it will come with a number of viable power generation plants.

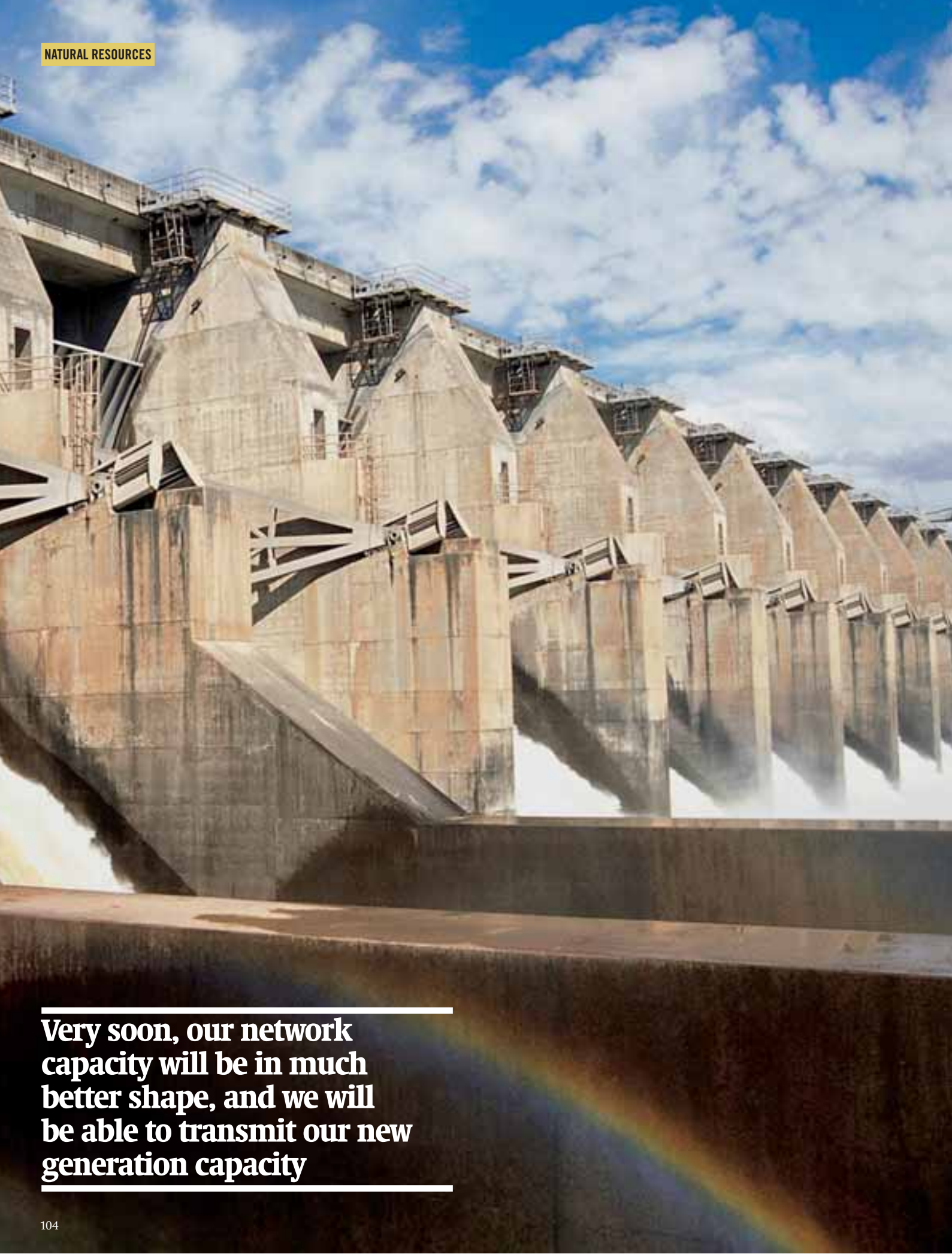
Apart from our two hydroplants, we have had about 200mw of diesel-generated production design capacity. However, we were not able to use these generators to their full operating capacity. In fact, to no more than 30 percent of their design capacity.

Why not?
First, we did not have our own refiners until recently. Second, the Federal Ministry of Oil did not provide us with the appropriate heavy fuel. We correspond with them, but we have been unable to get our supply, or share.

Is that deliberate on their part?
Yes, I'm afraid to say. We believe that the failure to supply our requests is part of the unresolved bargaining between players in the Federal Government and our Region. Our correspondence had been to no effect. But two refineries are now being built, and when they are ready we will be able to get fuel, and we will no longer be dependent on unreliable supply from Baghdad.

Two refineries are now being built. We will no longer be dependent on unreliable supply from Baghdad





Very soon, our network capacity will be in much better shape, and we will be able to transmit our new generation capacity

Another source of supply has been from the Iraqi grid, but unfortunately, that too has been disappointing. We have an agreement with the Federal Government that this Region should obtain 33 percent of the electricity produced in five of the northern governorates, namely Nineveh, Kirkuk, Diyala, Erbil, and Sulaimania. But we have not been able to get that percentage. The actual supply is about 20 percent.

And is that deliberate, too?

We think it is. They say it is has to do with technical and security problems in Mosul, but Mosul, Diyala and Kirkuk get much more supply than Erbil and Sulaimania. Again, we have tried to resolve the matter through appropriate channels, including through the Deputy Prime Minister, but to no avail. We get about 125mw from the grid when we should get about 400mw. The behavior of the Baghdad Ministry of Electricity has, therefore, forced us to focus even more on our own generation.

The third of our current three governorates, Dohuk, receives supply from Turkey under a contract between Turkey and the Federal Ministry. That supply, while useful, is not always reliable, and Turkey has occasionally shut it off for political reasons.

Lastly, we have taken a very small amount from the Iranian grid in a border zone – about 5mw.

So, the supply situation we faced until recently was not good, and was largely the result of deliberate negligence. Under Saddam's Baathists, the governorates of Kirkuk, Nineveh and Diyala (just outside of the current KRG) had 15 power plants with a 4,500mw design capacity; by contrast, we in Kurdistan had just two, with a capacity of 650mw.

What are you doing to resolve these past problems?

This Ministry was established May 2006. We knew we had to solve the generation problem, but that would require huge capital-intensive projects, and the same went for transmission projects. I tried to encourage the private sector, and we have had some success, notably with Mass Global, a Kurdish investor. We commissioned two contracts to build gas turbine plants with GE frames. These are state of the art turbines. Construction on the first 500mw plant started in February 2007. On May 23, 2007 the first unit of the four went into production. The fourth unit will be ready in November 2009. The second gas turbine power plant will be developed in Sulaimania near Chamchamal, with a 750mw capacity. Two of its units should be complete in Spring 2009. On their completion, we will have added 1,250mw to our design capacity.

And in Dohuk we have commissioned a contract to build a 450mw power plant. Once it is completed, we will not need to depend on Turkey. Indeed, our ambition is to export supply to other governorates in Iraq, and to Turkey, and possibly to Iran in the future.

But it is in hydropower where we have huge potential. We have the water, and we have good and suitable locations. Our two existing hydropower plants, however, are old. We have obtained a loan from the World Bank of $40 million to renovate them. It may not be enough, but we will be able to get extra money from our own Government budget.

It is in hydropower where we have huge potential. We have the water, and we have good and sustainable locations

The output of hydropower plants mainly depends on the volume and the head of the water (or height of the water). When there is more in the reservoir, and the head is therefore higher, we can generate more. But we have had huge problems with these older plants, and have put out many projects for repair and maintenance. Some remain, and can be found on the KRG website.

We have decided to rely mainly on the private sector, to commission on a build-own-operate basis. In this model, the firm does not interact with customers; that is the Government's role. This model has worked in Turkey and Pakistan. We will be the first to apply it in Iraq, and I discussed its development in November 2008 at a conference held in Amman, Jordan, of the International Power Producers.

Our problems will not end with more generating capacity. We have had huge problems in transmission and distribution. Our network in 2003 simply could not transmit our existing capacity. So, we had to build more substations and high-tension power lines. We were able to build from our own budget and in-house capacity, though we must also acknowledge funding of $195 million from the U.S. Government – but that is a tiny fraction of the $4.2 billion that the U.S. spent on electricity improvements in the rest of Iraq, outside of the Kurdistan Region. We improved transmission with in-house projects, but we were happy for the private sector to play a role; we have published possible projects on the Investment Board website, but so far, there has been little private sector interest.

Very soon, our network capacity will be in much better shape, and we will be able to transmit our new generation capacity. In 2007 we were able to supply only 120mw from our own resources, but in 2008, we managed around 600mw. We are on our way, but we know ours is a continuous task of improvement.

If outside investors want to construct a factory, can the Investment Board and your Ministry assure electricity, or will they need their own generator?

We act according to the investment law. It awards a license. They write to us, asking us when we can supply for the relevant project. We reply with specific dates, saying whether we can supply this year, next year or within two years. We give the investor a clear picture. If they wish to complete within the interval before we can supply, then they will have to arrange their own generation.

Do you give guaranteed prices?

No. Pricing has been a problem, because, in effect, there was no pricing before. Supply was almost

free of charge, both to the domestic and business consumer. People got used to not paying.

So, they were wasteful?
Exactly, and we have to take care of that. Demand has to be addressed as well as supply, and we have sought to reduce wastage. There are two ways of doing that: through education, and through the price mechanism. In January 2008 we had our first increase. In January 2009 we had our second, and we will continue until we reach a level near the market price – though our Government will undoubtedly retain a subsidy for low-income people.

And do you apply a uniform tariff?
No. We have five classes of customer: domestic, commercial, industrial, agricultural and governmental. They face different prices. The price for industry is less than that for commerce, and agriculture less than industry. Government and the household sectors face the highest prices per unit of consumption. We have no public resistance to the prices; that is because though the percentage rise was high, the absolute level remains low. We also know that because we are obviously improving supply, people do not mind price rises, and they themselves are also better off. We can also measure affordability by how much people have been willing to pay toward small neighborhood generators. They were prepared to pay 190 Iraqi dinars per kilowatt-hour, while our price for the first 450 kilowatt hours has been eight dinars – a huge gap. We also need to bring up prices to reduce overload.

Have you had the capability reliably to supply special units, such as hospitals and surgery wards?
Yes, we have always had that policy, and capacity – and we have been able to maintain essential services, not just to hospitals, but also especially to water projects. In many places, such as Erbil, water is pumped from wells – and we ensure appropriate supply. So our basic supply is in decent shape. We are also guaranteeing 24-hour service to other sectors, pharmacies, places using large refrigeration units, and ice factories – so they can supply throughout the summer.

I have been fascinated to see solar panels in use on main roadways leaving Erbil and heading west. Do you expect them to be effective and cheap for roads and public lighting, and will the policy extend to housing?
We are planning to pay more attention to renewable energy, but my first priority is hydropower projects. Kurdistan's huge hydro potential must be realized, not least because hydro projects are multi-purpose – they aid irrigation, drinking water supplies, and recreation. They are capital-intensive. We will try to fund them from our own budget, but the sector is, of course, wide open to foreign investment. We aim to guarantee "buy, operate, transmit" policies with hydroelectric plants. We will make agreements on transmission for, say, 15 years, before ownership reverts to the Government, a model that has worked well in other countries.

Solar and wind energy deserve full investigation. We are not sure of our wind-capacity, because we have not yet executed enough credible surveys. We need to know average velocities in the relevant locations. We are doing a feasibility study this year. If it is positive, we will try to experiment with a few small power plants.

As far as solar goes, it is a new technology for generation, and is very expensive in megawatts per unit of cost, certainly compared with water, which is far more economical, partly because it is multi-purpose. Solar energy is certainly useful for heating water, so we are going to buy solar boilers, mainly for winter usage and for domestic purposes. They will be sold to individual households, either under installments, or full purchase prices to encourage people to switch from electrical to solar boilers. If that switch becomes practical, that will be a huge boost for us, especially in winter.

As for street lighting, we are not sure. What you have seen is an experimental project of Erbil governorate. We will see if it works in the long run. If successful, we will, of course, support its extension. But we are worried about the angle of radiation of the sun in our Region, and we wonder about the costs of maintaining the sensors. We have sandstorms here, and that will mean cleaning will be an issue. But it's a worthwhile pilot project.

Solar, wind, biomass, and geothermal sources of supply are, however, supplementary. They cannot be principal sources of supply with current technologies and prices, so I must build our base first, but let experimentation flourish as well.

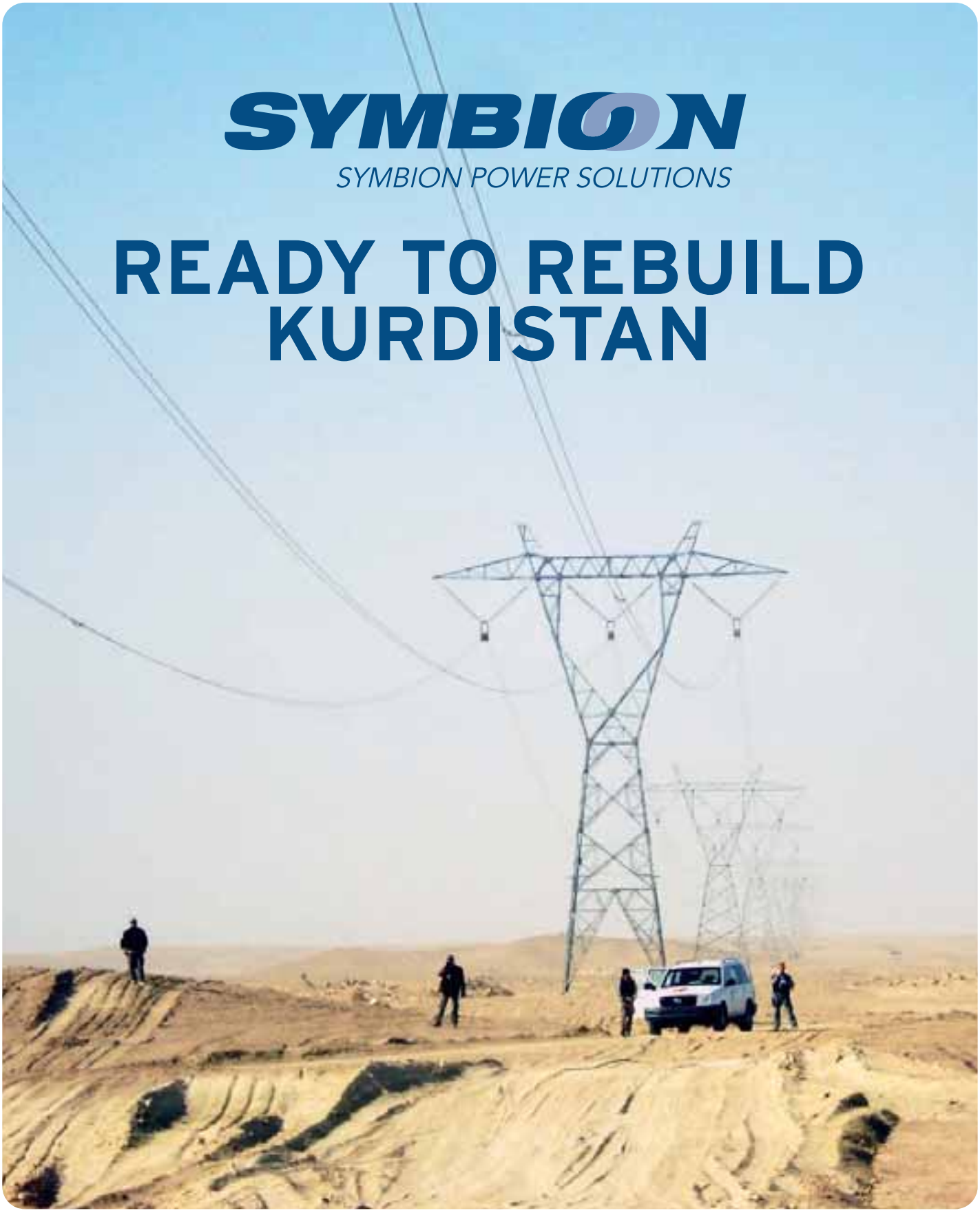
So the future is bright?
I am very optimistic that in a few years' time we will be good enough generators, transmitters and distributors to support other governorates of Iraq. We are also well positioned for the medium and far future. As everyone knows, the Euphrates and the Tigris are the major rivers of Iraq. But the Euphrates is now almost useless for power generation – dam-building and control in Turkey and Syria have seen to that. And Turkey is now building again on the Tigris. There are dangers here. Everyone should read *Water Wars*. Water, not oil, will be the scarce natural resource that matters in the long run. And it is my judgment, as it should be of any wise person, that water supplies in Iraq will depend on Kurdistan, especially, but not only, the Greater Zab. A small part of Greater Zab's volume originates in the Hakari region of Turkey, but it is so mountainous that it is highly unlikely that Turkey will be able to control it. In the near and long-term future, we can supply both electricity and key water supplies, not only to ourselves, but also to the rest of Iraq and the neighborhood.

In a few years' time we will be good enough generators, transmitters and distributors to support other governorates of Iraq

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Making Kurdistan Green



Kurdistan's bright future lies in alternative energy. **Stafford Clarry** reports

IN 2003 THE door to Iraq's future was blown wide open. The people of the Kurdistan Region of Iraq marched through eagerly and energetically, but without public electricity.

When Saddam Hussein withdrew from part of Kurdistan in 1991, a militarized demarcation line was established, and the fledgling Kurdistan Region was disconnected from the Iraqi electricity grid. For more than a decade the main power came from two hydropower stations established primarily for irrigation. Water from rain and snow was collected during winter and run through turbines during the extremely hot and dry summer, primarily to benefit Iraqis outside the Region. At best, a maximum of 500 megawatts per day were available for more than 3 million citizens inside the Region, but that was rarely the case.

Saddam's regime presided over a country that may have more oil and gas reserves than Saudi Arabia, but from the 1990s, virtually no household within the Kurdistan Region had 24-hour electricity from the mains.

Citizens who could afford the extra cost became dependent on their own standby generators, or neighborhood generators – leading to a maze of "spaghetti" wiring running to each household, accompanied by noise, air pollution, and danger. Only in limited rural areas did some households acquire the luxury of 24/7 365 days a year electricity, from micro-hydropower. There are no dams here; flowing water spins a paddlewheel with a pulley connected to a dynamo. Simple, and no more than $20,000 for 20 families, lasting many years. There are no fuel costs, and no other costs, except occasional maintenance.

Before 2003, solar power technology was almost unheard of. With sunlight exceeding that available in northern Europe and parts of America, the United Nations demonstrated its feasibility by running a series of solar-powered stations across the Region in the 1990s to support its VHF radio system.

Alternative power is also available from the energy of wind. A pilot study by a Spanish organization has been completed based on year-round data that favors wind power in certain areas.

After March 2003, the Kurdistan Regional Government (KRG) aggressively began an ambitious program to increase the availability of mains power. In partnership with the private sector, major power plants are being established near the three cities of Duhok, Erbil, and Sulaimania, capable of adding more than 1,500mw produced by the latest in clean air fossil fuel technology. The 500mw Erbil gas turbine plant was running just 18 months after the first equipment arrived on site. A 160km gas pipeline



Demonstration photovoltaic panels at a building trade fair, Erbil

Construction is becoming more energy efficient, and alternative energy sources more effective, efficient, and less costly

was also installed. These plants are very expensive, roughly $100 million for 100mw.

Main power plants are only part of the answer to the Region's electricity shortage. While these new plants are based on clean air technology, they are a source of greenhouse gases. And the rapid increase in economic development since 2003 means that these important plants are not sufficient to provide electricity to meet the very rapid increase in demand.

There are some 5,000 settlements in the Kurdistan Region. More than 4,000 were completely destroyed by the Saddam regime and tens of thousands of families were forced to migrate. The size of these settlements ranged from hamlets of only a few dozen families, to major towns like Qaladize with 70,000 people. Since the 1991 liberation, more than 3,500 of these settlements have been reconstructed and resettled to some extent.

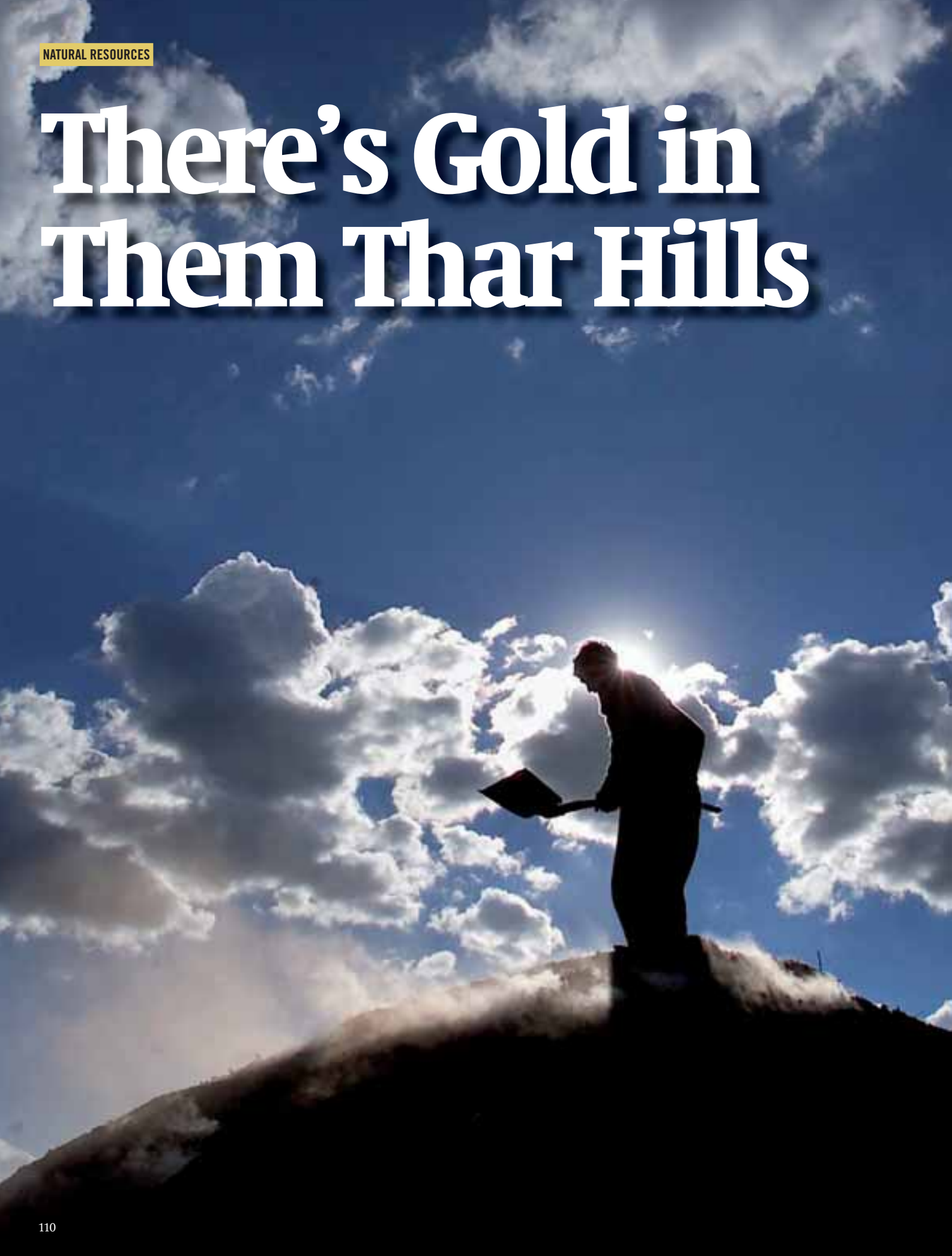
Egregious neglect over decades, compounded by widespread deliberate destruction, meant that infrastructure development lagged far behind that of the rest of the country. The relatively high number of settlements raises the costs of infrastructure development. Transmission of electricity costs more per capita in rural than in urban areas. Costs are compounded by transmission losses.

But the Kurdistan Region is better poised than most areas of the world to pursue a future of clean energy and "green jobs." Without the burden of old, less efficient and more air polluting technologies, the Region is in a prime position to leap into the future. Construction is becoming more energy efficient, fossil fuel power plants more environmentally friendly, and alternative energy sources more effective, efficient, and less costly. With its rapidly expanding oil and gas resources as the primary source of public revenue, and its burgeoning technical and engineering capacities, the Kurdistan Region is in a favorable position to acquire the world's leading energy technologies and apply them.

Meeting the demand of having electricity 24/7 365 days a year requires the latest in environmentally-friendly fossil fuel technologies, renewable energy sources, electricity pricing to control demand by urging less waste, and energy conservation as applied to construction projects and equipment.

For households, all are needed – for families to refrigerate their food, light for study, and cooling during the hot summer. For businesses, schools, and government offices, all are needed to be productive. Alternative energy investors can switch on in Kurdistan.

There's Gold in Them Thar Hills





The Kurdistan Regional Government is looking to tap into a wealth of mineral resources, says *The Guardian's* **Michael Howard**

IRAQ'S KURDS SOMETIMES describe the abundance of natural resources in their Region as more of a curse than a blessing. History tells them that the dividend reaped from the oil beneath their feet has too often been injustice and oppression. But the removal of the Baathist regime in 2003 finally handed Kurds the opportunity to capitalize on their subterranean bounty. With careful handling, the emerging petroleum sector looks set to be the primary driver of economic growth in the Region. And yet, the damaging role that oil has sometimes played in Iraq's history makes Kurds wary of over-reliance on the black gold. Their Region is rich in still-untapped mineral resources that can, they believe, help diversify and thereby bolster the Region's economy.

"The development of mineral wealth of Kurdistan would bring lots of income and employment and will encourage investment," says an advisor to Ashti Hawrami, the Kurdistan Regional Government's (KRG's) Natural Resources Minister. "It would also have beneficial effects on other areas of the economy, such as construction materials, the metallurgical industry, agriculture, and the rehabilitation of local communities who suffered so much under Saddam." Which is why officials in the KRG's Ministry of Natural Resources are working furiously to draft a mining law designed to generate increased interest in mining development in the Kurdistan Region.

Those drawing up the law say it will cover "all matters and activities related to exploration and extraction of metallic and non-metallic materials... and will encourage foreign investment."

Attesting to the future importance of the minerals sector, on April 5-6 in Erbil, the KRG hosted and cosponsoed with the Federal Government of Iraq the first official Iraq Development Summit. It placed special emphasis on the huge opportunities in natural resources, mineral processing, and engineering services.

Iraq has mineral deposits located throughout its various provinces and regions, including key minerals such as sulphur, phosphorate, salt, gypsum, limestone and ironstone, as well as a range of metallic minerals. But decades of instability and war in Iraq took its toll on the minerals industry. Now that Iraq is edging – albeit painfully – towards democracy, the plentiful reserves and diversity of resources are ripe for extensive industrial expansion.

The area is considered to offer "high potential" for mineral deposits such as iron, chrome, nickel, platinum, gold, copper, barite and zinc

The Iraqi Federal Minister of Industry and Minerals, Fawzi Hariri, a member of the Kurdistan Alliance in Baghdad, says several international mining giants are already looking at a possible entry to Iraq to tap the country's copper and gold reserves. Many of these are located in the safe and secure Kurdistan Region, he says.

The Kurdistan Region suffers from a lack of reliable geological surveys. Officials cite as reasons: wars and uprisings, the ruggedness of the mountains, severe weather conditions in winter and spring, and lack of good roads in areas where the metallic deposits are located. Furthermore, says one advisor, the former regime "constantly neglected the Kurdistan Region." Limited primitive mining has taken place in the Region, for example, in Penjwin near the Iranian border where iron ore has been extracted. But the chief interest lies in a belt approximately 15-25km wide that runs along the border with Iran and Turkey. The area is considered to offer "high potential" for mineral deposits such as iron, chrome, nickel, platinum, gold, copper, barite and zinc.

In addition, future geological surveys are expected to conclude that the rest of the Region is rich in limestone, gypsum, sands, clays, gravel, and evaporates.

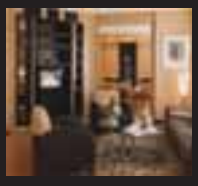
The potential for extractive industries in Kurdistan was highlighted in an economic development report released late last year and funded by the United States Agency for International Development. It suggested that mining should be developed by the private sector and recommended the implementation of a mining development program (including passage of a mining law); development of mineral deposit maps; and the creation of mining block leases.

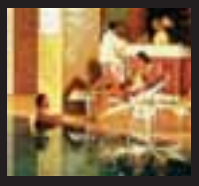
The KRG agrees that there "will be a great role for the private sector" once the mining law has passed. It remains to be seen whether the mining law will run into the same political flak in Baghdad that met the KRG's hydrocarbons law, which was condemned by the oil ministry in Baghdad, despite being drafted in careful legal conformity with Iraq's Constitution. The debate has still not been resolved.

As is the case with oil, Kurds argue that it is their constitutional right to develop the minerals industry in their Region. Says one senior official: "It is clear that the mining sector is included neither in the exclusive responsibilities of the Federal Government, nor under shared responsibilities. It can, therefore, be concluded that the KRG has the full authority and responsibility to extract minerals in the Kurdistan Region."



Luxembourg







Jordan





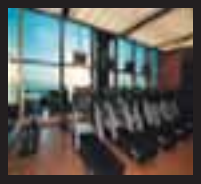


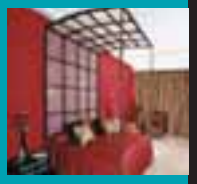






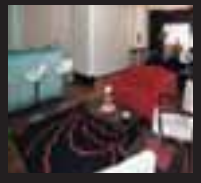














Lebanon





Tunisia







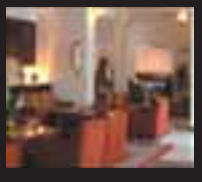














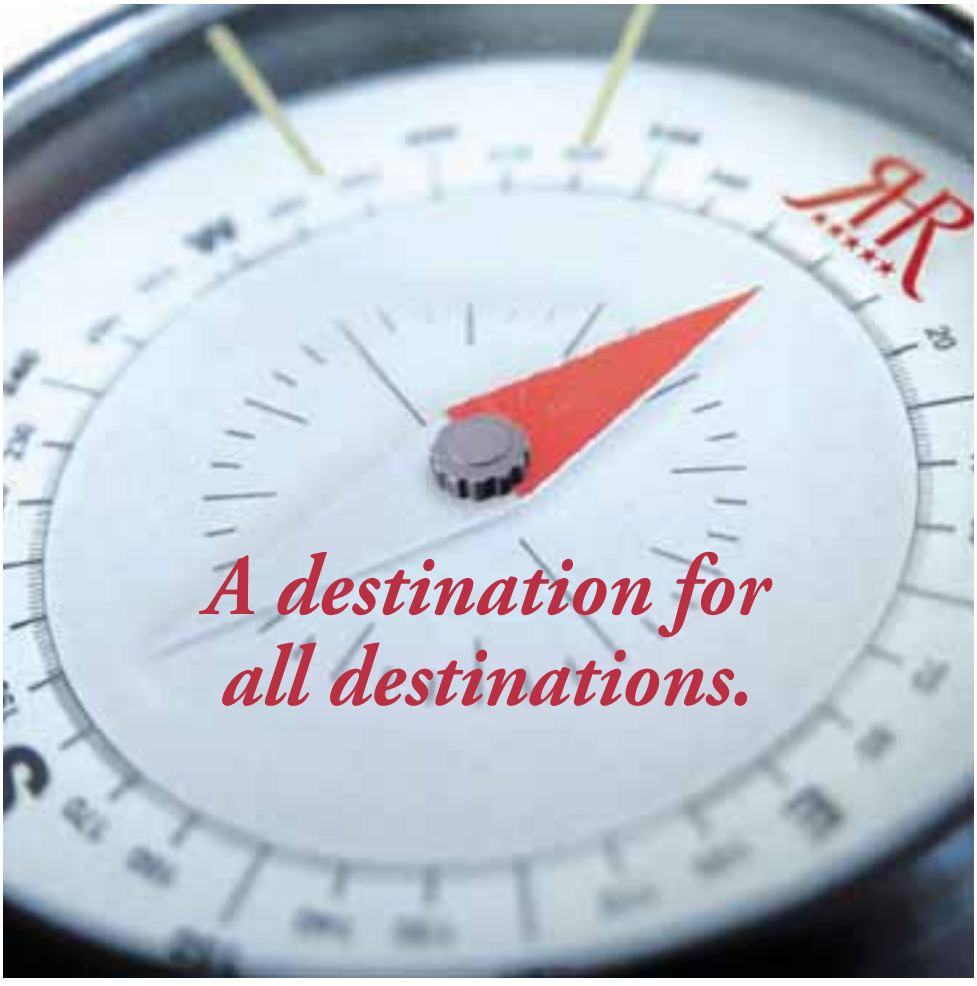
Morocco















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Kamaran Ahmed, Chairman of the Sulaimania International Airport, reports on the airport's development progress

Sulaimania International Airport



FOLLOWING THE LIBERATION of Iraq in 2003, the Kurdistan Regional Government recognized that one of the most critical strategic projects for the economic development of Kurdistan was the construction of Sulaimania International Airport (SIA) as a gateway to the world.

On July 20, 2005, in the presence of the public and senior Government officials, the Airport was inaugurated by HE Jalal Talabani, the President of the Federal Republic of Iraq.

Sulaimania International Airport has been constructed under the requirements of International Civil Aviation Organization (ICAO) standards and specifications and can accommodate all types of passenger and cargo aircraft in operation today. The runway is 3,500m long, 45m wide, with 7.5m shoulders on each side, and has a parallel main taxiway of the same length. The airport is equipped with state-of-the-art sophisticated instruments, navigation system, meteorological and communication equipment for homing and landing to serve all kinds of aircraft in all weather conditions.

Local staff have been mentored, trained and are ICAO-certified.

Intially, SIA was categorized as a start-up airport, but now, after almost three and half years in operation, it is being continually upgraded, year by year. Becauce of our amendments and emendations, SIA is one of the best airports in Iraq regarding security and safety management operating system, as has been confirmed by several international inspection teams (the International Civil Aviation Authority, ICAO and the Federal Aviation Administration).

Growth in both tourism and economic development has increased annually since 2005. Air transport is the easiest and safest way to connect Kurdistan with other Iraqi regions and the rest of the world. These factors lie behind our continuous growth in traffic.

At the end of 2005 we started with one international flight to Amman, and three domestic flights per week. Current weekly direct international flights include five flights to Amman, two to Dubai, one to Cairo, one to Damascus, three to Beirut, four to Istanbul, two to Germany, and two to Sweden. Daily flights to Baghdad are running, and weekly flights to Basra and Najaf. In addition to passenger flights there are 20-30 cargo flights per month from different destinations. We had nearly 100,000 passengers pass through our airport in 2006, and in 2008 that figure had risen by more than 50 percent.

Further projects and development plans underway include a new VIP terminal, expansion of the existing passenger terminal, the building and expansion of a new fuel station with 1.5 million liter capacity, and new building of cargo storage.

We had nearly 100,000 passengers pass through our airport in 2006, and in 2008 that figure had risen by more than 50 percent





The Kurdistan Regional Government is developing information technology as a driving force for economic growth in Kurdistan. **Botan Mahmoud Osman** reports

An IT Revolution

INFORMATION TECHNOLOGY (IT) is at the top of the agenda for the Kurdistan Regional Government (KRG). The strategic use of IT is part of our core economic development initiatives. We are relying on established best practices and international know-how and experience, while creating a local institutional capacity to ensure the sustainability of our efforts.

The KRG's Prime Minister and the Council of Ministers view IT as a key driver for our development and progress. The multiple applications of IT will be critical enablers for our "good governance" goals, empowering our citizens, the private sector and foreign investors through the modernization of public administration.

The Department of Information Technology at the Council of Ministers is leading on systemic initiatives, which will be the cornerstone of Information Technology development throughout the Region.

Early adoption of an IT strategy is at the heart of the KRG's efforts. Kurdistan is almost a greenfield site, because the use of technology in its governmental institutions is so new, which frees us from some of the constraints in other countries where IT has to adapt to long existing systems and entrenched technology investments. We can, by contrast, automate services using the most effective and latest technology.

We want to make democratic "e-governance" a reality, from ministerial laptops through to aiding the most disadvantaged citizen. Last year marked the launch of two major initiatives toward achieving that vision.

The first was the KRG's engagement of PricewaterhouseCoopers, one of the world's leading professional services companies, to develop a five-year IT strategy and implementation roadmap by the end of 2009. This will provide an overarching framework for the Region's IT investments and initiatives and this framework will create major business opportunities for IT companies.





Above: Botan Mahmoud Osman (left) discusses the KRG's e-Government and IT initiatives with Bill Gates, Chairman of Microsoft (right)

Left: A computer-generated image of the new IT training center

Early adoption of an IT strategy is at the heart of the KRG's efforts

The second initiative, a Government ID card system and human resource database, was launched in November 2008. This system issues standard, professional and modern biometric ID cards to all KRG employees. More than 100 pieces of information will be collected about each employee, enabling the Government to analyze, plan and make decisions regarding its human resources while it is reforming its public administration.

In 2009 we will launch a state-of-the-art IT training center. Through its programs, the center will assist in professionalizing public officials and enhancing labor skills throughout the Region. The center has been built through the joint efforts of the Korean International Cooperation Agency and the Department of IT. Efforts are underway to provide internationally recognized and vendor-specific certification though the center.

The IT market opportunities that exist in Kurdistan are extensive – they include business applications, data center infrastructure, networking, business consulting, IT services and training. We are essentially building our IT infrastructure from the ground up, in partnership with the best local and global companies. The market is set on a path of strong and steady growth. IT is, therefore, both a business enabler and a field of opportunity in the Kurdistan Region.

For more information, please contact doit@krg.org

Botan Mahmoud Osman was appointed Head of the KRG Department of Information Technology in early 2007. Osman holds an MBA, a BSC in software engineering from Manchester University, and has occupied a number of management positions in IT and financial companies in the United Kingdom.









your voice is heard

your voice is heard
Asiacell®

Asiacell is Iraq's first GSM mobile operator and only Iraqi majority owned shareholding operator. The first commercial operations began in 2001 in the city and governorate of Sulaimania in northern Iraq.

In October 2003 Asiacell was awarded a two-year GSM license for the northern six provinces and in 2005 the license was extended to cover the whole of Iraq. In August 2007 Asiacell bid and won a 15 year national license.

Asiacell has the largest coverage area among the 3 mobile operators in Iraq and is the lowest cost with a wide range of products and services. New and innovative voice and data products and pricing plans are continuously updated and launched to cater for the needs of its customers.

The Chairman of Asiacell is Mr. Faruk Mustafa Rasool, who is one of the leading businessmen in Iraq with a multitude of interests in various industries. He is also the largest shareholder within Asiacell and is part of the 51% shareholding by Asiacell Company for Telecommunications Limited with the remaining 49% currently held by Al-Rowad General Services. Qtel Group, which is the telecommunications provider in Qatar and several other countries, owns the largest share within the Al-Rowad. This has allowed major investments to be made in order to complete the expansion plans for Asiacell.

Asiacell has around 2000 employees, the vast majority of whom are Iraqis, with the head office in the city of Sulaimania and offices in Baghdad and Basra and other major cities in Iraq with an extensive network of sales points and shops for its customers.

Asiacell has around 5 million customers and increasing daily who are benefiting from its services in the whole of Iraq and will be covering the only remaining governorate, Anbar, by the end of 2008.

Asiacell's products and services include:

SIM Card: - Three different types:

- Prepaid line
- Hala line – Visitor line
- Postpaid line

Voucher card: - Five Different types of Voucher Cards:

- $5
- $10
- $20
- $30
- $100

Services:

- Call Waiting
- Call delivering
- Conference Call
- VMS: Voice mail service
- MCN: Missed Call notification
- Hali Service: Friends & Family
- Bye-Bye service: Call barring & SMS for 5 numbers
- SOS-free emergency number
- National call –interconnection with the other operators inside Iraq
- International calls with the world
- International Roaming.
- 333 – Prepaid management system /Free of charge
- 111 - Customer Services Center/ free of charge

Data Services:

- GPRS: Free activation
- MMS: Free Activation

Messaging:

- Local SMS
- National SMS
- International SMS
- SMS to TV
- Premium SMS
- Query MSISDN
- International tariff inquiry
- Query PUK
- Call Me service: Free SMS service via 999

USSD Service:-

- Checking Balance
- Recharge balance
- Credit transfer

Address:
Asiacell Mobile Telecommunications
Asiacell Building, Salim St., Suleimanyah- Iraq
Mobile: +964 770 119 5795
E-mail: marketingdirector@asiacell.com
Website: www.asiacell.com

With a young population and developing infrastructure, there is strong demand for new internet and mobile technology, says **Hiwa Afandi**, KRG Webmaster

Internet and Mobile Provision



Delegates walk among the stands at the 4th International Erbil Trade Fair in Erbil

FOR DECADES, THE lack of proper wired information and communication technology (ICT) infrastructure hindered the economic growth of developing countries, including the Kurdistan Region. Establishing such infrastructure is expensive and time consuming; so for most countries it was a luxury they could not afford. As a result, the majority of the population had no proper access to ICT services.

Rapid advances in wireless technologies, however, have softened this obstacle greatly. Nowadays, we can quickly provide for affordable wireless ICT infrastructure, which, in turn, enables new business opportunities, and makes a huge customer base accessible.

Wireless infrastructure is a prerequisite for the mobile business, because a mobile device is always a wireless one, though it is important to consider wired and wireless technologies as complementary, and not necessarily competitive.

In today's turbulent e-business environment, it's impossible, or at least very inefficient, to have a linear relationship with the customer, i.e. to provide a total solution through a single company. A "value web," as it is known, is a complex environment within which different companies play their role in creating distinctive values. These values together constitute solutions for customers.

The value web in the Kurdistan Region may include the following principal network providers:

- AsiaCell and Korek Telecom. These two companies are the local giants of GSM services and are also registered as Iraq-wide federal providers. With more than 2 million subscribers in Kurdistan alone, they are well established, and cover a fairly wide area.
- Mobitel is the 3G operator in the Region. The main coverage of its networks is in Erbil and Dohuk provinces. Mobitel offers the typical 3G network services, such as video calls, MMS and wireless internet access.
- TarinNet is the main Wi-Fi network operator, with networks operating in Erbil and Duhok, and it is the main provider of internet access for the Government. CellNet and Broosk operate as Wi-Fi operators in Sulaimania.
- AriaNet is another internet service provider, using EV-DO technology, and operates primarily in Erbil.

These companies rely on their own networks within the Kurdistan Region, except for internet backbone connectivity, which has to go through satellite gateway providers. This fact creates a bottleneck for all of them when it comes to bandwidth, speed and reliability, because of the existing limitations of satellite gateways.

What are known as public switched telephone networks (PSTN) are privatized in the Kurdistan Region. Newroz Telecome operates in Erbil and Dohuk provinces, while Kurdtel is the PSTN operator in Sulaimania. At the time of writing, Newroz Telecome is in the process of establishing a fiber-optic backhaul link to the internet through Turkey, which is the first significant step in the Kurdistan Region to provide reliable wide area network (WAN) services.

In the Kurdistan Region it is currently easy to be well positioned in the value web

Major opportunities exist for investors in these sectors. Internet gateway services are among the most obvious. Using satellite gateways to backhaul the traffic to the internet constitutes the worst bottleneck. Any company with an alternative solution will immediately be a vital player in Kurdistan's value web, and of significant importance in providing WAN services to other companies, such as end-user internet providers.

In the Kurdistan Region it is currently easy to be well positioned in the value web, thanks to the lack of hard competition. But this situation will not endure. Experience throughout the world suggests that first movers are usually not able to maintain a sustainable advantage.



TELECOMS

Abdullah Mutawi of UK-based law firm Trowers & Hamlins explains to **Bayan Sami Abdul Rahman,** KRG High Representative to the U.K., how his company advised the Asiacell consortium on its successful bid

The Kurdistan Region's two mobile phone operators, Korek Telecom and Asiacell, were established in 1999 and 2001 by entrepreneurs who dared to offer their fellow Kurds access to technology that was banned under Saddam Hussein. The offering was simple at the beginning, with Korek and Asiacell lacking roaming agreements and their technology only working in their respective coverage areas. By 2007, both companies had expanded their offering and made international associations that would enable them to win two out of the three licenses for all of Iraq.

Please tell us about yourself and Trowers & Hamlins.
Trowers & Hamlins is a City of London law firm with its international practice focused exclusively on the Middle East. We have more than 100 lawyers across a network of offices in the Region. I am a corporate partner based in Bahrain and I head the firm's telecommunications, media and technology practice. I spend a lot of time on the road as my clients are based in various locations across the Middle East, Europe, North America and Asia.

How did you get involved in Asiacell's bid for the Iraqi mobile phone license auction in 2007?
In 2007, I had been advising Qatar Telecom (Qtel) on a lot of its license acquisition and M&A work in the Middle East and elsewhere. We advised Qtel on its partnership with Asiacell in the lead-up to bidding for the Iraqi mobile phone license. Once the partnership was established, we began advising the consortium on its bid and advised it through the bid and auction process until it was awarded the license.

What were the main challenges you faced?
We did not face any particular challenges that we have not faced anywhere else when trying to put together a consortium of bidders for a telecoms license. The fact that the key consortium member – Asiacell – was physically based in Iraq did present one or two logistical challenges from time to time, but otherwise it was similar to many other deals we have worked on.

How did this compare with your work in other countries?
We frequently assist clients in assembling bidding consortia for telecom licenses and the consortium members are frequently based in different countries. One of the key advantages that we enjoyed was that Asiacell was already operating in Iraq and was, therefore, familiar with the commercial, legal and regulatory environment.

Why was winning this bid significant?
Before the auction, Asiacell was already a very successful mobile operator in the Kurdistan Region. The three licenses auctioned and awarded in 2007 were nationwide licenses, and so from Asiacell's perspective it meant being able to expand its geographical coverage from Kurdistan to the whole of Iraq, thereby providing a much larger group of customers to win. It also effectively introduced competition to the Iraqi telecoms market, signalling the beginning of a new period in which operators were compelled to focus much more closely on the customers' needs.

What other work have you done in the Kurdistan Region or elsewhere in Iraq?
We have advised many clients on corporate and commercial matters in Iraq, including the Kurdistan Region, in sectors ranging from energy to industry and construction. We have good connections with local lawyers on the ground who are able to advise on the local laws and on dealing with local authorities.

How do you see the future of telecoms in the Kurdistan Region and Iraq as a whole?
The Kurdistan Region and Iraq as a whole will continue to develop a modern telecommunications infrastructure and will witness strong growth in years to come. More and more people in Iraq are using telecommunications services and they now have a range of service providers to choose from.

I have no doubt that these telecom operators will continue to invest in the country's telecoms infrastructure as such investment is necessary to be able to provide new and improved services at increasingly competitive prices. For the telecom companies, this will be critical to retaining existing customers and winning new ones and, since there are so many potential customers to be won, this investment is inevitable.

Additionally, fast and reliable internet access will be a key component of social and economic development in Iraq. As wireless technologies through which such services can be provided develop and proliferate, it is likely that Iraq will also witness a boom in fixed-line services, as well.

Kurdistan's population is young and growing, with 36 percent aged under 14, and only 4 percent aged over 63. The Kurdistan Regional Government's publications suggest that more than 50 percent of the population is under 20 years old. They are being much better educated than their predecessors, so this demographic picture guarantees a growing mobile and internet services market.

The Kurdistan Region is famous for its mountainous landscape, which creates a serious challenge to provide net access to the more scattered rural populations of the higher ridges. New technologies such as WiMAX are increasingly making this task easier, but the lack of wired connections between Kurdistan and major internet backbones remains a problem.

Until now, the Kurdistan Region has been a cash economy. The payment for mobile services is primarily based on pre-paid cards. But that is no obstacle to growth in this sector. According to an IEEE Xplore publication, *Drivers of e-business activity in developed and emerging markets*: "No support was found for a linkage between e-business and institutional factors (i.e., country risk, economic freedom, and transparency), or payment infrastructure."

AT **KOREK TELECOM**

Korek Telecom is a Shared Limited Company registered in Iraq to operate and provide GSM services in Kurdistan and Iraq. In November 2000 Korek Telecom was awarded an exclusive license for five years to operate in the Kurdistan region. This was followed in 2006 by a non-exclusive license to operate in the Kurdistan region for ten further years. Throughout this period, Korek Telecom has been offering advanced voice and data mobile telecommunication services in the autonomous Kurdistan region of Iraq.





YOUR SATISFACTION IS A MEASURE OF OUR SUCCESS



Korek Telecom now serves a subscriber base of more than 2 million customers and its network spans three Kurdish provinces with a population of 3.5 million and a network footprint of 46000 km^2.
In August 2007 Korek Telecom purchased one of the three licenses to operate and provide GSM services in the Iraqi territories for the next 15 years, an investment of 1.25 billion USD. Korek Telecom is proud to announce its plans and ambitions to offer advanced telecommunication services to 27 million Iraqi's and beyond.
For enquiries: info@korektel.com or visit www.korektel.com



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www.korektel.com

Construction



Imad Ahmad Sayfour, Minister for Housing and Reconstruction, talks to **Vian Rahman** and **Alexander Hardie Forsyth**

What is the overall picture in housing and construction in the Kurdistan Region?

Construction in the Kurdistan Region is the big story of the moment. One only has to take a short stroll around Erbil to see the boom in action. All across the city you will find cranes, scaffolding, new building sites, the redevelopment of roads, and new institutions being opened to the public. This is not merely speculation or a theoretical possibility. Construction is the fastest growing sector of the Kurdistan Region's economy. Private companies, who are beginning to realize the full potential of what we are able to offer, are driving much of this growth. A recent economic development assessment from USAID estimated that the overall construction market in the Kurdistan Region has a potential value of approximately $2.8 billion – and includes institutional construction and infrastructure projects, as well as housing.

What is the extent of demand for new housing projects in the Kurdistan Region?

The Ministry of Planning is currently conducting a comprehensive housing survey to ascertain more precisely how many new homes are required. Suffice to say at this stage, however, that demand currently far outstrips supply. With our young and growing population, the Kurdistan Region will need at least 150,000 new, affordable homes over the next five to ten years. On top of this, we have observed some people from other areas of Iraq relocating to the Kurdistan Region to benefit from the safety, security and prosperity here.

How does the KRG plan to meet the demand for housing?

We initially developed a three-pronged approach to provide housing for all income levels, and it is still in operation. First, we provided citizens with grants and construction materials to build their own homes (a 100sqm home costs about $30,000 to build). Second, we constructed subsidized or affordable housing for lower income families. Third, we encouraged private sector investment. The private sector and public-private partnership (PPP) schemes will undoubtedly have an important role to play in meeting this demand.

We will continue to build relationships with the private sector, both in securing independent growth and developing PPP schemes. The KRG's liberal, pragmatic and modernized investment regulations make us one of the most attractive areas in the Middle East for construction firms to invest. The Kurdistan Board of Investment, established in 2006, exempts investment projects in the Region from non-customs taxes and duties for ten years.

Are there any success stories potential investors can find out about?

Within minutes of heading downtown from Erbil International Airport, visitors can see for themselves some of our success stories. Located next to the large park is English Village, a joint venture between local firms and the British company JM Jones. Since sales began in 2006, the vast majority of the 420 mid-to-high-end houses have been sold. The concept of another development, American Village, is to bring U.S. East Coast-style living to the Kurdistan Region. These large villas are being built by the U.S. firm Sigma International Construction. Property developments by local investors include Naz City, a complex of family apartments, and the very large Dream City, which is being undertaken by one of Kurdistan's largest investment companies, MECRI (Middle East Corporation for Reconstruction and Investment). Turkish companies are the biggest foreign builders in the Kurdistan Region, and they are also in the property development market. Gürbag Group is building Avro City in the bustling city of Dohuk, which benefits economically from its proximity to the Turkish border. This very large project is to include services such as shopping areas and fitness centers.

We look forward to other investors setting up within our open business climate and helping to meet the demand for housing and new service developments among our citizens.

Dr. Anwar A. Abdullah outlines the opportunities for the "re-greening" of Kurdistan

Sustainable Development in Kurdistan



KURDISTAN COMPRISES WHAT was once known as "Upper Mesopotamia," where the river basins of the Tigris and the Euphrates have their origins. Here, the "Guti," the ancestors of today's Kurds, established the first village-based agricultural gardens 11,000 years ago.

Earlier still, in the Zagros Mountains, they embarked upon the practice of herding animals. Neanderthal man (60,000 years ago) was the first hominid to witness the beauty of flowers in Shanidar Cave.

Perhaps that's why Kurds have been called "the First Flower People." Echoes of their love and respect for nature can be traced back to the sayings of Zarathustra in 1200 B.C., and subsequently upheld in the Sufi traditions of Kurdistan.

After the destruction inflicted upon our society in the last 50 years, the Kurdistan Regional Government has adopted sustainable development to tackle the economic, social and environmental problems.

Our master plan for Kurdistan's rural development addresses the need for a Village Revival Program and is augmented by our Village Reforestation Program. We aim to rehabilitate our rural areas, and re-construct villages as trade units.

Out of 2 million hectares (4.94 million acres) of natural forests, what remains today is about 870,000 hectares (2.15 million acres). We want to protect and expand our indigenous trees over surrounding mountains and thus protect the soil, and avoid dangers of desertification. An Environmental Protection Law and a Nature Protection Act are drafted and are ready for approval by the Kurdistan National Assembly.

Our long-term plan is to re-construct the physical infrastructure, to mend the social infrastructures of our farming communities, and to enrich rural economies through diversifying sources of income, through crop rotations, village tourism, and arts and handicraft.

Our lands stretch from our lowest spot in Kifri (140m above sea-level) to Mount Hasarost (3,607m above sea-level) and the potential capacity for agricultural production considerably exceeds that of actual production. Our efforts are directed toward closing this output gap and reviving Kurdistan as the most promising food-provider in the Region.

With our rich pasture-lands, our capacity for livestock can triple to support 15 million animals, and more

Poultry and fish farming can be managed for high-quality and organic white meat production, while integrated dairy farming can ensure eco-milk products. With our rich pasture-lands, our capacity for livestock can triple to support 15 million animals, and more, if we augment natural with artificial feeding. High-quality taste characterizes Kurdistan's agricultural products, both high-end cash crops and grass-fed red meat.

Apart from our surface waters, our rainfall, with an annual range from 350mm to 1,100mm (14 to 43 inches) is enough to water 85 percent of cultivated lands. This rainfall, together with rich and shallow-to-deep chestnut soils in our valleys, and brown soils on our foothills, make it highly plausible that organic culture can be exploited on a large scale.

We can certainly pave the way for cost-effective agro-industries – even if air transport is used. Beside growing fruits, such as apricots, peaches, pomegranates, pears, and apples, Kurdistan is a potential vineyard – 80 varieties of grapes exist here, and mature between June and December.

Tomatoes are unique in taste and quality, both for domestic use and for industry. First-class honey is produced from wild flowers, while the mountains are abundant with medicinal herbs. Of our 3.25 million hectares (8.03 million acres) of arable lands, Kurdistan enjoys seven great plains of "dusht" (flat), fertile and accessible land for large-scale mechanized farming.

In addition to barley and rice, the hard wheat produced can be exported for pasta and Italian-style foods. These, together with oil-seed crops, quality tobacco, dry nuts, legumes, and truffles, guarantee prospective agro-industrial investors multiple opportunities to flourish in Kurdistan. Investors are encouraged to make the best use of our flexible investment law, and will be most welcome in one of the last gardens of the Middle East.

Dr. Anwar A. Abdullah is a Senior Advisor to the Kurdistan Regional Government.

Vian Rahman interviews **Stewart Vickers**, Technical Director of Scott Wilson, about the Erbil International Airport construction

No Longer Just Up in the Air: The Capital's New Airport

WITH ONE OF the largest runways in the world, Erbil International Airport is one of the most ambitious and forward-looking projects in the Kurdistan Region. For the land-locked Region, the airport is vital for increasing investment, trade and tourism. The new airport is scheduled to open in 2009 and to replace the existing smaller one in Erbil, Kurdistan's capital. Stewart Vickers is the Technical Director for Scott Wilson, the U.K.-based international consultancy that designed the airport for the Kurdistan Regional Government (KRG) and the contractor, a joint venture between Makyol and Cengiz. He has been working in Erbil since the project started in the spring of 2004. Vian Rahman interviewed him about the new airport and his experience of working in the Kurdistan Region.

Why did the KRG decide that Erbil needed a new airport?

British companies have been involved with international infrastructure projects for many years now and Scott Wilson used to have a large permanent office in Iraq. When the political situation deteriorated, a reluctant decision was taken to move staff to other regional projects, although it was always expected that things would return to the way that they were, as and when the political situation returned to normality.

In Spring 2004, Scott Wilson was invited to carry out a concept design for a new airport in Erbil. Various meetings took place to establish the parameters of such a far-sighted development which, when operational, would open Kurdistan to much-needed investment. This then led on to a preliminary design and then a fully detailed design, which was finalized in the summer of 2005, so enabling construction work to commence.

How much has been invested in the project?

A great deal of time and effort has been invested in the project. From a logistical point of view, much of the construction materials and systems have had to be imported from around the world, but in particular, Turkey. From a financial point of view the cost of construction when the airport opens will be in excess of $400 million.

What was the design brief?

The aviation sector in Kurdistan back in 2004 was, to say the least, very limited and though the KRG knew what it wanted in terms of facilities, the initial task was to explain what this meant in reality and to look at the types of options available. The brief included: state-of-the-art design; international and domestic travel; suitability to handle a range of aircraft up to and including Boeing 747 and the latest long-range wide-bodied aircraft; and a facility of which the Kurdish people could be rightly proud. Since the construction works commenced almost four years ago, there have inevitably been some additions and changes, including increasing the size of the main terminal and the range of aircraft that can be handled, but the overriding principles have remained exactly the same.



One interesting feature of the new airport is the iconic flame tower that has been located at the main entrance to the site, and is readily visible from many parts of the city. The aim is to reflect Kurdistan's vision of the future and the rebirth of a nation.

What is the concept behind the airport's design?

It was to produce a modern, state-of-the-art facility that will soon become the regional airport of choice for passenger and freight services in and out of the Kurdistan Region, and indeed the wider Region. It also needed to incorporate suitable features to enable local people to be trained to operate and maintain the facilities in the years ahead. It needed to be large enough to cope with the anticipated traffic, and at the same time, be readily expandable as demand grew. It also needed to be planned so there is scope to construct longer-term developments, such as hotels and international conference facilities.

The airport construction is now substantially complete, and based on the reactions of KRG officials, the overall objectives have been achieved in full. Scott Wilson was always mindful that over the next years, millions of visitors will gain their first impression of the Kurdistan Region by arriving at the new airport, so the welcoming design was always an important factor of the project.

What about the gates, runway capacity and airport facilities?

The new airport has been designed to incorporate all of the features that both domestic and international travellers would expect. There are the normal retail areas, food halls and duty free facilities, and many lounges to accommodate both standard and commercially important passengers (CIPs). Six air-bridges have been installed for easy access to and from the aircraft, and in total the airport can accommodate 12 aircraft at any one time.

Freight services will be a very important aspect of the airport operation, and both covered and open facilities have been constructed. These facilities included temperature-controlled and bonded warehousing areas, allowing the vast majority of goods to use Erbil International Airport. A total of five large-capacity cargo aircraft can be accommodated at any one time. A separate VIP building has also been constructed for senior Government officials, core diplomatic personnel and VVIPs.

The concrete runway, at 4,800m long by 75m wide, has been designed to accommodate the largest aircraft in the world, with more than sufficient room for expansion in the years ahead. Many countries would wish to have such technically advanced facilities and a long-range capacity runway.

Apart from the design, in what other areas of the project is Scott Wilson involved?

Airports by their very nature are extremely complex facilities and we have also provided full support and site liaison services from both U.K. and Kurdistan Region-based personnel. Over the past few months, Scott Wilson has been working closely with the KRG to get the airport licensed to very demanding world-class standards, and ready for operation. These types of facilities need to satisfy both national and international regulations. This role is ongoing and it is likely that this support will continue to enable local Kurdish personnel to ultimately take over full control.

What about the other companies and partners in the project?

Two Turkish companies based in Istanbul, Makyol and Cengiz, have undertaken the construction of the airport. This joint venture has achieved a great deal in extremely difficult working conditions and the quality of the finished product should be applauded.

What have been the biggest challenges and the most satisfying elements of the project?

The temperature in the Kurdistan Region can reach as high as 50°C (120°F) in the summer, and this has meant challenging working conditions on many of the outdoor tasks.

There are very few manufacturing facilities in Kurdistan and as a result, the vast majority of materials



and equipment have had to be imported, in particular from Turkey. Every kilogramme of cement and steel, for example, has had to be brought in by road with each vehicle working on a seven-day turn-round basis. From a logistical point of view this has been a major achievement and all concerned should be congratulated on a job well done.

All construction numbers have been very big; for example, in excess of 12 million cubic meters of excavation has been necessary to construct the new airport. Now that the new airport is near to commissioning, we are starting to receive comments from aviation experts that this new facility is able to be favorably compared with many world-class airports. This is an achievement of which everyone involved can be very proud.

How easy or difficult is it for foreign companies to work in the Kurdistan Region? What are the challenges?

Most people associate the Kurdistan Region with Iraq, and the mistaken perception is that the Region as a whole is a less than desirable place to work and travel to. All Scott Wilson employees without exception have enjoyed their time in Kurdistan; they take the view that the project is very technically challenging, yet rewarding. There are many countries where security is an important factor in business, but the important thing is to make sure that adequate precautions are taken to minimize or even eliminate the risks.

Five years ago, conditions could have been described as difficult, but increasingly and with the opening of new roads and airports, travel has become much easier and Kurdistan has become a very attractive place to work. Regular visitors can see for themselves that there are many business opportunities in a wide range of fields. The city of Erbil is bustling with tower cranes and new construction, and it is great to see everyone busily going about their daily business.

Scott Wilson has always employed local people who have worked very well as part of a successful team. To my mind, this is the formula for success and it also gives something back to the local community.

What plans have been made for the staffing of the airport?

The airport, when opened, will be one of the larger employers in the Region, and a 24/7 operation. It is important that as many local people as possible are recruited and trained to fill what could be as many as 800 long-term jobs.

Many staff will be transferred from the existing airport, which will soon close, and the recruitment process for the additional staff has already begun. Though there are clearly going to be some specialist roles, many of the new positions will be available to local people who have the basis skills to work in what is a global and growing industry.

You have been visiting the Kurdistan Region since June 2004. What are your impressions of working and living there?

Back in 2004 the only viable way to get to Erbil was by road from southern Turkey, and it goes without saying that this was not the most satisfactory or comfortable way to travel.

When the existing airport was commissioned back in 2005, access to the country became so much easier, and it is now wonderful to see a mix of people traveling to Erbil. These include local and overseas business people, as well as families with children who, in many cases, wanted to meet with families and friends after a gap of many years.

I have traveled to Erbil more than 25 times now in the last five years. Erbil is very welcoming, the locals are very friendly and keen to support the increasing numbers of international companies in Kurdistan and, of course, to improve their English language skills. Most goods are significantly cheaper than the U.K., and the food is wonderful; it is clear that the Kurdistan Region can and will become an attractive place, both to visit and to do business.

What about daily life when you're in Kurdistan? What do you do in your spare time there? What is life like for expatriates?

As an international businessman, unfortunately there is very little spare time. The pleasure of travelling to any new country is to see different cultures and meet new people. The highlight of any trip to Erbil is a trip to the "souk" or market where the variety of goods on offer is mind-boggling. I suspect it is possible to buy almost anything if you know where to look.

I have many colleagues who travel to and work in Erbil and life can be very good, particularly in the summer, when the sun always shines.

What advice would you give to foreign companies wanting to do business in Kurdistan?

My advice is simply not to spend too much time thinking about it; just come on an inexpensive visit to Erbil to see for yourself what is happening, and the sorts of opportunities that exist.

For foreign companies coming for the first time, a local partner can make life so much easier. Many things are done differently, and a local partnership with local people can keep the learning curve to the absolute minimum. There are a number of local organizations, such as the local Chambers of Commerce who, from my own experience, are keen to be associated with foreign companies.

Kurdistan for me is a great place to live, work and invest in. Therefore I have no hesitation in traveling here on business. The people are friendly and the opportunities for business are excellent, provided that it is undertaken in a considered and controlled manner

As Technical Director of a U.K.-based plc, I find the support from the KRG, both in Erbil and London, to be excellent, and they are very supportive of any initiatives that can bring prosperity to the Region.

Scott Wilson Group plc is a multi-disciplinary international design and engineering consultancy for the built and natural environments. With more than 6,000 members of staff, the Group offers integrated professional services in the transportation, property, environment and natural resources sectors. The Group, from its U.K. headquarters, currently controls a worldwide network of 80 offices, of which 40 are in the U.K. The main international centers are located in Australia, Canada, China, Eastern Europe, Hong Kong, India, the Middle East and South East Asia.

Commercial Property

Vian Rahman describes the commercialization of greater Erbil

AT THE CENTER of Erbil, the capital of the Kurdistan Region, is the ancient citadel, from which the city fans out in a circle that has expanded rapidly in the past few years. Near the citadel is the newly built Nishtiman mall and bazaar that, upon completion, will eventually replace the old bazaar.

The site of the old bazaar will become an open green space at the foot of the citadel. The decision to build a new shopping center with a "bazaar feel" near the citadel is a clear statement of intent. While steeped in their culture and traditions, the people of the Kurdistan Region fully enjoy the 21st-century consumer experience, all the more so for being latecomers.

Amenities that have long been part of the urban landscape in many countries are still a novelty here, and have been developed in earnest since the liberation in 2003. Investors are building shopping malls, supermarkets, hotels, holiday villas, conference centers, fitness clubs, amusement parks, warehouses, and office blocks to meet the needs of a young and growing population. Kurdish expectations have been raised by the globalized mass media, but are undoubtedly influenced by the regional example set by Dubai.

Investors who have led the way include the Middle East Corporation for Reconstruction and Investment (MECRI), which renovated the half-built Saddam-era Sheraton to make it the Erbil International Hotel. It has become a hub for the business community. MECRI also owns the Khanzad Resort Hotel on the Salahaddin Road, and has completed phase one of the vast Nishtiman mall and bazaar, comprising 800 shops and 400 offices. The investment for all five stages will be close to $1billion.

The influence of Kurds returning from abroad to invest in their homeland can be seen in the small Rhein mall, named after the German river, and Pank resort's Swedish-style holiday homes in the hillside town of Rawandoz. In Shaqlawa resort, a popular tourist town, the shopping promenade has been pedestrianized, and more and more holiday apartments and hotels are springing up.

Foreign companies are also getting into the commercial property market. Last year, the United Arab Emirates' Rotana Hotel Group chain started building a hotel in the capital, in a joint venture with Lebanon's Malia Holdings. Kuwaiti City Center Company is expected to be the main tenant in the future Majidi Mall, a 40,000 square-meter complex, 2km from Erbil, comprising offices, retail outlets, a hypermarket, and leisure facilities. KREDCO, a joint venture between local firms and Kuwaiti National Real Estate Company, is planning a similar commercial complex near the airport.

These are just a number of the developments that are changing the face of the capital of the Kurdistan Region, gradually replacing tired Saddam-era blocks with buildings worthy of any metropolis that is going places.



Erbil's New City shopping mall

Healthy Options

Healthcare in the Kurdistan Region is improving but the sector still faces a number of challenges, says **Michael Howard**



ALTHOUGH HIS LIFE is not in immediate danger, Sirwan Abdul Qadir needs vital medical tests once every three months. "It is a simple procedure that normally costs about $50," says Abdul Qadir, a lawyer in Erbil. "But for me, it costs much more." That is because the tests that he needs to monitor the progress of his diabetic condition reliably just can't be found in Kurdistan.

Instead, Abdul Qadir flies from Erbil to the Jordanian capital, Amman. He doesn't speak Arabic, so a friend must accompany him to interpret. "Once I have paid for both our flights, and hotels, I have no change from $2,000. Luckily my family has savings, but they are running out fast."

Abdul Qadir is not alone. Clinics in Amman are reportedly doing brisk business from visiting Iraqis. They can't get the routine treatments they need from their own country's health system, devastated by years of war, dictatorship, sanctions and mismanagement.

That includes Kurdistan, the most safe and secure Region in Iraq. But here, hope is on the horizon for Abdul Qadir and thousands like him, and for the vast majority of Kurds for whom a trip abroad would be financially unthinkable. A multi-million dollar state-of-the-art diagnostics center in the regional capital, Erbil, has just opened its doors. And the Kurdistan Regional Government (KRG) believes that its model of public-private cooperation will be a major stepping stone in the rehabilitation of the creaking health sector in Kurdistan.

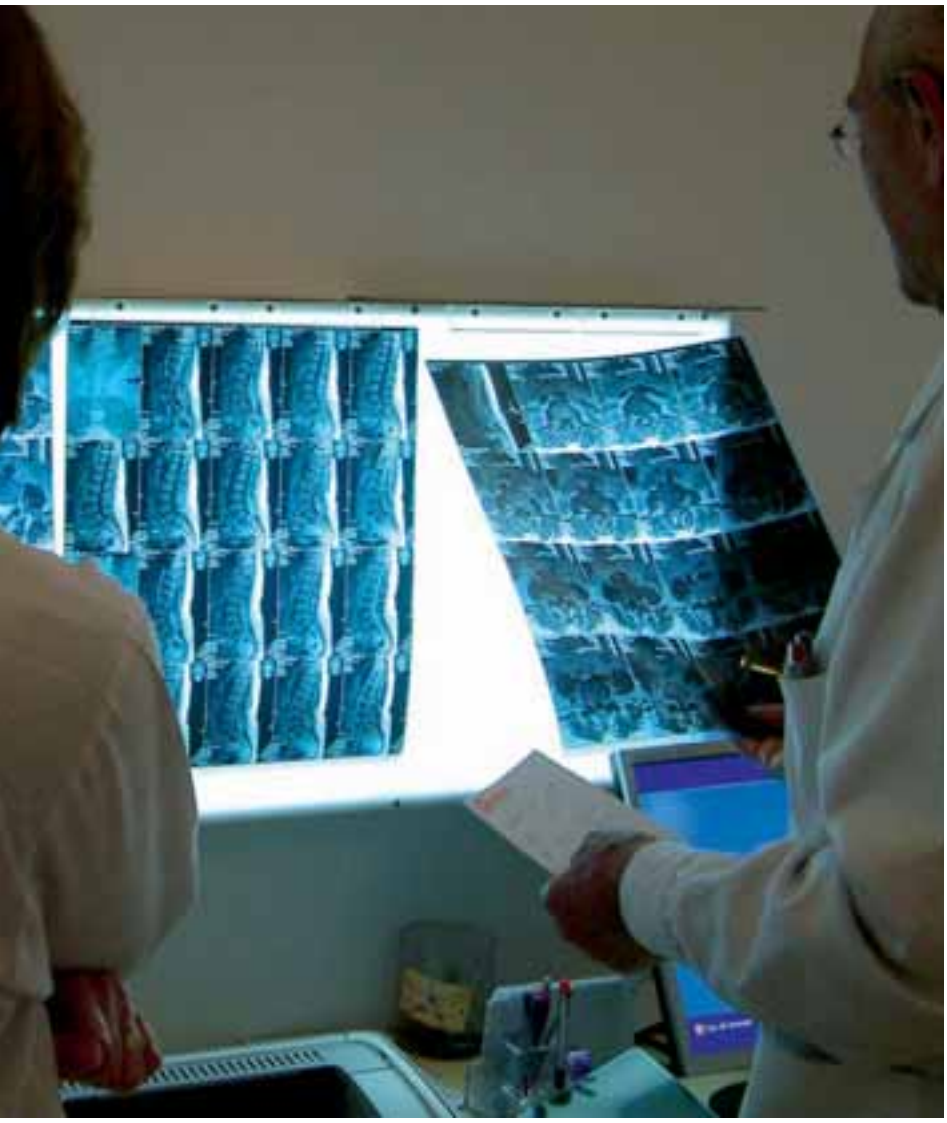
A multi-million dollar, state-of-the-art diagnostics center in Erbil has just opened its doors

Kurdish businessman Dana Qashani, who was the driving force behind the Medya Diagnostics Centre (MDC), says there is a great need to raise and impose standards of healthcare across the Region. "At present you could go to three different clinics and get three different results," Qashani says. "Our aim is to establish a culture of excellence. MDC offers full diagnostic services to all sectors and is positioned to be responsive to the needs of the health system, developing and implementing new tests that are not available locally, or have to be performed abroad." The Raziana company operates the facility in cooperation with CPS Clinical Pathology Services LLC, a Dubai-based pathology service affiliated with Guy's and St Thomas' Hospitals NHS Trust in London, U.K. – the only affiliation of its kind in the Middle East.

Qashani says MDC is working to be the first laboratory in the Region to achieve international accreditation as a quality provider of medical testing under ISO 15189:2007, the international standard for medical laboratories – particular requirements for quality and competence. Even though most of the money came from the Government, the center is privately run.

Another example of public-private partnership in the health sector is a new cardiac hospital in Erbil. Meanwhile, a hospital is being planned in Sulaimania, using private money from a leading mobile phone operator.

Despite these new projects, health experts warn of the huge challenges facing the Region's health sector. When Baghdad withdrew its administration from the area after 1991, Kurdistan found itself obliged, unlike the rest of Iraq, to build up a health hierarchy from almost nothing. Sanctions and civil conflict in the 1990s that led to the temporary division of the Region into two separate administrations made the job of unifying the healthcare system even more difficult.



With 466 primary health centers, the Kurdistan Region is better provisioned than the rest of Iraq



The Medya Diagnostic Centre offers pathology, laboratory and radiology services

Since 2003, health officials in the Kurdistan Region complain that the health ministry in Baghdad has – whether deliberately or through malpractice – withheld its rightful share of good quality medicine and supplies. Kurdistan's health system has come under further strain from thousands of Iraqis who have sought sanctuary from the violence elsewhere in Iraq.

"The big showcase projects are welcome, but one cannot say that the health sector in Kurdistan is in a good shape," says a London-based Kurd who is a member of the Kurdish Medical Association. "As a system it is too dysfunctional," he says. "Healthcare is not a structured hierarchy. There are too many overlapping authorities. What is really needed is a realistic blueprint for knitting the whole system together."

The KRG health minister Dr. Zryan Yones acknowledges the scale of the challenges and says the primary healthcare system is in urgent need of reform. With some 466 primary health centers for a population of 3.5 million, according to the World Health Organization, the Kurdistan Region is better provisioned than the rest of Iraq. But figures can be deceptive. Some 95 percent of Kurds use the rudimentary primary healthcare system, but too many patients are being sent to hospitals, when they could receive simple treatment, Dr. Yones says. The lack of a proper referral system means public hospitals are unnecessarily overcrowded. Underfunding and lack of capacity are major problems.

Staff in the health sector need to be familiarized with the latest scientific medical advances and state-of-the-art medical technology. There are about 6,000 doctors and among them, 600 specialists, all who need to be trained, says Dr. Zryan. Nursing care is not advanced.

The Region is still coping with the negative effects of chemical weapons attacks on physical and mental health, including congenital diseases, the very high prevalence of an aggressive type of breast cancer and of congenital heart disease, malaria, and the pollution of some water sources by arsenic.

The minister says the KRG's investment law will encourage health specialists to start their own private clinics, hospitals and pharmaceutical plants, "and we will support them with free land and other help." He expects the private sector to provide services that the public sector cannot by offering specialized treatments.

Health analysts warn, however, of the dangers of a two-tier health system: one for the rich, one for the poor – a debate common in the long established democracies. "What is needed is a proper regulatory framework for health in which private healthcare provision and the public system can coexist and complement each other," says the health expert from London. "On the positive side, there is evidently an enormous will among hard-pressed health sector workers to improve the situation. They do welcome help and advice and ideas from the outside." Last summer, for example, the KRG signed an agreement with Britain's Royal College of Obstetricians and Gynaecologists to improve maternal and neonatal healthcare in Kurdistan through education and the setting of clinical standards.

Professor Brendan O'Leary interviews **Dr. Mohammed Sadiq**, President of Salahaddin University, Erbil City



Public Universities: Challenges and Change

Can you tell me about the challenges faced in reconstructing and reforming Kurdistan's universities after Saddam's dictatorship, sanctions and wars?
Our major challenge can be summed up in a phrase: We have started reconstruction but we have not adequately reformed or reorganized. We have re-built, but we have not yet modernized, or reformed sufficiently.

In 1991, as the world tends to forget, Saddam's regime withdrew its administration entirely from what is now the Kurdistan Region – they cut us off from the electrical grid, and our secondary school students were denied access to Iraqi universities. So our thinly developed university sector had to cope with a huge influx of secondary school graduates who suddenly had no places to complete or continue their education. Two new universities were opened immediately out of sheer necessity, in Dohuk and Sulaimania. Coping with the huge numbers of secondary school graduates remains our major problem: in the last year 10,000 secondary students graduated who have not yet found a place in tertiary education.

As for my own university, it has always lacked its own campus. It was founded in 1968 as the University of Sulaimania, but the Baath Government closed it, and moved it here in 1981, renaming it. We are consequently scattered in multiple colleges and sites around the city. In the re-beginning after 1991 we had to improvise totally. We used prisons used by the regime's intelligence services, we converted a mosque, and we re-jigged primary schools. Our College of Science is in a comprehensive school. Our best building is our College of Engineering, which used to be a technical institute. The lack of an integrated campus creates multiple problems. We have plans for a new university, but these are not yet implemented.

The 13 years of isolation that we suffered between 1991 and 2004 were extremely difficult. We had no legitimate links with the outside world. We were cut off. Borders were closed. The research frontiers were also shut off, because of our lack of interaction and access. We did not even have links with Iraqi universities. After the liberation of Iraq in April 2003 we were at last able to reconnect to the world – literally, the internet became available for us.

This legacy has led to multiple problems. On the faculty side, most have Masters degrees, but most did not have PhDs, either from here, or from Iraq. When I took this position in January 2004 we had three colleges and three large faculties in which no one had a PhD. We set out to change that. We needed fundamental changes in English language training, mathematics, computing and information technology. In short, we have a triple challenge: inappropriate buildings, a faculty in need of improvement, and a set of curricula that have proven difficult to modify quickly

At least good starts have been made. The problem is numbers. The pressure to absorb greater quantities of secondary school students clashes with our concerns to enhance quality across all three dimensions.

Do you have high failure rates among students?
No. Of course, we have people who fail. But we have public pressures to keep people on, and to complete them, and we have a duty of care. When students fail a course they are allowed to start the next year, but also have to retake the course they failed...

And that leads to them taking too many courses?
Exactly, or, at least at any one time. What I want to be able to do is to encourage a shift to a credit-based system, so that students can accumulate credits at their own pace, and as time permits them.

The more independence schools and universities have, the better they will be

May I ask about the public management of education? Is the system here centralized? Do you have managerial and educational autonomy?
We are still far too centralized. The state still seeks to control all education from the nursery school through to universities, through an old command-style model. The Ministry of Higher Education allocates the budget and administers and monitors the expenditures of the places it supervises. They administer appointments. We need a more decentralized system.

What do you think of private universities?
In principle, they are brilliant. I think it helps if people pay for their education. They value it more. They benefit from it more. We need in the long run, to incentivize people to pay, at least in part, for their degrees. I paid for my own education when I was in Britain. But the state has to be responsible for those who cannot afford to pay, either through outright grants or loans. We need, however, to reform the pathologies of the overly centralized system. We need to be more sensitive to market needs; we need to improve our manpower planning, in a strategic way, not in some command fashion.

The role of the Ministry should be to guide us on what kinds of students they foresee being required, taking into account the needs of both the public and the private sectors. We want to be able to offer re-training, and continuous lifetime re-tooling.

Above all, we need to agree on our general educational philosophy, and agree a strategic plan, with both top-down and bottom-up components. I think we need radical reform, from pre-school, right through to university.

KURDISH POLITICAL STUDIES AT THE UNIVERSITY OF CENTRAL FLORIDA

By John C. Bersia and Roger Handberg

The University of Central Florida's (UCF's) focus on Kurdish studies dates to 2004, when Lt. Gen. (Ret.) Jay Garner joined the advisory board of the Global Perspectives Office. He has facilitated visits by various speakers, including Dr. Najmaldin Karim of the Washington Kurdish Institute and Qubad Talabani. Later, an Endowed Chair in Kurdish Political Studies – the first in the United States – was established by Dr. Karim, and the Kurdish Political Studies Initiative was created (www.ucfglobalperspectives.org/kurdish_studies/index.php).

The Initiative strives to develop knowledge and understanding about the Kurds and Kurdistan. It is a cooperative undertaking of the Global Perspectives Office and the Department of Political Science (where the Endowed Chair is housed), as well as the Global Connections Foundation, a non-profit educational partnership.

Formally launched in 2008, the Initiative sponsors or co-sponsors public discussions involving high-profile speakers and conferences; supports scholarship and research; and works with partners regionally, nationally and internationally. Although interdisciplinary in nature, the program's primary emphasis is on politics.

The Initiative's advisory board includes John C. Bersia, Special Assistant to the President for Global Perspectives; Gen. Garner, formerly the Director of the Office of Reconstruction and Humanitarian Assistance for Post-War Iraq; Roger Handberg, Chairman of the Political Science Department; Dr. Karim, a Partner at Drs. Falik and Karim, P.A., and the President of the Washington Kurdish Institute; Jack McGuire, Associate Dean of the College of Sciences; Brendan O'Leary, Lauder Professor of Political Science and Director of the Penn Program in Ethnic Conflict at the University of Pennsylvania; Sibille Pritchard, President of the Global Connections Foundation; Joe R. Reeder, a Shareholder at Greenberg Traurig, Washington, D.C.; Qubad Talabani, Representative of the Kurdistan Regional Government, Washington D.C.; and Ambassador Howar Ziad at the Embassy of Iraq, Ottawa, Canada.

Under the auspices of the Initiative, UCF has offered numerous public, co-curricular activities, including a series featuring Michael Gunter of Tennessee Tech University, Brendan O'Leary; and Jonathan Morrow of Hills Stern & Morley, Washington D.C., and the principal legal advisor to the Kurdistan Regional Government's Ministry of Natural Resources.

John C. Bersia and Roger Handberg are the interim Co-Directors of The Kurdish Political Studies Initiative at UCF.

Recently, there was some research published by Buckingham University, of university experiences under the United Kingdom's Labour Government between 1997 and 2007. Its conclusions were simple. The more independence schools and universities have, the better they will be. Buckingham's Vice Chancellor was here

THE AMERICAN UNIVERSITY OF IRAQ - SULAIMANIA

The American University of Iraq – Sulaimania (AUI-S) is a private, independent, non-profit institution of higher education. AUI-S is dedicated to the pursuit of knowledge based on the liberal arts model of education. Its core mission is the promotion of critical thinking, freedom of thought and expression, leadership, civic responsibility, and tolerance of diversity. It is a co-educational institution that is open to all qualified students without regards to race, religion, economic status, or political affiliation. English is the language of instruction.

The AUI-S project was initiated in 2004 by the AUI-S Board of Regents and Trustees with a campus development plan targeting a student population of 5,000 by the year 2021. The University opened its first classes in October 2007 with 35 students and now has more than 300. The University possesses a 175-hectare plot of land that will house both the academic campus as well as income-generating commercial development.

The campus is strategically located adjacent to the Sulaimania International Airport on the rapidly urbanizing western outskirts of the city. With its tolerant and welcoming environment, security and growing economy, Sulaimania provides the ideal location for the American University.

AUI-S is committed to providing a first class, American-style education that focuses on the development of English language and critical thinking skills, as well as a solid liberal arts foundation for each of its career-oriented baccalaureate majors and minors, and postgraduate degrees. The programs currently offered include a BBA in management and policy studies, a BS in information technology, a BA in international studies and an MBA.

In addition, the Continuing Education Division offers non-degree courses to government, private sector, and community clientele.

In the near future, AUI-S will offer further academic programs, including degrees in water resource engineering and environmental science through the Twin Rivers Institute for Scientific Research. All of these programs have been designed to play an important role in meeting the needs of Iraq for development and to provide a model for higher education throughout the country.



not long ago. He said British universities "are among the best in the world, but not because ours are older than others – they are not – but rather because we have given freedom to our universities." I would say the same. We will benefit from maximizing the autonomy of universities. That will not stop strategic, rather than command planning, from leading to fruitful interactions between the Government and universities.

The picture seems to be that the KRG is willing to encourage a private university sector, wholly willing to do so, but at the same time keeps an old-fashioned centralized grip on its public sector universities.

That's a fair impression, but I don't think it is thought through like that. Our problems are institutional, not personal, or the result of one minister's policies.

The roots of our educational system go back to the Koranic schools, which were controlled by the imams, just as in Europe universities started beside churches and monasteries. That was the Ottoman system. In its last days the old empire reformed itself, and introduced a secular system, modeled on those developing in many parts of Europe. The Ottomans then lost World War I, and the British created Iraq. They introduced a new educational model here for us, but not their own. Instead they introduced a centralized colonial adaptation of the French system. They brought teachers in from Egypt. Later, the Iraqi Hashemite monarchy facilitated imams becoming primary school teachers. So all our past systems have been based on the state trying to secure order, conformity and loyalty. That is true of the Ottomans, the British and the Hashemites. Under the Baath party these legacies were distorted one step further in the interests of the ruling elite. The Baathists rewrote all textbooks with their mottoes and ideas in a system of overt indoctrination, relying on pan-Arabist ideas developed in the 1930s and 1940s.

When we were liberated we had a discussion because we had to start from scratch. As chair of the Kurdish Cultural Center in London I was invited to a conference in Holland in 1992, to attend a workshop chaired by the late Sami Abdul Rahman – a great man. We had many future ministers there, smart people, all discussing future needs. We were discussing reconstruction. Our situation was dire. We had lost more than 4,000 village schools through Saddam's devastation of Kurdistan. Obviously we had to rebuild. But we also needed textbooks. The question arose: should we reprint Baath books? I thought we should burn them. Or, at least recycle them! But my viewpoint lost. We reprinted these books out of a sense of necessity. Even in 2004, in his 6th-grade year, my son was reading mathematics in which Baath ideology was still present. We had removed most of the Baathist stuff, but had not replaced it. As a result, the texts sometimes made no sense. I think we wasted an opportunity.

As you can see, we have had to restart near ground

zero with problems unknown in Western Europe and North America. We needed – and still need – radical change, and I think decentralization and private universities both have to play a role in a democratic educational system.

Do you have a plan to improve your faculty?

Yes, but we work more through improvisation. We have sent staff outside, to attend conferences, to develop through getting modern Masters or PhDs. That led to dramatic change. Had you asked the faculty in 2003 who had been abroad, the answer was no one, at least no one before 1991.

I am ambitious. I know we can do better. We are changing our curricula. We have some brand new subjects: notably the environmental sciences. We also have a new college in the educational and administrative sciences. We are well staffed in media and communications and the fine arts. Those faculty members we send abroad, without exception, return. We take guarantees, of course, but still they want to return, to rebuild and to renew. Our main problem is having enough funding for training and re-training. And, as the largest university, we would benefit from a funding formula that was based on a transparent and simple per capita allocation.

In what languages do you teach? Is there any pressure from cultural nationalists to use Kurdish in the natural sciences?

All scientific subjects are taught in English. Our capacities to teach in English need to be enhanced further. We have a Language Center dedicated to that task. There is absolutely no pressure – from any party, organization or person – to use Kurdish in the sciences.

In the social sciences and the humanities, naturally, it is different. Most of our children's first language and the language of instruction is Kurdish. They study Arabic, but it is not their first language. And one of our core difficulties is that most of the faculty we inherited had been educated solely in Arabic – and in some cases were not capable of teaching their fields in Kurdish. It is taking time for them to adjust.

But we will not be Kurdish-only, except where Kurdology requires it. Our goal is to make our entire faculty computer-literate in English. We aim to encourage English, Kurdish and Arabic across the campus. These are the languages of science, business and the two official languages of the new Federation of Iraq. We want to remain an open university and help to build an open society.

THE INTERNATIONAL SCHOOL OF CHOUEIFAT, ERBIL



The International School of Choueifat (ISC) is east of Erbil. It follows the great tradition of Choueifat schools throughout the Middle East. The school is financially independent, and is a member of the rigorous educational system operated by the Sabis schools network in 15 countries. Every year, graduates from Sabis schools gain entry to highly competitive universities around the world.

The ISC provides an internationally oriented, college-preparatory curriculum for students of different nationalities and backgrounds, from the age of three through to 18, with a focus on the core subjects of English, math, sciences and languages.

The idea of opening a Choueifat school in Erbil came from Abdul Aziz Taib, the Kurdistan Region's Minister for Agriculture. It was strongly supported by Prime Minister Nechirvan Barzani. The school opened in September 2006 and moved to its new permanent campus in August 2008.

This purpose-built, state-of-the-art campus on the Erbil-Salahaddin Road can house up to 2,500 students, and includes an indoor swimming pool, athletics track, football pitch and basketball courts, in addition to a library and advanced music, art and academic facilities.

The Kurdistan Regional Government is widening opportunities to study at the International School of Choueifat by giving scholarships to gifted students from low-income households. And as well as opening the school in Erbil, the ISC has partnered with the Ministry of Education in a private-public partnership for state schools.

At the opening of the school's new campus, Prime Minister Barzani underlined the school's importance. He said it "offers a world-class education... opens the door for other private educational institutions to enter the Kurdistan Region, [and] raises the performance level expected of both public and private schools."

Angie Chung, from Tacoma in Washington State, joined ISC-Erbil in 2008. She says: "Being an English, math, and music teacher for 26 kindergarteners, as well as a math teacher for 26 eight-year-olds, I returned home for the first few weeks feeling as if I had run a marathon... At times, while teaching I feel I am holding back a tidal wave, because their enthusiasm can translate to rowdiness in the classroom. But then I remember how math teachers in the U.S. have the opposite problem – indifference – which is far worse. It is wonderful to feel so appreciated in this often underappreciated profession."



▪ Austrian Airlines ▪ Zagros Company ▪ Royal Jordanian ▪ Iraqi Airways ▪ Kurdistan Airlines ▪ Shabaq Air ▪ Laveen Air ▪
▪ Hamburg International ▪ Viking Airlines ▪ Flying Carpet Airlines ▪ Zozik Air ▪ Atlas Jet ▪ Fly Iraquna ▪ Noor Company ▪
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& the world's gateway to Kurdistan

Following the liberation of Iraq in 2003, the Kurdistan Regional Government decided to transform Erbil's former military base into a modern civil airport to serve as a major gateway to the world. On 7th July 2005, Erbil International Airport (EIA) officially opened and welcomed its first scheduled IATA carrier on 11th December 2006.

With air transportation so critical to economic development, it soon became clear that a new airport operating to international standards was required. The new EIA project is now entering the final stages of construction. It is expected to be in full operation by the end of 2009. Swedavia, the Swedish Civil Aviation Administration, had a 3 year contract with the KRG to upgrade EIA to full ICAO standard, a critical element in attracting airlines.

Recently the KRG has signed a 5 year contract with IIAC (Incheon International Airport Corporation) of South Korea for consultation, management and the operation of Erbil International Airport.

The new runway, apron and international terminal are nearing completion, and from late 2009 onwards will provide the airport with:

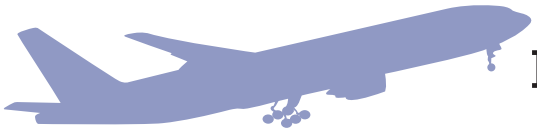
- capacity for around 3 million passengers
- capacity for 17 million tons of cargo annually
- One of the world's longest runways (4.8km), suitable for next generation aircraft such as the Airbus A380 and the Boeing Dreamliner.

The international terminal boasts all the features one would expect from a large international airport, in a unique building designed to blend local and global styles. Located just 4km from Erbil, the airport adds a new control tower, a vast apron area, 16 boarding gates and a new fire station, as well as 20 LDCS-enabled check-in counters, VIP lounges, parking for 1000 and significantly upgraded transport links.



Taher Horami,
EIA General Director

Taher Horami, EIA's General Director says: "The long term mission of the airport is to support the future growth of Iraqi Kurdistan by providing highly competitive and attractive products and services for the air transport sector, as well as being a profitable business entity creating value for its owners and customers."



Erbil International Airport

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Constitutional Development in Iraq: 2004-2009

Professor Karol Soltan tracks the progress of the constitution of Iraq



ONE OF THE most misleading myths about constitutions is that they are created in one great constitution-making moment. It would be hard to name any constitution that was created or consolidated in such a way, except perhaps those that have been created only on paper. Even in the case of the U.S., which is an important source of this myth, the Bill of Rights was added a few years after the Philadelphia Convention.

Serious constitutions involve serious political commitments by multiple parties, and they involve establishing complex political arrangements. The commitments are difficult, often very difficult – as in Iraq; and the required institutional complexity makes them only more so.

In deeply divided societies, and societies threatened by civil war, constitution-making is especially difficult, and incorporates features of peace-making more visibly than in other settings. All constitutions are, in part, peace treaties, but in such settings (Iraq obviously included) these features are especially prominent.

The first stage of the making of the Constitution of Iraq was the adoption in 2004 of the transitional administrative law, often referred to as Iraq's interim constitution. The second stage was the adoption by a referendum in 2005 of a proper constitution. Some might have thought this was Iraq's constitution-making moment. But it was clear then, and even more so now, that the general truth about constitution-making certainly applies in Iraq. This was just a very important stage.

The job of constitution-making was left unfinished in two significant respects. First, the text was not

Settled boundaries may not be laws, but they constitute a polity just as much as constitutions do, and they are crucial for keeping peace





complete. It made reference to a second chamber of the legislature, a common feature of democracies, especially federal ones. And it also established a Supreme Court with the important task of constitutional review. But it did not provide detailed institutional arrangements for either of these – though it specified in both cases that their formation will require the support of two thirds of Iraq's existing federal legislative chamber.

At the time of the adoption of the Constitution, as today, the Iraqi political system was crucially incomplete in another way: its most important internal boundary, the boundary between Kurdistan and the rest of the country, was not set. Settled boundaries may not be laws, but they constitute a polity just as much as constitutions do, and they are crucial for keeping peace. The Constitution set the deadline for a determination of the boundary by referendum, but that deadline has not been met.

The constitutional text was agreed under tight deadlines – many of them missed. It was impossible to gain the consent of all the parties, especially since the Sunni Arab community was not properly represented in the elected political institutions at the time, because it had boycotted the elections. The result was a constitutional proposal with very broad support (as was clear in the referendum result) in the Shia and Kurdish communities, but little support among the Sunni Arabs.

The Constitution needed to be completed and modified in two ways: the institutional arrangements needed completion; and so did the process of gaining agreement on these arrangements. In a final set of compromises, the Constitution incorporated a commitment to a further constitutional revision process after the adoption of the text in a referendum. That promise has been kept. The Iraqi legislature has established a constitutional review committee, which has been working since 2006 on revisions, but

The Kurds were, and are, unified in favor of a deeply decentralized Iraq

has been unable to agree on them. As of this writing, the committee has delivered a variety of interim proposals, but not its final one. It, too, has missed many deadlines.

The basic issue continues to be what was also at stake in the negotiations of 2005: how decentralized will the Iraqi political system be? In 2005 all the dominant political voices in the Sunni community favored greater centralization, as did the more secular nationalist groups. The Shia were divided, but the dominant groups opted for a decentralized federal system. The Kurds were, and are, unified in favor of a deeply decentralized Iraq. The situation is not all that different today, with perhaps some more internal divisions within each of the main communities of Iraq.

The fundamental choice before the constitutional review committee, and the Iraqi political leadership, seems to be between two main alternatives. The first would build on the commitments of the Constitution of 2005, filling in some crucial institutional details and eliminating some of the byproducts of haste and the pressure of time. But this may not gain the agreement of many in the Sunni Arab community at the moment, or of others favoring a stronger central government. And it is their unhappiness with the compromise of 2005 that brought on the continuing constitution-making process.

The second alternative would involve a fundamental reversal, a return to a more centralized constitution. The constitutional review committee can propose such a reversal, but given Kurdistan's veto power in the procedure through which the amendments will be adopted, this idea would be simply an invitation to a broader political battle, without much chance of prevailing through constitutional and peaceful means. Kurdistan's autonomy, including its economic autonomy, is now well entrenched.

This basic dilemma is no doubt the chief reason why the Constitution revision process has not made much progress. It may be worth mentioning, therefore, that there is a third possibility: to turn to the kind of asymmetric federalism that was seriously under consideration in the early stages of the 2005 constitutional discussions, a solution that would give Kurdistan a distinctive and autonomous place in an Iraq that was otherwise more centralized in the Arab majority provinces. This could be acceptable to the Kurds, but only if it would preserve their present entrenched autonomy. It would also allow the predominantly Arab parts of Iraq to opt for a more centralized state, if they so desire.

Professor Karol Soltan teaches in the Department of Government and Politics, in the Committee for Politics, Philosophy and Public Policy, and at the Law School of the University of Maryland.

David Michael Tafuri looks at the incentives available to investors under the progressive Kurdistan Region investment law

Opportunities Abound

THE KURDISTAN REGION of Iraq's investment law has important incentives – unique for the Middle East – that are attracting investors from all over the world.

Since 2003, the Harir Tomato Paste and Fruit Juice Factory, located in the fertile Harir valley northwest of Erbil, has been idle. Recently, however, grape and apple juice began coursing through its stainless steel pipes and cans of tomato paste once again began rolling off its conveyor belts. Mass production will begin shortly. Revival of the factory was made possible by a $2 million investment by The Marshall Fund, the first U.S.-based private equity and venture capital fund formed for the purpose of investing in Iraq.

The Marshall Fund and many other investors, large and small, are standing up and taking notice that Iraq, in particular the Kurdistan Region of Iraq, has the most progressive investment laws of anywhere in the Middle East. This is a major change. Under Saddam Hussein, the law of Iraq discouraged foreign investment. Only Iraqis were permitted to form companies, and those foreign companies that opened branch offices faced bureaucratic import, export and foreign exchange restrictions. Ownership of real property by foreign companies was strictly prohibited.

The 2005 Constitution permits both regional governments and the Federal Government of Iraq to regulate investment, but where the relevant activity is not an exclusive federal power then regional law prevails. In July 2006, the Kurdistan Regional Government (KRG) passed the Kurdistan Region investment law, which provided incentives for investors and, for the first time, guaranteed that foreign investors would be treated as the equals of Iraqi investors. The Federal Government provided similar incentives in the national investment law, passed in October 2006, but also re-confirmed the right of regional governments to incentivize investment.

To benefit from the advantageous provisions in the Kurdistan Region investment law, a potential investor must apply to the Kurdistan Region Investment Board for a license. The Investment Board may license projects in all sectors of the economy. Since the law passed, the Board has issued 145 licenses in a variety of sectors, including construction, agriculture, communications, tourism, banking, energy, education and healthcare. The main criteria the Board considers are whether the project will provide value to the economy and whether the applicant is a company in good standing. The application process takes between one to four months.

The Investment Board has issued a wide range of licenses, from smaller projects like Harir, to the $6 billion project by Dubai-based Damac Company to build a housing, hotel and tourism complex near Erbil. In Sulaimania, a joint venture of U.S. and Iraqi investors received a license to build and operate the American University in Iraq. The University has already opened its doors and is providing a classical liberal arts education to students from all over the Kurdistan Region and the rest of Iraq. While it currently operates out of a temporary building, the University has begun construction on a sprawling new campus, which includes a quadrangle of teaching and student facilities. The total investment is $235 million.

The Mass Global Company for Investment, an Iraqi firm, received a license for a $350 million project to construct a power generation facility in Erbil. The facility is now operational and adding much needed capacity to the grid.

Each of these projects was facilitated by the favorable incentives in the Kurdistan Region Investment Law. They include an exemption from taxes and duties for ten years. The equipment and machinery an investor imports for a project will also be exempt from taxes and duties. Raw materials that are imported for production will be exempt from customs duties for five years. There is also a guarantee that companies can repatriate profits and interest and that when they decide they want to sell they can transfer their investments to other foreign or Iraqi investors.

Other provisions in the law ensure foreign investors can conduct the activities necessary to be successful. They can employ foreign staff needed for the project and their foreign staff may transfer wages abroad. They may also obtain insurance to cover projects and open bank accounts in national currency, foreign currency or both. They will receive public services such as water supply, electric power, sewage pipes and public roads at the boundary of their projects, paid for by the KRG.

Many of these same incentives and assurances are available to investors elsewhere in Iraq under the Iraqi federal investment law. In a few key respects, however, the Kurdistan Region investment law provides extra incentives. Most importantly, investors licensed under the regional law are entitled to 100 percent ownership of real property necessary for the project. Land ownership by foreigners is not permitted in other parts of Iraq, though investors licensed under the investment law may rent or lease land for up to 50 years. The regional law also permits investment in areas specifically prohibited by the federal law, including banking, insurance, and oil and gas (though ownership of land containing oil or gas is not permitted).

While foreign companies that do business in the Middle East knew that the Kurdistan Region has benefited from a high degree of security and safety, the Kurdistan Region investment law has now provided the extra incentive for foreign companies to invest and secure profits. Countries in the Region, such as Turkey, Lebanon and the United Arab Emirates, have led the way in going into the

FEDERAL GOVERNMENT OF IRAQ INVESTMENT LAW	KURDISTAN REGIONAL GOVERNMENT INVESTMENT LAW
Investors may only rent or lease project land for a maximum of 50 years.	100 percent ownership of project land allowed, though investor may not own land containing oil, gas or mineral resources.
Prohibits investment in oil and gas extraction/ production, as well as banks and insurance companies.	Does not explicitly prohibit investment in these areas, but Supreme Council for Investments may allow investment in any sector it chooses other than those explicitly listed in the law's categories (e.g. hotels, transportation, services).
Full repatriation of project investment and profits allowed.	Full repatriation of project investment and profits allowed.
Project income tax exempt for ten years from date production commences, or offer of services. If Iraqis accounted for more than 50 percent of original project investment, project income tax exemption may be extended up to 15 years in total.	Project income tax exempt for ten years from date production commences or offer of services; no provision for extension of income tax exemption.
Import of spare parts tax exempt up to 20 percent of project cost.	Import of spare parts tax exempt up to 15 percent of project cost.
Hotels, hospitals, universities, schools, tourist institutions granted tax-exempt import of linens, carpets, furniture and other renovation items every four years.	Hotels, hospitals, universities, schools, tourist institutions granted tax-exempt import of linens, carpets, furniture and other renovation items every three years.
Employment of foreign workers allowed, provided no capable Iraqis available; foreign workers may repatriate earnings.	Employment of foreign workers allowed, provided no capable Iraqis available; foreign workers may repatriate earnings.
Vehicles, equipment, instruments, etc., tax exemption from duties, taxes and import licenses, provided they are imported within three years of investment license approval.	Vehicles, equipment, instruments, etc., tax exemption from duties, taxes and import licenses, provided they are imported within two years of approval granted by Investment Commission Chairman.
Foreign investor and capital treated on equal footing with national investor and capital.	Foreign investor and capital treated on equal footing with national investor and capital.
Law silent as to provision of basic services to project area.	KRG will provide services (water, electric, sewage, public road, telecommunications, etc.) to the boundary of the project.
Law silent as to import of raw materials for production.	Import of raw materials for production tax exempt for customs duties for five years.
Law silent as to additional incentives for project investment in less developed areas or joint projects between Iraqis and foreigners.	Additional incentives for projects in less developed areas and joint projects between Kurds and foreigners.
Foreign and/or domestic insurance of project allowed.	Foreign and/or domestic insurance of project allowed.

Kurdistan Region, but Asian, European and North American countries are beginning to follow.

Outside of Erbil, a joint venture between a U.S. and an Iraqi company recently broke ground on the American Village, a massive development with new, American-style homes. The project was licensed for $80 million, and in recognition of its promise, received additional funding from OPIC. Perhaps Iraqi students now being educated on the other side of Kurdistan at the American University of Iraq-Sulaimania might one day live there. Both projects were made possible by the unique incentives for foreign investors in the Kurdistan Region's investment law.

David Michael Tafuri is the former State Department Rule of Law Coordinator at the U.S. Embassy in Baghdad, and is currently a partner in the international business department at Patton Boggs LLP.



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Opportunities

Stephen F. DeAngelis, President and CEO, Enterra Solutions sees opportunities in Kurdistan as an emerging market



A LITTLE OVER two years ago, I was hard at work in the United States strengthening the business position of my company, Enterra Solutions. The last place on Earth I thought I would be doing future business was in Iraq.

I was focused on helping organizations improve the effectiveness and efficiency of their operations, through the utilization of automated business processes. It was for that reason that I set up an appointment with the U.S. Department of Defense's Business Transformation Agency (BTA). My informational pitch had hardly begun when I was stopped by the Deputy Undersecretary of Defense, Paul Brinkley. He told me that he wanted me to accompany him on a trip to Iraq to learn more about the BTA's task force to improve business and stability operations in Iraq.

Several weeks later, I found myself being flown around in a Blackhawk helicopter with other businessmen learning about business opportunities in the Kurdistan Region of Iraq. That trip opened my eyes to the possibilities that exist in emerging markets that I hadn't before considered.

Two years ago I was upbeat about investment opportunities in emerging markets. Much has changed between then and now. Most significantly, of course, the world has plunged into a severe recession. Despite that turn of events, I remain optimistic about a number of emerging markets. Many will continue to grow, even during the current global downturn. Some are well-placed to weather the storm.

In fact, many analysts believe that a global economic recovery depends on strengthening emerging markets, because they hold the greatest potential for growth. Bryan Collings, Fund Manager of Hexam Global Emerging Markets, has pointed out that emerging markets' funds have outperformed Warren Buffett over the last ten years.

The Kurdistan Region is an excellent example of an emerging market, in which it is worth investing. It has natural diverse resources, and it is secure



Nothing, of course, is a sure bet. Investing and doing business in emerging markets carries risks. But due diligence and careful planning can mitigate many of those challenges.

The Kurdistan Region is an excellent example of an emerging market, in which it is worth investing. It has natural diverse resources, it is secure, it is relatively politically stable. It is governed by leaders anxious to diversify the Region's economy, and has a population eager to embrace the benefits of the global economy.

Enterra Solutions began its work in Iraq on two projects. With funding provided by the BTA, Enterra worked with its partners to establish a business-to-business trading exchange, and a multilingual call center. Enterra was then contracted by the Kurdistan Regional Government (KRG) to establish a full service Kurdistan Business Center to help state-owned enterprises, local entrepreneurs, and foreign companies wanting to do business in Kurdistan. Decades of conflict and neglect by Saddam had left the area in desperate need of modernized infrastructure and businesses of all kinds.

As much as the KRG and U.S. Government want to help, I believe that Kurdistan's future rests in the hands of the private sector. The private sector will create the jobs that will support an emerging middle class, upon whose shoulders the future of the Region will be built.

Time and again, all over the world, people have demonstrated that they can succeed when given an opportunity. My company, for one, will continue to do all it can to help connect people and build business bridges in emerging markets. We have made a good start in the Kurdistan Region and invite others to join us.

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Tourists Size Up Something New



Traveling to and around the Kurdistan Region has never been easier, says **Michael Howard**

Travel to the once isolated region has certainly never been easier than it is today

AS A BOY, Hazem Kurda would slip past the Iraqi guards keeping a baleful watch over his hometown of Rawanduz, and perch on the edge of the town's famous gorge. There he would study his schoolbooks and plan for better times ahead. "I promised myself that if I worked hard enough, one day this magical place where I grew up would no longer be a place of gloom but one of joy," says the Swedish-based businessman who fled Iraq during the Saddam era to make his fortune importing rice into Europe.

After the fall of the Baathist regime in 2003, Kurda saw an opportunity to turn his childhood dreams into reality. Taking advantage of the Kurdistan Regional Government's (KRG) new investment laws, he built a resort complex on a spit of land at the edge of Rawanduz that was once an outpost for Saddam's army.

Set against the magisterial backdrop of the Kurdish "alps" the Pank resort boasts 60 Swiss-style chalets, as well as restaurants, swimming pools and other sports facilities. But perhaps its star attraction is a mountain toboggan track, thought to be the only one of its kind in the Middle East. The prospect of a heart-stopping (but safe) plunge down the sheer walls of Rawanduz gorge has already drawn thousands of thrill-seekers.

"I wanted to hear the sound of laughter in a land which has seen much suffering," says Kurda, who is one of the pioneers of the nascent tourist industry in the Kurdistan Region.

Seeing tourism as an integral part of the Region's economic development, Kurdish authorities say they want to see more investors like Kurda. The private sector will be the main driving force. Large hotel chains, such as Kempinski and Rotana, are already building five-star outlets in the regional capital, Erbil.

Nimrod Beito, the KRG's tourism minister, outlines the Region's attractions: "Ancient archaeologcial sites, cultural and religious locations, splendid and diverse natural scenery and a warm welcome for visitors, particularly those from the West."

Kurdistan will be open all year round, promises Beito. Travel to the once isolated region has certainly never been easier than it is today. Since the fall of Saddam, the Kurdish authorities wasted little time in constructing two international airports, one in Erbil and one in Sulaimania.

Austrian Airlines were suitably impressed and began a scheduled service to Erbil in 2006 (the first by a European airline to Iraq since the war), flying three times a week from Vienna. There are also regular flights in and out of Jordan with Royal Jordanian, as well as between Istanbul and Erbil with established Turkish carrier Atlas Jet.

Some 290,000 people flew in to Erbil last year. A new terminal is being constructed, which the authorities say will have the capacity to handle 3 million travelers a year.

Austrian says it is "very satisfied" with its Erbil route, which is used by Iraqis, foreign businesspeople, and, increasingly, leisure travelers. "Of course, the



Erbil's citadel is built on layers of archaeological ruins representing consecutive historical settlements, since the building of the first village in that location around the 6th millennium B.C.

tourist infrastructure is still developing and cannot be compared to a major tourist-spots in Europe [Paris, London, Berlin, Vienna, Rome]," says a spokesman for Austrian. Nevertheless, the airline sees "a lot of positive developments."

A recent USAid-funded report on prospects for the Kurdistan Region concurs with the general optimism. It identifies tourism as "an especially attractive option" for the Kurds' economic development, with the potential to generate new revenues "through visitor spending, which in turn stimulates employment, increases tax revenues and export earnings, and attracts additional foreign investment."

But the report also highlights the problems that must be resolved before tourism can become a more prominent contributor to the economy. The mountains, rivers and valleys of Kurdistan have long attracted visitors from elsewhere in Iraq and the Arabian Gulf. However, investment is needed to develop tourist services to an international standard. Improving hotel quality and capacity, employing professional guides, rehabilitating existing tourist sites, and creating the general infrastructure to accommodate increases in the number of tourists, are all on the to-do list.

KRG officials acknowledge there are still a number of obstacles to overcome before the tourism sector can fully take off. "Say 'I'm going on holiday to Iraq' and people will probably look at you in amazement," says Tourism Minister Beito. "They will no doubt tell you about the bombings and the kidnappings. But the chaos – now thankfully subsiding in the rest of Iraq – never reached the Kurdistan Region."

Capitalizing on their political stability and impressive security, the Kurds have promoted themselves as "The Other Iraq," buying slots in major U.S. media outlets to highlight the Region's uniqueness. There is now a travel company, The Other Iraq Tours, which last year organized the first American package groups to the Region. Its enthusiastic director, Douglas Layton, has been closely involved with Kurdistan since the early 1990s and says he knows "every nook and cranny."

There was initial disbelief when touting the idea of Kurdistan as an international tourist destination, he acknowledges. "But now the message is getting through." Layton says he has had "a tremendous response," with eight tours booked this year. His company, the only one of its kind in Kurdistan, is working closely with the newly established Ministry of Tourism "to better meet the needs of Western tourists."

What can visitors expect? "It's pretty much down to what they want," says Layton of The Other Iraq Tours, reeling off a list of potential attractions. "Whether it's adventure tourism, sports tourism, cultural or business, Kurdistan has the geography and the history to tick most of the boxes.

"There are remarkable religious and cultural sites, such as early Christian monasteries, mosques, Yezidi villages, Jewish sites – all places that are just not known about in the West."

Also on the must-see list is Erbil's ancient citadel – reputedly the world's oldest continuously inhabited place, he says. And a few miles away lies the site of the decisive battle of Gaugamela, where Alexander the Great defeated Darius, the Persian emperor.

"Then of course there are the great craggy mountains, and deep valleys."

Layton foresees niche activities such as adventure tourism, rock-climbing, snow sports, white water rafting, and bird watching. He is eager that visitors to Kurdistan don't just stay on their tour bus: "We want them to meet and interact with Kurds and learn something about who they are." One of the most popular activities on last year's tour was joining Kurdish families for a picnic in the mountains.

A Taste of Tradition

Agri Ismail explores the cuisine of Kurdistan



FOR A PEOPLE so enamored with gustatory pleasures, the Kurdish breakfast is a surprisingly sparse one, consisting merely of bread, honey and yoghurt. That is, unless you opt to go out for breakfast, where you will find people queuing up in front of street vendors selling skewers of grilled liver, the flavors so fresh they burst in your mouth before tantalizingly melting away on your tongue. In other areas, there are queues waiting to buy fresh *sar-u-pe*, a local delicacy that can most adequately be compared to haggis. These street vendors are almost invariably sold out by 9.00 am, leaving carts around the bazaars selling chestnuts and boiled turnips in their wake.

Kebab houses, the Region's original food temples, are still thriving and although the matter of which one serves the best kebab is a perennial matter of debate, there is no denying that Omari Aje in Sulaimania and Abu Shahab in Erbil are worthwhile destinations.

For those craving a more western snack, there are several small, local fast-food outlets, most prominently Happy Time and Mårtens Pizza & Café, which are rapidly gaining in popularity among the young.

Unfortunately, to have the "traditional Kurdish meal," you will have to secure an invitation to someone's home, as many of the traditional dishes take several hours, if not days, to make and are, therefore, understandably difficult to whip up for diners ordering à la carte. There are, however, specialty dishes that can be sampled at restaurants, and they should not be missed: the "mazgouf," a grilled fish richly covered in herbs and lemon, is spectacular at Sulaimania's Eiffel Restaurant, for instance. Erbil generally has a much wider selection of seafood, however, as can be evidenced by the extensive menus at Al Mahar and Café de Paris, which include calamari and crabs – both a relative rarity in the Region. Vegetarians might have a harder time finding a suitable restaurant, but the staff of the beautifully decorated Shatoo in Sulaimania's Tooy Malik area are extremely accommodating.

More recently, with chefs being flown in from all over the world, a crop of restaurants with international influence have sprouted up all over the Region. They range from the Chinese Dragon in Sulaimania, to the German Deutscher Hof in the Ainkawa neighborhood of Erbil, through to the Iranian Mihrako, the Turkish-inspired Astera and the Lebanese Fairuz. Not all of these restaurants are authentic, but even those that are not, stand as quirky precursors to the onslaught of globalized cuisine.

Hotel restaurants have quickly gained status as the Region's most upmarket places to dine. The Assos Hotel in Sulaimania leads the way, closely followed by the Asian restaurants in the Erbil International Hotel and Dilan Hotel. Many, but not all, restaurants serve alcohol: the drink of choice often being the aniseed-flavored *arak*, or one of the decent Lebanese red wines to wash down the generous supplies of barbecued lamb. That is, unless one is brave enough to spring for other liquors.

One thing is certain: if you pick the right spot, your meal will become an intrinsic part of your memories of Kurdistan. When it is warm enough, dining *al fresco* is the norm in the cities and towns.

Agri Ismail is a legal advisor and the author of several novels and plays. He contributes to SOMA*, an English language bi-weekly publication operating out of the Kurdistan Region.*

Michelle Grajek reports on how the Kurdistan Regional Government is supporting women across Iraq

Women Rise to the Challenge



THE RESILIENCE OF women in the Kurdistan Region is a source of pride among local Kurds, Turkomen, Arabs, Muslims, Christians and Yezidis. As Iraqi Kurdistan catapulted from devastation at the hands of Saddam's genocidal government to today's emergent democracy, the women of the Region have steadily been making strides, both in their rights and in their prominence amid their respective communities.

Until recently, the position of women had been tightly constrained by religious and cultural traditions. But the new era of democratic government, and the success of long-term educational development in schools and universities, has radically affected women's status and participation in government, economy and society.

Today, middle-class and professional women work as teachers, engineers, doctors, lawyers, and entrepreneurs. These women are educated and driven. Their talents and expertise will shape not just the future generations of the Region, but of Iraq.

These women are educated and driven. Their talents will shape future generations of Iraq

The Kurdistan Regional Government (KRG) is committed to developing an environment that both supports and protects the rights of women within its jurisdiction, and in the country as a whole. The KRG encourages equal and full participation of women in all professions, and across all sectors of the economy. The representation of women in the Kurdistan National Assembly has increased to 30 percent, and several prominent women serve as KRG ministers, including Nazaneen Wusu, Minister of Municipalities; Dr. Jinan Qasim, Minister of State for Women's Affairs; and Chnar Saad, Minister of Martyrs and Anfal Affairs.

The Government has taken significant steps to provide equal educational opportunities. Its leading players are aware that a successful economy and democracy cannot be built without educated women. The number of women attending school has risen by more than 60 percent. The numbers of men and women enrolled in university are now equalizing.

Women are esteemed throughout Kurdistan, but like elsewhere in the world, they have suffered numerous injustices in the name of religion, or because of misogynistic and superstitious traditional practices. The KRG is determined to address violations of women's human rights, and its own past deficiencies in protecting these rights.

The Government knows that that the starting place for change is the rule of law. The Prime Minister and his colleagues have passed legislation outlawing honor killings, which Saddam's Government had re-legalized. The judiciary and the police are being trained to protect the rights of all individuals, from all communities, especially women. Patriarchy is being eliminated from the statute book, in favor of the full equality of women and men. The KRG is committed to preserving its secular marital and divorce laws. In addition to legislation, the KRG has established the Honor Killing Monitoring Commission, headed by the KRG Minister of Human Rights, Yousif Mohammad Aziz, and the Commission on Violence Against Women, chaired by Prime Minister Nechirvan Barzani, to address these heinous killings and gender-based crimes more broadly, and to ensure that the Region's laws to protect women are upheld and enforced.

The KRG is determined to raise awareness of women's rights, and to eradicate female genital mutilation, and honor-based violence. It has a twofold strategy: first applying the law in its full rigor, and second, educating the public through schools, through the media, and through outreach to NGOs, and health, charitable and religious institutions.

The Government has launched a campaign called "Yes to Gender Equality, No to Violence." Its goals are to promote the equality of women and men, to empower women, and to prevent domestic violence against women and children. The KRG also encourages religious leaders to raise awareness and inform their communities about the invaluable role that women hold in Kurdish society. It is elevating these issues for open public discussion.

Women in the Kurdistan Region still face tremendous challenges in breaking down traditional social and cultural barriers to equality. Attitudes and conduct are slow to change; and ignorance is not always easily displaced by enlightenment. But the Kurdistan Region has shown it can change. Its Government and principal political parties support and promote rights for all women in the Region, in Iraq, and world-wide. They are re-making their part of Iraq as a democratic and pluralist Region within a federation that they are determined must cherish equally all of its adults, women and men, and all of its children – girls and boys.

Michelle Grajek is Special Assistant for Research and Public Diplomacy for the Kurdistan Regional Government Representation in the U.S.

Taha Barwary, Minister of Sports and Youth, explains the valuable role of the MOSY

Sporting Ties



Erbil club players hold the trophy of the Iraqi Football Championship, as a man wearing the Kurdish flag celebrates the team's homecoming in August 2008

THE MINISTRY OF Sports and Youth (MOSY) is the Kurdistan Region's first-ever established Government ministry for these functions. It was inaugurated in May 2006. Since its inception, the MOSY has worked actively to promote a strong, independent and voluntary sports movement open to all, regardless of gender, age, religion, ethnicity, social or economic background. The MOSY is in the initial phase of establishing a regional umbrella sports confederation that will manage sporting associations through member clubs and federations.

The MOSY wants to foster the creation of sport associations, organisations and confederations with a democratic spirit – in which voluntary, self-help and civic initiatives will eventually be predominant.

The development of athletics is also high on our agenda. For this particular function, as well as many others, the MOSY is looking at the experience of other federations and multi-national states. We are appraising their different solutions to regional representation in international sport tournaments.

The MOSY is looking at the experience of other federations and multi-national states

Pursuing this goal in December 2008 the MOSY co-hosted a two-day sports conference together with the Sports Council of Wales. The participants discussed administration, funding, sport for youth, women, and people with disabilities, and sport in post-conflict regions. During the conference I met the Welsh National Assembly's Heritage Minister, Alun Ffred Jones, to discuss ways to improve sports administration, and management, as well as how to cement ties with similar regions around the world.

The conference marked a seminal step in strengthening relations between the Kurdistan Region and other autonomous regions and nations which participated – apart from Wales, Northern Ireland, Kosovo, Catalonia, Samiland, England and Denmark took part.

Wales has a long history of competing against other nations in sport competitions, and the Kurdistan Region will benefit from the Welsh track-record. Our cooperation will endure, starting with a follow-up conference to be held in the Kurdistan Region's capital, Erbil, in April 2009.

Our other governmental work continues. More than 200 young people from all across the Kurdistan Region have been involved in an extensive nine-week education program since October 2008. We are facilitating their education in accountable leadership, environmental sensitivity, minority rights, women's rights and gender consciousness, health and HIV education, and encouraging them to consider constructive initiatives to address world-wide social problems in their neighborhoods, e.g. poverty, unemployment, drugs and administrative corruption. The youth are networking in their respective local areas during the entire training year. In the last stage of the program they will participate in a regional campaign with the MOSY and put forward general ideas and proposals for uplift in the Kurdistan Region.

In this work the MOSY acknowledges the competence and support of the Kurds from the diaspora. Their skills and support have been incorporated into the everyday work of the Ministry, and an extensive international network of support has been consolidated.

In March 2009, ten teachers from Sweden traveled to the Kurdistan Region as part of a MOSY education program. Courses and workshops for 240 youth and sport leaders addressed democracy, organization and club structure, and accountable leadership.

Step by step, or stride by stride, a strong and democratic sports culture is evolving in the Kurdistan Region.

Religious Diversity



Kurdistan is open to religious diversity. **Professor Hamit Bozarslan**, Ecole des Hautes Etudes en Sciences Sociales, Paris, reports

A Yezidi sect devotee kisses a monument in the yard of the main Lalish temple at the town of Sheikh Hadi, near Dohuk in northern Iraq

Iraqi Christians have sought asylum in Kurdistan, knowing that they will not be persecuted within the Region

IN ITS RELIGIOUS domains, the Kurdistan Region is a deeply diverse, open and pluralist place. The overwhelming majority of the Kurds are affiliated to Sunni Islam, but some others, who suffered tremendously under the former Baath regime, known as Faili Kurds, are Shiites.

The Yezidis, who adore the Peacock as the First Angel of God, are one of the most fascinating components of the Kurdish religious sphere. The architecturally majestic Temple of Lalesh near the city of Dohuk in Sheixan constitutes their most important holy place. Kurds are generally warm toward Yezidis because they regard them as proponents of an authentically indigenous Kurdish religion – their speech and rites are conducted in Kurdish. By contrast, some zealous Arab jihadists regard them as "devil-worshippers," and up to 300 members of this small community were killed by Arab jihadists in Sinjar during suicidal jihadist attacks in August 2007.

Some towns in Kurdistan, among them Ainkawa, near the capital Erbil, host important Assyrian and Chaldean communities. These are among the oldest continuously-established Christian groups in the world. Since 2003, for safety reasons, many other Iraqi Christians have sought asylum in Kurdistan, knowing that they will not be persecuted within the Region. The Yezidis, Assyrians and Chaldeans are represented in the Kurdistan National Assembly.

Historically, Kurdistan also had an important Jewish community; however, it was induced and coerced to flee to Israel during the repression of successive Iraqi governments. But since 2003, some of these Jews have taken the opportunity to visit the country of their ancestors.

For many centuries, the Muslim religious brotherhoods, called "Tariqas," constituted the main pillars of Kurdish religious life. The Arabic word "tariqa" means "path," leading to the "haqiqa" (truth), or to God. The Qadiriyya and the Naqshbandiyya, which still have a solid implantation all around the Kurdistan Region, are the two most important brotherhoods. The first one was founded in the 12th century C.E. by Sheikh Abdulqadir Geylani, and the second in the 14th century by Bahauddin Naqshband Bukhari – though it was reformed in the 18th century by the Kurdish Sheikh, Mawlana Khalid al-Baghdadi.

The local, and more or less autonomous branches of these brotherhoods, are structured around spiritual guides called Sheikhs. The brotherhoods' disciples, who are called Murids, reach the haqiqa through the Sheikh's teaching, based on initiation. The Sheikhs often have followers outside the internal circles of their brotherhoods, and are socially accepted as moral authorities. Their deep integration within social, economic and cultural life enabled them to play an important political role throughout the 19th and 20th centuries. In many cases, they constituted one of the main pillars of Kurdish national resistance against Iraq's central authorities.

As in other Muslim-majority countries, in Kurdistan there are religiously-motivated political parties and movements. Two of them – the Kurdistan Islamic Union and the Kurdistan Islamic Group – are legal, and together they elected 15 of the 105 deputies who won places in the Kurdistan National Assembly in 2005. They accept the rules of the parliamentary democratic system, and condemn any use of violence in the name of Islam. Radical Islamist militants who use violence to re-Islamize society, have no popular base in Kurdistan, and are extraordinarily few in number, isolated and marginalized. They have failed to disturb Kurdistan's fully justified reputation as a zone of religious accommodation and peaceful pluralism.

Kurdistan is believed to be one of the most tolerant and culturally harmonious places in the Middle East. **Liam Anderson** reports

Community Relations

ONE OF MY happiest memories of time spent in the Kurdistan Region was watching live coverage of the final of the UEFA Champions League between Barcelona and Arsenal in May 2006 at a Christian friend's house in Ainkiwa town, on the edge of Erbil. My friend had invited several of his acquaintances for the occasion who all spoke some English. Together we passed an entertaining evening drinking beer and analyzing the merits and defects of the two teams. Only after the end of the game did I realize that I was sitting in the company of a Christian, two Kurds, an Arab and a Turkomen. As we spoke, in much of the rest of Iraq, hundreds of people a day were being expelled, brutally tortured and murdered, based on nothing more than their ethnicity or religion.

This experience neatly crystallizes the distinction between Kurdistan and Arab Iraq. In the latter, ethnicity and sect are life or death issues; in the former, they are not survival questions. In Kurdistan, co-existence works and is celebrated. After 2003, as the rest of Iraq slipped into anarchy, Kurdistan became a haven for those seeking refuge from ethnic persecution and religious intolerance. The Kurdistan Regional Government's (KRG's) data indicates that more than 30,000 families, Arabs, Kurds, Turkomens and Christians, have fled to the Region from elsewhere in Iraq in search of sanctuary from violence. They join a diverse array of religions – Chaldean and Assyrian Christians, Zoroastrians, Yazidis, Jews, and Muslims (Sunni and Shia) – that all benefit from a level of religious tolerance that is traditional in Kurdish regions, but extremely rare in the rest of the Middle East.

In stark contrast to the rest of Iraq, where Christians are routinely targeted for violent persecution, the number of Christian churches in Kurdistan continues to grow, and now stands at more than 90. Moreover, in October 2007, the KRG's Ministry of Religious Affairs issued an order requiring all schools under its control to teach courses on comparative religion. As Kurdistan's Prime Minister Nechirvan Barzani observed: "I'd rather see a Muslim become Christian than to see him become a radical Muslim." Kurdistan is, therefore, probably the only place in the Middle East where Muslim students at all levels are required to study Judaism and Christianity as part of their religious education.

The KRG has also worked hard to preserve cultural autonomy and to foster political pluralism. In addition to Kurdish and Arabic, the Region's draft constitution recognizes Turkomen and the language in use among the Christians, known variously as Aramaic and Syriac, in places where there are significant numbers of users, and guarantees the right of all ethnic communities to provide education in their native language.

The KRG also provides funding for an array of political parties representing diverse religions and ethnicities. Currently, Turkomen, Assyrian, and Chaldean political parties all enjoy representation within the Kurdistan National Assembly, while several non-Kurds occupy ministerial positions within the Government. A well-entrenched, and generally respected right to freedom of speech means that the Region's people have access to a rich variety of media sources and ensures. All voices (and languages) are heard, even those critical of the Government. Though the KRG can be (and has been) criticized for sporadic lapses in its record of civil rights and liberties, Kurdistan remains a haven of tolerance and pluralism that stands head and shoulders above what surrounds it in the Region.

Liam Anderson is Associate Professor of Political Science at Wright State University. He is the co-author of The Future of Iraq *(2005, second edition), and* Crisis in Kirkuk *(2009).*

The KRG has worked hard to preserve cultural autonomy and to foster political pluralism



Developing Media

Bayan Sami Abdul Rahman, KRG High Representative to the U.K. and former journalist at the *Financial Times* looks at the steps being taken towards a thriving media in Kurdistan

THIS YEAR, KHEBAT newspaper marks 50 years of charting the Kurdish struggle in Iraq, while The Voice of Kurdistan People celebrates 30 years of radio broadcasting.

These and a handful of others were at one time among the few, often underground, Kurdish outlets of news about life and political developments in Kurdistan. That started to change as the media began to flourish after 1991, when the Kurdish uprising was followed by the establishment of a no-fly-zone, and then the emergence of an autonomous Kurdistan out of the grasp of Saddam Hussein's repressive regime.

While *Khebat*, the official newspaper of the Kurdistan Democratic Party, and *Kurdistani Nwe*, the Patriotic Union of Kurdistan's daily, launched in 1991, continued to be the main sources of news, the mid-1990s saw the birth of dozens of newspapers, magazines, academic and trade journals and radio stations. These were soon joined by Kurdish television stations, which are now the main source of news, while the internet meant that the Kurdish diaspora and the Kurdistan Regional Government (KRG) could use the web to report news and comment.

Almost all of these journals and broadcast organisations were established by the political parties and, in more recent years, by the KRG. This was partly because of political competition, but it was also motivated by the belief that a varied and thriving media is the cornerstone of democracy. In the harsh economic climate of the 1990s, when Kurdistan was enduring a double blockade, no media outlet could start life without party or governmental financial backing.

Fast-forward to the Kurdistan Region after the liberation of Iraq. The media entered a new phase as its practitioners gained confidence and came in contact with the media from other countries, which came to Kurdistan and Iraq in numbers never experienced before. These developments have come at a time of major advances in technology, which allow for satellite broadcasting of Kurdish TV channels to the diaspora, and the distribution of pictures from mobile phones direct to the world via the internet. At the same time, the KRG, the Parliament and the political parties have come under scrutiny amid rising expectations from the public of their performance.

Matters seemed to come to a head in late 2007 when a draft media law, which carried tough sanctions for false reporting on public figures, was passed in the Kurdistan Parliament. President Masoud Barzani rejected the law and asked Parliament to reconsider the law after an outcry from Kurdish and international organizations. A modified media law that protects journalists' rights and decriminalized libel was passed in 2008, winning praise from local and international journalists. Meanwhile, there is growing recognition among Kurdish journalists that they need to establish a code of ethics, improve journalistic standards, and gain a better understanding that freedom of expression carries with it responsibilities.



A varied and thriving media is the cornerstone of democracy

Much of the media continues to be financed by the political parties or the Government. Although some newspapers claim independence from such subsidy, it is unclear what business model they follow to enable them to survive financially. International media organisations, such as Reuters and AFP, have reporters based in Kurdistan, while the leading newspapers and broadcasters send their star correspondents to the Region from time to time, all of which also have an influence on the local media.

The KRG has consistently stated its commitment to a free media, and has an open door to foreign and domestic media. However, tensions continue to exist – as is often the case in healthy democracies.

Lights! Camera! Action! Hollywood goes to Kurdistan



By Stephen LoCascio

Actress Belcim Bilgin poses during a photocall for Kurdish director Hiner Saleem's film *Kilometre Zero*

The people of Kurdistan also share a love for American cinema

OVER THE PAST nine months, influential representatives of the U.S. entertainment industry have traveled to Kurdistan to become better acquainted with "the other Iraq." Those participating in a series of meetings paving the way for the development of Kurdistan's film industry include industry executives Kristen Jones, Senior Vice President of Production from Miramax Films, Deborah Schindler, President of Production from Sony Pictures, Jorge Camara, President of the Hollywood Foreign Press Association, Ted Mundorff, President of Landmark Theatres, and Mark C. Miller, CEO of Famous Frames Mobile Interactive. Others making the journey to Kurdistan included Oscar®-nominated director Sergei Bodrov ("Mongol"); entertainment attorney George Braunstein; and Elizabeth Daley, Dean of the USC School of Film. International entertainment journalists Alexandra Zavis of the *Los Angeles Times*, Michael Cieply of the *New York Times* and Charles Levinson of *USA Today* wrote articles announcing that Kurdistan is open for business.

When the Kurdistan Regional Government (KRG) first approached the Michael Russell Group to help them establish ties with the U.S. entertainment industry, we were skeptical. We had, of course, heard reports of the violence in Iraq. The KRG representatives assured us that the Kurdistan Region was different, the other Iraq. Our first trip last year to the cities and countryside of the Region dispelled our distorted views. Instead of "destruction" we viewed cities undergoing a metamorphosis, filled with friendly, engaging people. We were happy to see business parks, luxury hotels, planned housing communities, high-rise office buildings, condominiums, hospitals, public parks, schools, and yes, a film school – even American-style bowling alleys being built all around us. This emphatically was not the Iraq we see on the six o'clock news. This was an Iraq under "construction."

Most impressive of all were the Kurdish people themselves. Welcoming, warm, passionate about their culture, and determined to push the Region to a level on a par with the Western democracies, the people of Kurdistan also share a love for American cinema.

The First Lady of Iraq, Hero Talabani, wife of Iraq's first Kurdish President, proudly told us that she learned English from watching American cinema. Her passion for film is one of the driving forces behind the developing industry.

The U.S. entertainment industry has taken notice. Currently in development are contracts to send students to the U.S. to study film, co-production deals with major U.S. studios, and location filming for two upcoming U.S. films. These achievements (with more to come) certainly bode well for the future of the entertainment industry in "the other Iraq."

Stephen LoCascio is Co-president of the Michael Russell Group.

SULAIMANIYAH INT. AIRPORT



Sulaimaniyah

International Airport

www.sulairport.net



We may not rival Heathrow or Schiphol for size or volume of traffic, but Sulaimaniyah International Airport is certainly 'air-miles ahead' of other regional airports.







Spread over 13.5 square kilometers, Sulaimaniyah International Airport is just 15km north west of Sulaimaniyah city center. Following the liberation of Iraq in 2003, it was soon recognised that one of the most critical strategic projects for the economic development of the Kurdistan region was the reconstruction of the regional airports at Sulaimaniyah and Erbil. Rapid economic progress, combined with improving security and stability in the Kurdistan region, created an ideal environment for rapid redevelopment of the two airports. Sulaimaniyah International Airport was inaugurated and opened on July 20th 2005 by His Excellency, MAM Jalal Talabani, President of Iraqi Federal Republic, and other senior government officials.

Air transport is the easiest and safest way to connect Kurdistan with other Iraqi regions and the rest of the world. This fact, combined with the rapid growth in both tourism and the economy, has seen the number of regional and international flights grow continuously since 2003.

Sulaimaniyah International Airport was constructed under – and operates to – ICAO international standards and offers versatile and flexible opportunities for different airlines with its range of modern equipment and highly trained staff. Airport facilities ensure passenger safety and comfort and sophisticated cargo systems ensure companies and traders can transport all their goods easily into and out of the region.

The airport specification is designed to accommodate all types of cargo and passenger aircraft in operation today, including the An 124-126 and the Boeing 747. The runway is 3500m long and and 45m wide with 7.5m shoulders on each side, with a parallel main taxiway of the same length. Sophisticated instrumentation, including homing and landing systems, is available 24 hours per day to serve all kinds of aircraft in all weather conditions and the control tower is equipped to ICAO standards. Ground handling equipment is of international standard and can serve more than one aircraft at a time to minimise potential delays. Future development plans include a new international passenger terminal, a new cargo terminal, enhanced lighting and air navigation systems, an airport hotel and the establishment of a Free Trade Zone.

We're proud of our contribution to the development of Kurdistan and look forward to a prosperous future working together.



MAM Jalal Talabani, President of Iraqi Federal Republic on opening day



In the control tower



The terminal building



The departure lounge



Sulaimaniyah Airport aerial view



Kurdistan Regional Government

Nechirvan Idris Barzani	Prime Minister
Imad Ahmad Sayfour	Deputy Prime Minister
Abdul Karim Sultan Sinjari	Minister for the Interior
Bayiz Saeed Mohammed*	Minister for Finance & the Economy
Farouq Jamil Sadiq	Minister for Justice
Jafar Mustafa Ali	Minister for Peshmerga Affairs
Burhan Saeed Sofi	Minister of Transport
Dilshad Abdul Rahman Mohammad	Minister for Education
Dr. Abdul Rahman Osman Yones	Minister for Health
Adnan Mohammad Qadir	Minister for Labor and Social Affairs
Mohammad Ahmad Saeed Shakaly	Minister for Religious Affairs
Tahsin Qadir Ali	Minister for Water Resources
Imad Ahmad Sayfour	Minister for Housing and Reconstruction
Osman Ismail Hassan Shwani	Minister for Planning
Yousif Mohammad Aziz	Minister for Human Rights
Idris Hadi Salih	Minister for Higher Education & Scientific Research
Abdul-Aziz Tayeb Ahmad	Minister for Agriculture
Ms. Chnar Sa'ad	Minister for Martyrs and Victims of Anfal
Falakaddin Kakeyi	Minister for Culture
Hoshyar Abdul Rahman Siwaily	Minister for Electricity
Dr. Ashti A. Hawrami	Minister for Natural Resources
Ms. Nazanin Mohammad Waso	Minister for Municipalities
Taha Abdul Rahman Ali (Taha Barwary)	Minister for Sport and Youth
Dr. Mohammad Ihsan	Minister for Extra-Regional Affairs
Mohammad Raouf Mohammad	Minister for Trade
Widad Khurshid Osman	Minister for Industry
Dara Mohammad Amin	Minister for the Environment
Nimrud Baito	Minister for Tourism
Hayder Sheikh Ali	Minister for Communication
Falah Mustafa Bakir	Minister, Department of Foreign Relations
Abubakir Ali	Minister for the Region
Dr. Jinan Qasim	Minister for the Region
George Yousif Mansour	Minister for the Region
Dr. Dakheel Saeed Khudhur	Minister for the Region
Mohammad Haji Mahmoud	Minister for the Region
Mahmoud Eido	Minister for the Region
Madhat Mandalawy	Minister for the Region
Sa'ad Khalid Mohammad Amin	Minister for the Region
Abdul Latif Bandar Oghloo	Minister for the Region
Botan Mahmoud Osman	Department of Information Technology
Dr. Dindar Zebari	Office of the Coordinator for UN Affairs

**At the time of publication, the KRG Ministry of Finance is overseen by Acting Minister of Finance Bayiz Saeed Mohammad, while Finance Minister Sarkis Aghajan Mamendu is abroad for medical treatment.*

To contact the ministerial offices, email the Department of Foreign Relations at dfr@krg.org

KRG Representation Abroad

Head of KRG Department of Foreign Relations

Minister Falah Mustafa Bakir is Head of the KRG Department of Foreign Relations.
To contact the Department of Foreign Relations, email dfr@krg.org

The KRG maintains official representation in the United Kingdom, the United States of America, and Iran.

Europe
KRG Representation in the United Kingdom

Winchester House, 8th Floor
259-269 Old Marylebone Road
London NW1 5RA, UK
Phone: +44 (0) 20 7170 4300
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KRG Representation in the USA

1532 16th St., NW
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Email: us@krg.org

Consulates and Diplomatic Offices

The governments of Austria, the Czech Republic, France, Germany, Iran, Italy, Japan, Russia, Republic of Korea, Spain, the Netherlands, the United Kingdom and the United States maintain diplomatic missions in the capital of the Kurdistan Region. To contact any of these consulates please email the Department of Foreign Relations at dfr@krg.org

Chambers of Commerce & Private Sector Bodies Linked to Trade and Investment

The Kurdistan Board of Investment
www.kurdistaninvestment.org
Herish Muharam Muhamad
Chairman of Investment Board

Headquarters
Erbil – In front of the council of Ministries,
30-m Circle Street
Tel: +964 66 253 1559 or +964 66 253 5010
Email: info@kurdistaninvestment.org

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Dohuk Branch
Dohuk – 1st Shubat Street
Tel: +964 62 762 7175 or +964 62 762 7013
Email: duhok@kurdistaninvestment.org

Chambers of Commerce
Dohuk
Website: www.duhokchamber.org/
Email: duhok_traderoom@yahoo.com

Erbil
Website: www.erbilchamber.org/
Email: erbilchamberofcommerce@yahoo.com

Sulaimania
Website: www.sulcci.com
Email: info@sulcci.com

Importer and Exporter Union of Iraq – Kurdistan Region
www.ieku.org/En_details.asp?ID=79

Iraqi American Chamber of Commerce & Industry (AmCham – Iraq)
www.i-acci.org

Iraqi British Chamber of Commerce & Industry
www.i-bcci.com/

Iraq Investment and Reconstruction Task Force (IIRTF), U.S. Department of Commerce
www.export.gov/iraq

Task Force to Improve Business & Stability Operations in Iraq, U.S Department of Defense
www.defenselink.mil/tfbso/

For more information please contact dfr@krg.org

U.S. Chamber of Commerce Kurdistan Region of Iraq Task Force
Ms. Yasmin Motamedi, Executive Director
Middle East and Africa Affairs
1615 H St., NW, Washington, DC 20062
Phone: +1 202 463 5671
Fax: +1 202 463 3114
Email: ymotamedi@uschamber.com

Kurdistan Business Center Enterra Solutions, LLC
Martyr Saad Palace for Conferences & Conventions
Gulan Street, Erbil
Aram B. Zamgochian, Managing Director, Government Affairs
Tel: +964 750 715 0693
Email: AZamgochian@EnterraSolutions.com

Middle East Association, London
www.the-mea.co.uk/

Invest in Kurdistan – Iraq (English and Swedish)
www.iscc.se

Banks / US Dollars / Conversion to Local Currency

While there are several banks, the economy at present is mostly based on a "cash only" basis. Most places accept U.S. dollars, which can be exchanged for local currency. The hotels can assist with the conversion process. ATM capability also exists, but is not yet reliable

International wire transfers are available at most banks operating in the region. There are Western Union branches located in Erbil, Duhok, and Sulaimania. For a complete list of Western Union branches, please visit www.westernunion.com.

Banks Operating in the Region

Ashour International Bank	www.ashurbank.com
Bank of Baghdad	www.bankofbaghdad.org
Byblos Bank of Lebanon	www.byblosbank.com.lb
Commercial Bank of Kuwait	www.cbk.com/en/
Dar-Es-Salaam Bank	www.desiraq.com
Gulf Bank	www.e-gulfbank.com/eng/personal/index.jsp
Intercontinental Bank of Lebanon	www.ibl.com.lb/index.php
Kurdistan Investment Bank	www.kibid.com/en/
Middle East Investment Bank	www.meib.com/sgbj/english/
Mosul Bank for Development and Investment	www.mosulbank.com
Trade Bank of Iraq	www.tbiraq.com
Union Bank of Iraq	www.ub-iq.com
Warka Bank	www.warka-bank.com



Traveling to Kurdistan

KRG Ministry of Tourism
www.tourismkurdistan.com/index.asp
Email: info@tourismkurdistan.com

Traveling to Kurdistan from Europe
Kurdistan Regional Government – UK
To discuss how the KRG-UK can facilitate your trip, please contact:
Tel: +44 (0) 20 7170 4300
Email uk@krg.org

Traveling to Kurdistan from North America
Kurdistan Regional Government – US
To discuss how the KRG-US can facilitate your trip, please contact:
Tel: +1 202 637 2496
Email: us@krg.org

For all other inquiries contact the Department of Foreign Relations: dfr@krg.org



Visa Information for Erbil and Sulaimania
It is strongly advised that all foreign travelers must obtain an Iraqi visa before arriving in the Kurdistan Region of Iraq. Iraqi visas are obtained at the Iraqi embassy in the traveler's host country. Travelers should allow two weeks to process the visa. Travelers may contact the Iraqi embassy directly, or the KRG offices located in Europe and North America for help in facilitating the visa process. For more information, please email uk@krg.org if traveling from Europe, and us@krg.org if traveling from North America. For all other enquiries, please contact dfr@krg.org

The Kurdistan Region's Airports

Erbil International Airport (EIA)
www.erbilairport.net

It is advised that passengers arrive at Erbil International Airport at least 2.5 hours before their departures to allow sufficient time to board the shuttle bus and go through the security checkpoint to the departure terminal.

Sulaimania International Airport (SIA)
www.sulairport.net

For additional information, visit www.krg.org

Transportation

By Air
Please note that airline routes and schedules to Kurdistan are expanding. Please confirm details of flights directly with the operator as they may be subject to change.

Austrian Airlines
www.aua.com
Austrian Airlines sales office in Erbil:
Shaqlawa Street, Brayan Bldg
Tel: +964 66 224 5470 to 5473
Office hours: Open to the public Sunday to Thursday, 10.00 to 16.00

Atrosh Air	www.atroshair.com
Azmar Airline	http://azmarairline.net
Fly Iraquna	www.flyiraquna.com
Flying Carpet	www.flyingcarpet.com.lb
Iraqi Airways	www.iraqiairways.co.uk
Laveen Air	www.laveenair.net/site/flightSearch.asp
Res Nu AB	www.resnu.org
Royal Jordanian Airlines	www.rja.com.jo
Zagros Air	www.zagros-group.net
Zozik Air	www.zozik-air.com

By Land
Erbil to Sulaimania – 170km, approximately 2.5 hours by car
Erbil to Dohuk – 245km, approximately 3 hours by car
Dohuk to Sulaimania – 340km, approximately 5 hours by car

Taxi
Taxis wait outside the airport to collect passengers; no pre-booking is necessary. Inside Erbil and Sulaimania there are taxis that can be hailed on the street, or at your hotel's concierge desk. These taxis will usually take you anywhere in the Region. The main form of public transport between major cities is shared taxi. Generally, there is one price per car, which is divided by the number of passengers. Usually the taxi will wait until all seats are filled before departing. Hello Taxi staffs English-speaking drivers.

Bus
There are bus services from Erbil to all cities in the Region, and into the south as well. There are two main bus terminals, East and North, in Erbil. Hotels can provide comprehensive timetable information.

International Driver's License
An international driver's license is not accepted in Kurdistan. If you want to drive you will have to go to the police station, where you can show your current driver's license and then be issued a permit. This permit will be good for one month only; it is renewable for additional one-month periods at a time.

Travel Agencies in Kurdistan

Laru Travel Services
Location in the Erbil International Hotel
Erbil mobile: +964 (0) 750 455 4411/ +964 (0) 750 446 8960
Email: Lana Qassim, Managing Director,
lanaqassim@batelco.jo or info@laru.travel.com

Baban Tourism
For Royal Jordanian Airlines reservations
Erbil tel: +964 66 220 0600/ Mobile: +964 (0) 750 491 0973
Email: babantourism@yahoo.com

Organized Tour Companies

The Other Iraq Tours (USA)	www.theotheriraqtours.com
Distant Horizons (USA)	www.distanthorizons-usa.com
Hinterland Travel (UK)	www.hinterlandtravel.com
Terre Entiere (France)	www.terreentiere.com

Travel Publications

Lonely Planet Middle East
Anthony Ham, Lonely Planet Publications, 6th edition, May 2009

Iraq: Then and Now
Karen Dabrowska and Geoff Hann, Bradt Travel Guide, April 2008

On War's Outer Edge in Kurdish Iraq
Lionel Beehner, New York Times Travel Section, 26 October 2008
http://travel.nytimes.com/2008/10/26/travel/26next.html

Boomtown Iraq
Denis Johnson, Conde Nast Portfolio.com, March 2008
www.portfolio.com/news-markets/international-news/portfolio/2008/02/19/US-Oil-Plans-in-Kurdistan

The Other Iraq
Cesar Soriano, Lonely Planet Publications, May 2008
www.lonelyplanet.com/travelstories/article/theotheriraq_0508/interest/toughtravel

Holiday in Iraq
Christopher Hitchens, Vanity Fair, April 2007
www.vanityfair.com/politics/features/2007/04/hitchens200704

Kurdistan
Tony Wheeler, Lonely Planet Publications, February 2007
www.lonelyplanet.com/travelstories/article/kurdistan_0207

Kurdistan: The Other Iraq
Bob Simon, 60 Minutes, CBS, February 2007
www.cbsnews.com/stories/2007/02/16/60minutes/main2486679.shtml

Accommodation

Erbil

Erbil International Hotel
(30 Meter Street, overlooking the Gelgand Park)
www.erbilinthotel.com

Local Tel: +964 66 223 4460

Email: info@erbilinthotel.com

Prices US$ (2009):
Standard Room (Single): $210

Standard Room (Double): $260

Junior Suite (Single): $280

Junior Suite (Double): $315

Executive Suite (Single): $324

Executive Suite (Double): $368

Presidential Suite: $533

Khanzad Hotel & Resort
(Salahaddin Highway/ near Khanzad Petrol Station)
www.khanzadresort.com
Local Tel: +964 66 224 5273 or +964 66 224 5277
Email: info@khanzadresort.com
Prices US$ (2009):
Single: $180

Double: $230

Junior Suite (Single): $250

Junior Suite (Double): $295

Presidential Suite: $386

Hawler Plaza
(Kirkuk Main Road / in front of Martyr Franso Stadium)
Local Tel: +964 66 222 8890 or +964 66 251 9740
Email: Hawler_plaza@yahoo.com

ChwarChra
(beside Hawraman, near Erbil International Hotel)
www.chwarchrahotel.com
Abdul Salam Al-Barzani Street
International Tel: +44 7077522836 or +46 856630460
International Fax: +44 2086347747 or +46 856630461
Local Tel: +964 66 223 1508 or +964 66 223 1509 or +964 66 222 2650
Email: info@chwarchrahotel.com

Dohuk

Jiyan Hotel
Local Tel: +964 62 722 6691 or +964 62 722 6692
Email: jiyan_hotel@yahoo.com

Lomana Hotel
Local Tel: +964 62 722 1483

Sulaimania

Ashti Hotel
Sulaimania Salim Street
Local Tel: +964 53 312 0435 or +964 53 312 7999

Abusana Hotel
Sarchnar
Local Tel: +964 53 318 3497 or +964 53 318 3498

La Le-zar Hotel
Email: info@lale-zar.com
Local Tel: +964 53 319 2601

Sulaimania Palace
Salim Street
Local Tel: +964 53 313 4141 or +964 53 313 4147

Real Estate

American Village – Erbil
http://americanvillage.info/i
Local Tel: +964 750 413 6420/1
Email: sales@americanvillage.info

Dream City – Erbil
www.mecri.com/dreamcity.htm
Local Tel: +964 66 252 9685
Email: info@mecri.com

English Village – Erbil
Local Tel: + 964 750 445 2102
Email: azzam960@hotmail.com

Naz City – Erbil and Sulaimania
Local Tel: +964 750 416 9826
Email: villa@nursoy.com.tr

Shipping Services

PelePost
www.pelepost.com

DHL
www.dhl.com

Translation Services

Please contact the dfr@krg.org for more information on translators.

Security Firms

GardaWorld
www.garda-world.com
31 Old Burlington Street, London W1S 3AS
Iraq (excl. Erbil): +964 7701 58 7939
Iraq (Erbil): +964 750 451 2588
London Office: +44 2097 734 5361
Contact: Oliver Westmacott
Managing Director, International
Email: oliver.westmacott@garda-world.com

Vigilance Security Company
Local Tel: + 964 750 423 3824
Email: ops@vscsecurity.com

Ster Group – Vanguard International Security
www.stergroup.com
Local Tel: +32 48 445 6378
Email: security@stergroup.com

Hart Security
www.hartsecurity.com
Local Tel: +44 (0) 207 751 0771
Paratus Worldwide Protection
www.paratus-iraq.com

International, Primary and Secondary Schools

The International School of Choueifat – Erbil
www.iscerbil-sabis.net

The Classical School of the Medes – Sulaimania
http://csmedes.org/

Universities

Salahaddin University, Erbil
www.salahaddin-ac.com

University of Kurdistan, Hawler/Erbil
(teaches exclusively in English)
www.ukh.ac

Hawler Medical University, Erbil
www.hawlermu.org

Cihan University, Erbil
www.cihanuniversity.org

American University of Iraq, Sulaimania
(teaches exclusively in English)
www.auis.org

University of Sulaimania
http://sites.google.com/site/universityofsulaimani/Home
College of Agriculture
www.univsul.org/agri/default.aspx

University of Duhok
www.dohukuni.net/index.php?p=front/home

University of Koya
www.koyauniversity.org



Things to See and Do

Erbil

Sights
Erbil Citadel
Sheikh Chooli Minaret
Erbil Civilization Museum
Martyr Sami Abdur-Rahman Park (located on 60-m St., opposite to the Kurdish Parliament Bldg.)
Jalil Khayat Mosque
Al-Sawwaf Mosque
St. Joseph Church
Khanzad Castle

Shopping
The Great Bazaar (a.k.a. Qaysari Market)
Mudhaffariya Market
Iskan Market
Nishtiman Shopping Mall

Arts
Media Hall, Culture Hall, and the Palace of Arts

Around Erbil
Pank Resort, near Rawanduz
Shaqlawa Resort, 51km from Erbil
Khanzad Castle, lies on Erbil-Shaqlawa Road
Galy Ali Beg Resort, 130km from Erbil
Bekhal Resort, 140km from Erbil
Jundyan Resort, 147km from Erbil
Haji Omaran Resort, 180km from Erbil
Neanderthal & Shanider Cave, located in the Bradost Mts., about 2km from Shanider Village
Bestoon Cave, 39km southwest of Soran
Rabban (Monk) Beya Monastery, located above a valley of the same name, 1hr climb from main road

Sulaimania

Sights
Sulaimania Market – "Qaysari"
Zamwa Art Gallery, located in Sulaimania Market
Altun Tourists Compound
Altun Tourists Supermarket
Altun Tourists Cafeteria and Restaurant
Sulaimania Museum (archaeology)
Red Security Museum, including an exhibit on Anfal & Halabja
Museum Hall
Azadi "Freedom" Park
Public Garden, on Salim St.

Around Sulaimania
Sarchnar Resort, 5km from Sulaimania
Dokan Lake, 70km west of Sulaimania
Ahmadawa Resort, 84km east of Sulaimania
Darbandikhan Dam, 65km southwest of Sulaimania
Sarseer Parkland, 26km north of Sulaimania
Zarzi Cave, located in Chamchamal Valley
Hazarmerd Cave, 13km west of Sulaimania
Bali Kwar Cave, 20km northeast of Jermo Castle

Dohuk

Sights
Dohuk Traditional Museum
The Grand Mosque
Saint Ith Ilaha Church
Mazi Supermarket

Around Dohuk
Pira Dalal, historic bridge
Zakhu District, 40km northwest of Dohuk
Anishka Resort, 9km from Sarsang Resort
Sulav Resort, 5km from Amedi
Sarsang Resort, 63km northwest of Dohuk
Ashawa Resort, 8km from Sarsang Resort
Swaratooka Resort, 39km east of Dohuk
Zaweeta Resort, 16km east of Dohuk
Amedi (Amadiyah) Town, 90km northeast of Dohuk
Relics of Amedi Citadel/The Eastern Gate (Bab Zebar), located on the eastern side of Amedi
The Minaret, located in the middle of Amedi
Lalish Temple, 14km from Ain Sifne
Charsten Sculpture 'The Four Pillars," located at the foot of the White Mountain
Hilamta Cave Sculptures, located at the foot of the Black Mountain (Shindokha)
Tal Malthaya Sculptures (Gre Mal Tayee), 7km from Duhok
Khans Sculptures, located in the Badinan Region





Map


TURKEY
SYRIA
IRAN
IRAN
IRAN
ZAKHO
Sindi
Quli
Rizgary
AMEDI
Barwari Bala
Nerwa Rekan
Amedi
Sarsink
MERGASUR
Sherwan Mazn
Barzan
Mergasur
Sidakan
DOHUK
Duski
Zawita
Dohuk
Akre
SEMEL
Slevani
Semel
Fayda
SINJAR
SHIKHAN
Sheikhan
Zakho
AKRE
Nahla
Akre
Girdasin
Surchi
Bardarash
SORAN
Diyana
Khalifan
Rawanduz
Haji Omaran
Choman
Galala
SHAQLAWA
Harir
Salahaddin
Khoshaw
Betwata
RANYA
Ranya
Nawdasht
PISHDAR
Pishdar
Hero
Bngird
Chinaran
DUKAN
Surdash
Taqtaq
KOYSINJAQ
Koysinjaq
Shorsh
ERBIL
Khabat
Ainkawa
Bnaslawa
Qushtappa
Dashtbana
MAKHMUR
Makhmur
Qara
KIRKUK
Aghjalar
Mawat
Siwail
SHARBZHER
Sharbazher
Saruchik
Garmik
PENJWIN
Penjwen
Sarchnar
Bazyan
CHAMCHAMAL
Chamchamal
SULAIMANIA
Tanjaro
Qaradagh
Sangaw
Qadir Karam
Sharazur
Khurmal
Zarayan
DARBANDIKHAN
Darbandikhan
HALABJA
Halabja
Biyara
Pebaz
KALAR
Tilako
Kalar
KHANAQIN
N
W
E
S
IRAQI KURDISTAN
Boundaries
International
Governorate
District
Sub-District
Disputed territories
0
20
40
Kilometers

Additional Internet Resources



Kurdistan Regional Government www.krg.org
Kurdistan Regional Presidency www.krp.org
Parliament of Kurdistan www.kurdistan-parliament.org
KRG Office for Coordinator of UN Affairs http://krgocuna.org/homelist.asp
KRG Statistical Office www.krso.net/default1.aspx
Kurdistan Board of Investment www.kurdistaninvestment.org
Kurdistan Democratic Party www.kdp.se/
Patriotic Union of Kurdistan www.puk.org
Kirkuk Business Centre www.kbciraq.org
The Washington Kurdish Institute www.kurd.org

Kurdish Media

Kurdish Globe (English) www.kurdishglobe.net/
Soma-Digest (English) http://soma-digest.com/
Kurdistan Observer (English) www.kurdistanobserver.com
Kurdistan World (English) www.kurdishdaily.com
Kurdish Satellite Channel, KurdSat (English) www.kurdsat.tv
Kurdish Media (English) www.kurdishmedia.com
KTV (Kurdish Satellite Channel) www.kurdistantv.net

International Sites Relating to the Region & Iraq-Wide

Center for International Private Enterprise – Iraq www.cipe.org/regional/mena/iraq/
Centre for Reconstruction & Development www.rec-dev.com
Development Gateway – Iraq Relief & Recovery http://topics.developmentgateway.org/iraq
Government of Iraq www.cabinet.iq
International Compact with Iraq www.iraqcompact.org
International Reconstruction Fund Facility for Iraq www.irffi.org
Multi-National Force: Iraq www.mnf-iraq.com
United Nations Assistance Mission for Iraq www.uniraq.org
United Nations Development Program – Iraq www.iq.undp.org
United Nations Office for the Coordination of Humanitarian Affairs – Iraq
http://ochaonline.un.org/Default.aspx?alias=ochaonline.un.org/Iraq

U.K. Government Sites

U.K. Trade & Invest www.uktradeinvest.gov.uk
U.K. Department of International Development www.dfid.gov.uk
British Council www.britishcouncil.org/iraq.htm
U.K. Embassy Iraq www.ukiniraq.fco.gov.uk/en/

U.S. Government Sites

U.S. Agency for International Development: Assistance for Iraq
www.usaid.gov/iraq
U.S. Department of State – Iraq Country Information
www.state.gov/p/nea/ci/c3212.htm
Embassy of the United States, Baghdad, Iraq
http://iraq.usembassy.gov/
U.S. Department of Commerce www.commerce.gov
Iraq Investment and Reconstruction Task Force
www.export.gov/iraq
Buy U.S.A. – Iraq
www.buyusa.gov/iraq/en (English)
www.buyusa.gov/iraq/ar (Arabic)
U.S. Department of Agriculture – Foreign Agricultural Service
www.fas.usda.gov/icd/iraq/iraq.asp
Common Contingency Contract System
www.rebuilding-iraq.net/portal/page?_pageid=95,1&_dad=portal&_schema=PORTAL
U.S. Department of Energy – Country Analysis Brief: Iraq
www.eia.doe.gov/emeu/cabs/Iraq/Background.html

Courses on Kurdistan

University of Central Florida (U.S.A.)
http://globalperspectives.cos.ucf.edu/kurdish_studies/index.php
University of Exeter (U.K.)
http://huss.exeter.ac.uk/iais/research/kurdish.php
Indiana University (U.S.A.) (Kurdish language instruction)
http://newsinfo.iu.edu/news/page/normal/4110.html
University of Arizona, Tucson (U.S.A.) (Kurdish language instruction)
http://clp.arizona.edu/cls/kurpressrelease.htm

The Kurdistan Region of Iraq at a Glance

Kurdistan
Iraqi Kurdistan Region
Herêma Kurdistan
Official website: www.krg.org





Capital
Erbil/Arbil/Irbil (also known as Hawler)

Official Languages
Kurdish and Arabic, as well as Turkomen and Assyrian in some areas.

Major Holiday
Newroz (New Year), March 21

Government
Parliamentary Democracy

Parliament
Kurdistan National Assembly / Iraq's Kurdistan Parliament

President
Masoud Barzani

Vice President
Kosrat Rasul Ali

Prime Minister
Nechirvan Idris Barzani

Deputy Prime Minister
Imad Ahmad Sayfour

Speaker of Parliament
Adnan Mufti

Deputy Speaker of Parliament
Kamal Kirkuki

Size/Area
80,000 km²/ 30,888 sq. mi., roughly twice the size of the American state of Vermont

Population
4.9 million (KRG Statistical Office, 2007)

Population in each of the Region's three provinces

Erbil:	2,019,688
Sulaimania:	1,917,936
Dohuk:	973,118

Currency
Iraqi Dinar (IQD), USD widely accepted

Exchange Rate
USD 1: 1,178.49 Iraqi Dinar *[Source: http://www.economist.com/markets/, February 2009.]*

GDP per capita
Nominal, in USD: $2,200 – $2,500 (2005 Est.) *[Source: World Bank. February 2006. Rebuilding Iraq: Economic Reform and Transition. Economic and Social Development Unit, Middle East Department. 30 October 2007.] <http://siteresources.worldbank.org/IRFFI/Resources/IraqCEM-finalComplete.pdf*

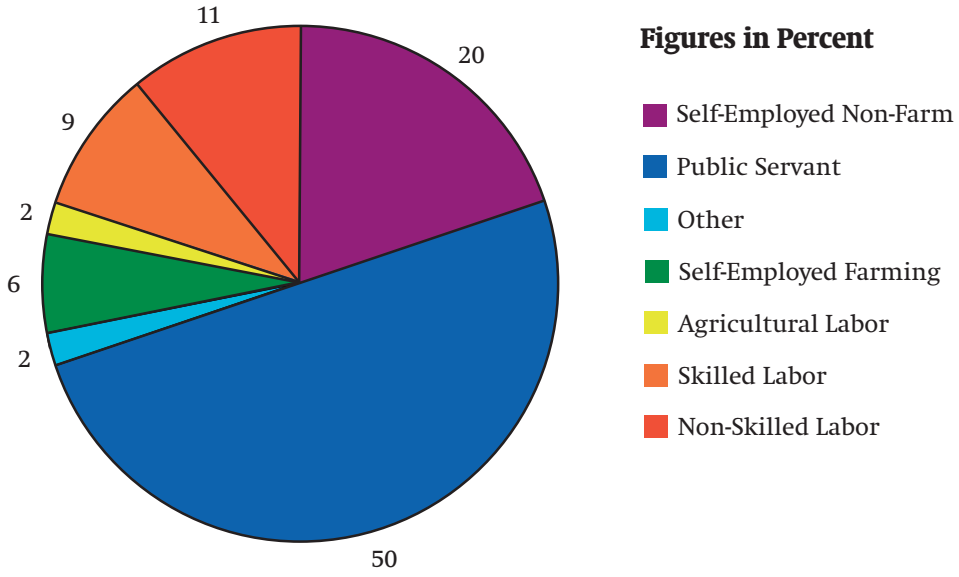
Time Zone
UTC+3 and UTC+4 (Summer DST)

Calling Code
+964

Electrical Voltage
220V

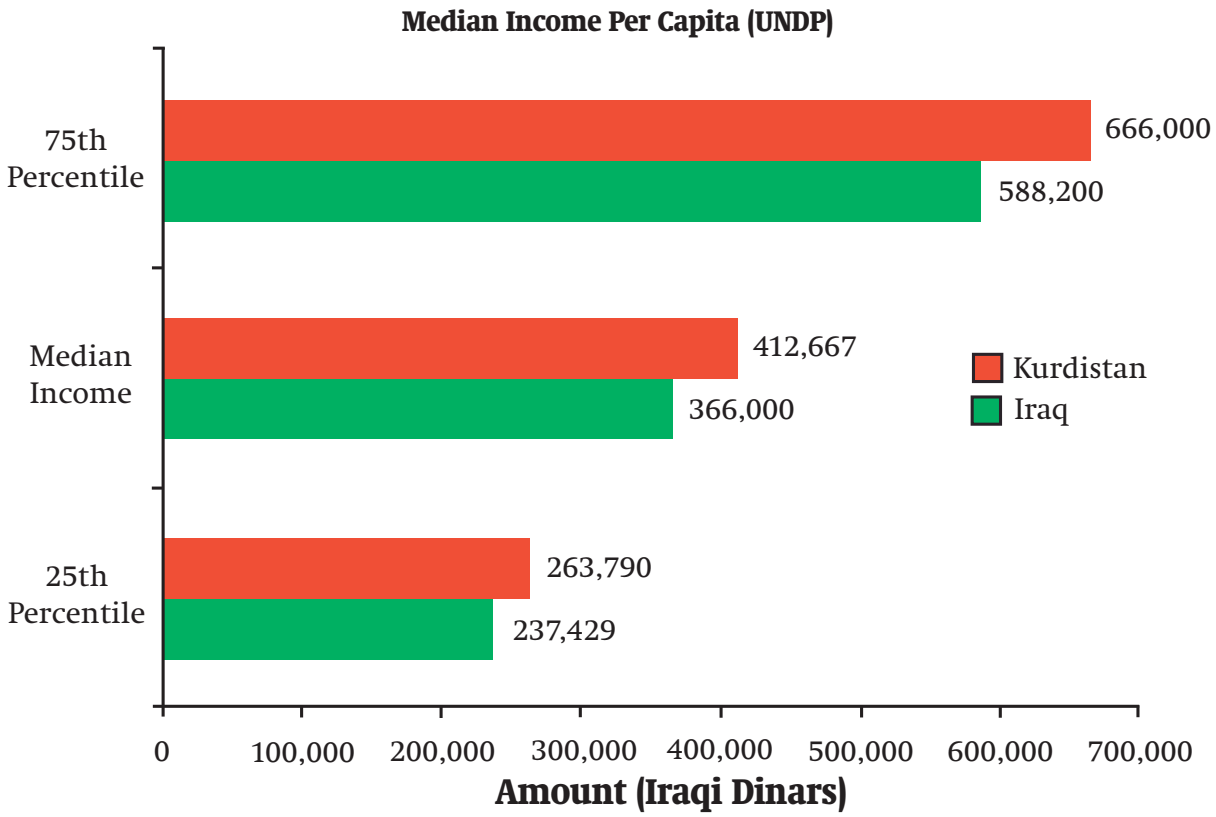
Weather/Climate
Winter (December-February) can be very cold with snow accumulation in the mountains. Spring (April-May) brings warmer weather. Aside from the mountains, summer (June to September) is very hot.

Employment Activities in Iraqi Kurdistan



UN, "Comprehensive Food Security and Vulnerability Analysis in Iraq," 11/12/2008. The data is based on a survey that was conducted in Nov/Dec 2007.

Income Levels in Iraqi Kurdistan

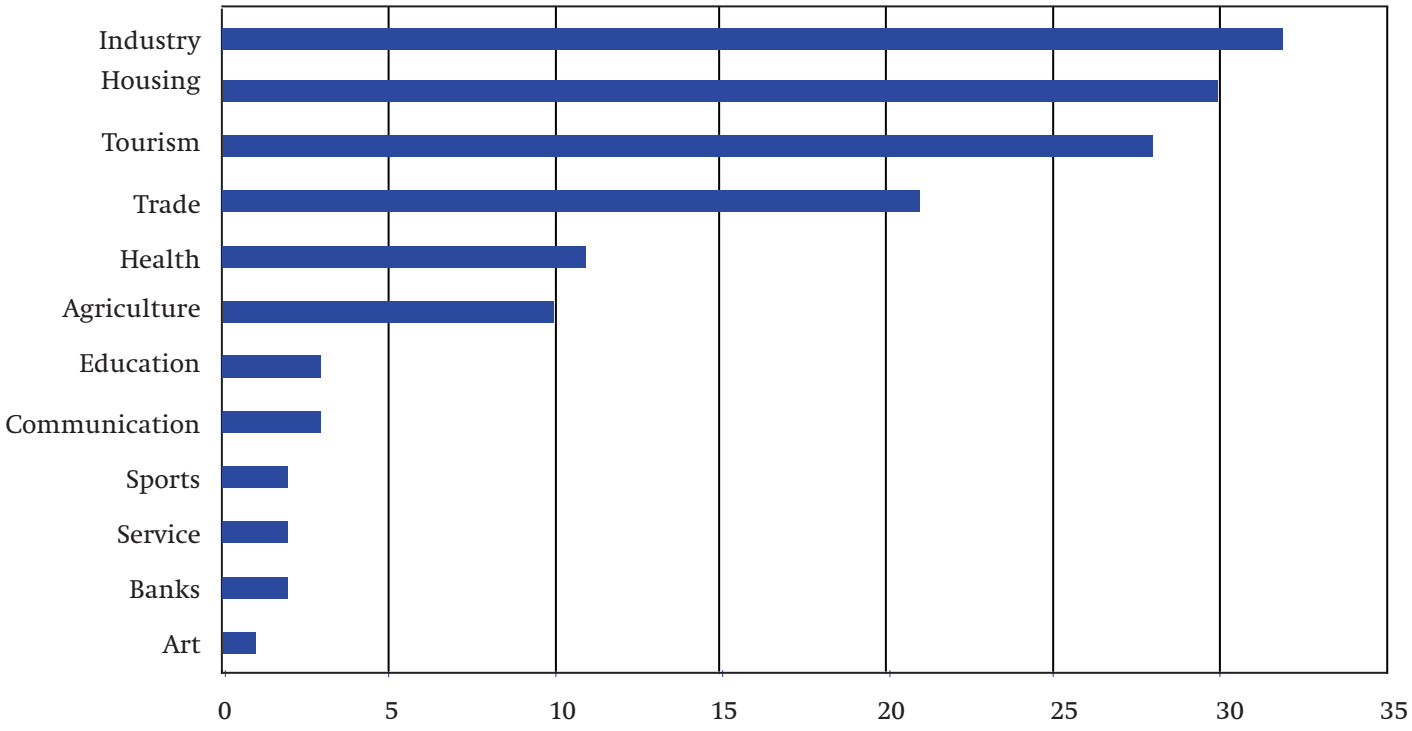


International Investors Already in Kurdistan

The Kurdistan Region currently hosts international investors from countries including Turkey, Japan, China, U.S.A., Germany, Canada, U.K., Republic of Korea, Iran, Lebanon, Norway, United Arab Emirates, Syria, Jordan, Saudi Arabia, and Kuwait.

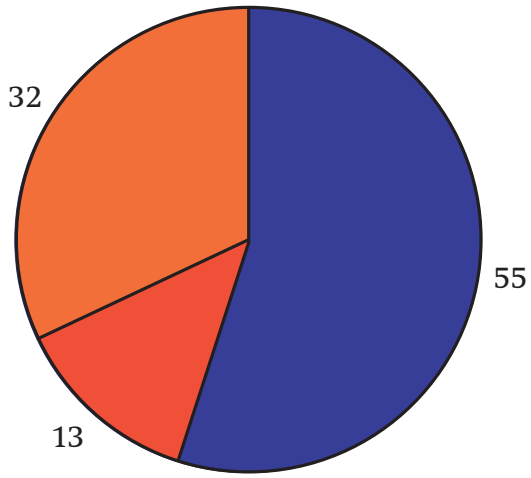
- The Kurdistan Investment Board has approved approximately USD 16 billion in project proposals to date.
- As of January 2009, 145 licensed projects have been approved (see below):

KRG-Iraq Board of Investment Licensed Projects as at end of February 2009



Number of investment projects in the Kurdistan Region of Iraq

Iraqi Kurdistan: Investment Type

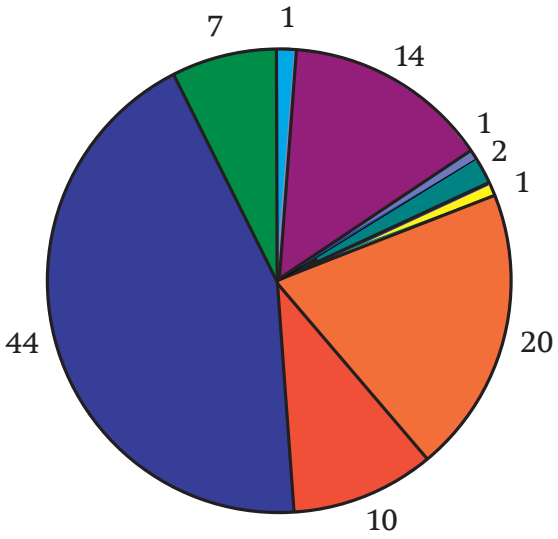


Figures in Percent

- Federal Direct Investment
- Joint Investment
- National Investment

KRG-Iraq Board of Investment, 2009

Total Investment Capital by Sector

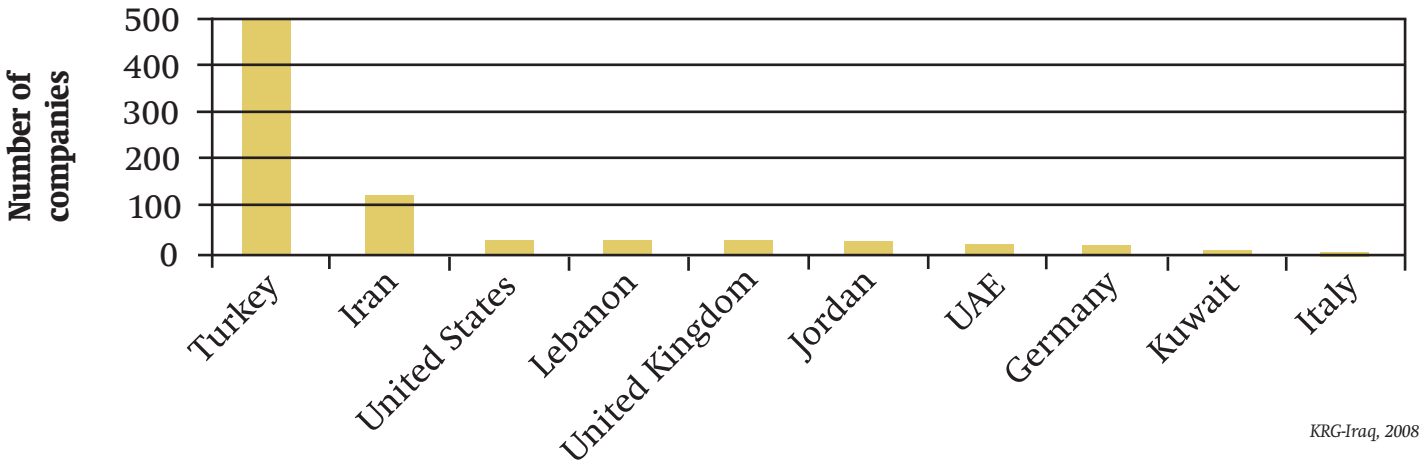


Figures in Percent

- Agriculture
- Banks
- Communication
- Education
- Health
- Housing
- Industry
- Tourism

KRG-Iraq Board of Investment, 2009

Top ten Foreign Countries Investing in Iraqi Kurdistan



KRG-Iraq, 2008

Land, Crop and Livestock Data

Table 01. Kurdistan Region of Iraq: Land Details in Hectares

Governorate	Rainfed Land	Irrigated Land	Total Arable Land	Non-Arable Land	Total Land
Erbil	580,645	45,635	626,280	887,840	**1,514,120**
Dohuk	254,892	46,650	301,542	629,856	**931,398**
Sulaimania	232,700	59,299	291,999	131,020	**423,019**
Total	**1,068,236**	**151,584**	**1,219,821**	**1,648,716**	**2,868,537**

KRG Ministry of Agriculture, 2007

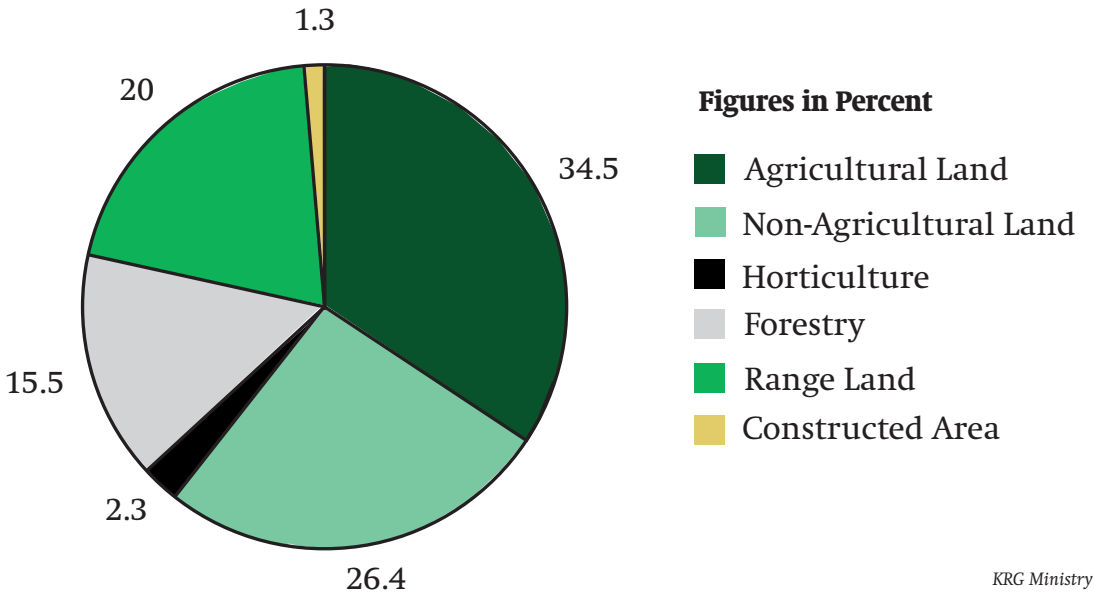
Table 02. Kurdistan Region of Iraq: Irrigated Land Classification in Acres

	Erbil	Dohuk	Sulaimania	Total
Area	6,809,200	3,928,800	6,029,600	16,767,600
Agricultural Land	2,234,342	1,093,541	2,456,533	5,784,416
Non-Agricultural Land	1,819,179	941,769	1,673,537	4,443,485
Horticulture	153,791	129,875	103,083	386,749
Forestry	1,024,825	986,661	583,301	2,594,787
Range Land	1,489,012	724,227	1,145,641	3,358,880
Constructed Area	88,051	52,727	68,405	209,183

KRG Ministry of Planning, 2008.



Iraqi Kurdistan: Investment Type



KRG Ministry of Planning, 2008

Table 03. Expected Cultivating Area of Field Crops for 2007 in Hectares

Cereal Grains	Erbil	Dohuk	Sulaimania	Total
Wheat	135,145	122,652	107,500	489,092
Barley	242,417	52,207	51,375	448,329
Maize	182	74	437	639
Sunflower	1,856	1,608	2,098	6,482
Rice	292	1,806	817	3,105

KRG Ministry of Agriculture, 2007

Table 04. Expected Cultivating Area for Main Vegetable Crops for 2007 in Hectares

Vegetable Crops	Erbil	Dohuk	Sulaimania	Total
Tomato	10,452	7,007	6,440	24,921
Cucumber	4,929	1,035	2,110	8,699
Eggplant	2,345	222	375	3,289

KRG Ministry of Planning, 2008.

Table 05. The Area of Fruit Crop in Hectares

Horticulture	Erbil	Dohuk	Sulaimania	Total
Grapes	250	1,565	N/A	1,815
Apples	450	777	N/A	1,227
Figs	300	115	N/A	415
Pomegranate	770	154	N/A	924

KRG Ministry of Agriculture, 2007

Table 06. Season Calendar for Crop Production in Iraqi Kurdistan

Crop	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Tomatoes						■	■	■	■	■		
Cucumbers					■	■	■	■	■	■	■	
Eggplants						■	■	■	■	■		
Okra						■	■	■	■	■		
Onions						■	■	■	■	■		
Squash				■	■	■	■	■	■	■		
Potatoes						■	■					■
Watermelon						■	■	■	■	■	■	
Melon					■	■	■	■	■	■	■	
Peppers						■	■	■	■	■	■	
Kidney beans						■	■	■	■	■	■	
Haricot vert						■	■	■	■	■		
Grapes							■	■	■	■	■	
Apples					■	■	■	■	■	■	■	■
Apricots						■	■					
Pomegranates							■	■	■	■	■	
Figs							■	■	■	■		
Pears							■	■	■	■		
Peaches						■	■	■	■	■	■	
Plums						■	■	■	■	■	■	
Carrots	■	■	■								■	■
Turnips	■	■	■								■	■
Beets	■	■	■								■	■
Cauliflower	■	■	■								■	■
Lettuce	■	■	■								■	■
Cabbage	■	■	■								■	■

KRG Ministry of Agriculture, 2007

Table 07. Livestock in Iraqi Kurdistan

Governorate	Horses	Goats	Sheep	Oxen	Cattle
Erbil	6,410	570,310	603,265	174	130,567
	1,722	293,265	463,550	678	67,634
Sulaimania	9,347	1,551,822	2,386,611	3,322	313,443
Total	**17,479**	**2,415,397**	**3,453,426**	**4,174**	**511,644**

KRG Ministry of Planning, 2008

Conversational Phrases in Kurdish, Sorani and Kurmanji

A few basic expressions in the Sorani and Kurmanji dialects

English	Sorani Kurdish	Kurmanji Kurdish
Hello	Rozh-bash	Rozh-bash
Good morning	Beyanee-bash	Beyanee-bash
Welcome! (on arrival)	Be kher bi(t)	Be kher hati
Goodbye	Khwa-hafees	Khwa-hafees
Thank you	Supas	Supas/Mamnoon
You're welcome	Ser chaw / Sha-ee neeya	Ser Chaava
How are you?	Chonee?	Chaawayi?
Are you well?	Bashee?	Bashee?
I'm fine, thank you	Bashem, supas	Bashem, supas
What's your name?	Naw-et cheeya?	Nav-ey ta cheeya?

English	Sorani Kurdish	Kurmanji Kurdish
My name is John	Naw-em John-ah	Nav-ey min John-ah
What would you like to drink?	Chee dakhoy?	Chi vadkhui?
Tea (without sugar)	Chai (bey shakir)	Chai (bey shakir)
Please	Zahmat Nabe	Bey Zahmat
Where is the bazaar?	Bazaar le chweya?	Bazaar la kidareya?
Where is the Khanzad Hotel?	Otel Khanzad la khweya?	Otel Khanzad la kidareya?
Yes	Aa / Balay	Aa / Balay
No	Na	Na
OK	Balay	Balay/Arey

Note: The spellings used here are transliterations from English, to make it easy for non-Kurdish speakers to read the pronunciation.

ADVERTISER INDEX

Addax Petroleum	89
Al-Tabaa General Trading Company	171
Asiacell	116
Crescent Petroleum	18
Dana Gas	36
DNO	14
Enterra Solutions International	55
Erbil International Airport	134
Forbes & Manhattan	172
GardaWorld	6
Hardam Company	28
Khatib & Alami	26
Korea National Oil Corporation (KNOC)	90
Korek Telecom	120
Kurdistan Region Trade & Investment Summit 2009	50
Le Royal Hotel	112
Ebtikar Investment (Nissan)	4
Oil & Gas Services Group	10
PricewaterhouseCoopers	35
Reliance Industries	92
Ster Group	2
Sulaimaniyah International Airport	152
Symbion Power	107
Talisman Energy	84
Taq Taq Operating Company	86
Terre Entiere	17
UKTI	142
Wan Group International	9
Western Zagros	82



شركة الطابع للتجارة العامة
Al Tabaa General Trading Company Ltd

OBJECTIVE:

To actively contribute to the construction of Iraq's economy and provide consumers throughout Iraq with good quality products at affordable prices.

PROFILE:

We are a Trade Company specialising in importing and marketing a wide range of consumer products covering the whole of Iraq.
We are proud about our selections from good quality products at affordable prices.
We have a deep-rooted firm name, our long experience and expertise have given us a great understanding of consumers' tastes, needs and concerns.
We are the agents and distributors for

S.I.Lesaffre Group France, Arab Food Industrial Co., Noon Foods England, Spartan Chemical Co., AL-Ghurair Group U.A.E, Gulson Co., Quaker Trading Co., Modern Mills and new Macaroni Factories, Jordan Valley Food Ind. Co., Soft Hygienic Paper Co., Egyptian Canning Company-Americana.

PRODUCTS:

Our products are of good quality and competitive prices. These include a wide range of yeast, improver, flour, instant soup, jelly, custard, cream, juices (liquid and powder) canned food, spaghetti, macaroni, rice, oils, pulses, instant noodles hygienic paper, cleaners and antiseptic, and many more consumer products. All these products are provided in different sizes, packaging and brands.

STORES AND MARKETING NETWORK:

We have our own warehouses, specialist stores (some cooler and refrigerator) and a fleet of vans and trucks. Our well developed systems for storage and distribution ensure high distribution efficiency. We take pride in caring for the imported products at all stages from the port or factory in all the ways to the consumer in all parts of Iraq.

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