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Foreign investment begins to pour into Iraq

By **Jim Michaels**, USA TODAY

Updated 5d 10h ago

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WASHINGTON — Foreign investment is beginning to pour into Iraq this year, fueled by a growing confidence in the country's stability.

The amount of new foreign investment deals is on track to double this year, according to a report by Dunia Frontier Consultants, which specializes in emerging markets. In the first half of this year, Iraq attracted \$45.6 billion in foreign investment, about \$3 billion more than all of last year, the report says.

The rush of investment this year reflects a new confidence in Iraq's stability and a reduction in risk, analysts say. "This is money talking," said Campbell Harvey, professor of finance at Duke University in North Carolina.

U.S. companies have been slow to get in on the investment opportunities in Iraq, even lagging behind countries that opposed the war, such as France.

Last year, French companies represented 9.9% of the foreign investment in Iraq, compared with 4.7% for American companies, the Dunia report says.

"U.S. companies tend to be more risk-averse than their European counterparts and certainly their regional counterparts," said Nicholas Skibiak, emerging markets director at Dunia.

The [U.S. Chamber of Commerce](#) has been urging American companies to consider investments in Iraq and pushing the U.S. government to more aggressively

represent the interests of American businesses in the country.

"We have invested a lot in Iraq over the last decade in blood and treasure, and it is really unfortunate if we permit our trading partners to sort of capitalize on that investment to our disadvantage," said Lionel Johnson, vice president of [Middle East](#) affairs at the U.S. Chamber of Commerce.

Skibiak said there is an "almost perverse irony" in that the [United States](#) was accused by war critics of going to war to exploit Iraq's oil and other resources and "yet as a country we have very little to show for it."

By Ahmad Al-Rubaye, AFP/Getty Images

Iraqi workers install pipes at a sewage station in Sadr City, a Shiite slum in Baghdad. It's one of several infrastructure projects underway.

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This year, U.S. companies have shown more of an appetite for investing in Iraq. In the first six months of this year, U.S. companies represented 6.4% of the foreign investment in Iraq.

'Re-evaluate the Iraqi market'

U.S. business interest is growing. Iraq's commercial attaché office in Washington received 2,251 applications to do business in Iraq in the first half of this year, compared with 1,369 in the same period last year.

Still, Naufel Alhassen, Iraq's commercial counselor in the U.S., said public perception of Iraq remain out of date.

"American business needs to re-evaluate the Iraqi market with a vision of 2011 — not with eyes of 2006 and 2007," he said.

He said Iraq's market is growing fast and that U.S. businesses risk missing opportunities. "If you keep waiting you are going to miss it," Alhassen said.

[South Korea](#) was the largest foreign investor this year, representing 24% of the foreign money flowing into Iraq, according to the report.

Businesses in the rest of the world seemed poised to exploit the market's growth. Foreign investors' confidence grew and foreign dollars flowed in after Iraq's political landscape stabilized. Following months of political fighting after national elections last March, Iraqi political leaders agreed on a government in December.

Nouri al-Maliki remained as prime minister and Oil Minister Hussain al-Shahristani was kept in the government as deputy prime minister for energy. Investors saw the continuity as a positive sign. "A lot of people through 2010 were sitting on sidelines watching the national elections," Skibiak said.

This year they came off the sidelines.

Many needs and much money

After decades of war and sanctions, Iraq's needs are great, and it has money to spend. Iraq ranks fourth in the world in proven oil reserves, and the rising price of oil has buoyed its cash reserves.

Iraq has been issuing contracts to develop its oil fields and has sought help to rebuild its decrepit electrical grid in an effort to keep up with skyrocketing demand as people buy TVs, air conditioners and other appliances.

Iraq is also facing a housing shortage. Last year, Iraq announced it was awarding a contract of \$11.28 billion to a Turkish consortium to help rebuild [Sadr City](#), a sprawling Shiite slum in Baghdad, according to the Dunia report.

The contract calls for building 75,000 homes, in addition to schools and mosques in a slum where sewage puddles in the streets and families are crammed in aging buildings.

Analysts caution that Iraq remains a risky place to invest. Corruption remains a problem, and there is always the risk of renewed violence and political instability. "The level of risk is still high," Harvey said.

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Skibiak said there is an "almost perverse irony" in that the United States was accused by war critics of going to war to exploit Iraq's oil and other resources and "yet as a country we have very little to show for it."

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US investors look for instant gratification and are not willing to stay the course, just looking for the quick buck.



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3:50 AM on July 20, 2011

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President George W. Bush and seven of his administration's top officials, including Vice President Dick Cheney, National Security Adviser Condoleezza Rice, and Defense Secretary Donald Rumsfeld, made at least 935 false statements in the two years following September 11, 2001, about the national security threat posed by Saddam Hussein's Iraq. It is now beyond dispute that Iraq did not possess any weapons of mass destruction or have meaningful ties to Al Qaeda. In short, the Bush administration led the nation to war on the basis of lies. The CBO estimated that the long-term price tag for the war will be about \$1.9 trillion or \$6,300 per U.S. citizen. 3,529 have died in combat, 35 since Operation New Dawn. 33,105 have been wounded in combat. Was it worth it? Would we as a nation have gone there if we'd known the costs that we're only beginning to pay for now? And conservatives point the finger at Obama and blame him for the debt. It's just plain disgusting.

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US investors look for instant gratification and are not willing to stay the course, just looking for the quick buck.

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investing is fundamentally based on "risk-adjusted" returns -- anything else is speculating



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buckeydebbie
6:37 AM on July 20, 2011

Score: 10

Need private sector investment in the USA and private sector jobs in the USA...not in Iraq!!

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2 replies



Seth Forman
6:37 AM on July 20, 2011

Score: 2

It looks like the "nation building" of the evil "neocons" might pay off. Though it is unlikely George W. Bush will receive any credit. Nor is it likely that critics will stop seeing the war in Iraq as anything but a selfish thrust into the heart of the middle east for oil, despite the fact that we poured billions of dollars and thousands of lives into the effort and left with nothing. Still, some good can come out of this. If it is acknowledged by the president on down that when the U.S. leads, it serves the greater good, and that when democracy is on the march, America is better off, than all of this might have been worth it. Though I would never speak for them, I suspect that many of our veteran's reading this article have a warm feeling inside.

Seth Forman

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jaxxy
6:39 AM on July 20, 2011

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Bush was right.

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GWnumber1
6:58 AM on July 20, 2011

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But liberals say the USA lost in Iraq?

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