

RPTBI

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: BAGHDAD

Country: IRAQ

THE PAST YEAR HAS BEEN, FOR IRAQ, ONE OF MANY MOMENTOUS CHANGES, WITH A CEASEFIRE IN ITS 8 YEAR LONG WAR WITH IRAN; A MOVE TO CHANGE THE ECONOMY FROM A FULLY SOCIALIST TO A MIXED ECONOMY, WITH THE DECISION TO PRIVATIZE MANY OF THE INDUSTRIES NOT ESSENTIAL TO THE WAR EFFORT; THE LIBERALIZATION OF THE IMPORT LICENCE SYSTEM BY THE INTRODUCTION OF "WITHOUT FOREIGN EXCHANGE" IMPORT LICENCES FOR MANY CONSUMER AND INDUSTRIAL IMPORTS. THE RESTRICTIVE OFFICIAL IMPORTS REGIME, COUPLED WITH AN ACCEPTABLE PRICE LEVEL FOR 2.3 MILLION BARRELS PER DAY (B/D) OF OIL EXPORTS, PERMITTED A FOREIGN EXCHANGE SURPLUS WHICH WAS USED BY THE CENTRAL MONETARY AUTHORITIES TO BEGIN PAYMENT OF ARREARS TO SOME COUNTRIES, INCLUDING CANADA. WITH THE CEASEFIRE, ATTENTION IS CONCENTRATED ON THE DEMANDS FOR RECONSTRUCTION OF THE ECONOMY. THIS WILL REQUIRE IRAQI POLICY ON OIL EXPORTS TO FALL MORE IN LINE WITH OPEC IN ORDER TO STABILIZE PRICES AND MAXIMIZE REVENUE TO PAY FOR THE ESTIMATED \$50 BILLION IN RECONSTRUCTION PROJECTS AND REPAYMENT TO WESTERN CREDITORS OF AN ESTIMATED \$25 BILLION IN SHORT TO MEDIUM TERM DEBT, AS WELL AS THE NEED TO ENSURE SECURITY BY BUILDING UP MILITARY CONSUMABLES STOCK IN THE SHORT TERM. IRAQI ESTIMATES FORESEE A NEED FOR DEFERRED PAYMENT TERMS FOR 2 MORE YEARS AFTER WHICH REPAYMENT OF SHORT AND MEDIUM TERM DEBT WILL COMMENCE. MAJOR AREAS OF RECONSTRUCTION ARE THE PETROCHEMICAL AND INDUSTRIAL AREAS IN THE SOUTH (BASRA) AND THE OIL PRODUCTION SECTOR. SOME CREDITS ARE REPORTEDLY AVAILABLE FOR THESE PROJECTS FROM KUWAIT AND THE GULF, AND CREDIT AVAILABILITY IS REPORTEDLY IMPROVING AS A RESULT OF THE END OF ACTIVE HOSTILITIES AND SOME IMPROVEMENTS IN PAYMENTS PERFORMANCE. AVAILABILITY OF CREDITS WILL DETERMINE THE EXTENT TO WHICH CANADIAN FIRMS WILL BE ABLE TO PARTICIPATE IN THE RECONSTRUCTION AND DEVELOPMENT EFFORTS IN IRAQ. SIGNIFICANT BENEFIT TO CANADA WILL RESULT FROM THE GENERAL MOTORS ASSEMBLY PROJECT, WHEN FINALIZED, SINCE MOST OF THE PRODUCT, BOTH FULLY ASSEMBLED AND KITS, WILL COME FROM GMCO CANADA. A POSITIVE RESULT OF THE REVIEW BY FDC OF ITS POSITION WILL OPEN THE DOOR TO EXPANSION OF TELECOMMUNICATIONS, OIL AND GAS EQUIPMENT AND SERVICES, INDUSTRIAL AND AGRICULTURAL EQUIPMENT EXPORTS AS ALTERNATIVES TO U.S. SUPPLIERS. THE INVESTMENT PROGRAM WILL CONTINUE TO BE ON A RESPONSIVE BASIS. SHOULD THE IRAQI GOVERNMENT REGULATIONS WHICH CURRENTLY PROHIBIT IRAQI CITIZENS FROM NON-ESSENTIAL TRAVEL ABROAD BE RELAXED, THERE MAY BE A REQUIREMENT TO PROVIDE EXPANDED RESPONSIVE SERVICES TO TOURISTS.