

Iraq shows off its potential



GTR: What is Trade Bank of Iraq's key role? Why was it established?

Al-Uzri: The Trade Bank of Iraq (TBI) was established in July 2003, initially to facilitate Iraq's international trade and the reconstruction of the country after the expiration of the UN Oil-For-Food Programme.

Now, the purpose of the bank is to be a catalyst for the regeneration of the Iraqi economy and banking sector, and a force for modernisation. TBI's focus is trade finance but its activities in project finance are increasing. Moreover, the bank is developing a growing retail dimension.

GTR: How successful has it been?

Al-Uzri: TBI has had another record year. In 2008, net profits increased by 41% from US\$254.8mn to US\$359.3mn. Net operating income increased by 51% from US\$296.6mn to US\$447.1mn and total assets increased by 64% from US\$6.1bn to US\$10bn. Moreover, authorised share capital rose from US\$100mn to US\$427mn.

We have also seen a 36% increase in government sector letters of credit (LCs) issued through TBI in 2008; and a 47% increase in private sector LCs issued through TBI.

After two successful development phases: 'establishment' and 'growth', the bank is now entering a third phase which we describe as 'building an institution'. The bank has built a professional base of highly competent staff whose number now exceeds 470. This is an increase of 25% from 2007, due to an increase in the volume of work as well as the opening of two new branches.

TBI now has eight branches and we are looking to open seven to eight more branches in 2009. We face the future with confidence.

GTR: What have been some of the big success stories for the bank over the last 12 months?

Al-Uzri: A recent and significant milestone for the bank was its staging of the first international banking conference on Iraqi soil in decades. This was a major

event and was fully sponsored by TBI. Our aim here was to encourage international banks to invest in Iraq and to establish correspondent relationships with Iraqi private sector banks. Over 10 countries were represented, including leading countries from Europe, North America, and the Middle East. Representatives from Iraqi institutions such as Rashid Bank and Rafidain Bank mingled with delegates from other Middle Eastern banks, as well as JP Morgan and Citigroup.

One of the best outcomes of the event was that now the Iraqi private sector banks will enjoy a significant increase in the amount of business than previously allowed by the ministry of finance. TBI has been supporting a new directive which would allow it to share double the value of LCs with private sector banks – US\$4mn, up from US\$2mn – and in January of this year, the ministry of finance approved this directive.

We believe that revitalising the private sector is a key means of achieving a healthy, sustainable economy for the country. Also in the last 12 months, we have seen the fruits of one of our project finance ventures.

Despite an increase in violence in Iraq during April, the country is continuing its efforts to attract vital investors. One of the key players in supporting Iraq's development is the Trade Bank of Iraq (TBI). The bank's chairman, Hussein Al-Uzri, tells GTR that Iraq is witnessing falling inflation, a developing market economy, and improved security, arguing that 2009 could be a turning point for the country's economy.

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TBI part-financed a power plant project in Erbil, in Iraqi Kurdistan, and now residents are receiving 24 hours' electricity per day for the first time in decades. Previously, residents were getting an average of four hours' per day. We are proud to have helped give the Iraqi people this basic necessity which most of us take for granted. We have a similar power plant project in the pipeline for this year in Sulaimaniya.

GTR: What are the main challenges facing the bank?

Al-Uzri: 2009 is an important year on a political level for Iraq, as the elections will take place at the end of the year. It is equally an important year for the economy and, more specifically, the banking sector. We recognise that there are some economic challenges ahead, including the fall of the oil price. For us, the main challenges are to continue to stimulate and grow the Iraqi banking sector and to help attract further international investment into the country. A specific challenge for TBI will be to win the battle against old habits and preconceptions. For the past few decades, Iraq has been cut off from the rest of the world, economically and financially, and we therefore have to work to put Iraq back onto the investment map. Not to mention persuade Iraqis of the trustworthiness of our banks – the era of 'money under the mattress' must come to an end.

I make it a personal challenge to open

investments routes and foster Iraqi relationships with the international investment community – an essential ingredient for the reconstruction of my country and a thriving society.

GTR: Is the economy expected to stabilise and grow?

Al-Uzri: While uncertainty has spread in the world economy, it is fair to say that Iraq has been mostly spared from the impacts of the credit crisis. The general economic picture has substantially improved. I have been asked to summarise the economic situation in Iraq many times and my answers always revolve around the two key words or phrases: 'growth' and 'investment opportunities'.

Inflation came down from 17% to 12% in 2008 and major steps have been taken to open up the oil sector to international oil companies. Iraq's trade volumes continue to grow and substantial investment opportunities are emerging.

Iraq is slowly but confidently moving from a state-controlled economy to a market economy. One of the main things which used to hold back investors and the international banking community from enjoying the favourable economic climate in Iraq was the security situation. Now more than 85% of the country has an acceptable security level which has opened Iraq up for business.

GTR: What are the advantages or selling points for businesses or banks to work – a) with TBI; b) in Iraq?

Al-Uzri: At TBI we are one of the go-to people for investment in Iraq. We understand both the local and western investment mentalities and are experienced in working with both to achieve high returns in business.

Obstructions to efficient business in Iraq are successfully being removed. The government is doing everything possible to help the country's private sector flourish and, through an open trade and investment regime, an investor-friendly business environment is developing. Various legal regimes have been put in place to attract foreign investment. Today, foreign investors are granted the same rights as national investors with regard to their investments. Iraq's new investment law, approved in 2006, guarantees a climate where foreign investment is facilitated.

GTR: Which sectors offer the most opportunity for investors?

There remains a great need for infrastructure development in Iraq. Iraq is 30 years behind the rest of the world when it comes to roads, railways and property. These are some of the main areas and represent a significant investment opportunity. **GTR**

Mandelson addresses Iraq conference in London

Speaking at the first 'Invest in Iraq' Conference hosted in London at the end of April, UK business secretary Lord Mandelson outlined the importance of the trading relationship between the UK and Iraq.

Mandelson emphasised his wish to strengthen the UK's position as a trade partner of choice in Iraq. According to Mandelson, the conference is a "call to action for those British businesses not yet aware of the opportunities on offer and likewise, the Iraqi firms that can grow through trade with the UK". During his address at the conference, Mandelson reports that despite the challenges that remain in Iraq, the security situation has improved and a more stable business environment has already attracted some leading UK firms. Mandelson explains that through the department of international development (DFID) 19 visits by potential investors to Iraq have been organised, resulting in proposals worth US\$10bn.

Despite the tough global conditions, British exports of goods to Iraq increased by 17% last year to £156mn. Mandelson stressed his desire for more UK firms to follow those already working

there. "British business has the expertise and experience to help complete the big infrastructure projects essential to Iraq's ambitions for the future.

"From construction to healthcare; water to transport; power to security; banking and insurance, British skills and technology can help the Iraqi people develop key sectors across their economy." Mandelson announced that, after his speech, a new MoU on economic cooperation will be signed. "This will establish annual trade and economic talks between the UK and Iraq and set out our priorities for engagement.

Earlier this month, Mandelson led the first British trade delegation in two decades to Iraq, where he met with Prime Minister al-Maliki, Deputy Prime Minister Salih and other Iraqi ministers to discuss strengthening trade links.

The business secretary was joined by representatives from 23 British companies. At a press conference during his visit, Mandelson called on UK businesses to "seize the opportunity" of investing in Iraq.

The Invest in Iraq conference was sponsored by the Trade Bank of Iraq.