

The Kurdistan Region A Bright Future in the Other Iraq

Special report prepared by Strategic Media

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CONTENTS

- 1 Introduction by President Masoud Barzani
- 2 Interview with Prime Minister Nechirvan Barzani
- 7 Omer Fattah: Development with Determination and Vigor
- 8 The Boom: Investment in the Kurdistan Region
- 11 Foreign Relations: Reaching Out to the World
- 11 Reform: Women Expand Their Horizons
- 12 Korek Telecom Acquires National Coverage

The Kurdistan Region

A Bright Future in the Other Iraq

Visitors to the Kurdistan Region find it hard to reconcile the peace and development they encounter with the violence seen in the rest of Iraq. This special report examines the reality on the ground in the one part of Iraq that is not only functioning, but flourishing.

Introduction by President Masoud Barzani

The Kurdistan Region of Iraq has made significant progress since the liberation of 2003. Through determination and hard work our Region really has become “the other Iraq.”

Our future has not always looked so bright. During the previous regimes our people suffered through attempted genocide. We were militarily attacked, and politically and economically sidelined.

In 1991 our Region achieved a measure of autonomy when we repelled Saddam Hussein’s ground forces, and the international community established the no-fly zone to protect our airspace.

However, it was only in 2003 that our people truly escaped the threat of totalitarianism. The liberation by US and coalition forces was a just and courageous decision. We in the Kurdistan Region are proud to have fought side by side with our allies to achieve this noble goal. The removal of Saddam Hussein was welcomed all over the country, but nowhere more so than in the Kurdistan Region.

In the periods since our liberation we have avoided many of the problems experienced in the rest of the country. Our political parties have formed a government of unity and are focused on cooperation and development; our private sector attracts good foreign direct investment; and our Region is unbloodied by sectarian violence. Above all, our people are tolerant and patient. As past victims of the worst kind of oppression and violence, we understand more than most the dangers of sectarian and ethnic violence and we will not allow their development here.

We are committed to being an active member of a federal, democratic, pluralistic Iraq, but we prize

the high degree of autonomy we have achieved.

Our people benefit from a democratically elected parliament and Ministries that oversee every aspect of the Region’s internal activity.

We understand that the private sector is

the key to long term growth and development. Our role is to create an environment that will attract investment, and enable it to flourish. In July 2006 the Kurdistan National Assembly passed the Investment Law. This provides significant incentives, tax and otherwise, to foreign businesses working in our Region. In August 2007 the Kurdistan Oil & Gas Law was passed. This will ensure the best international energy companies will invest in our Region and that the shared resources will be used for the benefit of the peoples of the Kurdistan Region, and indeed the rest of Iraq.

We have made good progress, on many fronts and in short time, but there remains much to do. Peace, freedom, democracy, and prosperity are simple words for concepts which are difficult to achieve. We are undeterred by this difficulty. Past hardship has steeled us to the task ahead. We are moving towards a bright future. We hope you will come and share it. ■



President Masoud Barzani

Interview with Prime Minister Nechirvan Barzani

Q: What political, economic and security changes have occurred since 2003?

Following the 2003 liberation, we in the Kurdistan Region chose to remain part of Iraq. We played a leading role in drafting the new Constitution and continue to actively partner with the federal government in Baghdad.

The future stability of Iraq depends on creating a federal state. This is a new concept for the country, and no one expects the transition to be easy. Federalism is a practical solution for a country made up of a variety of different peoples and a way to harness different opinions for the greater good. It is employed throughout the world in places such as Switzerland, the United Kingdom, Belgium, the United Arab Emirates, and the United States. It is a model that will work here as well.



Prime Minister Nechirvan Barzani

“The fall of the regime has ushered in an era of prosperity”

The people of the Kurdistan Region enjoy a stable and forward looking government formed in 2006 with participation from all parties. This government is determined to be responsive, receptive and above all accountable to the people. It represents all sectors of our society: Kurds, Assyrians, Persians, Turkmen, Muslims, and Christians.

Our economy is transitioning from a socialist command model dependent on the central government, to a free market economy. We inherited a deplorable economic situation. It is no surprise that a regime that slaughtered our people and destroyed our villages did not invest in our economic infrastructure. Our once flourishing agricultural sector

was destroyed by forced relocation from rural to urban areas.

We are now experiencing an era of unparalleled confidence. Before we hardly traveled within our region, now our businessmen fly to China, Dubai, the United States and Europe. The outside world had no idea of who or where we were and now we see faces from every race in our Region. This interaction energizes our Region and gives us great hope for the future.

Rapid economic growth brings its own challenges, but we now have the tools to promote economic growth. We are in charge of our destiny, and determined not to squander the opportunity.

Our security situation is far better than that of the rest of Iraq. But, terrorists need only three things – money, a willing participant and a location – to create devastation. Nevertheless, our security forces enable our people to go about their daily lives with confidence. The security situation in the Region is under our control and the terrorists are on the defensive.

Q: What is your vision and strategy to develop the Kurdistan Region?

Today is a time for invention, a time to provide opportunities to the talented. Our generation has a golden opportunity to participate in the reconstruction and development process. We aspire to subways and skyscrapers, but the primary focus must be developing our human resources. Economic investment and infrastructure development will be for naught if the people of our Region are not educated, trained, and motivated.

We must create a competitive education system. For over twenty years Iraq was isolated from the rest of the world. We now have to bridge that gap, inspire our youth, and equip them with the knowledge and means to effect change.

We must also develop our cultural attitudes. Our culture is the source of our character and strength, but certain aspects have no place in a developed society. I think particularly of the attitude of some towards women. The empowerment of women is a key objective of our government.

Attracting foreign direct investment is very important as the private sector must be the engine of sustainable growth. In 2006 we passed an Investment Law to encourage foreign business to invest. Already, this has encouraged two billion dollars of investment and we expect this to rise to five billion dollars soon. Furthermore, in August 2007, we passed the Kurdistan Region Oil and Gas Law to regulate our energy sector, and encourage growth.

In order to convince foreign businesses that our Region is the right place to invest, we need to ensure that the Rule of Law is uniformly implemented. Without respect for the law we cannot become a socially progressive, modern and civilized society, a politically stable community, or a developed commercial or economic entity. We are working hard to create a strong and independent judicial system.

To flourish, a people also need a responsive and diligent government. In the past, government was viewed as a kind of bank – something that dispensed handouts. I want to create a government that empowers the people of the Region to believe in themselves, one that equips them with tools to flourish, and creates a place for them to do so.

Furthermore, we must create an active civil society. Our Region will benefit from the dialogue and cooperation which civil society can provide.

All of this must take place in a secure and free environment. Without democracy and human rights all the development in the world would not be worthwhile. People do not emerge from the decades of persecution under a dictatorship with all the answers at their fingertips. What is important is that we are truly dedicated to the goal. We are working to identify our mistakes and to resolve them and to make progress.

Q: How would you describe your relationship with the United States?

The United States will always occupy a special place in the hearts of the people of our Region. It is no exaggeration that the liberation of 2003 saved us from a man who desired nothing less than our annihilation. We owe the Bush Administration a debt of gratitude that we will probably never be able to repay.

But today our relationship with the United States is that of a one sided love affair. We love America and the American people, and we welcome them here. We consider them our friends and strategic allies. However, America seems to be unaware of this. In

“The United States will always occupy a special place in our hearts”

a sense, we are the victims of our own success. The US's attention has been turned to the more spectacular difficulties experienced by the rest of the country.

We feel we have been taken for granted. The United States has spent tens of billions of dollars attempting to re-build Iraq. Very little has made its way to the Kurdistan Region.

We are determined to continue to help the United States make progress. The Kurdistan Region is an American success story. Our achievements would not have been possible without the support of the United States, which has protected us for fourteen years.

What is happening in the Kurdistan Region, democracy, freedom of speech, economic develop-

ment, is exactly what the world hoped for with the removal of the dictator. We are creating a stable democracy in the Middle East. I do not understand why this is not acknowledged more often. At times there seems to be a news blackout on our Region. But we are hopeful that things will improve and that the US and the rest of the world will take notice of our success and embrace us as partners.

“What is happening here – democracy, freedom of speech, economic development – is exactly what the world hoped for with the removal of the dictator”

Q. The debate on US troop withdrawal is progressing. What are your thoughts on the situation?

The debate surrounding withdrawal strengthens the anarchist's belief that their strategy is working and that soon they will be able to operate with impunity. I believe that a US military withdrawal would be a disaster for Iraq. It would plunge the country into further violence, and allow terrorists to use the area as a safe base of operations. This would have negative consequences for Iraq, and for Europe and the US.

However, I also believe the US should not continue to shoulder the lion's share of the burden. Iraqis need to deal with Iraq's problems. It is time we were accountable to our people.

Q. The security situation in the Kurdistan Region is still associated with that of the rest of Iraq and few countries have modified their travel advisory. Does it hurt to see this?

Of course. The US Department of State's travel advisory groups the Kurdistan Region with the rest of Iraq. Because of this, people expect to see burnt out cars and armored vehicles on the streets. When they see open markets and the hustle and bustle of city life instead, they are shocked. The US should follow the example of the British Government and other countries who have revised their travel advisory to reflect the relative peace and security of the Kurdistan Region. This is a point of economics, not pride. Insurance companies have tripled their insurance policies because they do not distinguish between Erbil and Baghdad. This deters businessmen from coming to the Region and hinders our development.

Q. The Kurdistan Region is landlocked and bordered by Iran, Syria and Turkey. How would you describe your relationship with your neighboring countries and how would you like it to develop?

Historically, our neighbors have agreed on one thing – the Kurdish situation is a problem. Because of this, we have learned to be cautious in our relations. However, the Kurdistan Region has been semi autonomous for fourteen years and our neighbors understand that we do not pose a threat to them. There is no reason that our ties – political, economic and social – cannot be excellent. Neighboring countries are investing heavily in our



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The Kurdistan National Assembly - Seat of the Region's government of unity.

Region. Turkey is especially important in this regard. It is our largest single investor. We believe that these commercial ties are not only economically beneficial, but also build a level of trust that would otherwise be absent.

Q. The Iraq constitution mandates a referendum on the status of Kirkuk before the end of 2007. What are your views on this?

The Constitution of Iraq does mandate that by the end of this year the people of Kirkuk should vote on whether to become part of the Kurdistan Region. The road map to implementation is contained in Article 140. This is an important issue for us and was one of the key conditions of our support for a strong and unified Iraq. We desire a peaceful, legal, constitutional and long lasting solution to the problem of the disputed territories that rights the wrongs of the former regime.

A delay in implementing Article 140 will play into the terrorists' hands and heighten sectarian tensions and destabilize our Region.

Our problem in Kirkuk is two fold. First, some think that the Kurdistan Regional Government desires Kirkuk because it sits atop significant oil re-

serves. Second, some of our neighbors are inflaming the issue by promoting sectarian tensions. The point about oil is easily dealt with. Oil revenues are to be shared by all of Iraq, and the Kurdistan Region will get 17 percent of that revenue. Thus, our control of Kirkuk would not affect the amount of revenue we get from oil.

As to the second point, some of our neighbors feel that if Kirkuk becomes part of the Kurdistan Region, we will declare independence. I have said many times before that we are dedicated to creating a viable Iraq. We are not about to declare independence.

“Kirkuk is not about oil or independence; it is about justice and self determination”

We believe that the vast majority of the citizens of Kirkuk desire to be part of the Kurdistan Region. We believe that a democratic system listens to its people. This is why we support a referendum and have pledged to abide by its outcome. ■



KURDISTAN REGION WE ARE OPEN FOR BUSINESS

Strategic Location – Your Gateway to Iraq

A market of 27 million people

Security and Stability

An excellent security situation since 2003

Growing Economy

Steady growth and abundant natural resources

Unparallel Investment Opportunities

Agriculture, Banking, Communications,
Construction, Education, Energy, Health Care,
Professional Services, Oil and Gas, Tourism

Government Support and Incentives

Attractive investment law offering security,
support services, legal guarantees
and strong incentives:

- 10 year Tax Exemptions
- Full ownership of Capital and Land
- Allocation of Plots of Land by the Board of Investment
- Entitlement to Transfer of Profits Abroad

Friendly and Rich Culture

The natural friendliness and hospitality of the people of the Region, coupled with a strong desire to develop and an excellent work ethic, make the Region's business environment one of the most attractive in the Middle East

Good international air links and communications



Omer Fattah: Development with Determination and Vigor

While oil and gas, agriculture, and tourism will all play an important part in the development of the Region, Omer Fattah, the KRG Deputy Prime Minister, believes that, “The key underlying factor in our development, are the people of the Kurdistan Region. They are eager to grasp this unprecedented economic opportunity. After being denied this for so long, they are embracing the tough task of reconstruction and development with determination and vigor.”

According to the Deputy Prime Minister, the people are also instrumental in maintaining the peace of the Region, “Unlike in other areas of the country, the population here trusts their security forces. We have had very few terrorist attacks because the people work hand in hand with the government to deny the terrorists a base. Without

a base, terrorists cannot commit their atrocities or indoctrinate our youth.”

This stability has created confidence within the international community, especially in the banking sector. In 2005, the Kurdistan International Bank (KIB) was established with a sizeable capital of \$14 million. KIB Chairman of the Board Salar M. Hakem says that the bank is expanding in the Kurdistan Region and Iraq, developing its retail and investment services. We have strong relationships with international institutions such as Citibank and Dresden Bank, and have established a partnership with Western Union. Mr. Hakem adds that KIB constitutes a serious and reliable partner for investors and provides financial consultation for all who seek to participate in the development of this highly promising Region. ■



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The Boom: Investment in the Kurdistan Region



Herrish Muharam, Head of the KRG's Board of Investment characterizes the July 2006 Kurdistan Region Investment Law as, "One of the world's most comprehensive and investor friendly investment laws because it offers generous incentives to outside investors, including the right of full property ownership, tax and customs duty exemptions, repatriation and partnerships."

Mr. Muharam points out that the Law does not require foreign companies to partner with local ones, but that, "Local businessmen can help international investors with human capital and their experience of doing business in the Region while foreign partners can provide insight into the global marketplace and modern business techniques to produce a fruitful and mutually beneficial partnership."

Othman Shwani, Minister of Planning, has created a 20 year Investment Master Plan to guide

investment and development in the Region. One of the main planks of the Plan is the reinvigoration of the agricultural sector. The Kurdistan Region has vast water resources, fertile land, excellent weather conditions, and abundant manpower. The Region intends to develop the agricultural sector to become self sufficient, and then to supply the rest of Iraq as well.

In order to facilitate foreign investment, a new international terminal is under construction at Erbil International Airport. This will have the capacity to receive three million passengers a year and a 4.8-kilometer runway, long enough to accommodate the new Airbus A380. Not only will this encourage visitors to the Region, but it will also enable Erbil International Airport to become a mid-hub for flights from Europe to the Middle East and from the Middle East to Asia. ■

Natural Resources – A Rich Bounty

Beneath the gently undulating lowland areas of the Kurdistan Region lies the rich bounty of largely unexplored and unexploited oil and gas reserves. Ashti Hawrami, Minister of Natural Resources, points out that "There are 70 prospects in the Region that will soon be put out for competitive bidding. Beyond this, it is believed that beneath the Region lie 35 billion barrels worth of crude oil yet to be discovered. Within three years, we expect to be producing one million barrels plus per day."

In the past, governments in Baghdad have left the Region's natural resources untapped to ensure the area's economic stagnation. In order to reverse this course, the Kurdistan Regional Government passed the Kurdistan Region Oil and Gas Law in August 2007. This historic move highlights the

KRG's desire to lead by example in the new Iraq. Under the country's constitution, oil and gas management is primarily a Regional right, and the main features of this Law are in line with Iraq's draft oil law. Dr. Hawrami, points out that, "The Law not only affords the Kurdistan Region a clear and transparent legal structure for negotiations with investors; but it also benefits the rest of Iraq as, consistent with the constitution, the law requires the Kurdistan Region to share revenues from oil and gas development with the Federal Government in Baghdad."

The passage of this Law is the final boost needed for global energy companies to enter the Region and partake in one of the world's newest and most exciting energy opportunities. ■

www.krg.org



Kurdistan Regional Government
Ministry of Natural Resources

Oil & Gas

Invest in tomorrow's energy today

The Kurdistan Region is aiming to produce 200,000 barrels of oil per day by the end of 2008, and up to one million barrels per day within five years.

In a world of rising energy demand we are looking for experienced, reputable and capable investment partners with the expertise to help manage our resources in a prudent, modern, open, sustainable, and environmentally sound manner.

The Kurdistan Region is open for business.



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FIRST EXPLORATION IN DECADES IN IRAQ



Introduction

DNO, a Norwegian upstream oil company, signed two Production Sharing Agreements with the Kurdistan Regional Government (KRG) in June 2004. A Memorandum of Understanding was established with the Ministry of Oil in Baghdad which focused on comprehensive training and higher education of Iraqi personnel. The joint effort and cooperation with the KRG and local service providers have made it possible to complete the initial exploration and development work in record time.



Tawke Discovery

The discovery was inaugurated by the Prime Minister of the Kurdistan Region, HE Nerjervan Barzani, on the 29th November 2005. A few days later the rig penetrated the first of several oil bearing reservoirs in this geological structure. Well tests from this discovery well concluded that the Tawke oil field was commercial.



Field Development

A key objective for DNO was to install an early production system which allowed the field to be produced as early as possible. There is great demand for crude oil and petroleum products in Iraq to satisfy the internal needs of the people and the local industry. DNO is at the forefront of the energy business in the Kurdistan Region and has an obligation to assist in developing local infrastructure within the petroleum sector.



A Future with Challenges

DNO will continue its focus on exploration work within its areas of interest in the Kurdistan Region. Two high capacity drilling rigs will continue drilling exploration targets over the next years to come. Continued efforts will be made on training of Iraqi personnel and making use of the local resources available. DNO will support local service providers who wish to establish themselves in the Kurdistan Region with the support of international contractors.



Foreign Relations: Reaching Out to the World

In the past, it may have been true that the mountains were the Kurd's only friends. But today, the KRG is promoting ties with countries all over the world. Leading this effort is Falah Mustafa Bakir, Head of the Department of Foreign Relations (DFR).

The DFR is the main point of contact between the KRG and the many offices maintained by foreign countries in Erbil. The governments of Austria, the Czech Republic, Germany, Italy, Russia, South Korea, the United Kingdom and the United States all maintain diplomatic missions in the capital of the Kurdistan Region.

Minster Bakir's mandate is to, "Promote a prosperous federal region that enjoys good relations with its neighbors and the world at large." In line with constitutional right, Bakir says that, "The KRG is determined to present itself to the outside world and foster good relations with those who share our views on the values of democracy, civil society, the Rule of Law, good governance, respect for human rights, and those of women."

In conjunction with the Board of Investment, the DFR is instrumental in facilitating and organizing the

visits of foreign business and political delegations to the Region. "The DFR is the front door to the Kurdistan Region, and we are always open," says Bakir. ■



President Barzani, Minister Bakir, Secretary of State Condoleezza Rice

Reform: Women Expand Their Horizons

As a young entity, the KRG benefits from a clean start and the ability to learn from the experiences of other developing areas. The KRG is determined to promote a wide ranging and clear-sighted modern social development program. Furthermore, the KRG understands that such reform is a precondition for foreign government aid, and investment from global top-tier companies.

The creation of civil society organizations, a strong and independent judiciary, a reinvigorated educational system, the eradication of corruption, and the promotion of women's rights are top priorities.

Dr. Jinan Qasim, Minister of State for Women's Affairs points out that, "25 percent of the members of Parliament are women, and three cabinet ministers are women – this is a solid first step, but the Government is determined to do more." "The very existence of my office is evidence of our determination to help elevate the role of women, until last

year there was no such office," says Dr. Qasim. Dr. Qasim and her staff spearhead the KRG's coordination on women's matters with UN agencies, and local and international NGOs.

The KRG has passed laws to prosecute violence against women and the President and Prime Minister are leading an open debate to promote the position of women so they can participate in every aspect of the Region's development. In particular, the Prime Minister has clearly and repeatedly condemned as nothing less than murder the practice of so called "honor killings."

Minster for Anfal Affairs, Ms. Chnar S. Abdullah, believes that, "A genuine desire for change exists in the leadership and this desire is beginning to have a transformative effect on the population." She adds that, "The Kurdistan Region is changing from a male dominated society to one where women are playing a more active role in politics, society and the economy." ■

Korek Telecom Acquires National Coverage

Signals of great potential are being transmitted from the KRG. A testament to private sector possibilities is the grand feat achieved by Korek Telecom. Having started its GSM services in the Kurdistan Region in 2001, the mobile telephony operator overcame many difficulties to attain 1.5 million subscribers in the capital Erbil and the province of Duhok. Korek Telecom Chairman and Founder Serwan Mustafa's vision of Kurdistan is that of a developed and modern region. "I see the Telecommunications sector of the Kurdistan Region and that of the rest of Iraq as a promising market with vast investment opportunities for local and foreign investors," says Mr. Mustafa. The country of 26 million had around 8 million mobile phone users at the end of 2006, according to Iraq's telecommunications regulator.

Korek plans to add 4.8 million customers to its network in the next five years, and this September it reached a milestone in its expansion plans. Having secured one of the three Iraqi mobile

licenses for \$1.25 billion, Korek entered into a joint venture with Orascom Telecom which has been active in Iraq since 2003. Orascom will hold 70 percent of the venture and Korek 30 percent, giving the cooperation a 40 percent market share. Korek is currently building its sleek modern "Dubai-style" Korek Tower headquarters, which when completed will be Iraq's tallest building. But with this venture it will be able to offer the same unprecedented level service nationwide as it does in the KRG, proving that the region's qualities are not only aesthetic, but rich with substance. ■

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