IRAQ

TRADE SUMMARY

U.S. goods exports in 2014 were $2.1 billion, up 4.2 percent from the previous year. Corresponding U.S. imports from Iraq were $13.7 billion, up 3.0 percent. The U.S. goods trade deficit with Iraq was $11.6 billion in 2014, an increase of $320 million from 2013. Iraq is currently the 61st largest export market for U.S. goods.

The flows of U.S. foreign direct investment (FDI) in Iraq was $1.8 billion in 2013, up from $468 million in 2011 (FDI flows for 2012 have not been published).

Membership in the World Trade Organization

Iraq is not presently a member of the World Trade Organization (WTO). In 2004, the WTO established a Working Party to examine the terms and conditions for Iraq's accession to the WTO. Iraq submitted its Memorandum on the Foreign Trade Regime in September 2005. The Working Party met for a second time in April 2008 to continue the examination of Iraq's foreign trade regime, but has not met since. The United States continues to play a role in providing technical assistance for Iraq's preparations for WTO accession negotiations.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Iraq's mandatory technical regulations are often based on standards that are technologically obsolete. Although Iraq is in the process of updating its standards and increasing its participation in international bodies that develop standards, its adoption of modern international standards is still limited.

Sanitary and Phytosanitary Barriers

On May 5, 2013, Iraq's Advisory Committee for Food Safety issued Decision 183, which declared U.S. beef ineligible for import due to bovine spongiform encephalopathy (BSE) concerns. The United States requested that Advisory Committee rescind its decision and lift the ban on U.S. beef. In March 2014, the government of Iraq agreed to lift the ban, but imposed restrictions on the cut and age of beef imports. Moreover, the government of Iraq refuses to accept USDA form 9060-5, USDA's standard meat and poultry export certificate, which had been accepted prior to the ban. Additionally, Iraq requires U.S. exporters to comply with cumbersome precertification and consularization requirements, adding costs and delays.

IMPORT POLICIES

Tariffs

On January 2, 2014, Iraq started the first phase of implementation of a 2010 tariff law, which replaces the across-the-board 5 percent tariff rate enacted a decade ago by the Coalition Provisional Authority with a much broader scale of some lower, but mostly higher, tariff rates. The law establishes rates on agricultural goods ranging from zero (for seeds), to 50 percent (for pork products, sugar, and tobacco), to 80 percent (for water and beverages). Tariffs on industrial goods range from duty free (some stones, minerals, organic and inorganic chemicals, dyes, rubber, wood pulp, some paper, locomotives, and aircraft), 5 percent to 15 percent (pharmaceuticals), 10 percent to 20 percent (apparel), 30 percent (bicycles, motorcycles, various electrical goods, electronic, information technology goods, and finished plastics), and 40 percent (carpets). Calculating the tariff rates remains a challenging process, involving cross-referencing a December 10, 2013 Council of Ministers decree with the 2010 tariff law and factoring in temporary tariff ceilings, if any. Most non-luxury imports receive a tariff waiver and are taxed at the previous 5 percent tariff rate. The Iraqi government has stated that it intends to implement fully the 2010 tariff law in phases, but it has not decided the timing or details of the next phases. The Kurdistan Regional Government applies the Iraqi government's new tariff regime as well. U.S. companies that produce goods in Greater Arab Free Trade Area (GAFTA) member countries report that they generally do not receive preferential tariff rates under GAFTA when importing products into Iraq.

Customs

U.S. companies doing business in Iraq consistently identify complex customs regulations as an impediment to trade with, and operations in, Iraq. Goods imported for sale in Iraq as well as items and equipment necessary for companies' own operations face long and unpredictable delays clearing customs

Companies exporting to Iraq face lengthy and burdensome delays and must expend funds and manpower to obtain Certificates of Origin (COOs) for their products. To obtain a COO, U.S. companies must obtain clearances from a local chamber of commerce, the governor of the relevant State, and the U.S. Department of State, as well as the approval of the Commercial Attaché's Office at the Iraqi Embassy in Washington D.C. Imports of foodstuffs require additional approvals from the Iraqi Consular Section in Washington and face complex and inconsistently enforced labeling requirements. The Iraqi COO requirement is especially onerous for complex equipment that includes parts from many countries. The U.S. Government is working to assist the government of Iraq in eliminating these kinds of measures and continues to stress to the government of Iraq that many countries in the region have stopped requiring COOs or limited their use for only those products for which preferential tariffs under preferential trade arrangements are sought. These kinds of measures appear to reflect antiquated trade policies and overlapping ministerial jurisdictions, rather than deliberate efforts to discriminate against foreign imports.

GOVERNMENT PROCUREMENT

There are significant challenges to the Iraqi central government's ability to tender. The Iraqi government faces institutional capacity problems on issues including due diligence and project awards, approvals, implementation, financing, and payment. Many U.S. companies report that the tender process differs greatly depending upon the ministry involved and bidders often complain that award decisions are not transparent. The United States is providing technical assistance to address some of these weaknesses. The Provincial Powers Law, as amended in 2013, gave provincial governorates funds and authority to tender local projects. Capacity varies among provinces and could complicate procedures for U.S. investors. Corruption across government institutions remains a concern.

For information on Iraqi government procurement policies related to the Arab League Boycott, please see the Arab League Boycott section.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Iraq currently does not have adequate statutory protection for intellectual property rights (IPR). The government of Iraq is in the process of developing a new IPR law to address certain obligations in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The draft law covers patents, trademarks, and copyrights. Strong implementing regulations will be needed to consolidate IPR protection and enforcement functions, which are currently spread across several ministries, into a "one-stop" IPR office. The Central Organization on Standards and Quality Control (COSQC), an agency within the

Ministry of Planning, handles the patent registry and the industrial design registry; the Ministry of Culture handles copyrights, and the Ministry of Industry and Minerals houses the office that registers trademarks. The new draft law has been stalled in the constitutional review process since mid-2007. The government of Iraq's ability to enforce and protect IPR remains very limited.

INVESTMENT BARRIERS

In 2014, the National Investment Law was formally amended, in an effort to clarify the role of the National Investment Commission and the steps involved in obtaining a formal investment license, a process that is currently a source of delay and confusion in the approval of investment projects. More generally, potential investors face laws, regulations, and administrative procedures that continue to make Iraq's overall regulatory environment opaque. Obtaining licenses in the Iraqi Kurdistan Region (IKR), for example, requires application at branch offices in each governorate, while Iraqi government line ministries may require additional approvals which can delay or prevent potential investments in a particular province from moving forward. Although Provincial Investment Commissions (PICs) and a National Investment Commission (NIC) are charged with assisting investors, their staff often lack training and expertise, and are still establishing their operations to serve as effective "one-stop shops" for investors to ease their entrance into the Iraqi market.

Iraq's Legislative Action Plan for the Implementation of WTO Agreements (the legislative "road map" for Iraq's eventual WTO accession) requires the establishment of competition-related laws that are critical to facilitating trade and investment. The Council of Representatives passed a Competition Law in 2010; however, the Competition Commission authorized by this law has yet to be formed. Without this Commission, investors do not have recourse against unfair business practices such as price-fixing by competitors, bid rigging, or abuse of dominant position in the market.

OTHER BARRIERS

Transparency

The way in which the Iraqi government promulgates regulations is often opaque and arbitrary. For example, while regulations imposing taxes on citizens or private businesses are required to be published in the official government gazette, there is no corresponding requirement for the publication of ministry-level regulations, which can result in uncertainty for investors.