

DECLASSIFIED
For information



PM/03/038

PRIME MINISTER

Iraq: Commercial Opportunities and UK Companies

Summary

1. We need to ensure UK companies are able to make the most of the opportunities presented by reconstruction in Iraq. BTI have engaged closely with UK industry and multipliers (BCCB, CBI) since the outset of the crisis to help them do so. BTI have also formed an Industry Working Group (made up of representatives of all the key sectors) which will form the basis of a UK business delegation to Iraq as soon as conditions there allow.

Detail

2. Liz Symons has minuted us on her visit to Washington last week with representatives of the Iraq Industry Group. It is clear that the US is ready to welcome international contributions to the rebuilding of Iraq (though there were the usual differences between the key US Government agencies on many of the details) and regard UK companies as leading contenders for sub-contract work. Crucially, Bechtel - who have been awarded the \$680 million contract for initial humanitarian relief - are bound to subcontract 50 per cent of the work, and may do so with up to 90 per cent of the value of the contract. They are holding an event in London on 23 May to highlight the opportunities available to UK firms. The response from UK firms to this event has been good.

DECLASSIFIED

DECLASSIFIED



3. It is equally clear that the long term commercial opportunities in Iraq will be huge, as a generation of neglected infrastructure is replaced. Liz cites the example of the dredging of the port of Um Qasr, where \$200 million will be needed to cover dredging alone. The combination of oil revenues and resources from the international financial institutions should make this an attractive market in the medium term. We have plans to put in place a substantial commercial section in Baghdad in the next phase of the missions staffing.

4. Although all the funding for projects so far comes from the US, UK companies are positioning themselves to capitalise on these opportunities. Our main objective has been to create a favourable political atmosphere in which UK companies can position themselves to bid for sub-contract work from these initial US funded projects. Over 800 UK companies have registered an interest with Trade Partners UK, and are receiving regular e-mail updates on developments, including details of contracts awarded. We have also fed in details to the key US players of UK capabilities in the priority sectors (for example power and water). Although the immediate focus is on these priority sectors, the Industry Working Group includes a wider range of sectors, such as Education and Health, which will assume greater importance once the emergency infrastructure work has been completed.

5. However, we understand that as yet only 180 of the 3500 companies which have registered with Bechtel as potential subcontractors – less than 5 per cent – are British. A share in the commercial effort proportionate to our contributions to the military campaign will require a higher level of commitment on the part of UK firms if they are not to be squeezed out by international competition. We could also try to secure firmer political guarantees from the US, and aim for a more coordinated HMG approach (e.g.

DECLASSIFIED

DECLASSIFIED



involving ECGD, DFID and MoD - a proposal to offer an ECGD backed credit line for projects in Iraq has not been agreed).

6. The feedback on the action we have taken so far from UK business and organisation such as the BCCB and the CBI has been positive. We have created the conditions in which the UK companies can pursue business in a favourable climate, and contracts for British companies are now coming through. This is encouraging. But it is for the companies themselves to take advantage of these favourable conditions by highlighting their experiences and capabilities to the US authorities and to the leading US contractors.

7. We are copying this minute to other members of the Ad Hoc Ministerial Group, and to Mike O'Brien, Jonathan Powell, John Sawers and Chris Segar (Baghdad).

(JACK STRAW)

(PATRICIA HEWITT)

Foreign and Commonwealth Office
22 May 2003

Department for Trade and Industry

DECLASSIFIED