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DFID

Department for
International
Development

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Tom Fletcher
Private Secretary
No.10

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Dear Tom

I am writing to follow up Tuesday's NSID (OD) Committee and in advance of the Prime Minister's visit to Iraq, to provide information on: the work we have done in support of inward investment in to Basra; the proposals which have so far resulted from this work; and the stage which these proposals have reached.

In order to directly support inward investment into Basra, DFID has:

- Set up the Basra Development Commission in December 2007, and secured the appointment of Michael Wareing as co-Chair of the Commission.
- Organised three investor receptions in Kuwait, London, and Istanbul (taking place on 18 December) to promote southern Iraq as an investment destination. It is intended that there will be a further three such receptions in the first half of next year.
- Supported Michael Wareing's work, including five visits to Iraq in order to attend economic working groups and hold high level meetings in Baghdad (including meeting PM Maliki).

As a result of this investment promotion work DFID, with support from across HMG, has facilitated 18 investor visits to Iraq, by 14 different international companies. Since July of this year, these investors have drawn up proposals worth in excess of \$9 bn, including the flared gas joint venture agreed with Shell, worth approximately \$ 4 bn. There are four proposals currently awaiting agreement from the GoI, worth a total of over \$5 bn:

- Arcelor Mittal – for a steel plant worth \$ 3.2 billion. Proposal submitted in July to the Ministry of Industry and Minerals. Negotiations are ongoing about the structure of the deal.
- Mittal Investments – for a petrochemical plant worth \$ 1 bn. A proposal was submitted to the Ministry of Industry and Minerals in August. The company is awaiting a response.
- Gultainer – management of a container terminal in Umm Qasr port worth \$ 135 mn. Proposal submitted in July. An invite to tender was then put out by the General Company for the Ports of Iraq (GCPI), and Gultainer put in the same bid in November. They are now awaiting a response from either GCPI or the Ministry of Transport.
- Crescent Petroleum – for a gas utilisation project worth \$ 1 billion. Proposal submitted to the Ministry of Oil in September. They are now awaiting a response.

In addition to these proposals, we have been working with other major companies which are very near to making formal investment proposals. Dubai World is awaiting a response to a

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November). And Eastern Holdings and Alpha Catering are seeking a meeting to discuss investing in both Basra and other airports and others with the Minister of Transport. However, they have so far been unable to secure this.

Despite these developments, on 6 November PM Maliki told the Secretary of State for International Development that he was unaware of any progress having been made to attract investment in Basra. As such, the Prime Minister's visit provides an opportunity to make PM Maliki aware of the concrete proposals listed above, and to encourage him to look into how agreement on these proposals can be secured.

I have included a note with this letter, setting out progress on each proposal and which GoI Ministry is responsible for taking it forward. This could be given to PM Maliki's officials, so that they could look at what support could be given to help take these proposals forward.

Yours

APS to Secretary of State for International Development

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Selected Investors Awaiting Response from Government of Iraq

- The UK has facilitated 18 investor visits to Iraq, by 14 different companies. Since July of this year, these investors have drawn up proposals worth in excess of \$9 bn, including the flared gas joint venture already agreed with Shell, worth approximately \$ 4 bn.
- There are four proposals currently awaiting agreement from the GoI, worth over \$5 bn, as well as three other companies who are seriously interested in investing and are awaiting contact from the Government of Iraq. Details of these companies, their proposals, and the progress they have made are laid out in the table below:

Company	Proposal	Value	Progress
Arcelor Mittal	Steel Plant in southern Iraq	\$3.2 billion	Proposal submitted in July to Ministry of Industry and Minerals.
Mittal Investments	Petrochemical plant in Basra	\$1 billion	Proposal submitted to Ministry of Industry and Minerals in August. They are awaiting a response.
Gulftainer	Develop and manage a container terminal in Umm Qasr Port	\$ 135 million	Proposal submitted to the Ministry of Transport in July 2008. Subsequently the General Company for the Ports of Iraq (GCPI) issued a tender inviting bids for these berths. In response, Gulftainer submitted the same bid in November. They are now awaiting a response from the Ministry of Transport or GCPI.
Crescent Petroleum	Flared gas project	\$ 1 billion	Submitted a bid to the Ministry of Oil for a \$ 1 billion investment in a flared gas project. They are awaiting a response.
Dubai World	Umm Qasr Port development	Not yet specified	Dubai World presented a draft Memorandum of Understanding in early November, requesting permission to investigate and cost up a proposal for management of Umm Qasr port in its entirety. They are awaiting a response.
Eastern Holdings and Alpha Catering	Airport management and / or service delivery	Not yet determined	Seriously interested in investing in Basra International Airport (and others). Seeking a meeting with Minister of Transport.

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