

Economy

Egyptian companies see major role in Iraq's reconstruction

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Cairo

Following the declaration of victory over the Islamic State (ISIS), Egypt is eyeing a major role in the reconstruction of Iraqi cities ravaged by years of conflict.

Egyptian construction firms, including state-owned companies, are preparing to begin reconstruction work in Mosul, Tikrit, Falluja and other cities overrun by ISIS in 2014.

"Our work will mainly focus on infrastructure in these cities, which has been tragically affected by the war with ISIS," said Ibrahim Mahlab, Egypt's former prime minister and current presidential assistant for national and strategic projects. "Some of the cities were totally destroyed during the war."

Mahlab visited Iraq in late January to discuss Egyptian participation in the reconstruction of the country. He talked with Iraqi officials, including Prime Minister Haider al-Abadi. Mahlab also toured ravaged cities to see the destruction first-hand.

Water and electricity plants in those cities, he said, were destroyed and sewage systems and communication infrastructure damaged with homes being turned into rubble.

Egyptian companies, including Arab Contractors, one of Africa's largest contracting groups, will be part of the Iraq reconstruction process. Mahlab headed the firm before he became housing minister in 2013 and then prime minister in 2014. The companies are expected to start work in Iraq soon after signing deals during the Iraq Reconstruction Conference.

Iraq's reconstruction, Abadi said, would cost \$100 billion. The World Bank and donor countries are expected to contribute a major portion of those funds.

The reconstruction of Iraq is seen as an economic opportunity for Egyptian construction companies, which have been seeking to increase their regional presence.

Egyptian firms have a solid track record in the regional construction sector, which qualifies them for specialist reconstruction jobs in war-ravaged countries such as Iraq and Libya.

"Iraq, in particular, will offer a good opportunity for Egyptian companies and workers because the Iraqis are thirsty for Egyptian presence," said Yumn al-Hamaqi, an economics professor at Cairo University. "Egyptian participation comes at a time the Egyptian economy is expanding and needs outside markets."

Mahlab was given a warm official welcome in Iraq, which Egyptian analysts took as a positive sign of Iraqi interest in Cairo's involvement in reconstruction operations. Abadi told Mahlab that Baghdad would give priority to Egyptian companies in reconstruction deals, Egyptian media reported.

Cairo has prioritised an export-oriented strategy, especially in relation to services, agricultural production and construction materials.

Egypt, which is working to bring down an unemployment rate of 11.9%, is also hoping to raise remittances from workers abroad by opening foreign markets to local labour.

Egypt's labour market has been hard hit by a lack of demand in Arab Gulf countries, with some introducing austerity measures or favouring their own nationals.

Egyptian workers in other countries sent \$24.2 billion home in remittances last year, which supported international currency reserves at the central bank. Reserves are at their highest in two decades at \$38.4 billion.

Some Egyptian companies worked in Iraq before the emergence of ISIS, including in building



Work ahead. An Iraqi man works on a damaged house in Mosul's Old City, on January 8.

(AFP)

the country's mobile communications network and upgrading oil fields and facilities.

Egypt's relations with Iraq have been growing steadily since 2014. Apart from signing a contract to import Iraqi oil for domestic use in 2017, Egypt offered military and intelligence support to Baghdad during the anti-ISIS operations.

Abadi has visited Cairo twice since becoming prime minister in 2014. Foreign Minister Ibrahim al-Jaafari has been to Cairo multiple times in recent years.

There are hopes in Cairo that Arab participation at the Iraq reconstruction conference in Kuwait and the subsequent rebuilding in areas ravaged by the war on ISIS

will allow for better ties between Baghdad and other Arab capitals.

There have been fears in Arab capitals that the Iraqi government has been increasingly drawn into the orbit of Tehran since the downfall of the Saddam Hussein

regime in 2003.

Egyptian and Arab participation in Iraqi reconstruction, analysts said, would open warmer channels of communication, which could reflect positively on relations with Baghdad.

"Nonetheless, it is necessary to remember that Iran is steeped in Iraq and some other Arab capitals," said Hassan Nafaa, a political science professor at Cairo University. "This is why I think bringing Iraq back into the Arab fold, at best, or containing it, at worst, will take a long time and require a collective Arab strategy. This is something that can be difficult to form while intra-Arab rifts are at their highest."

The reconstruction of Iraq is seen as an economic opportunity by Egyptian construction companies that have been seeking to increase their regional presence.

Viewpoint



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Can Iraq's ailing economy liberate itself in 2018?

Iraq's vast oil wealth is undoubtedly the country's most crucial stimulus for economic productivity but it is not the only one. An ever-shrinking public sector, the constant uptick of domestic debts, endemic corruption, job instability and illicit oil trading have collectively inflicted economic damage little heard about.

Remediating the problem has deepened oil dependence while the potential of Iraq's non-oil sectors remain untapped. For more than a decade, efforts to free Iraq from terrorism have taken precedence.

Can Iraq liberate itself from the curse of oil as political parties canvass for votes ahead of May's election?

Oil dependence is no contemporary problem but one the country has mitigated previously with varying success.

The 8-year conflict with Iran in the 1980s, followed by punitive sanctions, a subsequent brain drain and later the calamitous neoliberal policies (2003-04) of occupant forces paralysed non-oil industries. The hardest hit, agriculture, was how Iraq was once considered the "breadbasket of the Middle East." A decade on and the country continues to rely heavily upon food imports.

Oil makes up about 60% of Iraq's total gross domestic product, around 90% of state revenue, according to reports by the UN Development Programme and the International Monetary Fund. The non-oil economy barely covers 10%. As oil prices fluctuate, it has become clear that more than oil is needed to incentivise

growth. Dependency combined with oil price drops endangers the well-being and potential of Iraq's resource-abundant economy.

If the petroleum variable were silenced, it would be apparent that Iraq is endowed with enviable agricultural wealth, soil, climate and a twin river system for achieving food self-sufficiency. The revival of traditional farming methods attempted during the late 1980s and 1990s – once enough to soften the blow of dependency – is no longer capable of keeping the economy standing.

Farming centres, crippled by the absence of agricultural equipment and technologies, the neoliberal infused agricultural reforms forcefully imposed under Coalition Provisional Authority (CPA) Order 81 and more recently the exodus of farmers following the Islamic State's seizure of the Nineveh plains will require decades to heal.

CPA-influenced agricultural reforms left unchallenged by the post-2003 government would accelerate the downward spiral of agricultural productivity. "CPA became the ruling class, allowing not a single farmer a say in their local market," said Ahmad al-Mahmoud, a senior researcher at the London-based Iraqi opposition group Foreign Relations Bureau.

The ensuing food crisis torpedoed official control and predictions.

External partners of the Iraqi government, the United Nations' Food and Agriculture Organisation and telecommunications company Zain, participated in a cash-for-work scheme as part

of wider trend to outsource and privatise government functions and services offering temporary income to more than 2,000 displaced Iraqis in camp settings. Zain provided mobile phones to help streamline the distribution of cash transfers to scheme participants.

A related environmental problem is the struggle over water. Iraqi water and agricultural official Mansour al-Baiji noted that "after liberation" a war for access to water was dawning "no less dangerous than a guerrilla war" laying blame on Turkey and other upstream countries for reducing the flow of Iraq's rivers.

Matters have been made worse by the weakening of the Iraqi labour market and market inequality. In 2013, Iraq's Ministry of Planning surveyed adults participating in the labour force, the majority of whom are male.

The entry of women in the workforce is among the lowest worldwide. The general rate of employment "hovers around 18%" with higher rates among Iraqis aged 15-29, said Joseph Sassoon, an associate professor at Georgetown University's School of Foreign Service.

Public sector privatisation starting at 2003, alongside the scrapping of compulsory education and rising poverty rates, has meant fewer graduates entering the market, making way for employees with fake academic qualifications.

Outweighing agriculture and food sovereignty problems is corruption, the biggest plague of all.

Smuggling and theft of oil sold cheaply on the international market have taken an enormous bite

out of national proceeds. What little remains bidders vie over by handing out attractive electoral funds to competing political actors, directly influencing political outcomes.

The demands of foreign energy firms and investors feed off investor-friendly changes to Iraq's legislation imposed beneath the CPA's economic liberalisation programme.

Neighbouring countries have been quick to exploit the abolition of tariffs, custom duties and taxes, flooding the Iraqi market with cheap goods. Labourers within the local industry feel abandoned by their government. The void has been filled by Iran, which sells commodities and building materials in exchange for hard currency.

These practices, Iraq's vulnerability to price slumps, currency appreciation and an immobilised labour force have held Iraq's economy hostage and deprived its people of a standard of life reflective of the earnings of a petrostate. Diversifying and tapping into non-oil industries is a well-known potential but fails to satiate the appetite of investors or thieving state officials exploiting Iraq's oil wealth to line their coffers.

On the monetary side of political life are international banks and foreign lenders wanting Iraq to pump more oil. When those problems are combined with evidence that Iraq has no monetary reserves, the bitter facts become apparent of a country that holds one of the world's worst economic portfolios with help from its allies and regional friends.

Outweighing agriculture and food sovereignty problems is corruption, the biggest plague of all.