



Kurdistan bets on its stability



Located at the crossroads of Iran, Turkey and Syria, Iraqi Kurdistan manages to stay out of trouble in an unstable region. Thanks to its economic and industrial boom, it is becoming a hotspot for investors and tourists. **Toufic Akl**, consultant and office manager at hodema consulting services, checks out why

Named in the top list of places to go to in 2011 by National Geographic and The New York Times, Iraqi Kurdistan has benefited in the last few years from its stability to achieve a higher level of development than other regions of Iraq. In 2011, the region announced 8% of GDP growth, close to China's figures. The income per capita has also shown a sharp increase in the past nine years to reach USD4,000, compared to USD300 in 2003 at the end of Saddam Hussein's reign.

On the heels of these good performances, the local government, which is semi-autonomous from Baghdad since 1970, currently focuses on developing the industry, agriculture and tourism sectors

to meet international standards. The region has great potential for development favored by its underground resources: Kurdistan is estimated to hold the sixth largest oil reserves in the world and also possesses other mineral resources such as gas, coal, copper, gold, iron, limestone (which is used to produce cement), marble, and zinc.

The private sector

The current context is also favorable to private investment. Since June 2007, a law was established to allow foreign investors to own lands and to provide up to 10 years of tax exemption and easy repatriation of profits and removal of tariffs on exports and imports. A substantial budget (USD14.6 billion) was also allocated by the government for

security and allows foreign labor. The increased number of foreign representation offices of other countries in Kurdistan, mainly in Erbil, is also a clear indication of the opportunities.

The country's efforts are certainly paying off. Private sector investments have reached USD 16 billion since 2006, according to a survey by Kurdistan Region's Investment Board. The capital of the region Erbil represents USD 9.8 billion, of which USD 1.26 billion only in 2011 (with over 350 projects), accounting for about 57% of the total USD 2.18 billion foreign money in the region.

The public sector

There are also public projects in the pipeline. The government is currently supporting the Erbil

green belt (consisting of a self sufficient green agriculture area around the city), a media city, and free trade zones near the borders of Turkey and Iran. However, there are still some downsides for investors, such as weak implementation of intellectual property laws, low presence of international insurance companies, high inflation, lack of local skilled labor and corruption.

The people

The Kurds stand out culturally the most among Iraqi citizens. Although Kurdish is the native language, however, everybody speaks Arabic and many speak English as well. They are used to mixing different traditions and show an appetite for modernization. Western-style malls, for instance, are very

popular and they showcase a mix of mid and high-end brands such as Levi's, Façonnable and Chopard. A recent luxury car show in Erbil also attracted thousands of visitors. The Kurds' taste when it comes to food also reveals their open-mindedness. Kurdish traditional coffee shops are as popular as American or Lebanese brands. In addition, restaurants, places offering international menus are back to back with Turkish outlets.

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The boom of the hotel industry

Tourism comes naturally as another key area for development. The authorities see it as a way to diversify its revenues, which come mainly from oil, and plan to reach 8% of the GDP. Currently attracting a little over one million visitors every year, Iraq's Kurdistan should be able to cater for four million tourists by 2015, according to the region's head of tourism commission. The first major step was to renovate Erbil's airport, with a budget of \$400 million. In 2011, 621,870 passengers used Erbil's new international airport, a 37% increase compared to the previous year.

Although Kurdistan is not widely renowned for its tourism, there is something for everyone. Erbil is one of the oldest continuously inhabited cities in the world; urban life can be dated back to at least the twenty-third century BC. Apart from the well-known Erbil citadel, which dates back to the Assyrian empire, the region is home to at least 1,307 known archaeological sites.

The goal for 2012

Thanks to its mountain landscape and milder weather, the region attracts more tourists every year and has witnessed the birth of several new projects such as water parks, hillside resorts, amusement parks, bazaars and museums.

The goal for 2012 is to reach 2.5 million tourists, but the expansion of the industry raises the challenge of hospitality. Kurdistan currently has 550 hotels, with only a few high-end establishments located in Erbil. This segment is thus undersupplied and has great potential.

The KRG ministry of municipalities and tourism has set a goal to build 2,500 hotels to accommodate around 1,3 million visitors annually by 2015. It is currently overseeing the Safeen master plan, a complex comprising hotels, chalets and other activities located next to Mount Safeen.

The master plan

Many international hotel chains already have properties under

completion or in final stages of negotiations for land plots or management deals.

A Kempinski complex is under construction, and Marriott International Inc. plans to locate two of its brands, Marriott Hotels & Resorts and Marriott Executive Apartments, in the Empire Iraq project that should be operational by the year 2015.

Also in the pipeline for 2015 are a Sheraton, two Best Western and a Double Tree by Hilton International. Another significant project in Erbil is Aura, a 200,000m2 real estate project that will consist of luxury apartments, office towers, a medical center, a 5 star hotel, 40,000m2 of shopping space and 16,000m2 park.

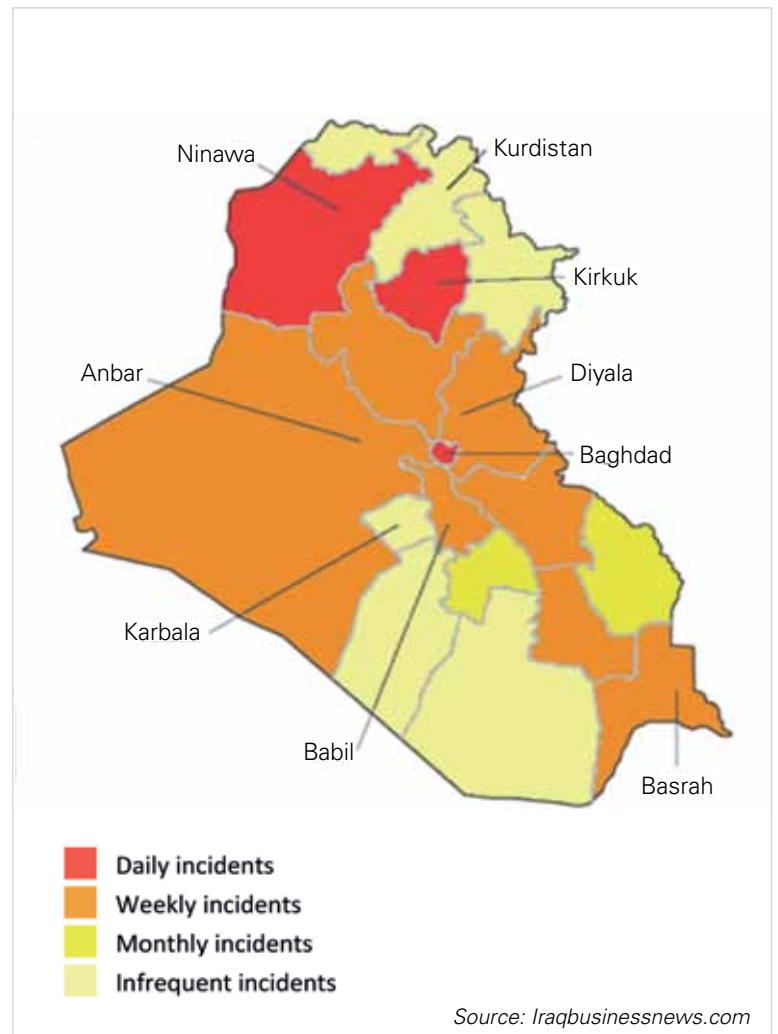
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Map 1. Map of the region



Map 2. Political overview

Frequency of attacks in Iraq April – June 2011



Source: Iraqbusinessnews.com