

# ORSAM INTERVIEWS ON REGIONAL AFFAIRS

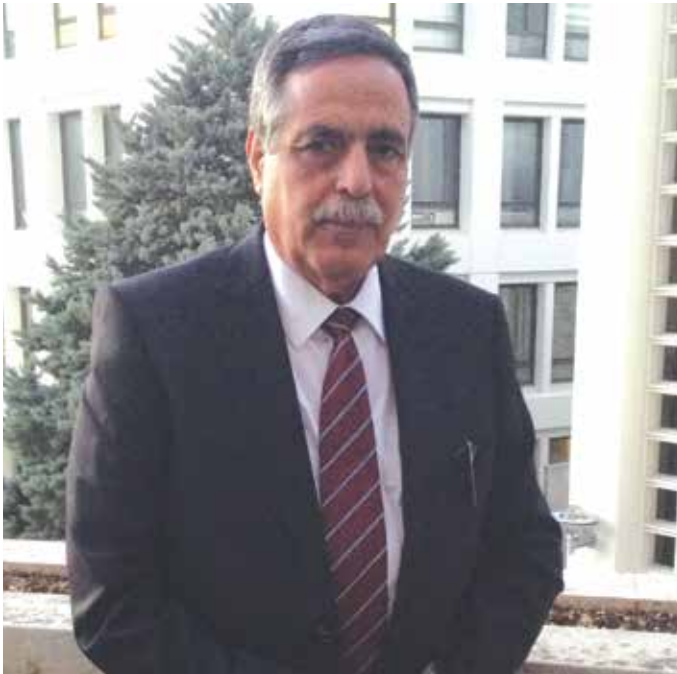
No.24, NOVEMBER 2015



ORSAM

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مركز الشرق الأوسط للدراسات الاستراتيجية

## AL-FAHDAWI: TURKEY SHOULD ENCOURAGE MORE INVESTMENT IN IRAQ



Qasim Al-Fahdawi is born in Ramadi and graduated from the Faculty of Mechanical Engineering of the University of Baghdad in 1977. He was the governor of Anbar province between the years 2009 and 2013 and now he is the Minister of Electricity since 2014.

**ORSAM: First of all, let's start with the economic situation in Iraq. What are the main problems of the Iraqi economy and what has the Iraqi government done so far and also is planning to do to solve these problems?**

**Qasim Al-Fahdawi:** The economic situation is not good in Iraq now because of the decrease in the oil prices. Now, we have to pay more than our income. For example, the salaries, the health care payments or some other payments. They have to be paid, but the resources which are available are less than our obligations, because there is also a very important expense which is the cost of the war against Daesh. That war costs us a lot. We hope this situation will come to an end quickly in order to save the money which we are using for the war. From that aside, in order to overcome this economic crisis until the price of oil will come to a recovery level, first, we go to the banks for credits to cover our needs.

The second measure we take to overcome the negative effects of the economic crisis is to reduce the state expenses. We did a lot for that purpose and we are trying to do more. We are encouraging the investors to start investing in Iraq. We achieved some successes. For example, in the energy sector -which is under my

responsibility- we succeeded in signing contracts to generate 9,000 MW now through investors and now they have started working. One of the subcontractors is Turkish and he is working well now. Another subcontractor is Iraqi, and the others are different. We have subcontractors from Iraq, from the United States, and from Greece. The other ministries they are trying to do the same they are building hotels, hospitals (private ones), and universities. So, we have more capacity to absorb investments, because we need a lot of services which cost us a lot. I will give you an example. I was the Governor of Al Anbar and made a statistics. From that statistics, we concluded that the people pay the expenses of their health care in India. A lot of people here in Iraq are going to India for health care. In one year, they pay more than the cost of a very big hospital. So it means that there is a potential to invest in Iraq. If there was a good hospital in Al Anbar, the people would not go to India, and they will go to that hospital in Al Anbar, instead. The same example can be applied to the universities, supermarkets and also tourism. Therefore, we want to utilize this potential inside the Iraq in order to activate the economy again. So I think that's briefly what we are trying to do now

to deal with the economic crisis in Iraq.

**Speaking of the economy in Iraq, what is the share of the oil revenues in the GDP of Iraq?**

In this budget, for the year 2016, it is %84.

**Do you have any information about the current quantity of the proven oil reserves and current oil production in Iraq especially after Daesh since the production might probably have reduced?**

Yes, now the production from Basra is 3,100,000 barrels per day. We hope that we can succeed to export another 500,000 barrels from Turkey and Kurdistan. We have not succeeded yet, but we hope to manage it in the next three months.

**So as you mentioned, on the one hand you have economic difficulties and on the other hand, your GDP is depending on oil revenues and it is decreasing, so I think as Iraq you should increase the potential. So, do you have plans for investments and how those will be met, is it going to be met by the foreign investor companies or external debts?**

We did it already. It is no more a plan, it is under

construction now. There are many companies working to enlarge the capacity to 6,000,000 barrels per day. They are working, but it takes time.

**Does Turkey have investments in those areas, or how do you think Turkey can take role in those areas?**

Of course, Turkey can take role. They are supposed to have bigger shares in these investments. However, as I know, Turkish companies have been taking place in gas exploration and production. So far they have been working very slowly. We need the gas for the production of electricity.

**Actually this is another topic we want to ask when we come to the issue of electricity. Can you describe the picture in terms of the needs of the people, the government policies for now and for the future? And also specifically what is the Iraqi government doing for meeting the electricity needs of the Iraqi people and what are the problems and how are you planning to resolve them?**

The electricity is coming from three sectors: generation, transmission and distribution. For the generation, we depend on investments.

*The economic situation is not good in Iraq now because of the decrease in the oil prices and the cost of the fight against Daesh. To overcome the economic crisis, we go to the banks for credits to cover our needs, reduce state expenses and encourage the investors to start investing in Iraq.*



So I told you, until now, we signed contracts for 9,000 MW additional power to be generated in Iraq. Of course, we need another 6,000. Our plan is to have 15,000 added capacity for generation. So

this is decided to be enlarged through investment.

Regarding the transmission and distribution of electricity, last week we had our first contract to build huge network of transmission lines in Iraq, because our transmission lines

are very old and have to be rehabilitated. For distribution, we also move to privatization. We want to privatize our distribution sector. And also we succeeded to award one contract, one plot in Baghdad two weeks ago and now we are trying to award about 180 plots more. But achieving the first one was difficult, because the model was new for us. So now we have the model, including the form of the contract, the obligations of the investor, the obligations of us and the percentage to be taken by the investor, and so on. So we will work on the same basis as we did in the first plot which is in Baghdad. So now it will be easy and we hope it will go quickly. So the rehabilitation and renovation of the distribution sector will be done by the private sector, by the investors completely.

**What about the electricity production? How do you produce electricity in Iraq, is it from oil, natural gas or something else?**

We produce electricity from natural gas, gas oil, heavy fuel oil and the crude oil. The fuel we are using now is different. In the electricity production, the share of gas is very little, the share of gas oil is also little, but the biggest share is coming from heavy fuel oil and then the crude oil.

**Do you think that the Turkish companies can also invest in those areas?**

Of course, they can.

**Are they still operating there? Is there any Turkish investment in those fields?**

Now, there is a joint venture between an Iraqi and Turkish company. They are working there and they are building 3,000 MW plant near Baghdad at the moment.

**Does the Turkish companies face any difficulties when they are trying to invest in Iraq? If yes, what are the main problems?**

I do not see any problems. There are many Turkish companies working, and I did not hear that they have problems. Of course, there is a problem of delayed payments because of the situation. Yet, they do not have major problems.

**There used to be some political problems between Turkey and Iraq. Does this affect the economic cooperation and investment opportunities?**

Yes, political problems affect economic relations, but now in our ministry, I can tell you that there is no affect. However, before now, our ministry was negatively affected from those political problems.

*There is a big damage in our networks and generation plants of electricity because of the fight against Daesh. The damage is huge in Anbar, Mosul, Salahaddin and Dora.*

**What do you think about the share of oil revenues between the Iraqi Kurdistan Regional Government (KRG) and the central government? Is it still a problem between Baghdad and Erbil or have you overcome that problem?**

It is still a problem, but we hope that it will be solved. There are efforts from the central government and from the minister of oil to solve it. However, personally, I do not have a full picture of this problem, because this file is being managed by other ministries like the ministry of oil and ministry of finance.

**How are the fight against Daesh and the security problems related with that affecting your ministry's activities, in which ways are you affected?**

It is affecting too much. There is a big damage in our networks and generation plants of electricity because of the fight against Daesh. The damage is huge in Anbar, Mosul, Salahaddin and Dora. I can tell you that we cannot deal with this problem alone. We need international support. We hope that we can get that support after the liberation of the cities. Otherwise, it will take too much time. The people will suffer from that



for long period. They have already suffered too much. They suffered from leaving their cities, living in tents and so on. So we are sad that they will suffer again from lack of services including electricity and water. They are the two main items which needs to be taken as basic human needs that should be met by the international community.

**Does your government have any responsibility in the distribution of electricity and water in the Daesh controlled areas? How has the distribution of electricity and water been maintained in Daesh controlled areas?**

We cannot do anything in the Daesh controlled areas. They do not have any water resources. Actually, they do not care about services given to the people. They neither provide water nor electricity to people. They consider such things as something which is not needed. And we have no influence there.

**You mentioned about the efficient use of water as an important issue. Do you have any projects about developing and maintaining the efficient use of water in Iraq?**

Yes, we have many projects. We support the new technologies for irrigation.

The government is supporting the projects to minimize the usage of water and to circulate the water from the sewage and from other resources and to use the ground water.

**We know that there are a lot of problems regarding the infrastructure in Iraq and meeting the basic needs of the people because of the security situation. How would you define these problems? What are your projections in terms of solving these problems of infrastructure in Iraq?**

Each ministry has their own plan. For example, we did our plan. First step of this plan was to make an assessment of the situation and we did it. We concluded the money requirement. And now we are talking with the World Bank, with the international banks, Americans, with everybody to secure the finance of this reconstruction. We hope that we will succeed. I do not see serious measures at this point.

**You have already mentioned about Turkish role in several sectors. What could be done more to increase Turkey's role in those sectors? What are the opportunities for Turkish companies or Turkish government to cooperate? What could Turkish companies do to increase their share?**

*Turkish companies are doing a lot in Iraq. However, Turkish government is requested to do more. For example, Turkish government could give credit to their companies to work in Iraq, and that would open a big scale of work and investment in Iraq like the same way China does now in Iraq.*

Turkish companies are doing a lot in Iraq. However, Turkish government is requested to do more. For example, Turkish government could give credit to their companies to work in Iraq, and that would open a big scale of work and investment in Iraq like the same way China does now in Iraq. China made credit line for their companies to work in Iraq. There are wide ranges of opportunities. Therefore, this is the job of the Turkish government. We hope that after the elections, everything will be settled down and there will be a stable political situation in Turkey. This will produce such movement from Turkish government to implement policies to encourage more Turkish investment in Iraq.

**This is not related with your ministry, but what do you think about Turkey's general role in Iraq? How would you define it? What is the perception of Turkey among different groups in Iraq?**

As I said earlier, Turkish companies are trying to do something. What we need is to take serious measures from the Turkish government. They are welcomed in many sectors in Iraq. If they start this trial, they will definitely succeed. Apart from that, in order to build up the trust and to build up the integrated and mutual

interest for both countries and for both peoples, both Turkey and Iraq have to work.

**What about the situation in Syria? How does the situation in Syria in general and the border area in particular affect the activities of your ministry in regard to the issues of electricity and water?**

It affects too much. For example, there is a dam in Syria. Now, it is controlled by Daesh. We cannot control Daesh. We cannot talk to Daesh. We can manage to talk with the Syria government. However, with Daesh, we cannot. They always act against our wishes. For example, two months ago there was an agreement between Turkey and Iraq to send 5,000 cubic meter water per second water. However, we could not make use of it, because Daesh closed it in Syria. So Iraq got this amount of water from Turkey, but it has been taken by Daesh. Besides, the long borders between Iraq and Syria cannot be controlled. Therefore, any instable situation in Syria directly affects Iraq. Hence we hope that the situation in Syria will soon be stabilized to avoid problems originating from Syria. Even the Daesh problem in Iraq is created in Syria.

**How is your relation with Iraqi Kurdistan government**

regarding electricity and water issues?

There is no problem except for the oil problem.

Thank you for your time.

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