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# WORLD TRADE ORGANIZATION

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**Working Party on the  
Accession of Iraq**

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## **ACCESSION OF IRAQ**

### Memorandum on the Foreign Trade Regime

In a communication circulated in document WT/ACC/IRQ/1 on 11 October 2004, the Government of the Republic of Iraq applied for accession under Article XII of the Agreement Establishing the World Trade Organization (WTO).

The General Council established a Working Party (WT/ACC/IRQ/2) on 13 December 2004 with the following terms of reference: "To examine the application of the Government of Iraq to accede to the WTO Agreement under Article XII and to submit to the General Council recommendations which may include a draft Protocol of Accession."

In accordance with the established procedures (WT/ACC/1), the Secretariat is circulating the attached Memorandum on the Foreign Trade Regime received from the Government of Iraq. WTO Members wishing to submit questions on the Memorandum are invited to do so by 14 October 2005 for transmission to the Iraqi authorities.

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**(d) Trade-related investment measures**

Iraq does not currently maintain any trade-related investment measures.

**(e) State-trading practices**

The Ministry of Trade is reviewing earlier regulations to determine if any Governmental or non-governmental enterprises, including marketing boards, have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports. Annex 6 lists the State Owned Enterprises (SOEs) by responsible Ministry. It will take some time to determine exactly which are also State Trading Entities, especially due to the political turmoil that has taken place in Iraq in recent years. This will be provided after this submission later this year.

**(f) Free zones**

The Free Zone Authority Law No. 3/1998 ("FZL") permitted investment in Free Zones through industrial, commercial and service projects. *Free Zone Authority Law No. 3/1998 ("FZL"), Article 4(4) and Republic of Iraq, Ministry of Finance Free Zones Authority, Guide to the Free Zone Authority. See also, Instruction No. (4) of 1999 on the Administration of Free Trade Zones. Law No. 3 establishing the General Commission for Free Trade Zones.*

The activities permitted in Free Zones include: (a) industrial activities (both production and consumer), assembly, installation, sorting and refilling processes; (b) storage, re-export, and trading operations; (c) service and storage projects and transport of all kinds; (d) banking, insurance, and reinsurance activities; and (e) supplementary and auxiliary professional and service activities. FZ prohibited activities include actions disallowed by other laws in force, such as weapons manufacture, environmentally-polluting industries and those banned by the place of origin.

The FZL establishes a Free Zones management and investment authority, the Free Zones Authority ("Authority"), which operates under the Instructions for Free Zone Management and the Regulation of Investors' Business No. 4/1999 ("Instructions"). Under the FZL, goods imported and exported from the FZ are exempt from all taxes and duties, unless imported into Iraq. This exemption does not apply, however, to the Reconstruction Levy. CPA/Ord. 54 (24 February 2004) Section 5(4). Also, according to the needs of the project, investors enjoy the privilege of temporary entry for their vehicles.

Capital, profits and investment income from projects in the FZ are exempt from all taxes and fees throughout the life of the project, including the foundation and construction phases.

FZ locations include:

– Basra/ Khor Al-Zubair Free Zone

This 1 million sq. m. zone is located 40 kilometers southwest of Basra, on the Arab Gulf at the Khor Al-Zubair seaport, and has been in operation since June 2004.

– Nineveh/ Flaifil Free Zone

This 400,000 sq. m. zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan and the Basra ports.

– Al-Quayem Free Zone

This zone has two stages (first stage 70,000 sq.m. second stage 200,000 sq. m.) and is located near the Iraqi-Syrian border. It is also close to roads and railway that reach Turkey, Basra, and Jordan. In the first stage, Al-Quayem is restricted to commercial and service activities.

- Felfel in Mosul (North), and Sulaymania in Kurdistan (North).

**(h) Trade-related environmental policies**

Iraqi law requires that the Centre for Radiation licence radioactive sources coming into the country. Existing statutes administered by the Ministry of Environment also require an environmental impact review for all projects that are new construction or significant expansion of existing plants or operations. These requirements apply to international firms doing business in Iraq on projects funded by international donors. The World Bank, USAID, UNEP and DFID have their own environmental impact reviews. Even in these cases, the laws say Ministry approval is required. These requirements apply to sewage services, landfills, and other projects.

**(i) Mixing regulations**

None.

**(j) Government-mandated counter-trade and barter**

There is no government-mandated counter-trade or barter in Iraq at present.

**(k) Trade agreements leading to country-specific quotas allocation**

There are no trade agreements with country-specific quotas.

**(l) Government procurement practices, including general legal régime and procedures for tendering, dealing with tenders and award of contracts**

Government procurement is regulated by the Law on Public Contracts, CPA/Ord. 87 (14 May 2004). This law requires, to the maximum extent practicable, full, fair and open competitive public bidding procedures, including effective tender publication; objective bid evaluation criteria; public bid opening; the use of electronic commerce methods; international standards of transparency, predictability, fairness and equality of treatment; procurement process integrity, minimum ethical standards and non-conflict of interest; the offeror's right to file tender protests and related appeals; tender dispute resolution mechanisms and the timely resolution of such disputes. (Annex 2).

**(m) Regulation of trade in transit**

The Reconstruction Levy does not apply to goods in transit. *CPA/Ord. 54 (24 February 2004) Sect. 5(7)*. As all customs duties are suspended, there are no duties applicable to goods in transit.

**4. Policies affecting foreign trade in agricultural products**

**(a) Imports - i.e. comprehensive description of the types of border protection maintained: customs duties and/or any other border measures**

The Reconstruction Levy, imposed 15 April 2004, is effectively a tariff on all imports other than those specifically exempted. The exceptions are food, medicines, clothing, books, humanitarian goods; goods imported by the CPA, Coalition forces, reconstruction contractors, NGOs, international