Chapter I

The Objectives of the Federal Investment Law

1. Introduction

The objectives of the Federal Investment Law cover a number of areas and disciplines, ranging from the encouragement of investment and the transfer of technology, to the expansion of exports and the improvement of the balance of trade of Iraq. These objectives are laid down in Article 2 of the Federal Investment Law and are also mentioned in the Reasons for Enacting the Law, mentioned at the end of it.¹

The objectives will be dealt with as follows: first, the promotion of investment and the transfer of technology, second, the encouragement of investors, third the development of human resources, fourth, the protection of the rights and property of investors, fifth, the expansion of Iraqi exports and the enhancement of the balance of payments and the balance of trade, and finally some concluding remarks will be attempted.

2. The promotion of investment and the transfer of technology

The policy of the New Iraq is to encourage investment, for both the Iraqi and foreign investors, and to create an appropriate climate therefor. This policy is declared in the Iraqi Constitution of 2005, Article 26 thereof provides as follows:

¹ It is a legislative practice in Iraq to put the justifications for the legislation at the end of the piece of legislation, rather than at the beginning thereof, as is the case in the legislative practice in the UK.
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The State guarantees the encouragement of investment in the various sectors, which shall be regulated by law.

The Federal Investment Law gives effect to the Constitution’s injunction. Article 2 of the Law reads as follows:

The objectives of this Law are as follows:
1. the encouragement of investment and the transfer of modern technology, in order to take part in the process of the development and growth of Iraq, as well as the enlargement of its bases in industrial production and services and their diversification.

Accordingly, the Federal Investment Law aims at the promotion of investment and the transfer of modern technologies to Iraq. These two elements are envisaged, it would appear, as a vehicle for the economic and social development of the country, in both the industrial and services sectors. Moreover, the objective covers the diversification of the industrial and services sectors, so that the country does not rely on limited resources alone, such as oil, for its economic and social development. The same aim is expressed in the Reasons for the Enactment of the Law. And the encouragement of investment in Iraq is directed at both foreign and Iraqi investors.

Furthermore, the encouragement of foreign investment constitutes a complete departure from the previous policies of the former regime. Until 2003, foreign investment was not allowed in Iraq, except for Arab investors, as has been mentioned earlier. As a UN/World Bank Assessment Team said in October 2003:

During the period of sanctions, little private sector investment was possible due to restrictive investment rules and virtually no formal FDI.

This objective is fully justified, for Iraq badly needs investment and new technologies, in view of the bad economic situation that prevailed there

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