

## Iraqis Try to Build Nation And Fortune

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Wednesday, July 7, 2004; Page E01

College Park physician Jamal Fadul fled Baghdad after participating in the unsuccessful 1991 uprising against Saddam Hussein. Now that the Iraqi government is privatizing industries once controlled by Hussein, Fadul has gathered \$100,000 of his and his brother's savings, along with millions raised from fellow Iraqi Americans, to try to buy three factories and a farm.

Fadul, 47, talks emotionally about the twin opportunities in Iraq -- to make money and to rebuild his homeland. "We believe that there is a good opportunity there to build up a democratic nation, a wealthy country," Fadul said. "That was where we were born, so we would love to see the place that we suffered in grow nice."

Iraqis living outside of Iraq are pouring \$5 million a day into private enterprises in the country, according to the U.S. Commerce Department. Some, like Yasir Shallal, a McLean mechanical engineer, have launched small efforts -- he has spent \$50,000 to form a company that is trying to sell air conditioning units and construction materials in Iraq. Others, like Hisham N. Ashkouri, a Boston architect, are attempting major development projects. Ashkouri is trying to raise \$115 million, and has sunk \$450,000 of his own money into a hotel and theater complex he wants to build in Baghdad.

Meanwhile some wealthy families that once ran major companies in Iraq, but then left, are returning. Subhi Khudairi Jr. of Houston is trying to restart his family's paint thinner business in Iraq and has helped open a John Deere dealership in Baghdad to sell heavy equipment there.

Fadul says he and others are investing in Iraqi businesses because they passionately believe Iraq will one day be a wealthy nation full of "good living."

Expatriates of emerging countries often act as key sources of capital investments and entrepreneurial activity, said Kenneth S. Rogoff, a Harvard economics professor. Since 1991, expatriate investments into India have ranked among the country's top five sources of foreign funding -- totaling about \$2 billion between 1991 and 2001, according to the Federation of Indian Chambers of Commerce and Industry. Jordanian immigrants sent home \$1.64 billion in 2001, according to the World Bank, far outweighing the \$432 million that country received in international aid. Including money sent home to family members, Turkey's expatriates pumped \$2.88 billion into its economy in 2001, and Bangladesh got a \$2.09 billion boost from its emigrants.

"When a country changes from a highly repressive regime . . . and becomes more welcoming of entrepreneurs and business, these people often flock back into the country," Rogoff said.

Iraqis living here say they expect their ties with both the United States and Iraq to give them an advantage in their business dealings. Some experts, however, caution that Iraqis living overseas may face some resentment. "There is a feeling that, 'Look, you know, we were here suffering under this all

these decades. Don't you come in here after living a life of ease in Chicago and tell us how to do it,' " said David L. Mack, vice president of the Middle East Institute and former U.S. diplomat in Iraq.

Sam Kubba, chairman of the Iraqi American Chamber of Commerce, said, however, that the biggest problem facing Iraqi American businessmen has been the continuing violence. He predicted that many Iraqi expatriates will stick it out because they are focused on the country's long-term economic future.

It is a belief in the country's economic future that drives Fadul. After he left Iraq, he was detained at a refugee camp in Saudi Arabia for several months before making his way to Maryland, where his brother, Fasal Fadul, was already living. Jamal Fadul, who had worked as a doctor in Iraq, got a license to practice in the United States. He now has a thriving family practice, but when the Bush administration began talking about invading Iraq last year, he and his brother started thinking of business opportunities in Iraq.

In September 2003, when the Faduls returned to Iraq for a visit, they inquired about the privatization process. In December, they returned and decided on four potential purchases: a money-losing rubber factory in Najaf, a starch factory in Hilla, a sugar refinery north of Basra and a 7,500-acre farm on which they could grow palm trees.

To be considered as potential buyers of the formerly state-owned factories, the Faduls had to travel to each of the sites and make lengthy pitches about their plans before a committee of managers, government officials and employees, something the brothers did in March. In his proposal for the sugar factory, Fadul pledged to provide the 1,150 workers with health care and retirement benefits. He also secured commitments from a group of Iraqi American investors to contribute \$16 million for a 20-year lease of the factory if his plan is approved. Fadul's proposal includes a clause that would give current employees a 10 percent ownership stake in the factory. He is still waiting for final decisions from the country's Ministry of Manufacturing and Agriculture.

The Fadul brothers are already operating one business in Iraq. During the March visit, the brothers noticed there was a need for security companies. They teamed up with Robert C. Disney, a veteran of the security business, to establish Sigma Al Fadul LLC, which is based in Florida and registered to do business in Iraq. Its subsidiary, Al Hamza International Security Services Co., has 48 employees providing protective services in Baghdad, Jamal Fadul said.

Fadul supported the U.S. invasion and remains an ardent supporter of the U.S. government. But he said mistakes have been made in the reconstruction effort. The abuses at Abu Ghraib prison and the lack of transparency in how privatization decisions are made have left some Iraqis skeptical of the role the United States may be playing in the process and of its fairness.

Ashkouri, who left Iraq in 1972, calls his 10-month effort to create a 31-story hotel and movie theater complex in the heart of Baghdad, "one of the most difficult projects in my life, as far as getting financing for." Ashkouri's Boston architecture firm, Arcadd Inc., works primarily on medical and federal buildings.

Investors have made oral commitments to fund the Baghdad complex but won't give him a green light until the country's security situation eases, Ashkouri said. "It is frustrating. It tests your will and interest and determination to do the building." But he said he plans to persevere on the project, which he says

would create 1,400 jobs.

Shallal, who moved to the United States 35 years ago when his father was an Iraqi ambassador, is also frustrated, especially since he started out with such high expectations. A trip to Iraq last July, his first in 27 years, was a blur of upbeat business discussions. In August, he hurriedly filed papers to set up a company to sell supplies to companies rebuilding Iraq's infrastructure.

After three trips to Iraq and a \$50,000 investment of his own money, Shallal has yet to land a big sale. "We all had hoped and went into this with tremendous expectations," Shallal said. "I want to recoup my investment. . . . I'm disappointed that we have not been able to capitalize on the opportunities that we had."

Meanwhile, Khudairi, a 25-year-old business school student at Rice University, assumed for years that his opportunity to run his family's Iraqi businesses had long passed. Khudairi was 7 years old when his family left Baghdad as the Iran-Iraq war was escalating. The Houston resident said he comes from a long line of wealthy entrepreneurs -- his great-grandfather owned the first General Motors dealership in Iraq, his grandfather started an orange drink business, and his father founded the country's second-largest paint thinner factory.

The family had maintained ownership of the paint thinner factory and kept a few key managers on its payroll, though production had been reduced to 10 percent of its former output and the factory's profits were under \$10,000 a year. Part of the factory was damaged in a fire during the war, but soon after the conflict officially ended last spring, the family directed its employees to start rebuilding.

Today, Subhi Khudairi spends much of his time in front of a computer in his Houston apartment, directing the restoration of the paint thinner factory and juice business via e-mail, instant messages and webcam. Production at the factory has tripled this year over last, and the Kudhairs are once again importing concentrate to produce drinks. The family's company, called the Khudairi Group, also established a John Deere dealership to sell heavy equipment in Baghdad and an ad hoc staffing firm, helping foreign employers find and vet Iraqi employees.

Khudairi says he is optimistic about the prospects for businesses in Iraq because of the country's natural resources and entrepreneurial population. "As Iraqis who are committed to the country, we are committed to seeing it rebuilt. . . . I want to know that I can [someday] bring my kids to Iraq on summer vacation," Khudairi said. "Iraq, we hope, will be a free trade zone with foreign imports coming in and Iraqi exports going out."

"There's so much room to help out in Iraq, and I just feel like I'm pursuing my dream by working in the family business," he said.

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