

Economy

Iraqi banks rely on government support to recover from ISIS devastation

The Arab Weekly staff

London

Iraq's private banks are pinning hope on the oil-rich government to bring balance sheets severely affected by Islamic State's (ISIS) takeover of parts of the country back into the black.

Iraqi Private Banks' Association President Ali Tareq told Reuters that several lenders could not pass a stress test of international standards at their current level of capitalisation.

"Collectively, banks have lost nearly 100 branches in hot areas with all their assets, funds, buildings, everything without any compensation," he said. "If a stress test is held currently, it should take into consideration the current situation of the country and the Iraqi banking sector."

The weakness of the private banks does not severely affect the overall banking sector, which is dominated by state-owned banks feeding on business from the oil-rich country's government. It is a setback, however, for government efforts to develop the private sector and reduce the nation's reliance on oil revenues.

■ Iraq's financial crisis has forced the government to introduce austerity measures.

To reinvigorate private lenders, the central bank considered offering private banks the possibility of setting up a \$422.8 million fund that would invest in the government's "strategic infrastructure projects", such as housing, transport and sewage ventures, Tareq said.

The government would thus provide the banks with a steady stream of business that would help restore their balance sheets.

"The central bank is in the final steps. It has sent a letter to the participant banks to determine their shares. All banks are allowed to participate," Tareq said. "Other than levying interest, the banks will be engaged in long-term, guaranteed projects."

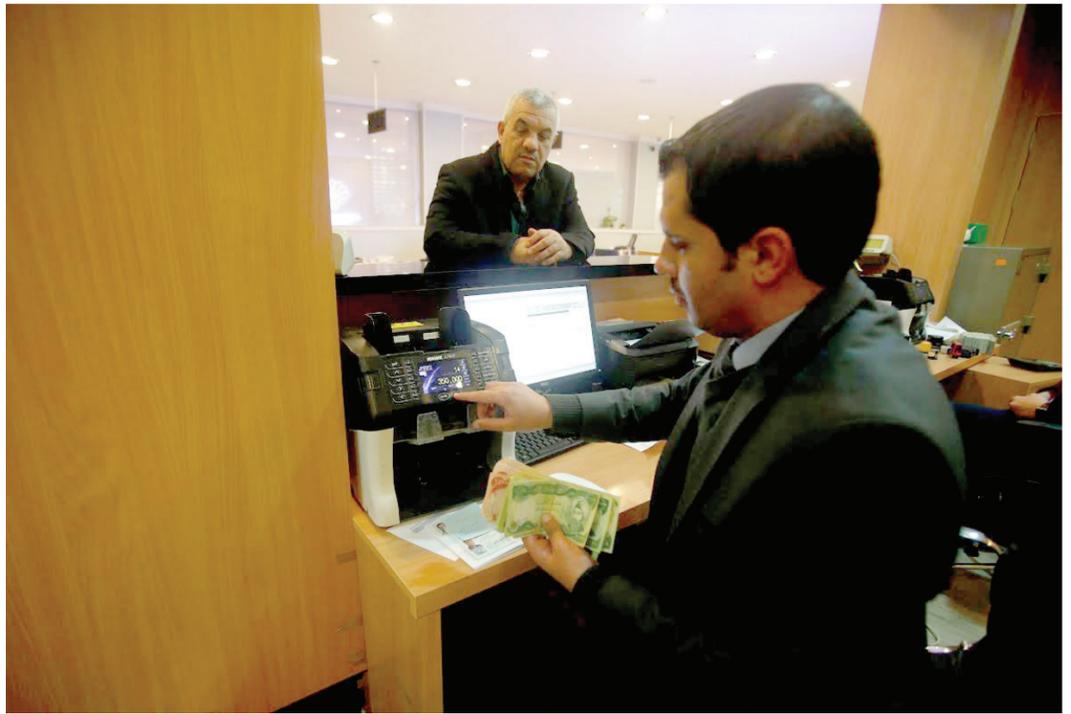
■ Some expect Iraq's defence spending to be reduced when ISIS militants are driven out of Mosul.

Other than damage to the assets of the banks and the banks' clients, the militants' sweeping advance across northern and western Iraq caused a rush on liquidity. People became worried that they would no longer be able to access their money deposited in banks. Iraq relies almost entirely on cash for day-to-day transactions.

Iraq's state-owned banks – Rafidain, Rasheed, Agriculture, Industrial, Real Estate and the Housing Fund – control together 86% of total deposits – \$48 billion – and 45 private banks share the remaining 14%, said Tareq.

"There were many withdrawals of deposits by citizens because the circumstances at the time required that they have liquidity," said Tareq. "Bank transactions were dealt a heavy blow at the same time, as lending and letters of credit" to the private sector "decreased as the government executed fewer projects", he added.

Iraq has been prey to war and insurgency since the US-led invasion of the country in 2003. As a result, Iraqis are reluctant to use banks in case violence prevents them from accessing their cash or restrictions are placed on withdrawals.



An Iraqi employee counts bills with a money counting machine at Ashur International Bank in Baghdad, on December 5th.

(Reuters)

Private banks suffered a lot more than the state-owned ones that relied on government liquidity and transactions to stay afloat throughout the 36 years of wars and sanctions that the country went through.

The Iraqi government is hoping that a new deal by the Organisation of the Petroleum Exporting Countries (OPEC) to lower output for a six-month period will help the war-weary country generate enough revenue to help pay for its costly, 2-year-old fight against ISIS.

Iraq, whose oil revenues make up nearly 95% of its budget, has been reeling under an economic crisis since late 2014, when oil

prices began their descent from a high of more than \$100 a barrel.

Iraq's financial crisis has forced the government to introduce austerity measures, eliminating posts, merging some ministries, halting spending on construction projects and imposing new taxes. It has also sought loans from foreign and local lenders.

Some expect Iraq's defence spending to be reduced when ISIS militants are driven out of the northern city of Mosul.

"I call it a peace budget rather than a war budget, as much of the military expenses will go down with the liberating of Mosul this year, ending major battles," said Mudhir Mohammed Salih, an eco-

nomical adviser to the Iraqi prime minister. "By then, we'll see more surpluses to cover other areas."

In July, Iraq secured a \$5.34 billion loan from the International Monetary Fund (IMF) that could unlock a further \$18 billion in loans. The IMF has established a series of benchmarks connected to the 3-year loan, requiring Iraq to reduce public spending, improve collection of taxes and customs fees and fight corruption and money laundering. Other loans and payment facilities also were offered from other countries to cover defence costs.

The Arab Weekly staff and news agencies

Going Global Live makes Middle East pitch

Dunia El-Zobaidi

London

About 3,600 business owners and entrepreneurs recently joined a rich stream of trade and international business expansion experts at *Going Global Live*, a two-day exhibition and conference in London.

Participants enjoyed a showcase of the international opportunities available to British businesses targeting overseas growth and trade. With support from the Department for International Trade, the Institute of Export and Open to Export, among others, the event aimed to help small and medium-size British enterprises navigate foreign markets.

Several businesses at the event in November focused on the Middle East.

Mohammed al-Musharrehk, director of Invest in Sharjah, said his organisation was exhibiting to present a new image about doing business in Sharjah.

■ Several businesses at the event in November focused on the Middle East.

"Free zones have been established in Sharjah since 1995 but we, as an investment promotion agency, have formed recently and are promoting Sharjah under a new brand," he said. "The new identity

sends a clear message that Sharjah is now focusing on attracting new direct investments from the world."

■ The next *Going Global Live* event is scheduled for May 17th-18th at ExCeL London.

Invest in Sharjah promoted health care, renewable energy, environment, logistics and transportation and tourism as well as the new free zone. Musharrehk said free zones in publishing, health care, research, technology and media would soon be established in the UAE emirate.

Musharrehk particularly emphasised opportunities in manufacturing.

"The manufacturing sector has a lot of opportunities as Sharjah is known as the manufacturing hub of the UAE. We have more than 35% of that industry in the UAE," he said.

Proven SA, which focuses on investment in Saudi Arabia, specialising in immigration, employment regulations and logistics, also had an exhibit at the conference.

"We want to make sure our clients are compliant and we are able to communicate between the foreign investors and the government," said Osman Qureshi, an account manager with Proven SA.

MENA Associates, a political risk consulting firm based in London, provides information services,



Photo taken at *Going Global Live*, November 2016.

(Gabriella Karney)

such as publications, for people looking to invest in the Middle East.

"We look at events that are happening in the region. We have a long history of studying each region. We provide analysis and give predictions of what could happen in the future. We want to help companies prepare their business strategies or just to be aware of what's going on," said Stefano Ghirardi, regional manager for MENA Associates.

"We have offices on the ground, which helps us go beyond the news and we try to focus on what could help businesses specifically. The news can give a lot of information and we try to filter it into one publication on what is relevant for a

business."

Horizon International Cargo, another exhibitor at the London conference, works with companies to get their products where they want them to go.

"The trend we have seen in the Middle East is there are a lot of British manufacturers and brands that want to get into this market more and more," Horizon International Cargo product manager Tony Leach said.

"The Middle East has transformed from being a banking region to a trading region where [companies] can promote and sell their products. Dubai, Saudi Arabia and Qatar are the main countries we deal with. When one or two

British brands establish themselves in the region, the rest will follow.

"North America has an established retail consumption with a huge population. Same with China. People still see the Middle East as a new region even though it is not a new region. However, as a European, they see they have already conquered those parts of the world and now the Middle East is seen as an area to expand their brands," Leach said.

He gave examples of his firms' British clients marketing their products in Dubai.

"We have a British manufacturer client of very high-quality televisions. They are unique because they are waterproof," Leach said. "A number of the main hotel chains in Dubai are investing in this equipment to the point where they have TVs in their swimming pools or hot tubs," Leach said.

"Future projects we see are consumer projects in the Middle East. They market it very quickly through ecommerce channels and social media. We have a company that produces coding for children. The company has only been around for two and a half years and they are now valued at 70 million."

The next *Going Global Live* event is scheduled for May 17th-18th at ExCeL London alongside the second Foreign Direct Investment Expo. If you're interested in exhibiting, please contact Simon Chicken on 0117 907 3520 or simon.chicken@prysmgroupp.co.uk

Dunia El-Zobaidi is a regular Arab Weekly contributor in London.