

## IRAQ TO PAY \$2BN IN ARREARS TO FOREIGN FIRMS

**BAGHDAD:** Iraq will pay foreign oil companies about \$2 billion in remaining arrears for 2015 this April and expects to reach an agreement over contracts by half-way through the year, the deputy oil minister said. International firms such as BP, Royal Dutch Shell, ExxonMobil, Eni and Lukoil operate in the southern oilfields under service contracts, whereby they are paid a fixed dollar fee for additional volumes produced.

Those agreements have put Baghdad's coffers under immense strain as government revenues plunge due to slumping oil prices and Iraq is in talks with foreign companies to link the fees they receive for

developing its fields to crude prices.

"The new amended agreement will help to prevent inflating production costs and getting Iraq in debt," Fayadh Al-Nema who is in charge of upstream operations told Reuters in an interview in the southern oil city of Basra.

Nema said one way of reducing companies' costs was to hand drilling operations over to Iraq's state-run drilling firm, or to replace foreign workers with locals. Iraq's output rise in 2016 will be "very modest", Nema forecast, due to the shrinking investment budgets of foreign contractors, which are affected by the drop in oil prices.

Nema said a deal with PetroChina,

ExxonMobil and other energy companies could be reached by the end of the year over investing in a project to boost output from its smaller southern oilfields.

The multi-billion dollar "Integrated South Project" consists of building oil pipelines, storage facilities and a seawater supply project to inject water from the Gulf to maintain pressure and enhance oil recovery.

Investing companies will help raise production from the Artawi and Nahr Bin Umar oilfields and build energy infrastructure. Revenues from rising output from the two oilfields will be used to repay investors, Nema said.

Nema also said Iraq was working with BP to upgrade an old water injection facility in Garmat Ali, north of Basra, to provide oilfields of Rumaila and Zubair with water needed to boost output. The project is currently pumping more than 1 million barrels of water per day, with plans to increase output to 3 million. Iraq is in talks with foreign engineering companies to build a new onshore oil port to expand the country's export capacity. The new port will have an export capacity of 2.5 million barrels per day. "We have picked the ideal location for the new oil port that will ensure we have all the flexibility needed in shipping additional oil," Nema said. — Reuters

## ON WALL ST, FEARS OF A TRUMP PRESIDENCY

**NEW YORK:** At first glance, Donald Trump is everything Wall Street likes—a billionaire whose real estate empire has provided huge business for banks, and whose luxury towers house the rich and famous.

But his surprise success in the fight to win the Republican nomination for the US presidency has sent a chill over the heart of American capitalism.

The list of fears runs long: a president Trump could launch a trade war with China; he could increase taxes on the rich; he could interfere with the Federal Reserve over monetary policy; the White House's relations with Congress could break down completely. "He scares the markets. He is a big uncertainty," said Greg Valliere, chief strategist for Horizon Investments. "The market does not like uncertainty."

Businesses are disconcerted by the off-the-cuff comments Trump renders about crucial business and economic issues almost daily since hitting the campaign trail last year.

On one side, he has denounced huge salaries for chief executives, the greed of bankers and tax advantages that benefit wealthy Wall Street fund managers. He has denounced the huge population of undocumented immigrants that effectively keeps up the supply of low-wage workers for US businesses. He attacks China and Japan for manipulating their currencies for trade advantage and threatens to start a trade war with China. At the same time, he has declared his opposition to two huge free-trade accords spanning the Pacific and Atlantic oceans.

He has even leveled attacks at the titans of US businesses such as Ford and Apple because they manufacture outside the country as well as inside. But on the other hand, Trump courts US industry leaders with promises of business tax cuts. He also praises the skills of fellow billionaire Carl Icahn, one of Wall Street's most successful activist investors, who stands out as one of Trump's few vocal backers on Wall Street.

### 'Mixed bag' platform

"He doesn't fit into any particular economic mold, he's not a traditional conservative like Ronald Reagan," said Mark Perry of the American Enterprise Institute, a conservative think tank.

"His platform is really kind of a mixed bag of populist and isolationist types of policies that, he knows, will appeal to a



**NEW YORK: New York Stock Exchange. Donald Trump's surprise success in the fight to win the Republican nomination for the US presidency has sent a chill over the heart of American capitalism. — AP**

lot of uninformed people." Former White House nominee Mitt Romney, who ran the prominent investment house Bain Capital before entering politics, gave voice to the finance community's worries Thursday, warning that under Trump "the country would sink into a prolonged recession." "A business genius he is not," Perry pointed to one of Trump's more obvious "hypocrisies"—having his own Donald J. Trump brand menswear collection manufactured in China even while blasting that country for cheap labor.

Chris Low, chief economist at FTN Financial, said some of his clients appreciate Trump's position on cutting corporate taxes. But they also fear he could spark a trade war with China that could harm US businesses.

"We live in a globally connected economy," Low said. So far, however, markets have not reacted to Trump's strong lead in the Republican White House race. Fund managers remain uncertain about his chances against the likely Democratic nominee, former secretary of state Hillary Clinton, Low said.

"Trump's success moving forward is likely to bring increased volatility," David Lafferty of Natixis Global Asset Management predicted.

Among bankers, the sentiment is generally anti-Trump. Goldman Sachs chief Lloyd Blankfein last September pointed to the US president's power to unleash a nuclear weapon. "The image

of Mr Trump with his finger on the button blows my mind," he said.

But most bankers contacted by AFP would not speak openly about their disdain for Trump, worried about possible reprisals.

"He is crazy, he has crazy policies," one prominent banker said. "He does not know how to run a business," another said. "How can he run a country?"

Still, even as he weathered four corporate bankruptcies, Trump has amassed a fortune mainly in real estate estimated at \$4.5 billion. "We sometimes forget that underneath all the things that he does—the talking, the hair, the TV shows—he does know how to build, and he does know how to do that in an extremely efficient and economical way," said Gwenda Blair, author of "The Trumps," a book about the tycoon and his family.

Whatever it feels, Wall Street doesn't have a clear alternative, with polls showing Trump's top Republican rivals, Senators Ted Cruz and Marco Rubio, both too weak to overcome his lead in the primary race.

Some in the traditionally heavily Republican finance community are prepared to turn their support to Democrat Hillary Clinton in the November election, if the other choice is Trump.

"The market is nervous about him," Valliere said. Clinton is "the devil you know," he added. "The market will live with her." — AFP

## LSE GROUP LOGS SURGING PROFITS AMID MERGER

**LONDON:** London Stock Exchange Group yesterday posted surging 2015 net profits, and repeated its support for a merger with Deutsche Boerse amid interest from US giant Intercontinental Exchange.

Earnings after taxation soared almost 167 percent to £328 million (\$462 million, 425 million euros) last year compared with its performance in 2014, LSEG said in a results statement.

The company, which runs the London and Milan exchanges, added that revenues jumped almost 50 percent to £1.325 billion. Operating profit meanwhile rallied 73 percent to £404 million.

"The group has produced another strong financial performance and continues to make excellent progress executing our strategy to be a leader in global markets infrastructure," said chief executive Xavier Rolet. Last week, the LSEG had revealed it was in merger talks with Deutsche Boerse, which manages the Frankfurt stock exchange.

"We have recently confirmed that we are in detailed discussions with Deutsche Boerse regarding a potential merger of equals," added Frenchman Rolet. "This represents a compelling opportunity to strengthen each other in an industry-defining combination, by creating a global market infrastructure group with significant benefits for our customers and shareholders."

Deutsche Boerse now has until March 22 to launch a formal offer, pending shareholder approval and the green light from regulators. However on Tuesday, global markets operator Intercontinental Exchange revealed that it was mulling an offer, raising the prospect of a bidding war. If the merger goes ahead, Deutsche Boerse shareholders would have the upper hand with 54.4 percent of the new holding company's capital, with LSEG investors having 45.6 percent.

Both the London and Frankfurt financial markets would continue doing business under their respective current brand names. — Reuters



**LONDON: The central atrium is pictured inside the London Stock Exchange in central London yesterday. London Stock Exchange Group posted surging 2015 net profits, and repeated its support for a merger with Deutsche Boerse amid interest from US giant Intercontinental Exchange. — AFP**