

## The importance to the UK of the GCC peg to the Dollar extends beyond the Gulf

The countries of the Gulf Cooperation Council (GCC) have long pegged their currencies to the US Dollar, although Kuwait abandoned this arrangement in 2007. There was considerable speculation during late 2007 and early 2008 that the other GCC countries (Bahrain, Oman, Qatar, Saudi Arabia and UAE) might follow.

Tim McCullough, foreign exchange consultant at JC Rathbone Associates (JCRA) has written an article on the importance to the UK of the Gulf currency peg to the dollar. The implications to the UK of any potential renewed threat to the peg come not so much directly from these individual currencies, he argues, but more from the secondary effects of potential dollar weakness and rising oil prices. The overriding theme is one of increased uncertainty, requiring careful

planning. Any UK company with interests in the US dollar would be affected, not just those dealing with the GCC states.

A weaker dollar would itself have major implications for UK importers and exporters, UK owners of US assets and companies with dollar liabilities. But the extent of this impact might depend on whether the GCC countries would continue to sell their oil only in dollars or in some other means such as a basket of currencies, in which case the dollar price of oil would likely be higher, requiring even more careful hedging of both the oil price and the dollar by all UK consumers of oil products.

All UK companies with any overseas or oil interests should revise their hedging provisions against general volatility, but particu-

larly against the dollar and other currencies traditionally seen as pegged or linked to it. This review should cover all forms of transactional and translation risk, including the use of debt to hedge overseas assets.

As ever in financial markets, the article concludes, the time to hedge is before an anticipated event occurs; by that time it is already too late.

**Interested readers can obtain a copy of the article by emailing Louise Waters: [louise@the-mea.co.uk](mailto:louise@the-mea.co.uk).**

**JC Rathbone Associates Limited are a financial risk management consultancy advising clients throughout Europe, the Middle East and elsewhere. For further information please visit the website, [www.jcra.co.uk](http://www.jcra.co.uk).**

## Kurdistan – open for business

In June this year, the Kurdistan Region for the first time exported crude oil. The exports from two fields represents a landmark accomplishment for our Region, bringing in much-needed revenues for all the people of Iraq. And a month earlier, three companies announced that they will invest in accessing natural gas resources in the Kurdistan Region for domestic use and to supply the Nabucco pipeline. Over the past few years, more than 35 international exploration companies have entered into production-sharing contracts. At today's oil price, our efforts should contribute 5 billion dollars in revenue for Iraq within two years.

The rapid development of our hydrocarbons sector is just one example of the results of our efforts. In other areas too, such as electricity, water, health, education, and commercial and residential property, we are making visible

strides. New shopping malls, apartments and houses built by foreign and local companies are changing the face of the three main cities. Two new universities that teach exclusively in English have been established, and there is great enthusiasm for vocational training in many sectors.

In addition, 2009 has been designated as the year of agriculture, with extra funds earmarked to develop food production and processing. With one of the largest fertile plains in the Middle East, we welcome companies that wish to invest in our considerable agricultural potential.

There are many British and international companies already working in the Kurdistan Region: Scott Wilson, which designed the new terminal at Erbil International Airport; Macmillan Publishing; PricewaterhouseCoopers; Sterling Energy; and HSBC under the name Daresselam Bank, to name just a few.

On September 9 and 10, the Kurdistan Regional Government is hosting a trade and investment conference in London. The Summit has the support of Prime Minister Nechirvan Barzani and will bring the most senior political figures and ministers from Kurdistan Region together with British and international companies. Keynote speakers will include government ministers, investors, and regional and economic experts and will offer unparalleled access to policymakers.

We are pleased the MEA is a partner in this conference. As many MEA members know, Kurdistan has much to offer in terms of trade and investment opportunities. The MEA and its members have been at the forefront of British industry's engagement with our Region. We look forward to the London conference reaffirming the conviction that Kurdistan is the gateway to Iraq for UK companies.

**KURDISTAN REGION**  
**TRADE & INVESTMENT SUMMIT 2009**

9-10 September, London

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