

Economic crisis

I. Match the terms on the left to definitions on the right:

1. fall into a recession	a. a situation in which property prices rise rapidly until they collapse
2. a credit crunch	b. a sudden reduction in the availability of money or credit from banks
3. a subprime mortgage	c. a type of mortgage (money borrowed from a bank to buy a house) which is intended for borrowers with low credit ratings
4. offer a bailout	d. to enter a period of economic decline
5. a housing bubble	e. to give money to help a failing business in order to prevent negative economic effects

The next emerging market?

Iraq's government has a message for Western investors: spend your money with us.

<p>1 Iraq is open for business - such is the message from the Invest Iraq conference in London. The post-Saddam state urgently needs infrastructure investment, and the Baghdad government has been unable to fund the enormous reconstruction on its own with the price of oil down to \$50 per barrel. But the worldwide recession could benefit the war-torn country. On the whole, the security situation has improved, and with so much financial uncertainty in other countries, Iraq's potential is attracting more attention.</p>	<p>5 Sir Claude Hanks, an adviser to the TBI, says the potential for Iraq - with its large population, educated middle class and trading ethic - has been unmatched since the Far East of the 1970s. And investors are starting to pay attention.</p>
<p>2 The scale is huge. Iraq needs \$400bn (£339bn) of infrastructure just to meet the needs of its existing population of 28 million. The list is endless: from power plants, to water systems, to road and rail networks. The country needs 25 megawatts of electricity but produces less than six; there have been no new hospitals for decades; some 7,000 new schools are necessary just for today's generation of children; 50 years ago Iraq was a net exporter of food, now 70 per cent is imported and it needs fertiliser plants, agricultural investment and food production businesses to restore the balance.</p>	<p>6 A few brave firms have already decided to invest, mainly companies from nearby Gulf states, Iran and Turkey. But Chinese groups are also showing a growing interest, as are the French. British companies are, so far, less well-represented, particularly outside the Basra area where UK troops were stationed.</p>
<p>3 Meeting the requirements of even a single sector would be enough to change the economy radically, says Hussein al-Uzri, president of the Trade Bank of Iraq (TBI). The country needs 2.5 million new houses, for example. "That by itself will stimulate the whole economy because it will need cement plants, steel mills, labour, banking, mortgages," he said.</p>	<p>7 But kidnappings and roadside bombs are not the main concern for potential investors. A stable economy needs a stable banking sector. The TBI's rapid growth represents an improving situation. But there is much to do. There are now six state-owned retail banks in the country, and about 32 private banks, including some international institutions such as HSBC.</p>
<p>4 With oil at \$147 per barrel last summer, the government in Baghdad had more options. But with less money in the public sector, commercial investors will have a bigger slice of the pie. Private investment has been growing since Saddam Hussein was removed from power in 2003.</p>	<p>8 But only about 2.7 million Iraqis have bank accounts, less than 10 per cent of the population. And between them, there are only about 600 branches in total, a very low per-capita ratio compared with a developed, Western economy. Iraq is still very much an "underbanked" country, says Mr Uzri. "In the UK there is around one bank branch per 1,300 or so of the population, in Iraq that is more like 45,000," he said. "Cash is still king. Most transactions are in cash, from buying groceries to buying buildings."</p>

II. Complete the following ten facts about Iraq with figures from the article:

1. The population of Iraq is _____ .
2. Iraq needs \$ _____ of infrastructure investment.
3. _____ new schools are needed for today's generation of Iraqi children.
4. _____ % of Iraq's food is imported.
5. Iraq's population needs _____ new houses.
6. Saddam Hussein was removed from power in _____ .
7. There are _____ state-owned retail banks and about _____ private banks in Iraq.
8. _____ Iraqis have bank accounts.
9. There are about _____ bank branches in Iraq (one branch for every _____ people).
10. In the UK, there is about one branch for every _____ people.

III. Put T (True) or F (False) next to each of the following statements.

1. Iraq is becoming more attractive to potential investors because of its current security situation and the global financial crisis.
2. Iraq needs investment in all sectors in order to develop economically.
3. Private investment has been growing because the price of oil has fallen.
4. Many British companies have decided to invest in Iraq.
5. Potential investors are mainly worried about kidnappings and roadside bombs.
6. Iraqis pay for almost everything in cash.

IV. Match the underlined words to their definitions below.

1. Our debtors owe us a lot of money.
2. He was able to get the loan because he owns a lot of personal assets.
3. During the economic downturn, many businesses were unable to survive.
4. If Joe is unable to pay his debts, he will go bust.
5. Because of the boycott from consumers, the company's sales went down.
6. Sometimes big companies bully smaller companies to get what they want because they know smaller companies are weaker.
7. Big firms usually have plenty of cash reserves, so they usually don't have problems paying bills.

- a) a person or company who owes money
- b) a reduction in the success of a business or economy
- c) a supply of something that is not needed for immediate use but available if required
- d) go bankrupt
- e) property owned by a person
- f) refusing to buy from a company or country as a way of protesting
- g) use their strength to influence other people