

Kuwait's pivotal regional role

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Kuwait has a more participative form of government including a written constitution, free speech, a parliamentary system and full voting rights for women

Kuwait has succeeded within a remarkably short space of time in recovering from the destruction of so much of its assets – including its vital oil wells and related infrastructure – during Saddam Hussein's 1991 invasion, and is now set on further developing and diversifying its economy. While energy remains by far the most important source of revenues, non-oil sectors from financial services to tourism are rapidly expanding. Indeed, modernising and diversifying the economy away from the traditionally dominant oil sector is a key element of the strategy of Kuwait's new and reform-minded Amir, Sheik Sabah Al-Ahmad Al-Jabir Al-Sabah, who envisages Kuwait City becoming a regional centre for trade and finance.

Kuwait is already wealthier than at any time in its history, thanks in large part to the recent high levels of international oil prices. Its energy-driven economy has been expanding by more than 7 per cent annually, and its budget surplus rose to an estimated US\$28.5 billion last year. Total assets have risen to more than US\$85 billion – comfortably above where they stood before Saddam Hussein's invasion – most of which is directed into the Kuwait Fund for Future Generations which manages budgetary surpluses on a long term basis as a safeguard against the day when the country can no longer depend on oil revenues. Kuwait is investing its oil wealth not only for its own citizens' future, but through the Kuwait Fund for Arab Economic Development. It has long been assisting developing countries in Africa and across the world to promote economic growth, reduce poverty and improve health and quality of life.

Naturally, Kuwait has invested in its human resources, providing quality education, healthcare and other social infrastructure. According to the United Nations Development Programme, (UNDP), Kuwait leads all other Islamic countries in terms not only of income but according to broader standards such as education and life expectancy. And although Kuwaitis attach great value to their cultural traditions, Kuwait has moved towards a more participative form of government including a written constitution, free speech, a parliamentary system elected by popular mandate and, most recently,

the extension of full voting rights to women who will vote for the first time in this year's legislative elections. Another step in the fuller involvement of women in politics and decision-making was taken recently when Massouma Al-Mubarak was appointed Kuwait's first female minister.

Sheikh Sabah Al-Ahmad, who has effectively been running the country since he became prime minister in 2003, has added momentum to the movement towards greater political and economic freedoms. Kuwait enjoys a dynamic and at times outspoken media, with five major newspapers and three television channels, two of them privately-owned.

In terms of opening up the economy, Kuwait already has one of the most active stock exchanges in the Gulf region, and is home to many leading international banks such as Citigroup, HSBC, Standard Chartered and Paribas besides some fifteen Islamic banks and other financial institutions. Indeed, financial services have been growing at nearly 25 per cent a year, and this trend is set to continue.

Confidence of both local and international investors has been further strengthened since Kuwait became the first Arab country to introduce the Basel II capital adequacy standards with its criteria for the effective management of credit and operational risk. And the Kuwait Stock Exchange has proved that it can weather the occasional sharp correction to the overall boom conditions that have prevailed over the last three years, which have made it one of the fastest growing indices in the Middle East region.

That said, oil revenues remain by far the most important element in the government budget and, more generally, the overall economy. Kuwait's ownership of around 10 per cent of the world's oil reserves bestow an influential voice within OPEC, besides which its strategic position at the head of the Gulf and adjacent to Iraq make it a key ally within the Gulf region. And while rebuilding the country's energy infrastructure after the 1991 invasion was a massive task, this has been effectively completed and now the government together with the Kuwait Oil Company (KOC) is seeking to expand production following major finds of both oil and natural gas. KOC plans to expand production

Opposite: His Highness
The Amir of Kuwait

capacity to 3 million bpd by 2010 and around 4 million bpd by 2020.

Equally significant has been the discovery of important and readily exploitable gas reserves that will make Kuwait fully self-sufficient and open up the way to new gas-related industries. The rapid development of this resource will require major investment in early production facilities (EPFs) in order to achieve the planned output of 600 million cubic feet per day (cfpd) by 2011 rising to 1 billion cfpd by 2014-15. Together with enhanced oil production, these plans envisage closer cooperation with leading international players and further transfer of technology and expertise.

Kuwait is also expanding its two modern ports, Shuwaikh and Shuaiba, as part of its strategy of becoming a regional transport hub, benefiting from its strategic position at the head of the Arabian Gulf to develop into a leading centre for trade transshipment and transport logistics. The main container and ro-ro port at present is Shuwaikh, which has its own free trade zone and has developed into one of the busiest port facilities in the Middle East, in part thanks to reduced fees and new infrastructure to encourage greater use as a transshipment centre. As for Shuaiba, it is focused on industrial imports and the export of petrochemicals, petroleum coke and sulphur from the nearby refining and processing complex. In addition to these two ports, plans are underway to create the largest port in the region on Bubiyan Island – a multi-billion project funded by a public-private venture which will include a new bridge link to the mainland and railway links to Iraq that will enable Bubiyan to handle 80 per cent of Iraq's import requirements. Construction is expected to begin next year and be completed by 2016.

The planned enlargement and modernisation of Kuwait International Airport will similarly reinforce Kuwait's position as a major regional transport hub in anticipation of greater airline arrivals following the Gulf Co-operation Countries' common market going live this year. On completion of the airport upgrade, capacity will more than treble to 20 million passengers a year – many of them, certainly, business visitors, but with a growing tourism component. For Kuwait has recently set forth a national tourism strategy to become a year-round tourism destination, building upon its traditional Arab culture and hospitality, its souks and architecture, its beach resorts and opportunities to go cruising through islands just offshore in a traditional dhow. With its top-flight hotels and a new spa complex about

to be opened at the Crowne Plaza Kuwait, both businessmen and tourist visitors will receive world-class treatment from the moment they land.

Moreover, these developments are largely private sector or public/private financed – further signs of how Kuwait has opened up more opportunities for international investors and is actively seeking further investment and the transfer of expertise across an entire spectrum of different activities. In sectors such as aviation, which was formerly a monopoly of government-owned Kuwait Airlines, private competitors like National Aviation Services are thriving and winning greater market share. Above all, Project Kuwait and the enlargement of the country's energy infrastructure is

likely to provide exciting opportunities to international companies with the requisite skills and expertise.

Kuwait has proven that it could recover rapidly from disaster. Now it is forging ahead towards a prosperous, more diversified and sustainable future. **E**

Enlargement of the country's energy infrastructure is likely to provide exciting opportunities

