

An IFC Reports Interview with

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Minister of Commerce & Industry,
State of Kuwait**

(Outgoing Minister)

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For our special report on Kuwait



Introduction to Kuwait's Economy and Macro-Economic outlook

Kuwait has rapidly recovered from the global economic crisis primarily due to the increase in oil prices and the greater demand now stemming from China and other Asian countries. GDP growth for 2011 is forecast at 4.7%, compared to 3.2% in 2010. His Highness the Amir has continually stated his aspiration to diversify the Kuwaiti economy from its dependency on Oil, and regain its position as a regional leader in financial and commercial services.

➤ Your views and opinions on Kuwait's current and forecasted economic growth.

It is well known that government expenditures have a direct impact on the local market by restarting, among other things, stagnant economic activities. According to the Five-year development plan, which was approved last month by the National Assembly, expenditures on projects by the government will total 4.5 billion KD (\$15.8 billion). Therefore, I see that our economy is heading in the right direction and I'm personally very optimistic about the future.

➤ Discussion on the current investment climate.

There hasn't been a better time to invest in Kuwait. As I have previously mentioned, Kuwait ranked 27th globally in the "Protecting Investors Index" that was issued by the World Bank, which is better than most OECD countries. This fact combined with all the incentives that are offered by The Foreign Direct Investment Law No. 8 of 2001, which came into force 17 April 2001 and allows 100% foreign ownership in many economic activities and projects makes Kuwait an attractive destination for investments.

➤ The government's plan to diversify and how that is being translated by current businesses in the country.

Economic diversification in Kuwait is essential since most of the Gross Domestic Product growth (around 60% in 2008) derives from the contribution of the oil sector, which also accounts for over 90% of total revenues. The government, through its Five-Years Development Plan, has outlined an economic diversification strategy to expand the role of key non-oil sectors, including finance and banking, logistics, industry, trading, transport and telecommunications. Specifically speaking, the effects of economic diversification strategy on Kuwait's industries will translate into an increase in the capacity and the added value of the industrial production. In addition to providing the required funding for industrial projects and facilitating the administrative and regulatory procedures for industrial investors. We are hoping that all of this will increase the contribution of the industrial sector to the equivalent of 12% of the Gross Domestic Product (GDP).

Changes in Kuwait:

In 2010 we observed exciting progress being made between Kuwait's democratic parliament and the ruling government, with numerous laws and strategies coming to fruition after many years of deliberation. Most notably the first development plan since 1986 was passed, approving a \$125 billion dollar budget to be spent between 2010-2014. However, the future success and growth of Kuwait can no longer rely on the public sector, but will require much deeper private sector participation.

- ***Your comments on the developments being made and your outlook for the proposed projects.***

I think that the future is very promising, because the government is keen to push the doors wide open for the private sector to play its role. As for the proposed projects, what's required is to establish new companies that can undertake the Mega Projects, such as, the Silk City, power generation stations, railroads and many others.

- ***With a divided consensus over the Privatisation Law and the effects it will have on Kuwaiti employment, what are your opinions on this change?***

There is no divided consensus and privatization is a choice that there is no going back on it, because the government cannot continue to undertake all the economic activities in the country! Having said that, I need to add that the privatization process needs to create new jobs for Kuwaitis, especially new college graduates, and the incentives to attract them to work for the privatized entities.

- ***How important is the spirit of Kuwaiti entrepreneurship given the growing need for private sector involvement in the economy?***

This point cannot be emphasized enough!

- ***We would like your comments on the new Capital Markets Law, which aims to stabilize regular company reporting and develop the Kuwait Stock Market through increasing investor confidence.***

The new Capital Markets Law is a necessary step to guarantee the stability and transparency of all transactions in the Kuwait Stock Exchange (KSE).

- ***As an essential part of the development plan, an insight into the 14 major construction projects.***

We think it is great and we encourage more of the same.

- ***What incentives are in place or being drafted to attract multinationals to invest in Kuwait?***

The existing law is currently under review therefore, the incentives contained in it will be different once the revision is finalized.

- ***Your comments on incentives that are being implemented for the creation of environmentally friendly firms.***

I am all in favor of these kinds of incentives.

Kuwait's relationship with the United States

The United States has had a presence in Kuwait since 1951 when it opened the American consulate. Ties have further strengthened with the 1987 Maritime protection programme, as well as the help received during the Gulf war. At present it remains a strong ally and strategic partner in the global war on terror.

- ***Discussion on the continued interest in US-Kuwait relations given the US is Kuwait's largest importer, averaging \$2 billion in goods per year.***

Kuwait is an open market and the relations between the United States of America and Kuwait are strategic and, therefore, go beyond trade. However, we are in constant dialogue with our American counterparts to find ways to improve our ties at all levels.

- ***Given the US has a competitive advantage in many areas requiring advanced technology, such as oil field equipment, consumer goods, telecommunications, etc. What future prospects are there for further collaboration with US businesses to operate here?***

I believe the prospects for future collaborations between Kuwait and US companies are great, especially in the areas that you have mentioned.

- ***Considering your vast experience ranging from entrepreneur to Director General of the Chamber of Commerce & Industry, an insight into your main personal contributions and greatest challenges as Minister of Commerce & Industry.***

I am not here to boast about my accomplishments, however, I will tell you when the global recession tidal wave reached Kuwait; it was combined with local speculative investment in equity and real estate. This has led to a decline in the stock market and a severe credit crunch, which caused the economy to slow down tremendously. Therefore, the biggest challenge we were faced with is how to restore confidence in the market in order to get the wheel of the economy turning again. Thank God I believe we succeeded in that mission. Currently, my greatest challenge has been to make, in collaboration with my colleagues in the government, the Five-year Development Plan a success.