

An IFC Reports Interview with

**His Highness Sheikh Dr. Mohammed Sabah Al-Salem Al-Sabah,
Deputy Prime Minister and Minister of Foreign
Affairs,
State of Kuwait**

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For our special report on Kuwait



IFC Reports: The year 2011 is very emblematic for Kuwait as it is celebrating 50 years of independence, 30 years since the creation of the Gulf Cooperation Council (GCC), 20 years since liberation from Iraq in which the US played quite a significant role and 5 years of H.H. the Amir's ascension to power. US Ambassador Deborah Jones told us that "the U.S. and Kuwait enjoy perhaps one of the strongest strategic political and economic relationships the U.S. enjoys with any country in this part of the world". Firstly, I would like to ask your opinion on the significance of 2011 for Kuwait and the importance of its relationship with the US?

Sheikh Dr. Mohammad Al-Sabah: Well, 2011 is just a date, but what matters is that it carries with it significant memories about our independence, liberation, the formation of regional alliance and the ascension of H.H. the Amir to power. It all coincided in a nice arithmetic chain or series and we are proud of each and every accomplishment. Speaking about the independence of Kuwait, it is not independence in the usual sense of the word since we were not part of a colony of the British Empire. It was a mutual agreement that we struck with the British back in 1899 to protect ourselves from the Ottoman Empire. This gives the genesis of Kuwait's strong propensity for independence and freedom. The power of the Ottoman Empire was spreading all over the Middle East and, we, this tiny harbour at the tip of the Gulf wanted to protect our independence, sovereignty and our way of life. So, the founder of modern Kuwait Sheikh Mubarak first approached the Russian Tzar and requested protection to maintain the integrity and independence of this small city state from the Ottomans. The Tzar could not provide such an assurance, so the British were the second choice. That's how we struck the treaty of 1899 and became a protectorate of the British Empire. That arrangement worked very well and in 1961 it was mutually decided to terminate the agreement. So, the word independence is not typical here.

Kuwaitis have great love and respect for Britons because they were not our occupiers and so the respect is real and enormous. We had a kind of business arrangement with them and they stuck to their part of the bargain and we with ours. They were very good partners in developing our natural resources, oil, and providing assistance when we were under attack in 1920 from tribal factions in the Al-Jahra battle. The British sent a stern message to the offensive tribes that they should not attack Kuwait City and we are very grateful to the British for their cooperation. During that period, at the turn of the 20th century, there was a small missionary group that decided to convert Kuwaitis into Christianity and they thought the best way to do so was to set up a small clinic. It was an American missionary group and we allowed them to open a clinic about two miles west from here and so, the genesis of American-Kuwait relations goes back to 1911, which is almost 100 years ago. So, we first had contact with Americans 100 years ago with the establishment of the American hospital, the missionary hospital. That was way before Kuwait had any real natural wealth to speak of, but the Americans came as missionaries and interestingly, one of their staff converted into Islam. The Kuwaitis contributed to the building of the hospital, I am saying all this to give an idea of the kind of people Kuwaitis are, it demonstrates our value system that would allow us to voluntarily enter into an agreement with this a foreign Christian western power, England, and to accept the establishment of a missionary hospital on Kuwaiti soil with the nurses wearing crosses on their chests and the doctors praying before operating on Kuwaiti patients. This shows a lot about the character of Kuwaitis because we are a sea trading society, our value system was very much influenced by our way of life and the manner in which we made a living, we had to be open-minded, tolerant and accept others. So, since the outset, we were global citizens, we had to trade with the Persians, the Indians, the East Africans and so, we had to learn a little bit of Hindi, Farsi, Swahili and a little bit of English as well to escape the British

Armada when we were smuggling things back and forth. So, we had to develop a multilingual business culture. If you ask our grandfathers, they would say they knew a little bit of these languages.

And if you see churches in Kuwait, they are not new. Kuwait was always an open society. So, this history tells a lot about what makes the current value system and the makeup of our culture, which is based on sea trading. Even our national symbol is the dhow- the ship and the boom - and you will see it all over the coast here.

In a sense we were connected, that was our internet, the sea connected us to the rest of the world. So, it is this we celebrate, not the number, but history, heritage of interdependence, of being global citizens, of being engaged with others, to accept other cultures, and to assimilate into your own value system.

The Americans, of course, came in 1911, set up this hospital and they serviced a gate in the middle of 30s for the prospect of oil exploration. The British were not very happy with this development but the real thing that cemented or reconfirmed American commitment towards Kuwait was firstly as we've mentioned back in 1911 with the establishment of American hospital and the second was in 1990 when Americans led the war of liberation. So, it is a very colorful history and rich history which is not just centered to this geographic location. If you want to learn about Kuwait's history, you should go to Mumbai, India, where Kuwaiti buildings are still there. Along the beach, you would see apartments blocks that go back to the 20s and 30s of the last century and have the names of Kuwaiti families like Al-Sabah, Al-Jaber, Al-Mutairi all over Mumbai, which was a hub. You can also learn about Kuwait in Aden, there are business outposts, business offices, and transportation offices there because we were basically in the transportation business with our dhows.

We set sail on our dhows from Kuwait with nothing aboard, we would go to Basra first, load the ships full with dates, then we'd go to Mumbai, we exchanged dates with all kinds of Indian goodies, spices, sweets, garments and all and from there, we go to East Africa, to Mombasa, another hub, and we exchanged a few dates and Indian products with East African products and we would come back to Kuwait and here would be the supermarket and people from the heart of the desert would come to shop here.

This was in 1800s and 1900s when there were no ports in the Gulf except Kuwait. Bahrain was very active in pearl diving, but not much into high sea trading. Kuwait and Oman had merchant fleets competing with each other. Bahrain had a very strong pearl diving and fishing fleet, while Qatar didn't have that much. The UAE was then called the pirates coast, it was not into sea trading. Kuwait and Oman were the two principal trading societies. So, this is a culture you have to know to understand the kind of relationship we have with the rest of the world now.

The first thing we did after gaining independence on 19th June, 1961, some four or five months after was to establish the first Kuwaiti institution way before our Constitution was drafted. This was the Kuwait Fund for Arab Economic development. This was the first thing we did as we had a kind of vision of our role in the world. We were extremely poor, we settled in this barren land with no water, no rivers, and no underground water. We brought water from Basra, that's how we survived, we imported everything on our dhow, the dhow was our livelihood, yet we maintained this place as a hub, as a spring board to do the rest of our operations. So, we understand what it means to be poor, to be destitute and in need. That's why we established the fund.

The fund is the second development institution in the world after the World Bank and certainly the largest in the Arab world with the most extensive connections. We have more than 100 clients around the world, and if you look at the World Bank list of countries ranked by GDP per capita, the bottom 50 are our customers. These are the kind of countries that we deal with; the bottom quarter. This is just a background of what makes this country tick.

IFC Reports: Can you tell us about the importance of the GCC?

Sheikh Dr. Mohammad Al-Sabah: The GCC is our backyard. Back in 1981, our late Amir H.H. Sheikh Jaber proposed to his colleagues, the Gulf country leaders, that there should be some sort of an alliance to hold us together against foreign domination and threats. It was the start of Iran-Iraq war then, and we as small, rich countries need to stick together to deter any aggression or intention of aggression from our larger neighbours. It is not just a security pact, but also a cultural and economic pact because we share the same culture, and we have the same economic concerns as we are all resource-based economies, our economies are heavily dependent on the export of a single product, and all of us with the exception of one depend on the Arabian Gulf to export oil. Oman is the only country which has access to other waters, but all others including Kuwait, Saudi Arabia, Qatar and UAE don't. So, the Strait of Hormuz is the vital lifeline for our economy, and there was a security threat to it. We all share this feature and heavily depend on one route and there are numerous other issues that make us stick together and confront these challenges in a collective manner.

When we established the alliance, we had a vision of achieving unity through some measured steps just like the European Union. We started with economic issues and at some point we will be arriving at a stage where we can consider ourselves a confederation. We are currently harmonising our economic activities, we are talking of establishing a single currency and have already established a common customs market.

Speaking of the common currency, we are taking a reflective pose now due to challenges and threats the Euro is facing. We want to learn from that and don't want to repeat the mistakes the Europeans did. We are learning very fast that a common currency will not be stable without harmonisation of monetary policy and we need to harmonise fiscal policy as well. Monetary and fiscal policies have to work hand in hand to ensure a stable common currency.

So far, we have very heavy support for the harmonization of monetary policy, which means we have to look at the fiscal policy as well. The idea is to have a single currency, open borders, and now we travel with just our ID cards. We have a very fluid labour market in GCC and any foreigner with a valid visa in any GCC country can enter Kuwait. We have a European Union Schengen like structure for entering Kuwait. Our partners, some of them, have not adopted this. Our idea is to have a Schengen -like structure and achieve freedom of movement of products, commodities and labour, and we are on that track now.

IFC Reports: Looking now at some of the big changes occurring in the country such as the unanimous passing of the National Development Plan 2010-2014, the Capital Markets Law and the Privatization Law, which are all aimed at diversifying the Kuwaiti economy and reducing oil sector dependence, whilst at the same time increasing private sector participation. What role does the Ministry of Foreign Affairs play in promoting the opportunities available to foreign countries?

Sheikh Dr. Mohammad Al-Sabah: The most important and necessary requirement for the establishment of a financial centre is to convince others that you are a country with a clear,

transparent and effective legal structure, and you also have the commitment on the part of everybody to safeguard your position from any external shock, and thirdly, that you are stable i.e. the political system is stable.

To do that, we as the foreign ministry have to market Kuwait as a stable, serious and committed market and financial centre. We have a very sound legal structure in Kuwait, and we have a judiciary fully independent from the executive and legislative arms of the government. Secondly, we have the commitment of the country, the legislative and executive support this vision of Kuwait being a financial centre and have passed the necessary laws. Thirdly, Kuwait is an extremely rich country and so it can support this institution and can provide necessary rescue packages if there is any external shock to the system. It will not allow institutions to fail because of external shocks. We would allow them to fail if there are wrong doings, but if it is due to factors out of their control, we will prevent that from happening. The best example of this was during our occupation, none of our financial institutions or banks were affected and our currency was supported. We used our funds from the Future Generations Fund to support our economy in exile. We proved to the world that we can be a virtual state with ministries and everything, but without the land. We had our boys and girls going to schools, we had the Ministry of Education in exile paying school fees for Kuwaiti children studying all over the world. The minister of Health sent out people who needed health care to hospitals and clinics all over the world. The minister of Social Affairs provided checks every month to widows and disabled individuals as if they were in Kuwait even when they were spread all over the world. They were refugees, but they received cheques like how they did when they were in Kuwait.

We operated a country in exile with no land, I don't think there is any other country or society in the world which could do this, it was a unique exercise, and after seven months, thank God and thanks to our allies, the country was liberated and we came back and nothing changed, we maintained our services, whether Kuwait was occupied or not. Our banks operated through all their branches, continued to accept checks, processed loans and all, business was as usual. This is the kind of commitment and resources that we have, and this is the determination we can bring to the idea of Kuwait as a financial centre.

IFC Reports: Lastly I'd be interested to know if given all the recent uprisings and political turmoil which have ensued in neighbouring countries of the MENA region, whether you believe Kuwait's stable political structure and strong constitution can serve as an effective example to the neighbouring countries?

Sheikh Dr. Mohammad Al-Sabah: I think political stability is an important factor, this is what I meant by the stability of our political system. We were blessed with leadership that had such foresight, vision for taking decisions of today. I will give three examples. First, in 1961, our late Amir Abdullah Al-Salem said that he wanted a political arrangement that would protect not only him and his generation, but our great great grand children. A political and social contract that would allow people to participate in determining their own future, so he set up this committee to draft a constitution and not a single word has been changed since it was adopted in 1962, which is almost 50 years now. This is making us weather all the disturbances in the region. Nobody in Kuwait is demanding a change in regime - this is the slogan people are saying all over. Nobody is saying it here. Yes, they are saying we don't want this minister or that minister and they have their channels to do so. The channel is the ballot boxes, it will decide whether a minister or member of parliament should stay, or be relieved.

Now we are in the process of forming a cabinet and some are challenging the prime minister and they want to table a no-confidence motion. This is an accepted way of airing differences, resolving differences, which is through ballot boxes and parliament. In that sense, our late Amir, 50 years ago, saw such a possibility and said we want a structure that would prevent an outburst, which would continue to maintain social peace through real participation of people in determining their own future.

The second example that shows the foresight of our leaders is the establishment of the Kuwait Future Generation Fund. In 1976, Sheikh Sabah Al-Salem was the Amir and the Prime Minister was Sheikh Jaber Al-Sabah. They basically thought of the eventual day when oil will cease to be a source of wealth either through physical depletion or technological depletion. The world would find another source of energy, so how will you safeguard against this eventuality. So, we created a pension fund for future generations. In effect, our great grand children are taxing us 10 percent of oil revenues to be invested when the day comes. So that is another farsighted vision.

The third example took place two years ago. The current Amir saw there is growing dissension and malice in the Arab political system, people are quite restless, angry, there were signs of boiling under the surface risking a potential outburst and so, he called for a summit two years ago, not to discuss politics but to discuss economics and development issues, education, health, and most importantly youths and their aspiration, civil societies, rational governance, and all this was in 2009. The first Arab Economic Development Summit was hosted by Kuwait and for the first time, we allowed members of civil societies to address Arab heads of states. A young lady from Jordan representing Arab youths made a very passionate speech to our leaders, she is now a minister.

It was the first time that Arab youths addressed their leaders. H.H. the Amir saw that and said what the Arab world wants is not politics but development, economic and social development. And Kuwait proposed the establishment of fund for small and medium scale enterprises, a 2 billion dollar fund, and we paid 500 million for this. The purpose was to delink, to break the chain between individual and government and to allow an individual to realize his own potential by providing small and medium size financing to his projects and enable him to liberate from dependency structure from government. This is the way to address our boiling issues that are under the surface. So what we are seeing now, we had anticipated actually and I think that everybody now is saying that this idea should have progressed more, to allow greater independence, to concentrate more on empowering people, not with just money, but with better education, better health to allow them to be independent.

These are the three things that show the foresight of our leaders: the Constitution that safeguarded us from these terrible incidents; the Future Generations Fund, a very forward looking idea to safeguard against the eventuality of running out of oil, and third is to create this economic model of breaking dependence of individuals on government.

IFC Reports: Your Highness, it has been an absolute honour thank you very much.