

Kuwait

Advertising and editorial information

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This Special Report is part of *The Gulf's* series of monthly reports on energy, industry and finance in the countries of the Gulf Co-operation Council. For a full list of special reports, please see below.

We plan to include the following articles. (Please note this list is provisional)

Introduction

Kuwait's economy is well-oiled in one sense: the country is home to eight per cent of the world's oil reserves. Government finances are robust and high oil prices have boosted state coffers. In January Kuwait reported a preliminary surplus of KD7bn (\$25bn) in the first nine months of the year, putting it on track for its 12th consecutive budget surplus. However Kuwait is almost entirely reliant on the volatile hydrocarbons sector, and diversification efforts and economic growth have been derailed by the country's turbulent politics. The past five years have witnessed six different governments and three elections, representing the most fractious period of Kuwaiti politics since the country's independence. The country consistently attracts the least amount of foreign direct investment in the region as a result, drawing in just \$144.9 million in 2009 – less than Yemen. Last month the cabinet again resigned en masse, at a time when calls for political reforms have escalated. Despite the glacial pace of economic reform in Kuwait, some progress has been made in recent years, with the passing of a privatisation bill, a capital markets authority law and a five-year development plan. This introductory article examines the impact of Kuwait's political architecture on its economy, and prospects for its private sector.

Oil: Open to offers?

Kuwait is the world's fourth largest producer, but years of under-investment have stalled the sector. The industry has long been mired in indecision and bogged down in politics. As a result the development of Kuwait's hydrocarbon sector seriously lags its Gulf neighbours. Nevertheless, Kuwait's ability to push through its first enhanced technical services agreement with Royal Dutch Shell in February 2010, encouraged international oil companies to look again at the country. We examine the opportunities and challenges for international oil companies hoping to do more in Kuwait.

Infrastructure: Pushing on

The list of megaprojects which have been delayed and pushed back in Kuwait is a long one. However last year's approval of a \$104 billion five-year infrastructure development plan by parliament (which often holds up government contracts because of suspicions of corruption and favoritism), brought hopes that some of Kuwait's plans may finally take off. A \$7 billion metro, and the country's first independent water and power plant are planned. We assess how likely these projects are to get off the ground.

Banking and investment sectors: rich pickings?

Kuwait's financial sector suffered during the financial crisis, as companies struggled to meet debt repayments on their leveraged investments and deal with a toxic asset-liability mismatch. Some of the country's highest profile casualties have however successfully restructured and others are showing signs of a tentative return to health. Better regulations are also helping to improve transparency in the sector. But Kuwait remains some way from capitalising on its reputation as having the region's savviest investors and becoming the financial centre it aims to be.

Real estate: home truths

In March, the Kuwait Investment Authority, the country's sovereign wealth fund said it would pump \$3.6 billion into local commercial property, to bolster the struggling sector and benefit from plunging prices. We look at the effects of the stimulus and the potential pitfalls it presents.

Aviation: turbulent skies

The long-simmering dispute between Kuwait Airways and Iraq Airways over the theft of planes and engines during the Iraqi invasion in 1990, have intensified since the 2003 war in Iraq. Last year it prompted the impounding of Iraqi Airways' inaugural flight to London, and in March lawyers for Kuwait Airways said they would seize international assets owned by the Iraqi government following a UK court ruling. The dispute is expected to come to a head after the UN mandate blocking asset seizures expires in July.

About *The Gulf*

The Gulf is the region's leading publication focused on business and economics in the Gulf Co-operation Council (GCC). Designed for any reader with a serious interest in the region, *The Gulf* brings analysis, features, insight and interviews with business leaders and policy-makers to its thousands of readers, both in print and online. With an audited circulation of more than 14,000, *The Gulf* has one of the widest guaranteed distributions of any monthly business publication in the GCC, with direct access each month to more than 50,000 senior executives regionally and internationally. *The Gulf* offers insight into key markets including Saudi Arabia, Qatar and the fast-growing emirates of Abu Dhabi and Dubai. News from 20 market sectors, ranging from energy to capital markets, is supported by an analysis of business trends and topical issues, helping readers stay informed about changes in one of the world's most dynamic regions.

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