



EU-GCC Dialogue on Economic Diversification

A Project funded by the European Union

GCC Country Economic Profile

State of Kuwait



July 2020

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Kuwait Key Facts

Government

Kuwait's Constitution combines the positive aspects of both presidential and parliamentary forms of government. The Emir of the State of Kuwait is His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah. The Crown Prince is Sheikh Meshaal al-Ahmad al-Sabah. Executive power in Kuwait is vested in the Cabinet or the Council of Ministers. The Prime Minister is Sheikh Sabah Al-Khalid Al-Sabah. The ministers of the Cabinet are appointed by the Emir on the recommendation of the Prime Minister. The Cabinet controls the state institutions. It is responsible for the general policy of the government and its execution. Each minister in the Cabinet holds one or more portfolios. The Prime Minister and his ministers are accountable to the Emir and the National Assembly.

Membership in international organisations

ABEDA, AfDB (nonregional member), AFESD, AMF, BDEAC, CAEU, CD, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS, MIGA, NAM, OAPEC, OIC, OPCW, OPEC, Paris Club (associate), PCA, UN, UNCTAD, UNESCO, UNIDO, UNRWA, UN Security Council (temporary), UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Languages

Arabic (official), English widely spoken

Economic agreements

Regional Trade Agreements in force: GCC, GCC – Singapore, Pan-Arab Free Trade Area (PAFTA)
Announced: EFTA – GCC, Australia – GCC, Japan - GCC

Kuwait - Key figures (2019)	
Population (millions)	5
GDP (Billions of Euros)	123
GDP per capita (Euros)	26,143
Real GDP growth	0.6
Inflation rate	1.5

Merchandise Trade (2019, Billion Euros)	
Imports	90.3
Exports	19.6

Trade in Services (2018, Billion Euros)	
Imports	29.7
Exports	6.9

Source DG Trade, WEF

Kuwait economic policies and EU – Kuwait economic relations

Economic development objectives

- The country's development plan is mapped out in the Vision 2035 "New Kuwait" – goal: to transform Kuwait into a financial and trade hub, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency
- Sustainable, diversified economy
 - Develop a prosperous and diversified economy to reduce the country's dependency on oil export revenues
 - Increase local productivity and development of non-oil economic sectors
 - Engage the private sector into the national economic activity of the country
- Developed infrastructure - Develop and modernize the national infrastructure to improve the quality of life for all citizens
- Sustainable living environment - Ensure the availability of living accommodation through environmentally sound resources and tactics, utilize renewable energy, improve the efficiency of waste management

Current economic status

- COVID-19 and oil price related policies: KD 500 million (\$1.6 billion or 1.4 percent of GDP) package. Measures: Reduced interest rates on all monetary policy instruments by 1 percentage point, following the U.S. Fed's decision to cut interest rates to zero. Banks to delay loan payments from companies affected by the shock for six months and to provide SMEs affected by the shock with financing at maximum of 2.5% interest rate.
- Oil prices: are forecasted to remain low for the next several years. It is critical for Kuwait to diversify the economy from hydrocarbon to be less affected by energy price shocks.
- Ease of Doing Business: 83rd of 190 countries. Kuwait is one of the 10 most improved economies in 'Doing Business 2020'. Implemented reforms related to starting a business, dealing with construction permits, trading across borders, and protecting minority investors.
- In 2019, Kuwait ranked 46th in global competitiveness out of 141 countries, and held first place in macroeconomic stability, along with several other countries. Kuwait transport infrastructure ranked 79th, and the utility infrastructure ranked 52nd.

EU – Kuwait Economic relations

Economic and political cooperation between the EU and the GCC countries: the framework is provided by the 1988 EU-GCC cooperation agreement that seeks to improve trade relations and stability in a strategic part of Europe's neighbourhood. The agreement created a Joint Council and a Joint Co-operation Committee which meet annually. The two sides meet on an annual basis to discuss trade, amongst other topics, within the EU-GCC Joint Co-operation Committee held in Riyadh or Brussels.

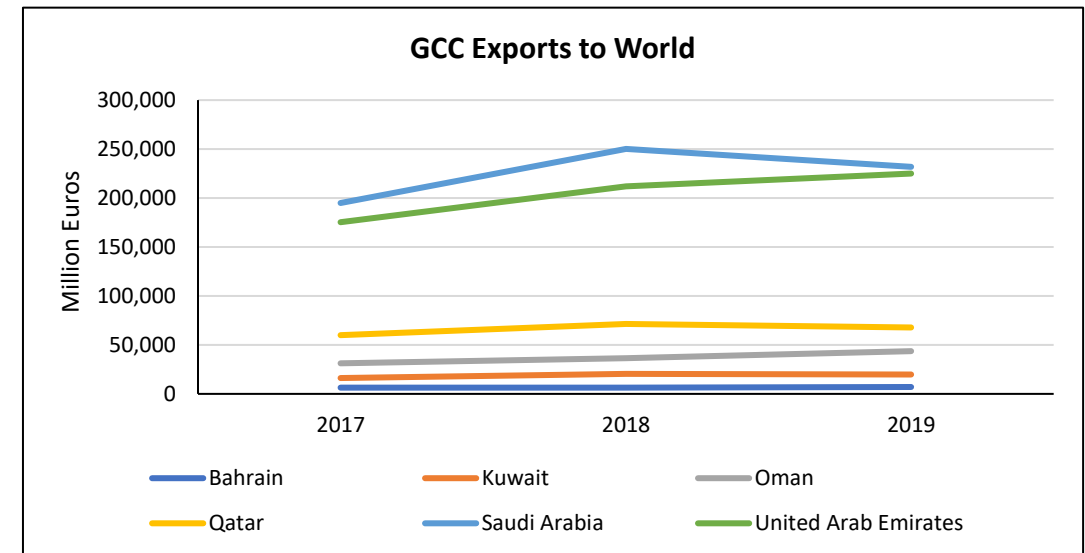
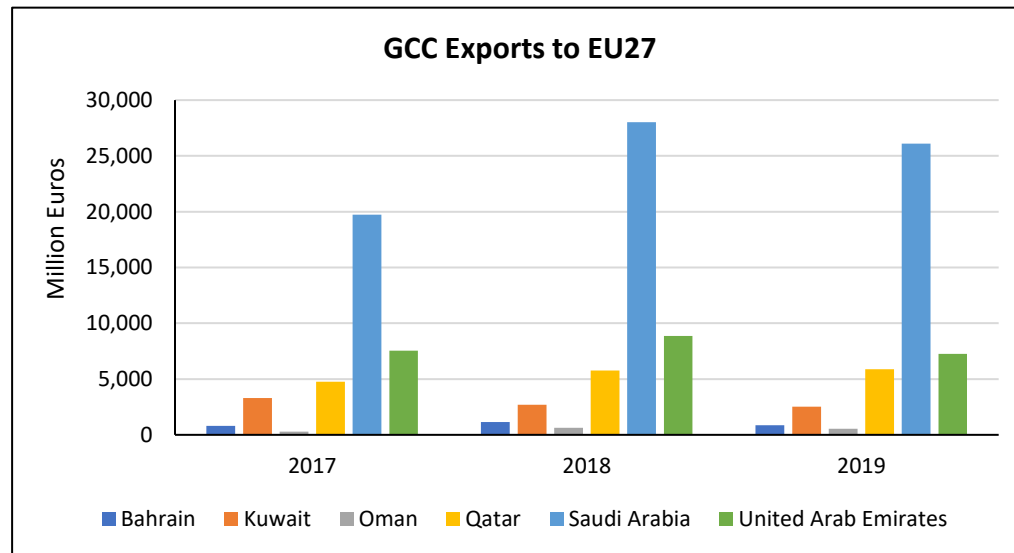
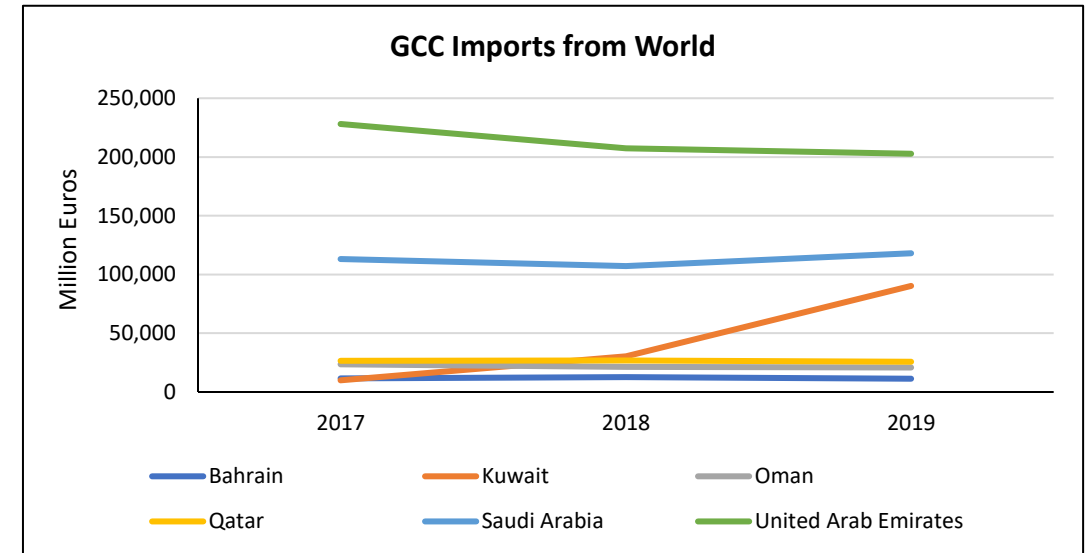
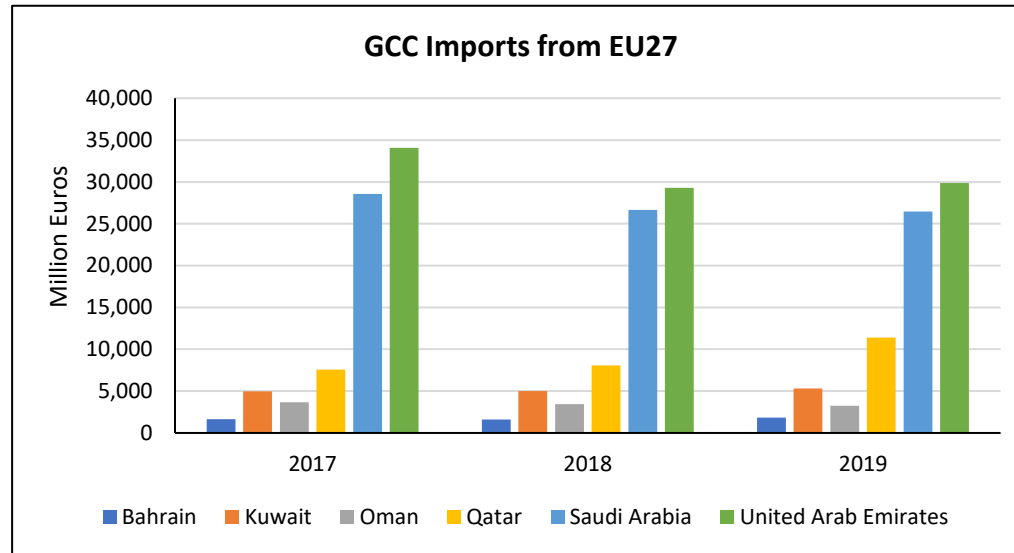
EU and Kuwait: In 2016, the European External Action Service (EEAS) and the Government of the State of Kuwait's Ministry of Foreign Affairs signed a cooperation arrangement to enhance their dialogue in order to achieve common goals and objectives in areas of mutual interest.

The EU opened a Delegation in Kuwait in July 2019 to reflect and increase the potential that exists for enhanced cooperation, in particular in support of Kuwait's "Vision 2035" as well as implementation of the EU-Kuwait Cooperation Arrangement.

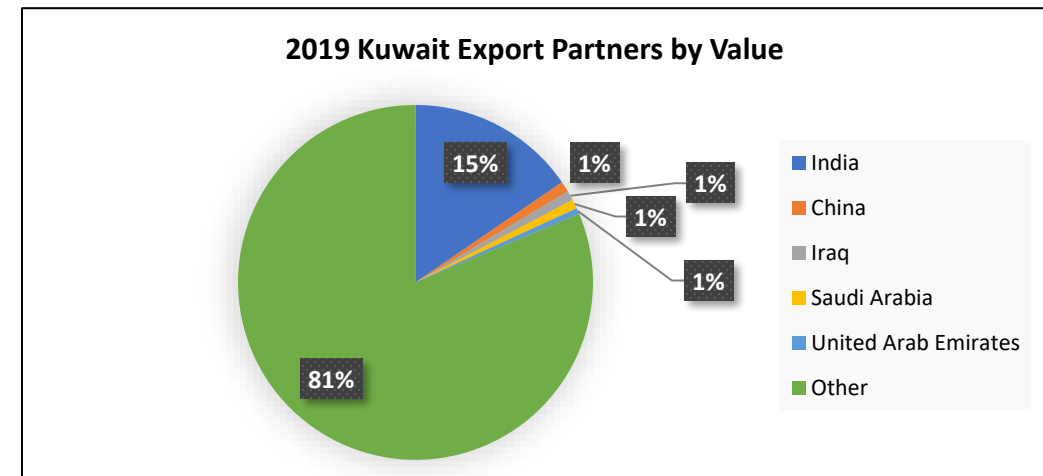
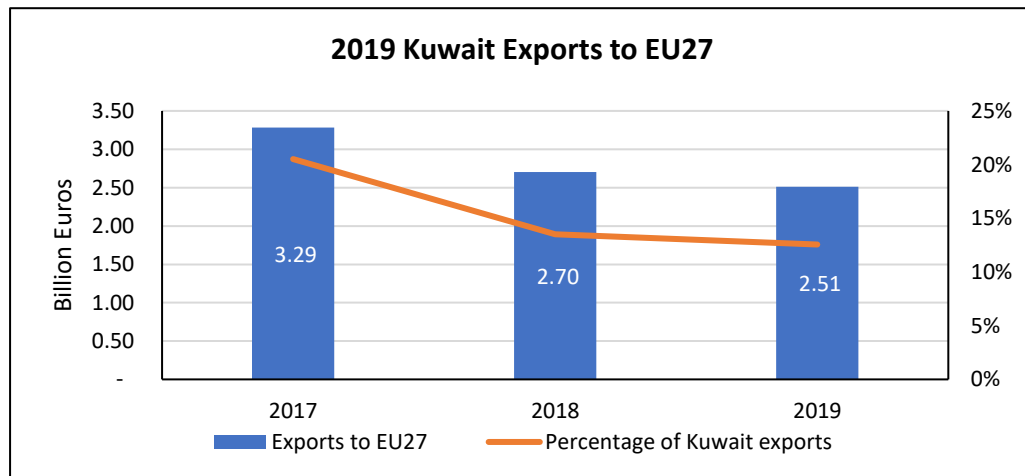
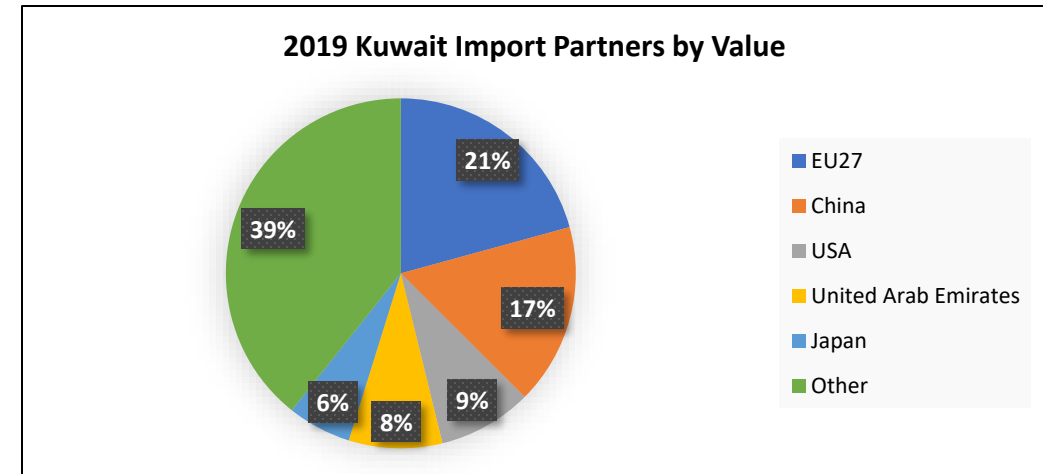
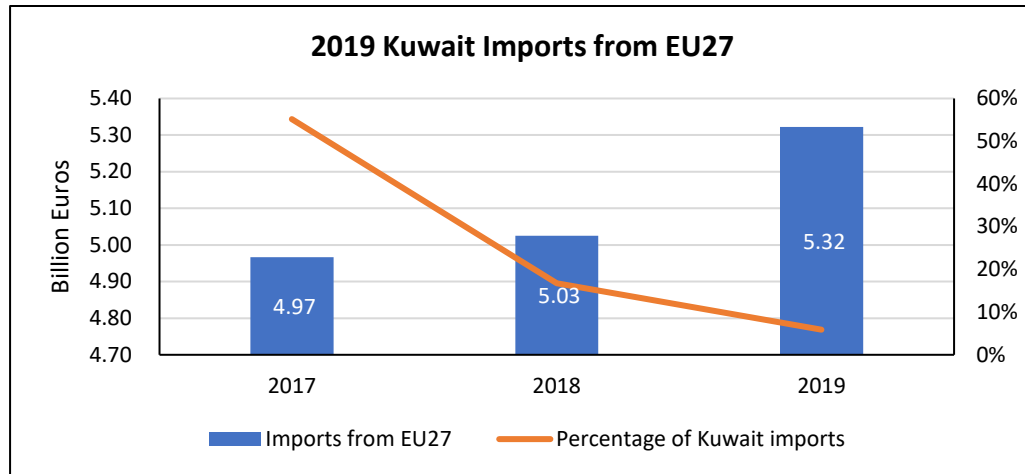
Trade negotiations: The EU and Gulf Cooperation Council launched negotiations for a Free Trade Agreement (FTA) in 1990. The FTA is foreseen to provide for a progressive and reciprocal liberalisation of trade in goods and services. The negotiations have faced several challenges and were effectively halted in 2008, when the GCC countries suspended all ongoing negotiations in which they were involved. While periodic informal contacts have taken place since then to test whether a basis might be found to resume and conclude negotiations, these have not been successful. In parallel with the negotiations, the prospective EU-GCC FTA was subject to a sustainability impact assessment.

Source: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>

GCC Merchandise Trade with EU27 and the World



Kuwait Merchandise Trade with EU27 and the World



Source Eurostat Comext

EU – Kuwait Major Trade flows by HS section

EU Imports from Kuwait					
2018			2019		
Goods	Value (million Euros)	% EU Imports from Kuwait	Goods	Value (million Euros)	% EU Imports from Kuwait
V Mineral products	2226	82%	V Mineral products	2252	90%
XVII Vehicles, aircraft, vessels and associated transport equipment	278	10%	VI Products of the chemical or allied industries	68	3%
VII Plastics, rubber, articles thereof	56	2%	VII Plastics, rubber, articles thereof	67	3%
VI Products of the chemical or allied industries	51	2%	XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	56	2%
XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	46	2%	XIV Pearls, precious metals and articles thereof	15	1%

EU Exports to Kuwait					
2018			2019		
Goods	Value (million Euros)	% EU Exports to Kuwait	Goods	Value (million Euros)	% EU Exports to Kuwait
XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	1425	28%	XVI Machinery and mechanical appliances; electrical equipment; parts thereof;	1171	22%
VI Products of the chemical or allied industries	699	14%	XVII Vehicles, aircraft, vessels and associated transport equipment	983	18%
XVII Vehicles, aircraft, vessels and associated transport equipment	612	12%	VI Products of the chemical or allied industries	738	14%
IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco	370	7%	IV Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco	351	7%
XV Base metals and articles thereof	370	7%	XVIII Optical and photographic instruments, etc.	308	6%

EU – Kuwait major trade flows by HS heading

2019 EU Imports from Kuwait		2019 EU Exports to Kuwait	
V Mineral products (HS 25-27)	<p>2709 - Petroleum oils and oils obtained from bituminous minerals, crude</p> <p>2710 - Petroleum oils and oils obtained from bituminous minerals (excl. crude);</p> <p>2615 - Niobium, tantalum, vanadium or zirconium ores and concentrates</p>	XVI Machinery and mechanical appliances; electrical equipment (HS 84-85)	<p>8481 - Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, incl. pressure-reducing valves and thermostatically controlled valves; parts thereof</p> <p>8411 - Turbojets, turbopropellers and other gas turbines</p> <p>8414 - Air or vacuum pumps (excl. gas compound elevators and pneumatic elevators and conveyors); air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters; parts thereof</p>
VI Products of the chemical or allied industries (HS 28-38)	<p>2909 - Ethers, ether-alcohols, ether-phenols, ether-alcohol-phenols, alcohol peroxides, ether peroxide, ketone peroxides, whether or not chemically defined, and their halogenated, sulphonated, nitrated or nitrosated derivatives</p> <p>2902 - Cyclic hydrocarbons</p> <p>2905 - Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives</p>	XVII Vehicles, aircraft, vessels and associated transport equipment (HS 86-89)	<p>8703 - Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)</p> <p>8802 - Powered aircraft "e.g. helicopters and aeroplanes"; spacecraft, incl. satellites, and suborbital and spacecraft launch vehicles</p> <p>8705 - Special purpose motor vehicles (other than those principally designed for the transport of persons or goods)</p>
VII Plastics, rubber, articles thereof (HS 39-40)	<p>3901 - Polymers of ethylene, in primary forms</p> <p>3902 - Polymers of propylene or of other olefins, in primary forms</p> <p>4012 - Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps, of rubber</p>	VI Products of the chemical or allied industries (HS 28-38)	<p>3004 - Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses "incl. those for transdermal administration" or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)</p> <p>3002 - Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and immunological products, whether or not modified or obtained by means of biotechnological processes; vaccines, toxins, cultures of micro-organisms (excl. yeasts) and similar products</p> <p>3302 - Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages</p>

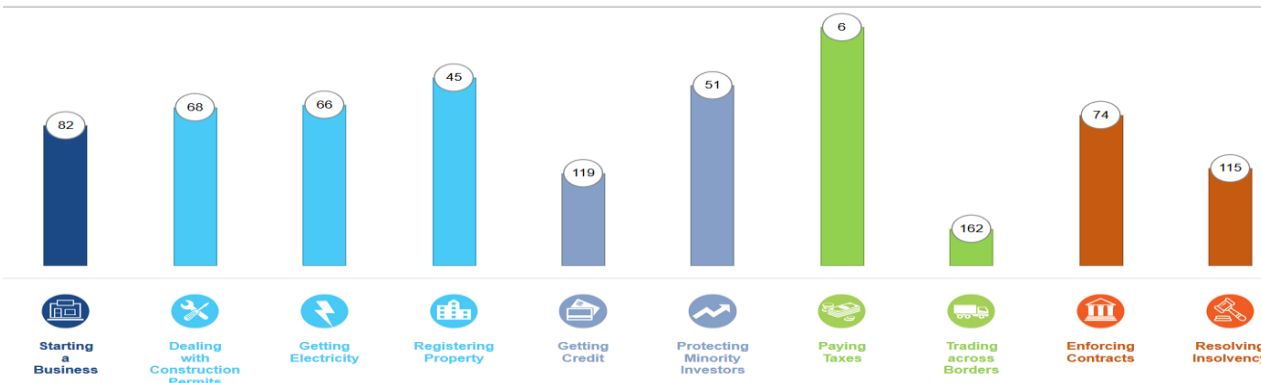
Source Eurostat Comext

Note: Products ordered by value

Economic competitiveness indicators

Indicator	Ranking	Out of # Countries
World Bank Ease of Doing Business	83	190
WEF Global Competitiveness Index 4.0	46	141
Fraser Institute – Economic Freedom	114	162
Global Foreign Direct Investment Attractiveness Index	46	109
United Nations e-Government Survey	41	193
Global Innovation Index	60	129

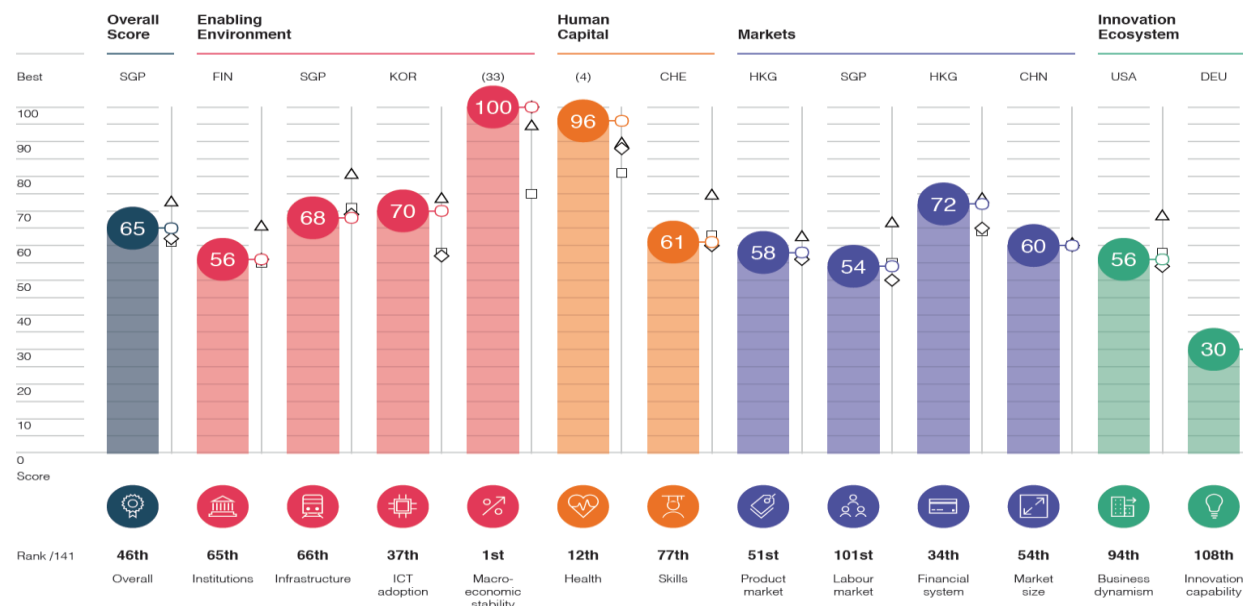
Rankings on Doing Business topics (1-190) - Kuwait



Source World Bank, Doing Business 2020

Infrastructure – key figures
Airports: 7 (2013) Annual passenger traffic on registered air carriers: 3,655,366 (2015) Annual freight traffic on registered air carriers: 275,777,666 mt-km (2015)
Major seaports: Ash Shu'aybah, Ash Shuwaykh, Az Zawr (Mina' Sa'ud), Mina' 'Abd Allah, Mina' al Ahmadi
ICT Broadband - fixed subscriptions: 103,821 subscriptions per 100 inhabitants: 4 (2018 est.) Telephones - fixed lines: 515,542 subscriptions per 100 inhabitants: 18 (2018 est.) Telephones - mobile cellular: 7,099,848 subscriptions per 100 inhabitants: 243 (2018 est.)

Performance Overview Key ◇ Previous edition ▲ High-income group average □ Middle East and North Africa average 2019



Source WEF, The Global Competitiveness Report 2019

Population Structure and Availability of Human Capital

Population (2020 est.)	
Population (millions)	5
Population growth rate	1.27%
Birth rate	18 births/1,000 population
Death rate	2.3 deaths/1,000 population

Age structure (2020 est.)	
0-14 years	24.29% (male 378,778/female 348,512)
15-24 years	14.96% (male 245,354/female 202,642)
25-54 years	52.39% (male 984,813/female 583,632)
55-64 years	5.43% (male 90,583/female 72,026)
65 years and over	2.92% (male 38,614/female 48,752)

Human Capital Availability
<ul style="list-style-type: none">➤ Literacy (age 15 and over can read and write) 2018:<ul style="list-style-type: none">▪ total population: 96.1%▪ male: 96.7%▪ female: 94.9%➤ School life duration (primary to tertiary education) 2013:<ul style="list-style-type: none">▪ total: 14 years▪ male: 13 years▪ female: 14 years➤ Labor force participation rate, total (% of total population ages 15-64): 75➤ Unemployment, total (% of total labor force): 2.18

Investment opportunities by Sector

Banking, Financial Services & Insurance



The Central Bank of Kuwait oversees banking and financing activities and the CMA regulates securities market activities. The insurance industry is governed by the Ministry of Commerce and Industry. Kuwait is likely to emerge as an attractive destination for Private Equity (PE) firms, especially for fund raising due to high liquidity among investors. Rising wealth in the Kuwait economy, coupled with an increased number of High Net-Worth Individuals (HNWIs) and a burgeoning middle class are driving demand for asset management products and services. Demand for sophisticated financial investment instruments and a preference for personal attention are expected to create demand for Direct Sales Agents services.

Tourism, Urban Development, Education, Healthcare, Environment



Kuwait has outlined plans for development of a number of large-scale integrated housing projects to address the housing needs of its growing population. These projects are expected to propel growth of the real estate sector and provide opportunities for investors to participate across the real estate value chain from development planning, construction contracting to real estate services like property and facilities management. Kuwait's evolving healthcare industry is characterized by a large public sector infrastructure and a growing private sector, presenting numerous opportunities for investment. Environmental projects under way address the current situation of under-capacity in critical segments such as sanitation and waste management.

Infrastructure, Storage & Logistics Services, Air, Maritime and Rail passenger transport



The planned upgrades to Kuwait's aviation infrastructure are expected to support Kuwait's initiatives to position itself as a commercial hub. There exists potential to provide specialized facilities management (FM) services to maintain Kuwait's airport facilities at par with global standards and benchmarks. The Kuwait Government is seeking to enhance the transport infrastructure including redevelopment of the airport, maritime facilities, and development of rail infrastructure. Logistics initiatives include upgrading existing ports, a new port at the Bubiyan Island, upgrading of airport infrastructure, and a new national railroad network linking the country to the GCC railroad network.

Information and Communications Technology



The country's young and affluent population supports demand for emerging technologies and associated software. On the institutional front, the Kuwait Government has initiated many e-governance projects which are expected to drive the use of electronic services by Government organizations and the general public. Demand from consumer-focused sectors like retail, banking along with IT transformation initiatives at the Government level are augmenting demand for web-enabled IT services and solutions. This provides opportunities for international players with local and regional presence. Web and app development is gaining importance as businesses strive to meet customer demands and expectations on service quality.

Industrial Oil & Gas



Kuwait's largest petrochemicals manufacturer, the Petroleum Industries Company, has proposed to undertake the Olefins III project and a PTA/PET project to increase Kuwait's production capacity in polyethylene and ethylene glycol. There could be opportunity for international investors to participate in the Olefins III and the PET/PTA projects which seek to double Kuwait's production capacity for ethylene and polyethylene. The projects at Al Zour, Mina Abdullah and Mina Al-Ahmadi are expected to increase availability of naphtha which can be used as an alternative feedstock for petrochemicals, alleviating concerns around shortage of gas feedstock.

Important Contacts

Agency	Support Provided	Website	Contact Information
Kuwait Direct Investment Promotion Authority (KDIPA)	Information on Investment opportunities and licensing procedures	https://www.kdipa.gov.kw/en/	Sharq, Al-Shuhada Street Al-Hamra Business Tower, Floor 44 P.O.Box: 3690 Al-Safat 1303 Phone: +965 2205 4050
Kuwait Chamber of Commerce & Industry	Non-government institution representing business establishments in Kuwait.	https://www.kuwaitchamber.org.kw/echamber/website/index.jsp?language=en	Commercial Area # 9, Al-Shuhadaa St. Kuwait City, kcci@kcci.org.kw Phone: (965) 1805580 Ext.#555 Business Center: (965) 22423555 - (965) 22423666
Kuwaiti Embassy in Brussels, Belgium	Kuwait Embassy to the EU	https://kuwait.diplomatie.belgium.be/en	Block 13, Street 4, Villa 8, Bayan 13033 Kuwait Kuwait P.O. Box 3280 Safat T: +965 253 845 82 kuwait@diplobel.fed.be

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- Fraser Institute '2019 Annual Report – Economic Freedom of the World'
- IMF 'World Economic Outlook April 2020'
- United Nations 'E-Government Survey 2018 – Gearing E-Government to Support Transformation towards Sustainable and Resilient Societies'
- World Bank Group 'Doing Business 2020 – Comparing Business Regulation in 190 Economies'
- World Economic Forum 'The Global Competitiveness Report 2019'
- World Intellectual Property Organization, Insead, Cornell SC Johnson College of Business 'Global Innovation Index 2019 – Creating Healthy Lives – The Future of Medical Innovation'



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