IV. TRADE POLICIES BY SECTOR

(1) AGRICULTURE AND FISHERIES

(i) Main features

1. The contribution of agriculture and fisheries to Kuwait's GDP and employment is very limited (Chapter I(1)(i)), mainly because of scarce water resources and unfavourable climatic conditions. Nonetheless, agriculture and related activities are very important for Kuwait's food-security objective (section (ii) below). Only 11% of total land area is considered as potentially cultivatable (200,000 ha out of 1.8 million ha), and just about 107,000 ha are suitable for irrigation development. Moreover, urban development has caused significant loss of traditionally agricultural areas. Soil salinization, resulting from the deterioration in the quality of the groundwater used in irrigation, has also led to a general reduction of cultivated land. Other key difficulties facing agriculture include tenancy problems; small farms holdings and labour shortages, which restrict investments; high production costs; and competition from imported products.

2. In general, traditional farms depend heavily on government support, while modern agricultural management and production techniques are used mainly by relatively large agricultural holdings managed by private companies or state-owned corporations. Modern farming methods are used mainly for livestock production, poultry, fodder, feed concentrates, and milk. It is estimated that about 80% of protected agriculture is carried out in plastic tunnels (40% cooled and 60% uncooled), while the remaining 20% is cultivated in greenhouses with internal environmental control.

3. The main vegetables planted include aubergines, tomatoes, potatoes, and onions, while field and fodder crops include wheat, barley, sunflowers and alfalfa. Kuwait's main livestock population comprises cattle (around 18,000), camels (38,000), and sheep and goats (900,000 head). Kuwait remains heavily dependent on imports to meet its domestic demand for food, with some 98% of food consumed being imported. Locally produced crops, including vegetables, satisfy less than 20% of domestic consumption. Self-sufficiency ratios are: 5% for red meat; 23% for fresh milk, 37% for poultry meat, and 65% for table eggs.[1] Kuwait has no agriculture production surplus.

4. According to the latest available figures available, Kuwait had an agricultural trade deficit of US$3,115 million in 2009, up from US$2,479 million in 2006. Agricultural exports amounted to US$230.6 million (0.4% of total merchandise exports), while agricultural imports reached US$3,345.5 million (16.5% of total merchandise imports). Kuwait imports between 1.5-2 million live head mostly from Australia. Imported agricultural and fishery goods are distributed centrally in through auctions.

5. Fisheries plays a vital role in Kuwait's heritage, and fishing is a traditional activity practised along its 195 km coastline. Nonetheless, production has been decreasing over time, mainly due to over-fishing. Aquaculture is also being developed. Fishing is prohibited in Kuwait Bay and within three miles of the coast. Kuwait imports most of its fish from Oman, Saudi Arabia, and Iran.

(ii) Policy developments

6. The Public Authority for Agricultural Affairs and Fish Resources (PAAF), established under Amiri Decree No. 94 of 1983, is in charge of policy formulation in the sector. It also has responsibilities for the development of plant, animal, and fishery resources, including land allocation;

[1] Food self-sufficiency ratios were provided by the Public Authority for Agricultural Affairs and Fish Resources (PAAF).

SPS measures, including issuing certificates to import and export certain agricultural products (Chapter III(1)(vii)(b)); and marketing support. Another key institution is the Kuwaiti Farmers Federation (KFF), a non-governmental organization, which operates collective procurement of seeds, fertilizers, greenhouses, water pumps, tractors, pesticides, drips, insect nettings, and technical know-how.

7. Kuwait's key policy objective in agriculture is food security, which is to be achieved mainly through relatively low customs tariffs (3.2%[2]), the allocation of land to farms, and investing in farms abroad. In June 2011, PAAF allocated land to 60 farms in the Al-abdaly farm area[3], and more land allocations are expected in 2012. Kuwait is also encouraging companies to invest in farm projects abroad. According to the authorities, any country with available resources and attractive investment regulations may be approached. Moreover, PAAF has approved several build-operate-transfer (BOT) projects to encourage the participation of the private sector in agriculture and fisheries.

8. Kuwait aims to increase its self-sufficiency ratios in agricultural and fishery products and diversify its production base. In order to meet these objectives, foreign investment is allowed in agriculture and fisheries. Under the Privatization Law of 2010 and the Foreign Investment Law of 2001, foreigners are allowed to participate, in the form of joint-ventures, in cultivation and processing of agricultural products.[4]

9. Most land in Kuwait belongs to the State. However, local and foreign companies may lease land for cultivation and/or livestock for a period of 25 years. Longer leasing contract terms are possible upon request, subject to approval by both the PAAF and the State Properties Department of the Ministry of Finance.[5]

10. Kuwait has applied the GCC Laws on Veterinary Quarantine and Plant Quarantine since 2003. Imported, exported, and domestically produced plants and animals are subject to inspection by the Public Authority for Agricultural Affairs and Fish Resources. Importers of foods and perishable goods must produce a certificate to ensure that importing goods are safe for human consumption and comply with Islamic law (Chapter III(1)(vii)(b)).

11. Kuwait has signed bilateral arrangements for agricultural cooperation and development with Egypt (2001), Iran (2007), Jordan (2004), Morocco (2006), and Syria (2003). The arrangements cover, *inter alia:* control of diseases; exchange of seeds and seedlings; exchange of meat; exchange of information; technology cooperation; fishery resources preservation; and encouragement of private investment.

12. Kuwait has notified the WTO that it does not provide export subsidies on agricultural products (Chapter III(2)(iii)).[6]

13. In the Uruguay Round, Kuwait did not make any reduction commitments on domestic support. According to the authorities, financial support to agricultural producers, as measured by the Aggregate Measurement of Support (AMS), was below the *de minimis* level of 10% for which no reduction commitments were required.

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[2] Simple average applied MFN tariff for agriculture, hunting, forestry and fishing (Major Division 1 of ISIC Revision 2).

[3] The Al-abdaly farm is located in the north of Kuwait and covers about 147,000 m^2.

[4] One example of such joint-ventures is Kuwait Danish Dairy (KDD), which processes imported dairy and fruit products, supplies the domestic market, and exports to other GCC countries.

[5] Individuals are not allowed to lease land for agricultural purposes.

[6] WTO documents G/AG/N/KWT/1, 28 July 2010, and G/AG/N/KWT/2, 21 March 2011.

14. No concerns have been raised in the WTO Committee on Agriculture about Kuwait's agricultural policies.

15. Some of the PAAF's key objectives for fisheries are: to protect and control fishing activities, particularly for certain species (e.g. shrimps) due to the high demand; preserve the marine environment and biodiversity; maintain fish catches at levels sufficient to support the spawning biomass; ensure the sustainable development of fish resources; encourage investment expansion in aquaculture; establish infrastructure mainly for marine hatchers and stock enhancement programmes.

16. The Kuwaiti United Fish Company and the National Fish Company are permitted to export 35% of their total frozen production of shrimps. Companies and establishments licensed to practice aquaculture are permitted to export no more than 50% of total annual production. Exports of fish and crustaceans caught in Kuwaiti waters are banned. Re-exportation of fishery products may be allowed subject to permission from the PAAF.

17. While the majority of tariff lines on agricultural products have *ad valorem* rates, 19 tobacco and tobacco-related products have mixed tariffs, and there are 50 "special" goods (Chapter III(1)(ii)(a)). Moreover, alcoholic beverages and pork and pork products are prohibited, for religious reasons. The simple average applied MFN tariff for agriculture, hunting, forestry and fishing (3.2%) is 1.6 percentage points lower than for manufacturing (Table III.2). Imports of some agricultural raw materials and most basic food products (e.g. fresh milk and meat) are duty free. Tobacco products are subject to the highest tariff rate of 100%.

18. Kuwait bound its tariff lines on agricultural products (WTO definition) at 100%. The authorities stated in the context of this Review that applied tariffs have always been maintained below bound levels.

19. Kuwait does not apply tariff quotas on agricultural products.

20. The main domestic support measures provided by the PAAF include: production subsidies for agricultural producers; feed subsidies and free veterinary services for livestock producers; cash support for owners of operational fishing boats and fish farms; and provision of free fodders for fish farms.

21. According to the latest available figures[7], in 2008/09, Kuwait disbursed KD 43.9 million in agriculture subsidies for: fodders (73%), plant producers (15%), milk (7%), palm (4%), fisheries (1%)[8], and other (1%). In addition, KD 1.6 million was granted as indirect agricultural support for: medicines and drugs (41%), pesticides (29%), renting of machinery and equipment (12%), control of bovine tuberculosis (10%), and numbering and vaccination (8%).

[7] Information provided by the PAAF.

[8] Fish subsidies are given for ships and boats according to their specification, and for aquaculture in the form of fodder.

(2) ENERGY

(i) Petroleum

22. The petroleum subsector dominates the Kuwaiti economy, accounting for nearly half of GDP, 95% of export revenues, and 84% of government income (Chapter I(1)).[9] In 2010, Kuwait was the world's ninth-largest oil producer and the fourth-largest producer in the Organization of the Petroleum Exporting Countries (OPEC). Kuwait's estimates of proven crude oil reserves are 101.5 billion barrels, equivalent to almost 8% of the world's reserves.[10] In 2010, OPEC allocated an oil production quota of about 2.3 million barrels per day (mmbd) to Kuwait.

23. The majority of Kuwait's oil reserves are located south of Kuwait City in the Greater Burgan area (the Burgan, Magwa, and Ahmadi onshore fields).[11] Other notable fields include South Magwa, Raudhatain, Umm Gudair, Minagish, and Abdaliya. In addition, Kuwait shares the oil found in the Partitioned Neutral Zone (Divided Zone and Neutral Zone) with Saudi Arabia on a 50-50 basis.[12] Kuwait boasts more than 12 developed oil fields spread all over the country.

24. In 2010, Kuwait's crude oil production increased by 2.3% to 2.312 mmbd, compared with 2.261 mmbd in 2009. Kuwait exported 1.430 mmbd of crude oil in 2010, representing around 61.8% of total crude oil production. Production of refined petroleum products accounted for 979,400 b/d in 2010[13], of which domestic consumption was 260,400 b/d (26.5%) and exports 631,600 b/d, (64.4%).

25. The Supreme Petroleum Council (SPC) is the highest policy body that oversees Kuwait's overall petroleum and gas sector.[14] The Council sets general oil and gas policy within the framework of the national economic and social development plan; it is chaired by the Prime Minister and meets at least four times a year. The Ministry of Oil is the main regulator of the oil and gas sector and exercises policy-making powers in conjunction with the SPC. The Minister of Oil oversees the Kuwait Petroleum Corporation (KPC), chairs its Board of Directors, and is a member of the Supreme Petroleum Council.

26. The KPC, established in 1980, is the main operational entity responsible for Kuwait's hydrocarbon interests throughout the world. It is a state-owned holding corporation of ten specialized subsidiaries in Kuwait and worldwide, encompassing all aspects of the hydrocarbon industry (Table IV.1). Although state-owned, the KPC is run by an independent management team and Board of Directors.

[9] Kuwait has the highest dependence on oil in the Gulf Cooperation Council (GCC). (Oxford Business Group, 2011.)

[10] OPEC (2011).

[11] The Greater Burgan area is the second largest oil field in the world after Ghawar field in Saudi Arabia, and generally produces lighter crudes.

[12] The Partitioned Neutral Zone (PNZ) was established in 1922 to settle a territorial dispute between Kuwait and Saudi Arabia. A Joint Operations Committee, with representatives from Kuwait and Saudi Arabia, manages the resources of the PNZ. Kuwait is represented by the Wafra Joint Operations Group, and Saudi Arabia is represented by Chevron. Oil production capacity in the PNZ is currently about 600,000 barrels per day, all of which is divided equally between Saudi Arabia and Kuwait.

[13] Products obtained from the processing of crude oil, unfinished oils, national gas liquids (NGLs) and other hydrocarbon compounds.

[14] The Council of Ministers (Cabinet) is considered the highest decision-making body for investments and mega-projects of at least US$1 billion in the oil and gas sector.

27. KPC and its subsidiary companies benefit from certain exclusive concessionary rights and privileges in the oil and gas subsector. For example, downstream petroleum activities (i.e. processing of crude oil to fuel) are fully controlled and owned by KNPC, while the exploration and production of natural gas are the sole responsibility of KOC.

Table IV.1
Subsidiaries of the Kuwait Petroleum Corporation (KPC)

Name	Main activities
Kuwait Oil Company (KOC)	Upstream operations for oil exploration and extraction
Kuwait National Petroleum Company (KNPC)	Downstream operations of refining and distribution (local)
Kuwait Foreign Petroleum Exploration Company (KUFPEC)	Foreign upstream exploration and extraction operations
Kuwait Petroleum International (KPI)	Foreign downstream operations
Petrochemical Industries Company (PIC)	Petrochemical industry
Kuwait Oil Tanker Company (KOTC)	Marine transportation of hydrocarbons
Kuwait Aviation Fuelling Company (KAFCO)	Oil refuelling services
Kuwait Gulf Oil Company (KGOC)	Manages Kuwait's share of natural resources in the Partitioned Neutral Zone with Saudi Arabia
Oil Development Company (ODC)	In charge of "Project Kuwait"
Oil Sector Services Company (OSSC)	Shared services provider for oil sector

Source: Kuwait Petroleum Corporation website: www.kpc.com.kw.

28. Under the Kuwaiti Constitution, all natural resources, including oil are owned by the State. The State alone has the right to exploit, utilize, and safeguard those resources (Article 21). The right to concessions and/or monopolies for the exploitation of Kuwait's natural resources, including oil, may only be created by virtue of a law and for a limited time only (Article 152 and 153). According to Kuwait's Foreign Investment Law No. 8 of 2001, a foreign investor may carry out economic activities in industries other than oil and gas exploration and production (Chapter II(3)(i)).

29. KPC has developed a long-term strategy that aims to (i) increase Kuwait's crude oil production, mainly heavy oil from its current 2.3 mmbd to 4 mmbd by 2020[15]; (ii) improve reservoir management practices; (iii) develop technically complex fields in a cost-effective manner; (iv) maximize the transfer of modern technology in oil extraction and (v) create job and training development opportunities for Kuwaitis. KPC plans to increase oil production by increasing the potential of existing reservoirs and by adding the production of new discoveries. To finance KPC's plan, in February 2010, the Kuwaiti National Assembly approved a budget worth KD 35 billion until 2013/14, where the oil and gas sector's share represents around 84% of the budget.

30. Under KPC's umbrella, Kuwait Oil Company (KOC)'s responsibilities are the exploration, drilling, and production of oil and gas within Kuwait. KOC is also involved in the storage of crude oil and delivery to tankers for export. KOC is increasing its focus on developing the more challenging fields in North and West Kuwait in order to preserve the mature oil reserves in the Greater Burgan area.

31. In partnership with international oil companies (IOCs), "Project Kuwait" was set up under the auspices of the Oil Development Company in the early 1990s to help meet KPC's strategic objectives. This partnership between Kuwait and IOCs was reflected in an Operating Service Agreement (OSA). Under the OSA and consistent with the Kuwaiti Constitution, Kuwait retains full ownership of petroleum production, reserves, and revenue; and strategic management of the ventures. The OSA

[15] Oil production levels are expected to grow rapidly over the next five years (2010-15), according to Kuwaiti investment firm Global Investment House.

does not involve production sharing, concessions, or the "booking" of reserves by IOCs. However, the IOC maintains control over the operational management; acts as a contractor or service provider, and employs a set quota of 30% of Kuwaiti labour. In addition, the IOC incurs 100% of the capital and operating costs and is paid in return a per-barrel fee, along with allowances for capital recovery and incentive fees for increasing reserves.

32. So far and in the oil upstream subsector, KOC has only managed in 2007 to sign a memorandum of understanding with Exxon-Mobil to produce heavy crude oil. However, an OSA was signed recently with Royal Dutch Shell to develop natural gas.

33. The majority of Kuwaiti crude oil exports (around 83.3%) were exported to Asia in 2010, followed by North America (8.9%) and Europe (4.3%) (Table IV.2). Most of the crude oil is sold on term contracts, with the price linked to the respective market benchmark crude in each of the Asian, European and U.S. markets.

Table IV.2
Exports of crude oil, and refined products[a], by region, 2009-10
(Million barrels)

	2009		2010		% share in 2010	
Exports to	**Crude oil**	**Refined products**	**Crude oil**	**Refined products**	**Crude oil**	**Refined products**
Africa	40	..	42	..	2.90	..
Asia and Pacific	1,162	620	1,199	582	83.80	92.0
Europe	51	52	62	49	4.30	7.75
The Middle East	..	..	..	..	..	..
North America	95	1	127	1	8.90	0.16
Latin America	..	..	..	..	..	..
Total	**1,348**	**673.5**	**1,430**	**632**	**100**	**100**

.. Note available.

a Including liquefied petroleum and natural gas.

Source: OPEC (2010 and 2011), *Statistical Bulletin 2009*. Viewed at: http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2009.pdf; and OPEC (2011), *Annual Statistical Bulletin, 2010/2011 edition*. Viewed at: http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2010_2011.pdf.

34. Kuwait's main port for crude oil exports is Mina al-Ahmadi. Other operational oil export terminals are Mina Abdullah, Shuaiba, and Mina Al Zour. A new terminal is planned on Bubiyan Island to handle increased crude oil production, generated by the Northern fields.

35. In addition to local oil production, Kuwait is engaged in crude oil and natural gas exploration, development, and production in 15 countries in Africa, the Middle East, and Asia, through the Foreign Petroleum Exploration Company (KUFPEC). A subsidiary of KPC, KUFPEC is an international oil company, which participates in joint ventures with companies in oil and gas exploration and production both as an operator and partner. In 2009, KUFPEC's total operating revenue amounted to US$820.9 million, of which oil and condensate represented 47.7%, while gas accounted for 52.3%. Total investments amounted to US$760 million in 2010. According to the authorities, KUFPEC aims to produce around 100,000 barrels per day (oil equivalent) of crude oil by 2015.

36. Procurement by oil companies is generally excluded from the Public Tenders Law and the regulatory controls of the Central Tenders Committee (CTC). However, for the three oil companies –

KOC, KNPC, KOTC - and the Petrochemical Industries Company (PIC), procurements of KD 5 million and above and /or where there is a variation by more than 10% of the contact value, must be managed by the CTC under the Public Tenders Law.

(a) Downstream petroleum activities

37. Downstream petroleum activities (i.e. the processing of crude oil to fuel) are fully controlled and owned by the Kuwait National Petroleum Company (KNPC), a subsidiary of KPC. KNPC is in charge of refining operations and aims to be the best refiner in the Gulf region. Kuwait's refining capacity stands at around 936,000 barrels per day (b/d). There are three refineries in Kuwait: Mina al-Ahmadi is the largest, with a capacity of 466,000 b/d, followed by Mina Abdullah (270,000 b/d) and Shuaiba (200,000 b/d). A new refinery, estimated to cost around US$15 billion, will be able to process ultra-heavy oil, at a refining capacity of 600,000 b/d.

38. Kuwait's production of refined products increased to 979,000 b/d in 2010 from 892,700 b/d in 2009. The majority of Kuwait's refined petroleum products are exported; around 92% to Asia in 2010, followed by Europe (7.75%) and North America (0.16%) (Table IV.2).

39. Petroleum products are shipped through pipelines from the refineries to two main storage depots (Sabhan and Al-Ahmadi). They are reaching domestic consumers through 99 filling stations across the country. The distribution and the storage facilities are fully controlled and owned by KNPC. Some gas stations have been privatized.

40. Since 1999, Kuwait's domestic fuel supply has been unleaded gasoline. Table IV.3 shows theregulated prices of refined petroleum and gas products.

Table IV.3
Regulated prices of refined petroleum and gas products, 2011

No.	Item	Current regulated price	HS classification
1.	Gasoline	114 fils/litre	27101121
2.	Diesel	87.5 fils/litre	27101130-3
3.	Kerosene	87.5 fils/litre	27101129
4.	Fuel Oil	..	27101140

.. Not available.

Exchange rate: 1 US$ = 0.275 Kuwaiti dinars (KD); 1 KD = 1,000 fils.

Source: OPEC (2011), *Annual Statistical Bulletin, 2010/2011 edition*. Viewed at: http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2010_2011.pdf.

41. Kuwait Petroleum International (KPI), known as Q8, manages KPC's refining and marketing operations internationally, with approximately 4,000 retail stations across six European countries.[16] A top ten energy conglomerate, KPI owns an 80,000 b/d refinery in the Netherlands and has a 50-50 joint venture with AGIP in the 240,000 b/d refinery in Italy. According to the authorities, in March 2011, a new 50-50 joint-venture between KPI and China Petroleum and Chemical Corporation (Sinopec) was approved to build a refinery and petrochemical complex in south China. Expected to be operational in 2014/15, the plant will process 100% Kuwaiti crude oil, with a refining capacity of 300,000 b/d. Another refinery has been commissioned by KPI to operate in Viet Nam by 2014/15, with a refining capacity of 200,000 b/d.

[16] Italy, Denmark, Belgium, the Netherlands, Luxembourg, and Sweden.

42. Kuwait has not bound any of its crude oil and petroleum-related products in its Uruguay Round Schedule of Concessions. The GCC MFN applied tariffs on petroleum products, such as crude oil, refined petroleum oils; petroleum coke and petroleum jelly are 5%.

(ii) Natural gas

43. Kuwait ranks 18th in global natural gas reserves. In January 2010, Kuwait's estimated natural gas reserves stood at nearly 1,784 billion cubic metres, about 1% of the world's total. Kuwait produces mainly dry natural gas, approximately 11.9 billion cubic metres in 2010. According to OPEC, the volume of the gas that is flared is only about 1.8% of the total produced (Table IV.4).

Table IV.4
Gas production and utilization, 2005-10
(Million cubic metres)

	2005	2006	2007	2008	2009	2010
Gross production	13,300	13,670	13,310	13,870	11,689	11,950
Marketed production	12,300	12,410	12,060	12,700	11,489	11,733
Flared	1	260	250	200	200	217
Re-injection	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shrinkage	1,000	1,000	1,000	970	n.a.	n.a.

n.a. Not applicable.

Note: Marketed production corresponds to gross production, minus the volumes of gas flared or re-injected into the fields, minus the shrinkage.

Source: OPEC (2011), *Annual Statistical Bulletin, 2010/2011 edition*. Viewed at: http://www.opec.org/opec_web/static_files_ project/media/downloads/publications/ASB2010_2011.pdf.

44. The majority of natural gas in Kuwait is associated gas (i.e. gas found and produced in conjunction with crude oil). In 2006, non-associated gas was first discovered in the deep Jurassic reservoirs in the northern fields of Sabriya, Rahiya, Mutriba, and Um Niga.

45. Natural gas in Kuwait is a multipurpose resource: while it is mainly used for domestic electricity generation, it is also used for water desalination, as a feedstock for the petrochemical industry, and to free-up additional crude oil for export. Since current levels of natural gas production do not meet national consumption levels, especially with the increasing power shortages during the summer months, the authorities fill in the gap by imports.

46. Kuwait imported around 25 trillion BTU (i.e. 70 million cubic metres) of liquefied natural gas (LNG) in 2009. It has recognized the importance of LNG to cover the shortage in gas in Kuwait, especially during the summer season, from economic and environment point of views. It has procured a long-term contract for LNG imports until 2013.

47. The exploration and production of natural gas in Kuwait are the responsibility of KOC, and policy-related matters fall under KPC's ambit. KGOC is in charge of the exploration and production of natural gas in the partitioned Neutral Zone and offshore operations. In order to reduce Kuwait's dependence on gas imports and become self-sufficient, the authorities aim to increase production to an estimated 19.3 billion cubic metres by 2014 by maximizing the exploration, development and

production of non-associated gas and by adopting a zero flaring policy for both onshore and offshore operations, targeting 1% gas flaring.[17]

48. In February 2010, a five-year Enhanced Technical Services Agreement (ETSA) was signed between KOC and Shell Kuwait Exploration and Development B.V., a subsidiary of Royal Dutch Shell.[18] Shell aims to play a technical and advisory role in the development of non-associated gas in the complex northern fields of Marrat and Najma Sargelu Reservoirs.

49. Mina al-Ahmadi GasPort is the main port for regasification and is the Arabian Gulf's first regasification terminal. Mina al-Ahmadi's capacity is around 10,300 tonnes of LNG per day.

(iii) Petrochemicals

50. Kuwait is active in the petrochemical industry. The first chemical fertilizer complex both in Kuwait and the region, comprising ammonia, urea, ammonium sulphate, and sulphuric acid production was completed in 1966 in the industrial area of Shuaiba.

51. The main petrochemical products include fertilizers, olefins, and aromatics. In 2010, Kuwait's total production capacity was 7,090 million tons (Table IV.5); total sales of fertilizers reached US$347 million, a 65% increase over 2009. Kuwait exports its petrochemical products globally.

Table IV.5
Kuwait's production capacity of petrochemical products, 2010
(Million tons)

Product		**2010**
Fertilizers	Urea	1,050
	Ammonia	660
Olefins	Ethylene	1,650
	Polyethylene	900
	Ethylene glycol	1,000
	Polypropylene	150
Aromatics	Paraxylene	830
	Benzene	400
	Styrene monomer	450
Total		**7,090**

Source: Kuwaiti authorities.

52. According to the authorities, producers of fertilizers may benefit from a regulated price of natural gas, which is available to all users in Kuwait. The feedstock of other petrochemical industries is linked to international crude oil prices.

53. The Petrochemical Industries Company (PIC), a subsidiary of KPC, and a petrochemical conglomerate, is in charge of the petrochemical industry in Kuwait. The PIC has joint-ventures with several national and foreign companies to produce diverse petrochemical products (Table IV.6). In addition, the PIC owns two fertilizer plants for the production of ammonia and urea and one polypropylene plant.

[17] KPC has developed environment-friendly policies such as a greenhouse gas (GHG) management strategy and the potential to use international carbon financing mechanisms like the Clean Development Mechanism (CDM).

[18] Shell is a partner with government-owned Qatar Petroleum in the Qatargas LNG project.

Table IV.6
Kuwait's petrochemical companies, 2011

Joint venture companies	Ownership structure	Activities/responsibilities
Equate Petrochemical Company	PIC (42.5%); DOW Chemical Company (42.5%) U.S. company; Boubyan Petrochemical Company (9%); Al-Qurain Petrochemical Industries Company (6%)	produces polyethylene and ethylene glycol; operates PIC's polypropylene plant; operates TKOC's two plants for the manufacturing of ethylene and ethylene glycol; operates TKSC's styrene plant; operates TKAC's paraxylene and benzene plants and sea cooling towers
Kuwait Olefins Company (TKOC)	PIC (42.5%); DOW Chemical Company (42.5%); Boubyan Petrochemical Company (9%); Al-Qurain Petrochemical Industries Company (6%)	owns the Olefins –II complex; produces ethylene glycol
Kuwait Aromatics Company (TKAC)	PIC (40%); KNPC (40%); Al-Qurain Petrochemical Industries Company (20%)	owns the Kuwait Paraxylene Production Company (KPPC); produces paraxylene and benzene;
Kuwait Styrene Company (TKSC)	TKAC (57.5%) and DOW Chemical Company (42.5%)	produces styrene monomer; obtains benzene feedstock from TKAC and ethlyne from TKOC
Al-Qurain Petrochemical Industries Company (QPIC)	PIC (10%)	
Gulf Petrochemical Industries Company (GPIC)	PIC (33%); Government of Bahrain (33%); Saudi Arabia's SABIC (33%)	produces ammonia, urea, and methanol
MEGlobal	PIC (50%); DOW Chemical Company (50%)	owns plants in Canada that produce monoethylene glycole and di-ethylene glycol; based in Canada
MEGlobal BV	PIC (50%); DOW Chemical Company (50%)	markets ethylene glycol produced by the partners and production by MEGlobal BV; based in Dubai
PIC-Canada Company	PIC (100%)	manages PIC's investments in MEGlobal; based in Canada
Equipolymers Company	PIC (50%); DOW Chemical Company (50%)	manufactures PTA[a]/PET and markets PET; with two PET plants in Germany

a PTA is a feedstock used in the production of PET, which is used in making bottles and containers for soft drinks, food, and other liquids

Source: WTO Secretariat.

54. Kuwait aims to be a global petrochemicals player and attract investment opportunities especially in Asia. In March 2011, a new 50-50 joint venture between KPI and China Petroleum and Chemical Corporation (Sinopec) was approved to build a refinery and petrochemical complex in south China at a cost of around US$8.7 billion. Expected to be operational in 2014/15, an ethylene plant will have an annual production capacity of one million tons. Moreover, a new olefins project, Olefins III project is under way. The Olefins-III project will comprise a world-scale ethylene cracker plant with a capacity of 1.4 million tons per annum and derivative units to produce polyethylene, ethylene, glycol, polypropylene and other specialty products. The project feasibility study is under development, and the Project is planned to be operational in 2017.

55. The PIC is considering ways of integrating the refinery and petrochemical operations jointly with Kuwait National Petroleum Company (KNPC), in order to improve the use of hydrocarbons resources in Kuwait.

(iv) Electricity and water

56. Kuwait is a large consumer of electricity; consumption per head is considered high even by regional standards. In 2009, Kuwaitis consumed around 47,046 GWh of electricity. Strong population growth and economic expansion, coupled with high electricity consumption during the hot summer months and water desalination have contributed to the increase. According to the authorities, 70% of electricity consumption goes to air conditioning.

57. Electricity in Kuwait is highly subsidized by the Government. The Ministry of Electricity and Water is responsible for the overall policymaking of the electricity and water sectors as well as the operation, distribution, and transmission of electricity and water in Kuwait. In addition to the Ministry, policies must be approved by the Council of Ministers.

58. The Ministry of Electricity and Water owns and operates six power stations with a total generating capacity of 13,000 megawatts (MW) of electricity in 2011. Significant capacity additions are needed to meet demand. In order boost electricity capacity, in September 2009, the Ministry awarded a build operate and transfer (BOT) contract for a 2,000 MW plant at Al Subiya, Kuwait's largest power plant. The first phase of the plant, of 1,382 MW was scheduled to be operational in time to meet the summer power surge in 2011; it helped increase capacity by 10%.

59. In May 2010, Law No. 39 of 2010 was newly promulgated to regulate electricity and water sectors in Kuwait. According to the law, foreign investment will be allowed for the first time through public-private partnerships whereby independent water and power projects (IWPPs) will be established and BOTs no longer used. Under the IWPPs, private companies will generate electricity and water and sell it to the Ministry of Electricity and Water, which will then sell it to consumers. Foreign investors are allowed up to 26% ownership of a project, with 24% owned by the Kuwait government and 50% by the public through initial public offerings (IPOs).

60. Kuwait’s first IWPP is currently under way. The Ministry of Electricity and Water has enlisted a team of international advisers to prepare terms of reference for interested developers, and applications to pre-qualify for the project. The IWPP will be located at Al Zour and will have the capacity to produce 1,500 MW of electricity and 100 million gallons/day of desalinated water. The Government has set a target of completing the IWPP by mid-2012.

61. Kuwait has no natural fresh water resources. In recent years, the Government has taken steps to build water desalination plants to take advantage of the available seawater and convert it into drinking water. Kuwait has five water desalination plants, which produce around 420 million gallons of potable water per day.

(3) SERVICES

(i) Overview

62. Services is the largest non-oil sector of Kuwait's economy, contributing about 48% of GDP in 2010 and accounting for over 42% of total employment. Most services activities are controlled predominantly by the Government through state-owned enterprises (SOEs), with state monopolies in some sectors such as fixed-line telephone services and postal services. In line with the Government's intention under the current medium-term Development Plan to promote a larger role for the private sector in the economy, greater private-sector involvement in several services sectors or subsectors is being considered, and efforts are being made to improve the legislative environment and physical infrastructure to facilitate this (Chapter II(3)). Kuwait has opened some services subsectors to foreign investment, including financial services, air transport, mobile telephone services, and professional services.

63. Under the General Agreement on Trade in Services (GATS), Kuwait made specific commitments in eight services sectors: business services, construction and related engineering services, distribution services, environmental services, financial services, health and related social services, tourism and related services, and recreational, cultural and sporting services. Within these 8 sectors, Kuwait has made commitments in 61 out of a total of 151 subsectors (Table AIV.2). Certain limitations have been placed on market access and national treatment in these commitments. Kuwait has not made any commitments in telecommunications services, educational services, or transport services. It maintains MFN exemptions under GATS Article II for air transport and the promotion and protection of investments.

64. Under its horizontal commitments, national services or services of national origin should have priority in government procurement contracts; all foreign suppliers must comply with the counter-trade offset programme. With the exception of banks, financial and insurance institutions, foreign commercial presence should be either through a Kuwaiti agent or through a partnership with a Kuwaiti company (in which the aggregate proportion of foreign capital should not exceed 49%). Foreign commercial presence must contribute some economic interest to the country, such as technology transfer, and Kuwaiti nationals must account for at least a proportion, e.g. 60% in the case of insurance and banking of its workforce. With regard to presence of natural persons, Kuwait's commitments relate to the entry and temporary stay of natural persons who are managers, specialists, and skilled technicians. Self-employment of foreign nationals is not allowed.

(ii) Financial services

(a) Overview

65. Financial services generate over 14% of GDP and employ less than 5% of Kuwait's total labour force. The sector grew rapidly during 2003-07, at an annual average rate of about 40%, but stagnated in 2008 and shrank by almost 5% in 2009 as a result of the impact of the global financial crisis on the Kuwaiti economy. Growth is expected to recover quickly, based on the strong capital base and high liquidity levels of banks. The latest IMF financial stability report confirmed that Kuwait's banking system passed its stress tests and can withstand significant additional shocks, but investment companies have been substantially more vulnerable since the financial crisis, due to the concentration of their activities in financial instruments and real estate.[19]

[19] IMF (2010).

66. The Government aims to strengthen the financial services sector as part of its efforts to diversify the economy and to develop Kuwait into a regional financial centre. In accordance with the Medium-term Development Plan, the Government intends to double the number of working banks and investment companies in the coming years.[20] It aims to ensure that Kuwaiti banks obtain the highest ratings of the main international ratings institutions.[21]

67. The Central Bank of Kuwait (CBK) is developing and improving its inspection and supervisory systems over the whole financial sector, basing itself on international standards, including important modifications in the area of corporate governance, banks' risk management and control standards and financial stress testing. The CBK implemented in full the Basel II Accord to increase bank capitalization from December 2005 for commercial banks and from June 2009 for Islamic banks. Full implementation of the Basle III Accord on bank liquidity and leverage is planned for 2017-19. A new Financial Stability Office has been created in the CBK, and a new financial stability law was issued in 2009 (Law No. 2 of 2009 concerning Enhancing the Financial Stability in The State of Kuwait). It is considered to be urgently needed to allow precautionary and preventive action to be taken to safeguard the banking system from any adverse effects of future global financial crisis.

68. To facilitate the development of the financial services sector, the Government has relaxed foreign investment restrictions. The Direct Foreign Investment Law (Law 8 of 2001) abolished the upper bound of 49% foreign ownership in financial firms, and under Law 28 of 2004 the CBK approved a set of principles, rules and controls regarding the licensing and operation of the branches of foreign banks in Kuwait.[22] Ten foreign banks have so far been allowed to establish local branches. All branches of foreign banks are treated as national banks and are subject to the same laws and regulations. Banks, investment companies, exchange companies, and insurance companies are allowed to have up to 100% foreign ownership as long as they acquire licences from the corresponding regulatory authorities in Kuwait (Chapter II). Unlike in other sectors, foreign investors in financial services in Kuwait do not need to employ a Kuwaiti agent.

69. The CBK is the main regulator of the financial services sector (apart from insurance). It was the regulator for both banking and financial activities until February 2010, when the newly established Capital Markets Authority (CMA) became the independent regulator of Kuwait's capital market. The CBK is coordinating with the CMA to supervise the lending portfolio of investment companies. The Ministry of Commerce and Industry (MCI) is responsible for granting licences to insurance companies in Kuwait.

(b) Banking

Banking sector development

70. The banking sector is recovering from the global financial crisis. Some banks increased their capital, such as the Gulf Bank, which received a large new capital injection from the Kuwait Investment Authority. As a result of the crisis, total profitability of the banking sector fell slightly in 2009 to US$1.2 billion, but it increased by over 60% in 2010 to US$2 billion as confidence in the sector was restored and at the same time the capital sufficiency ratio increased from 16.7% to almost 19%.

[20] State of Kuwait (2010), Part 3, First Economic Policies, Point 2 of 4.1 "Policies for transforming to financial and commercial centres (financial sector)".

[21] State of Kuwait (2010), Part 3, First Economic Policies, Point 3 of 4.1 "Policies for transforming to financial and commercial centres (financial sector)".

[22] Online information of the Central Bank of Kuwait (CBK). Viewed at: www.cbk.gov.kw.

71. Kuwait has 11 domestic banks, 7 GCC banks, and 3 banks from non-GCC countries, which are 100% foreign-owned (Table IV.7). The CBK is in the final approval process for an additional GCC bank to start operating as a branch in Kuwait.

Table IV.7
Banks, 2011

	Details	**Note**
Domestic banks		
Commercial banks	National Bank of Kuwait	Kuwait's largest commercial bank
	Gulf Bank	
	Commercial Bank of Kuwait	
	Al-Ahli Bank of Kuwait	
	Burgan Bank	
Islamic banks	Kuwait Finance House (KFH)	The largest Islamic bank
	International Bank of Kuwait	
	Boubyan Bank	
	Al-Ahli United Bank	
	Warba Bank	
Specialized bank	Industrial Bank of Kuwait	
		Year licence granted
Banks from GCC countries	National Bank of Abu Dhabi	2005
	Qatar National Bank	2007
	Doha Bank	2008
	Mashreq Bank	2009
	Bank of Muscat	2010
	Al Rajhi Bank	2010
	Bank of Bahrain and Kuwait	1977
Foreign (non-GCC) banks	BNP Paribas	2005
	HSBC	2005
	Citibank	2006

Source: Information provided by the Kuwaiti authorities.

72. The National Bank of Kuwait is the largest of the domestic banks in commercial (non-Islamic) banking, with a domestic market share of 29% (total assets), 74 branches in Kuwait and 14 branches abroad. Kuwait Finance House is the largest Islamic bank, with a domestic market share of 27% and 54 local branches. All local banks are majority-owned privately, with a minority government share, except for the specialized Industrial Bank of Kuwait, which is fully-owned by the Government. Direct or indirect ownership by any single natural person or legal entity in a domestic Kuwaiti bank must not exceed 5% of the bank's capital, other than by prior authorization of the CBK.[23]

73. Kuwait has gradually opened up its banking sector to foreign participation. Following the launch of the GCC Common Market on 1 January 2008, banks originating in other GCC countries are granted national treatment in Kuwait. The three non-GCC foreign banks obtained licences in 2005 and 2006, to operate in Kuwait.

74. One of the major challenges for banks in Kuwait is a shortage of lending opportunities, since the economy is dominated by the oil sector and government activities, which do not require bank financing. Real estate and equities investments are the two major lending destinations for banks; other opportunities are limited.

[23] CBK Law 32, Article 57

Regulatory framework

75. Under Law 32 of 1968, the Central Bank of Kuwait (CBK) was established as the regulator of the banking sector, responsible for licensing and prudential surveillance.

76. Banks are free to set their own deposit rates. The CBK controls lending rates by setting the maximum permitted at a fixed margin over the CBK discount rate. The average weighted interest rate on total bank loans in June 2011 was 5.2%, and the weighted average interest rate on total bank deposits was 2.2%. The interest rate spread has varied narrowly around 3% for the past five years.

77. Foreign banks must apply to the CBK for a licence to practise banking in Kuwait. The CBK's decision on the application is to be taken in light of the conditions prevailing at the time, and the CBK has no obligation to provide reasons for rejecting an application.[24] Reciprocal treatment is taken into account by the CBK when considering a licence application. The licence is a general licence covering all banking business in Kuwait, including retail and corporate banking. In this regard, foreign banks receive the same treatment as domestic banks. All foreign banks branches, within three years of receiving their licence from the CBK must have Kuwaiti nationals as 60% of their total workforce.[25]

78. Currently, foreign banks may not open more than one branch in Kuwait.[26] The capital requirement for foreign banks (GCC and non-GCC) to establish in Kuwait is KD 15 million, compared with KD 75 million for domestic banks.

79. Banks may provide credit facilities to non-resident customers up to KD 40 million without prior approval from the CBK for the purpose of financing contracts awarded by Kuwait government bodies.

80. Under the Bank Deposit Guarantee Law (No. 30) of November 2008, all deposits in local banks are fully guaranteed. The Financial Stability Law (Decree Law 2) of March 2009 aimed to stabilize Kuwait's financial system against the background of the global financial crisis. Under the Law, the CBK provided all banks operating in Kuwait (including foreign banks) with the opportunity to receive guarantees on any specific provisions that they have to make against declines during 2009-11 in the value of the financial and real estate investment portfolios they held on 31 December 2008. The guarantees are valid for up to 15 years, with a 1% annual guarantee fee. Banks are required to cover any deficits still outstanding from 1 January 2012. Domestic banks that need to raise new capital for this purpose may ask the Kuwait Investment Authority (KIA) to step in and purchase convertible bonds and/or preferred shares if new capital cannot be raised from shareholders or other investors.

81. Also under the Financial Stability Law, the State guaranteed 50% of the new finance provided by Kuwaiti banks to domestic productive economic sectors in 2009-10, provided that this finance is not used for real estate trading or shares trading on the stock exchange.

82. There are no separate rules or policies regulating Islamic financial services in Kuwait. However, under CBK Law 32, conventional banks may not compete to provide Sharia-compliant services.

[24] CBK Law 32 of 1968, Article 56.
[25] Circular No. 2/BS, IBS/160/2004.
[26] CBK Law 32, Article 56.

Non-bank financial services providers

83. Ninety-five investment companies (ICs) and 39 exchange companies are licensed to operate in Kuwait. They account for around 30% of total financial sector assets. They are primarily engaged in asset management and may not engage in banking activities.

84. ICs are subject to CBK Law 32 of 1968, and must obtain a licence from the CBK. Foreign invested ICs must also obtain a licence from the Kuwait Foreign Investment Bureau of the Ministry of Commerce and Industry. The CBK's current policy is to limit the number of licences granted to international financial institutions. As in the case of applications from foreign banks, the CBK has no obligation to provide reasons for rejecting an application. Foreign applicants must obtain written approval from the regulatory authorities of their home country to incorporate and practise asset management in Kuwait. The parent company must be a renowned international financial institution in the field of asset management.

(c) Securities

85. The Kuwait Stock Exchange (KSE) is government-owned. It was established in August 1983 and is the third largest Arab stock market. At end 2010, market capitalization on the KSE was KD 33.7 billion, of which about 42% was accounted for by the banking sector and 14% by investment companies. Information about the possible, eventual privatization of the KSE is contained in CMA Law No. 7 of 2010, Article 33, Chapters 3 and 13.

86. Currently, 215 companies and 1 fund are listed on the KSE (Table IV.8); 13 are non-Kuwaiti companies, of which one (Egypt Kuwait Holing Company) is a non-GCC company. The minimum paid-up capital requirements for companies to be listed are KD 10 million for listing on the regular market, and KD 3 million on the parallel market. The policies and procedures for companies to apply to list on the KSE are detailed in the Capital Market Authority Decision No. 3 of 2011.[27]

87. Large institutional investors active on the KSE include the Kuwait Investment Authority (KIA), 52 investment companies (ICs), and 114 active investment funds, of which 56 are Kuwaiti funds, 27 are GCC funds, and 31 are non-GCC foreign funds. Since 1990 (Decree No. 31), foreign collective investment (such as investment funds) have been allowed to be listed and marketed on the KSE if they obtain approval from the CMA. The KSE remains highly retail oriented, with individual retail investors accounting for around 61% of the total number of transactions, 58% of traded stocks, and 42% of total market value.

Table IV.8
Securities

	Regular market	Parallel market	Total
Number of companies listed	216 (215 companies and 1 fund)	14	230
GCC companies	12	0	12
Non-GCC foreign companies	1	0	1
Minimum paid up capital requirement	KD 10 million	KD 3 million	n.a.
Main features	See Executive Regulations of the CMA Law No. 7 of 2010	See Executive Regulations of the CMA Law No. 7 of 2010	n.a.

n.a. Not applicable.

Source: Information provided by the Kuwaiti authorities.

[27] Online information of the Kuwait Stock Exchange (KSE). Viewed at: http://www.kse.com.kw.

88. Under Law No. 20 of 2000, foreign investors are allowed to buy and sell equities on the KSE. All trading must take place through one of the 14 brokerage firms registered with KSE.[28]

89. The Capital Markets Law (Law No. 7 of 2010) was passed in February 2010, and the Capital Markets Authority (CMA) was set up as the independent regulator for the Kuwait stock market. The CMA is responsible for formulating regulations, granting licences, supervising mergers and acquisitions, and settling disputes. The CMA issued the Executive Regulations for the Capital Markets Law on 13 March 2011.

(d) Insurance

90. Kuwait's insurance market has grown quickly in recent years; between 2003 and 2009, the annual average growth rate of premium volume was 8.9%. Gross written premiums reached KD 180.4 million in 2008, from KD 109.7 million in 2003, but dropped to KD 171 million in 2009 due to the impact of the global financial crisis.

91. Thirty-five insurance companies and two reinsurance companies operate in the Kuwait market. Both insurance and reinsurance are open to foreign investment. Two of the insurance companies are foreign invested from GCC countries, and ten from outside the GCC. All insurance companies are privately owned and operated; 14 have been set up in the past 10 years, which has helped reduced prices considerably.

92. Domestic insurers account for 87% of the market, and four domestic companies account for about 70% of collected premiums: Gulf Insurance, Kuwait Insurance Company, Warba Insurance, and Al Ahleia. The two reinsurance companies are Kuwait Reinsurance and Al Fajer Retakaful Insurance.

93. Under the National Insurance Law passed in 1961, the Department of Insurance under the Ministry of Commerce and Industry is the regulator of the insurance sector. All applications for licences to operate insurance or reinsurance companies in Kuwait are under the control of the Department, which must process applications within 60 days. There are no policy restrictions on the establishment of foreign insurance companies, subject to them receiving a licence, or on the number of local branches they may establish. The minimum capital requirement is KD 5 million for establishing a single business insurance (life or non-life) and KD 10 million for dual business (life and non-life). The capital requirement for reinsurers is KD 15 million.

94. A new insurance law has been under preparation since 2008, but has not yet received Cabinet approval.

95. Health insurance in Kuwait is provided by the private sector and is overseen by the Ministry of Health. Health insurance is obligatory for foreigners, but optional for Kuwaiti citizens, who have access to free public-sector health care.

96. Takaful (Islamic) insurance has been developing quickly in Kuwait since the first takaful company was established in 2001. Capital requirements for new takaful companies are low, and the potential for takaful activity has encouraged new interest in the market. Kuwait has currently 13 takaful companies, all Kuwaiti privately-owned. There are no restrictions on foreign investors entering the market.

[28] Policies regulating brokers are contained in Capital Market Authority Decision No. 9 of 2011 and Law No. 7 of 2010 (available on the KSE website).

(iii) Telecommunications and postal services

97. Kuwait's telecommunication market has been growing rapidly in the past decade, but still has the lowest penetration rates among the GCC countries. In 2010, Kuwait's mobile penetration rate was 161% and the fixed-line rate was 21%.[29] Internet subscription is also low, with 32 subscribers per 100 inhabitants. (Table IV.9). In line with international trends, penetration rates of fixed lines are in decline as the population shifts towards mobile usage; moreover, Kuwaitis own multiple SIM cards.

Table IV.9
Telecommunication statistics, 2000-September 2011

Fixed statistics	**2000**	**2005**	**2009**	**2010**	**Sept 2011[a]**
Number of fixed telephone lines	467,067	504,806	553,500	566,300	515,645
Number of fixed lines per 100 inhabitants	24.07	22.30	20.92	20.69	..
Mobile statistics					
Active mobile subscriptions	476,000	2,277,000	3,876,000	4,400,000	4,106,016
Mobile subscriptions per 100 inhabitants	24.53	100.57	146.47	160.78	127
Internet statistics					
Total fixed broadband internet subscribers	..	25,000	45,000	46,000	115,727
Broadband internet subscribers per 100 inhabitants	..	1.10	1.70	1.68	11
Percentage of individuals using the internet	6.73	25.93	36.85	38.25	..
Percentage of households with internet access	20.00	27.00	30.63	31.61	..

.. Not available.

a Information provided by the Kuwaiti authorities.

Source: International Telecommunication Union/ICT Indicators 2011 database. Viewed at: www.itu.int/ITU-D/ICT/statistics.

98. Fixed-line (including national and international long-distance) services are provided by the Ministry of Communications (MOC). The mobile sector has three providers: Zain, Wataniya, and Viva (Table IV.10). Zain, the oldest and largest was established in 1983 as Mobile Telecommunications Company, and now has operations in 24 countries in the Middle East and Africa, with a subscriber base of more than 70 million. Zain is listed on the Kuwait Stock Exchange and there are no restrictions on Zain shares as the company’s capital is 100% free float and publicly traded. The largest shareholder is the Kuwait Investment Authority (24.6%). Zain sold the majority of its operations in Africa to India's Bharti Airtel (except for Sudan and Morocco) for US$10.7 billion in April 2010.

99. Wataniya Telecom, the second-largest mobile operator in Kuwait, was commercially launched in 1999 as the first privately owned operator in Kuwait. In March 2007, Qatar Telecom (Qtel) acquired 52.9% of Wataniya Telecom shares from Kuwait Projects Company Holding KSC (KIPCO) group. Wataniya has operations in Kuwait, Maldives, Saudi Arabia, Tunisia, Algeria, and in the Palestinian Authority, with a global subscriber base of more than 11 million. Viva, Kuwait's third operator entered the market in December 2008; it is 24% owned by the Kuwaiti Government, and 26% by Saudi Telecom Company.

[29] ITU (2011) statistics. Viewed at: www.itu.int/ITU-D/ICT/statistics.

Table IV.10
Telecom services providers, 2011

	Company	Market share (%)	Kuwait Government ownership (%)	Private ownership shares (%)	Main private owner
Fixed line	MOC	100	100	0	n.a.
Mobile	Zain	46	24.6	76.4	Al Khair National for Stocks & Real Estate Co. (9.8%)
	Wataniya	39	23.6	77.5	Qatar Telecom QTel (52.9%)
	Viva	15	24	76	Saudi Telecom (26%)

n.a. Not applicable.

Source: Information provided by the Kuwaiti authorities.

100. The Ministry of Communications (MOC) is the telecom services regulator. As at October 2011, Kuwait did not have an independent telecom regulator; although plans for such an authority to be established are under way. MOC is also the monopoly operator of the national fixed-line network, and controls Kuwait's only international gateway, as well as internet service provider (ISP) licences. As the industry regulator, MOC manages licensing market procedures, and regulates prices of mobile communication services. MOC does not charge fixed licence fees. In the case of disputes in the telecoms sector, companies have recourse to local courts.

101. There are no specific laws regulating Kuwait's telecommunications sector. However, Law No. 26 of 1996, which regulates wireless communication services, states that mobile phone services are open to private investors, including foreigners. So far, only GCC foreign investors have participated in the mobile phone subsector.

102. The general policy for telecommunications, as set by the MOC, is to, *inter alia*, expand the provision of telecommunications services; encourage private investment in the telecommunications industry; and enhance competition. More recently, MOC has announced plans to improve the regulation and competitiveness of Kuwait's telecoms sector. These include establishing an independent telecoms regulator; introducing mobile number portability (MNP)[30]; setting up a shareholding firm to offer competitive international call tariffs; privatizing fixed-line operations; and developing Kuwait's fibre-optic infrastructure.

103. Domestic calls on the fixed-line network are free. From 2009, calls from fixed-line to mobile phones in Kuwait became free, resulting in a decline in mobile-to-mobile calls. The MOC only charges for international telecommunications, i.e. outgoing calls. Prices for local mobile-to-mobile calls are set by each mobile operator. Prices for mobile-to-fixed-line calls as well as international mobile and fixed-line calls are set by the MOC. There is no interconnection system within the three mobile network operators.

104. Value-added services, such as data transmission by internet services providers (ISP) and internet content providers (ICP) are available, but, voice-over-internet protocol (VoIP) services have been banned since 2008 because no billing system has been available to the MOC. According to the authorities, VoIP should be re-allowed by the end of 2012. All operators have the right to negotiate deals with content providers. Five companies offer ADSL services through renting lines from the MOC. Six ISPs plus three mobile networks provide mobile broadband services. For foreign ICPs to operate in Kuwait a local Kuwait agent is required; up to 49% of ownership is possible and approval is needed from the Ministry of Trade and Industry.

[30] MNP allows customers to change operators without having to change their number.

(a) Postal services

105. Postal services are regulated under the Law on Organizing Postal Works (Law No.1 of 1970). In accordance with the Law, the Ministry of Communications (MOC) is the monopoly operator of the postal network. According to the authorities, the MOC outsources postal services to a private company. A local company, known as the Eastern Arab Company for General Trade and Construction is in charge of mail distribution to homes in Kuwait.

106. The MOC is responsible for providing universal postal services. There are no local courier services, as the law does not permit it. However, foreign express courier services are allowed to operate in Kuwait by obtaining a licence from the transport sector, and then approval from the Ministry of Trade and Industry, and the MOC. According to the authorities, a separate postal authority is expected to be established soon.

(iv) Transport

(a) Overview

107. In 2009, transport, storage, and communications accounted for 8.3% of GDP and employed 3.1% of the labour force.

108. The Government has selected transport and logistics as key sectors for expansion and diversification in the current Medium-Term Development Plan, aiming to build on Kuwait's strategic geographic location. The Government will spend US$35 billion on improving Kuwait's transport infrastructure, including projects to build a new deep-water port in Boubyan and a national centre for organizing ship movements, expand the international airport, improve the pan-GCC/Iraq rail network, and build an underground metro system in Kuwait City.

109. The MOC is the regulator of the transport services sector. Its policy objectives for the sector are to develop Kuwait into a regional transport centre with larger private participation. The Government expects the transport sector to grow on average at 15.5% annually between 2010 and 2014. It plans to establish a separate public authority to regulate transport by 2012.

110. Transport services have been dominated traditionally by private business. The Medium-Term Development Plan sets a target to increase further the share of the private sector in transport services, with annual average planned growth of the private sector of 18% and the public sector of 7%.[31]

(b) Maritime transport

111. Kuwait's trade and economic growth depends heavily on maritime transport. Kuwait is a contracting party to the UN Convention on a Code of Conduct for Liner Conferences, 1974. Ships flying foreign flags account for about 40% of the total deadweight tonnage of merchant fleets using Kuwait's three ports (Table IV.11).

112. The Kuwait Oil Tanker Corporation is fully owned by the Kuwait Petroleum Corporation and specializes in cruel oil, petroleum, and gas transportation. Foreign investors may operate in the maritime shipping industry subject to the Foreign Investment Law (Law 8/2001).

[31] Development Plan, Part 3, 5.2 Transportation Policies Point 6 it states "Continuing in allowing the private sector in presenting services pertaining to air transportation and shipment as well as privatizing some activities pertaining to the same and to sea and land transportation".

113. All ports and their facilities in Kuwait are fully owned by the State. Kuwait Ports Authority (KPA) is a public authority run on a commercial basis under the Ministry of Communications to manage port facilities. Ships are subject to KPA charges and fees for navigation and other services. Charges and fees are set by the Kuwait Council of Ministers, and cannot be altered by KPA. Vessels registered in Kuwait and other GCC countries are exempt from berthing dues and anti-pollution fees. Vessels registered in Kuwait and GCC countries of less than 400 tonnes, and foreign vessels of less than 25 tonnes, are exempt from port dues, marine light dues, pilotage, and service fees of tugs at Doha Port.

Table IV.11
Shipping and maritime transport services, 2010

National and foreign-flag vessels[a]		Merchandise fleet by size ('000 dwt)		Merchant fleet by types of ship ('000 dwt)	
Number of vessels	86	1 Jan 2005	3,811	Total fleet	3,856
National flag	39	1 Jan 2006	3,706	Oil tankers	3,216
Foreign flag	47	1 Jan 2007	3,442	Bulk carriers	39
Deadweight tonnage	6,603,264	1 Jan 2010	3,856	General cargo	76
National flag	3,835,639	% change 2005-06	-2.8%	Container ships	292
Foreign flag	2,767,625	% change 2006-07	-7.1%	Other types	233
Foreign flag/total	42%	% change 2007-10	12%		
Total / world total	0.57%				

a Vessels of 1,000 GT and above.

Source: UNCTAD (2010), *Review of Maritime Transport 2010*. Viewed at: http://www.unctad.org/en/docs/rmt2010_en.pdf.

114. Pilotage services are provided by Kuwaiti nationals employed by KPA. All shipping companies, including foreign companies, must have a Kuwaiti shipping agent licensed by the Ministry of Commerce and Industry (MCI).[32] In order to increase competition, Kuwait has replaced the monopoly (one-contractor) system for stevedoring services and now licences three stevedoring companies to handle commercial (non-container) cargo and two companies to handle container cargo; shipping agents are free to choose between these companies at Shuwaikh Port. This change in policy has improved the quality of services and brought down stevedoring prices.

115. KPA runs Kuwait's two main commercial ports at Shuaiba and Shuwaikh; and Doha Port is designated for small ships and dhows. In January 2010, the Kharafi Group from Kuwait and the Hyundai Engineering & Construction from Korea were jointly awarded a US$1.14 billion contract, to build a port on Boubyan Island. This build-operate-transfer (BOT) project is expected to be privately owned and managed.

(c) Air transport

116. Civil aviation services are regulated by the Directorate General of Civil Aviation (DGCA) under the Ministry of Communications. The DGCA is responsible for airport management, air traffic control, traffic rights, slots, and airline licensing. The Parliament is studying proposals to establish an independent regulator of civil aviation transport in Kuwait.

117. Kuwait's civil aviation airport, Kuwait International Airport, handled 8.33 million passengers in 2010. Under the Medium-term Development Plan, there are plans to construct a new passenger terminal, a dedicated air cargo village, and a third runway.

[32] Law 80/282.

118. Kuwait has three domestic airlines operating regional and international routes. Kuwait Airways Company is the flag airline, owned and managed by the Government. In February 2008, the Government announced its intention to privatize Kuwait Airways Company and a management company has been appointed to oversee the process. The monopoly of Kuwait Airways was ended when licences were granted to two private Kuwaiti-owned airlines, Jazeera Airways in 2004, and Al-Wataniya in 2005, to provide commercial air services.

119. With regard to passenger air transport services, Kuwait adopted an "open-sky" policy in 2006. Airlines are free to compete through prices for market share, although the Directorate General of Civil Aviation (DGCA), and the laws and regulations of the State of Kuwait will intervene if price competition is judged to be predatory, based on ICAO rules. The operation of foreign airlines is based on bilateral air services agreements in which the State of Kuwait has concluded with other countries and states (Table AIV.1). Traffic rights are distributed equally (or according to demand in case of excess supply) among national airlines. Foreign (non-GCC) airlines must have a Kuwaiti agent to act for them to provide sales, marketing, and reservations. However, GCC member states airlines are not required to have a local agent to represent them in the State of Kuwait. Two private Kuwaiti companies are contracted by the DGCA to provide ground handling services for all airlines, including repair and maintenance.

120. The policy of the Directorate General of Civil Aviation is to eliminate all restrictions on the operation of air cargo flights.

(d) Land transport

121. Land transport in Kuwait is regulated by the Ministry of Communications, while the Ministry of Commerce and Industry (MCI) is responsible for licensing transport service providers. After obtaining a licence from the MCI, transport service providers must register with the MOC, and registration is only open to Kuwaiti nationals.

122. The Medium-Term Development Plan has a target to add around 1,200 km of paved highways and internal roads. The Government proposes to build a metro system and other public transport systems to encourage the use of public transport. A private partner is to be selected to design, build, finance, operate, and maintain the metro system. Detailed policies have not yet been published by the authorities.

123. In 2004, all GCC member governments agreed to build a pan-GCC railway network; the project will cost US$25 billion. The proposed network (more than 2,000 km) is to connect countries in the region, including Iraq. This network will also connect other means of transport, i.e. air, sea and urban metro systems. The detailed plan of construction, operation, and management of the pan-GCC rail network has not yet been published by the authorities. Foreign investors will be allowed to participate.

(v) Foreign workers, and professional services

124. Foreigner workers outnumber the Kuwaiti labour force, and therefore have a significant impact on the country's external balance. In 2009, foreign workers’ remittances to their home countries amounted to KD 2.8 billion, equivalent to 9.1% of GDP.

125. As part of Kuwait's overall policy to diversify its economy from the hydrocarbon-centred industries, Kuwait is investing to expand its services sector and is anticipating higher demand for both skilled and unskilled foreign labour.

126. Companies apply to the Ministry for Labour for permits to employ skilled foreign labour. The number of permits granted is determined by the Ministry on the basis of its assessment of the economic needs of the company concerned. Once an application is approved, entry visas are issued that are valid for three months. After entry, the employer applies for a work permit (*Iqama*) which is valid for five years and is renewable.

127. The Government's policy objective is to introduce more competition into the professional services sector and to improve its efficiency. At the same time, Kuwait has no mutual recognition arrangements on professional qualifications with any country.

128. Unskilled foreign workers in Kuwait are mainly working in personal and household services. In February 2010, a new labour law was passed by the National Assembly to replace three separate labour laws. Unskilled labour must be sponsored by their prospective employer. The sponsor applies for an entry visa, which is valid for three months, and subsequently for a residence permit, which is valid for two or five years depending on the contract with the employer. The permit may be extended beyond five years. After three years of residence in Kuwait, a foreign worker may change jobs from one sponsor to another, and switch from domestic jobs to other jobs in the private sector. The labour law sets a new minimum wage for workers in the private sector, which does not apply to domestic workers.

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