

KUWAIT SHOULD NOT INTERVENE IN SYRIA: SAADOUN

LEADING ECONOMIST TALKS REGIONAL TURMOIL, OIL PRICES

By Nawara Fattahova

KUWAIT: Kuwait should not intervene in the war in Syria, and should maintain good relations with its neighbors, a leading financial expert said.

Financial expert and Chairman of Al Shall Co Jassem Al-Saadoun spoke during a symposium organized by the Kuwait Economic Society titled 'Oil to Where' Tuesday evening and held at its premises. He explained many interesting facts, historical events and expectations about oil as Kuwait's main source of income.

On the situation in Syria, Saadoun said that Kuwait should maintain a neutral stance in dealing with all parties involved. "We should not intervene in the war in Syria," Saadoun said during the symposium, "and we should be careful to maintain good relations with all our neighbors. We should not be forced to deepen hostilities with our neighbors and favoring other neighbors. We should put feelings aside and seek our benefit. All countries are threatening to increase oil production, but for the benefit of all of us, we should make joint efforts."

Income sources

Saadoun meanwhile criticized the government for its failure to diversify Kuwait's sources of income. "Despite the calls, plans and strategies to diversify income sources and decrease dependence on oil, we are still depending more on it and are affected by its changes, with the third crisis in the oil market during one generation," he said. "So it is very important to know the expected trajectory of oil as our future is related to its movements."

According to Saadoun, oil has an economic price and a political price. "The strength of the oil market in the beginning of this century hiked the price of oil to its economic price after its political price was forced by the consumers," he said. "The increase was caused by the economic boom in Asia led by China, and since 2010, oil hiked by 30 to 40 percent. Then the geopolitical events in the region affected the price again and it dropped to dramatic levels due to the oil producers' conflicts." Saadoun believes that oil decisions are collective ones. He argued that as the Gulf Cooperation Council (GCC) countries represent one party in this conflict, it is important to be aware of the collective decision to expect the movement of the oil market in the future. "We should know what happened in these countries after the oil market was peaking and what their expected situation in the future will be if the oil price continues to drop," explained Saadoun.

No surprise

The oil price crisis is not a surprise. "The market has witnessed ups and downs in the price of oil," Saadoun said. "Many experts assured during the rising oil market that weakness was coming, but did not specify the exact time. This crisis is the most critically effective as public administrations made the same mistakes they did during the previous peak periods, and it was sharper than before. Even if the price hikes again to the economic price level, it will not be enough as the good position of the near past."

Saadoun then talked about the mistakes made by the governments of oil-dependent countries including the production imbalance, which is reflected in



KUWAIT: Financial expert Jassem Al-Saadoun (left) attends a symposium organized by the Kuwait Economic Society. — Photo by Yasser Al-Zayyat

the complete dependence on oil. The second is the financial imbalance, as public expenses rose 4.8 times, and these expenses did not react to the decreasing income and kept increasing. Population imbalance was another mistake as the GCC population grew from 29 million, 19 million of them citizens making up 65.5 percent in 2000, to 46 million, including 24 million citizens making up 52.2 percent of the population in 2012. The final mistake is the labor

market imbalance, as in 2000, national manpower made up 36.4 percent of the labor market, while this percentage dropped in 2012 to 31.6 percent.

Global consumption

The world consumes 93 million barrels of oil daily. "Any shortage in production, even if small, will cause a great price hike, and any surplus will make the price drop," Saadoun explained. "The lower prices of oil will

cause an additional daily demand of 1.75 million barrels. Also, high-production cost oils such as stone and sand oil will go out of production as the oil price is below the production cost. Also, investments in discovering, developing, and producing oil will stop. The production of 11 countries out of 22 oil producing countries is not covering production cost, that is around the level of \$30."

"The price of oil has now settled in the range between \$30-\$70," he noted. "The price of \$111.3 a barrel in 2011 will not happen again. The oil boom had a few benefits such as establishing sovereign funds by oil-producing countries that may be used to overcome this crisis. So, we should focus on the worst scenario if the oil price remains at the present low level!"

Production cost

GCC countries have a great share of the oil market, and oil production cost is the lowest. "The political situation has caused an oil war between two parties - the GCC on one side and Iraq, Iran and Russia on the other," Saadoun indicated. "Both parties increased oil production to compensate their losses due to low prices, which had a negative impact on both sides. The solution may be in decreasing production by a small percentage by all countries, which will then hike the oil price again. The GCC countries are better secured due to their sovereign funds, but the impact of this crisis is stronger than the other party as we are welfare states, while they already have problems. In fact there is a possibility of the dissolution of the GCC if low oil prices continue for a longer period."

JAPAN'S QUAKE-HIT MIYAGI PREFECTURE THANKS KUWAIT FOR MEDICAL STUDY FUND

SENDAI: Japan's quake-hit Miyagi Prefecture yesterday offered a renewed appreciation for Kuwait's heartwarming support following the 2011 disaster, as it launched the Kuwait Partnership Fund for Medical Education that contributes to the recovery of regional healthcare system. The +9 billion (\$104 million) study fund is part of the +16.2 billion (\$188 million) reconstruction fund established in Miyagi five years ago by utilizing Kuwait's crude oil donation.

Soon after the 9.0-magnitude earthquake and ensuing tsunami that hit the northeastern Japanese region including Miyagi in March 2011, Kuwait offered Japan 5 million barrels of crude oil, worth about \$500 million at that time, by the initiative of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah.

Gratitude

At a foundation ceremony held in Sendai City with participation of Kuwaiti Ambassador to Japan Abdulrahman Al-Otaibi, Governor of Miyagi Prefecture Yoshihiro Murai expressed sin-



SENDAI: Kuwaiti Ambassador to Japan Abdulrahman Al-Otaibi and Miyagi Governor Yoshihiro Murai. — KUNA

cere gratitude to Kuwait for its support in the aftermath of the massive disaster, which left more than 18,000 people dead or missing in the region. Miyagi was hit the hardest with some 11,000 victims and 500,000 damaged or destroyed buildings.

"The recovery efforts have continued to progress forward, however, especially in the heavily damaged areas along the coast, it has been difficult to secure doctors and medical support necessary for our citizens. Because of such conditions, starting in April, a new medical school will be established in the Tohoku Medical and Pharmaceutical University in Sendai," said Murai.

"In order to keep the graduates here in Miyagi, a new study fund has been established using +9 billion of the contribution received from Kuwait through the Japanese Red Cross Society. We hope the study fund, which bears Kuwait's name, will benefit the medical students for years to come," the governor added. The study fund provides scholarships to 30 medical students per year from Miyagi, who commit to working at designated medical institutions in the prefecture for 10 years after graduation from the new school.

The governor also gave the ambassador a commemorative plate presented to His Highness the Amir, which is engraved with his appreciation, saying, "The fund will support

ambitious students who will become important contribution to community health care in Miyagi Prefecture. We will work with tireless determination to restore our home, and we wholeheartedly appreciate the State of Kuwait's continued support in these efforts."

Hardship

In his speech, Otaibi pointed out that some survivors have restored their life and business activities, but there are people yet suffering from physical and mental hardship along the disaster struck area. "The governor has informed me that there are not enough hospitals and clinics there due to the lack of medical staff. Today, one clear solution to this grave concern has been crystalized and presented here," Otaibi said. He also hailed Miyagi Prefecture's determination to dedicate large portion of the reconstruction fund to the medical education, which helps alleviate the pain of the affected people and further advance their return to normal life. —KUNA



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ABK'S FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

KD30.4 Million | Net Profit

Category	31 Dec. 2014	31 Dec. 2015
Net Profit	37.6 KD Million	30.4 KD Million
Operating Profit	82.5 KD Million	87.3 KD Million
Operating Income	117.6 KD Million	128.5 KD Million
Total Assets	3.50 KD Billion	4.36 KD Billion

Shareholders' Equity	KD556 Million
Earnings per Share	19 Fils
Capital Adequacy Ratio	17.23%

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