

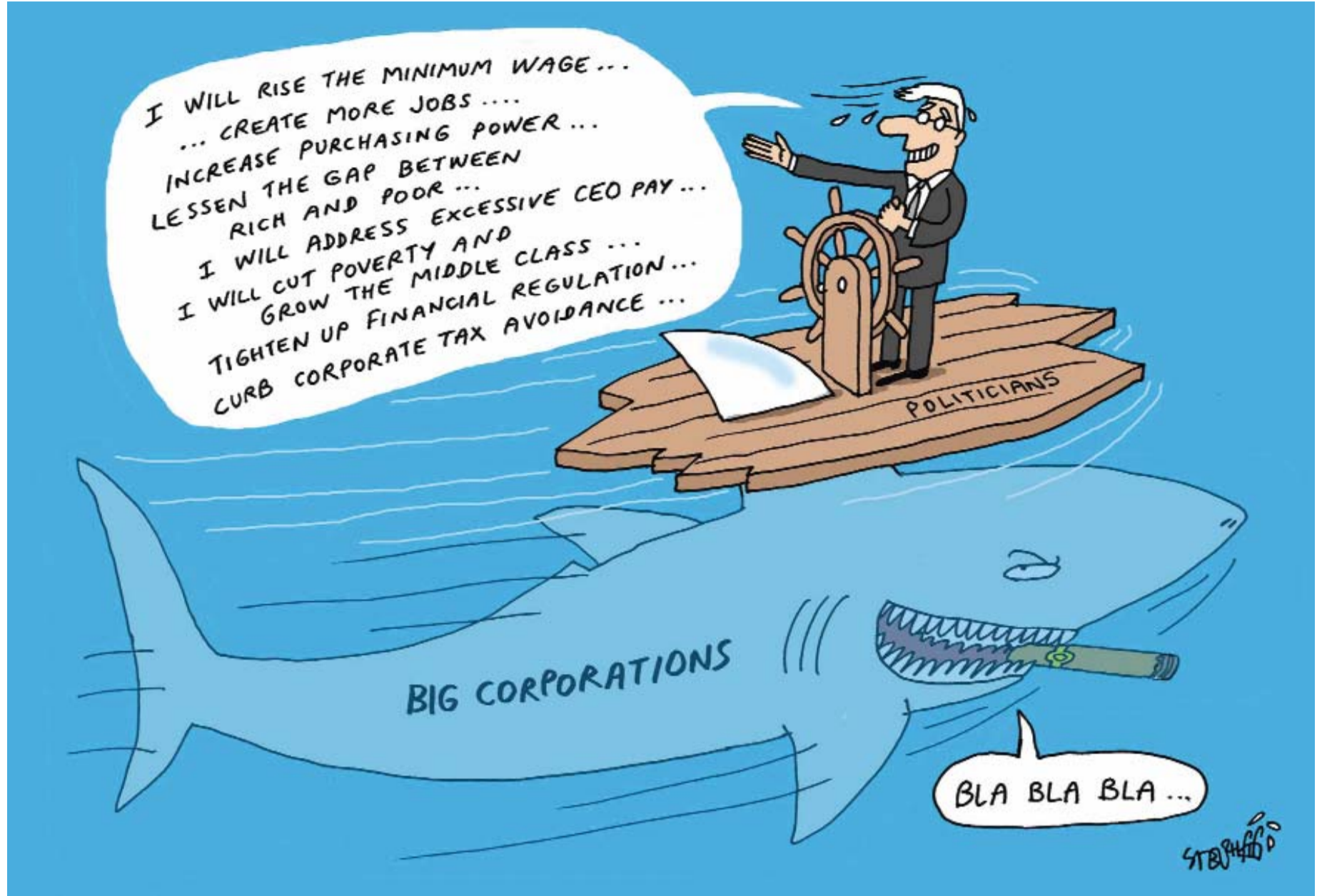
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AFGHAN GOVT WOOS ALLIES AGAINST IS

Afghan authorities are appealing to local elders in the remote eastern province of Nuristan to help prevent militants loyal to Islamic State from expanding into new territory. The initiative comes as fighters and their families, scattered in recent months by US and Afghan air strikes and special forces ground operations, seek new safe havens. The mountainous and thickly forested province bordering Pakistan is seen by Afghan authorities as a potential new base for the self-proclaimed offshoot of Islamic State, whose desire to stoke sectarian tensions was underlined this year in a series of high-profile attacks.

With Afghan armed forces and their NATO allies already struggling to cope with the Taliban insurgency across much of the country, the prospect of an expanding Islamic State group has alarmed authorities and the US military. The group, generally known as Daesh in Afghanistan, has so far been largely confined to the eastern province of Nangarhar to the south of Nuristan. There is also clashed with other militant movements including the Taliban, who reject it.

Afghan intelligence officials say an intense campaign of air strikes and raids by Afghan and US special forces in recent months also pushed many Islamic State fighters out of Nangarhar and into neighboring Kunar province, which borders Nuristan. To prevent them moving further north, security officials said they had provided weapons, ammunition and other support to villages in Nuristan, while also tapping the province's particular culture to try to create a barrier against outsiders.

Hafez Abdul Qayum, the provincial governor, has held several meetings with local elders, who enjoy significant powers in a province where central government is weak. On one recent trip, after a two-hour car journey along mountainous dirt roads, he and his entourage walked the final few hundred metres to the meeting place out of respect for local tradition. There he sat down with elders young and old, many of them wearing round, woollen "pakul" hats and sporting beards dyed orange, to share a lengthy meal of seared goat meat and urge his hosts to oppose the new threat.

"Whether it is Taleban or Daesh, they both are the biggest misguided people and destroyers of our religious values," Qayum, himself from Nuristan, told elders in Wama district, close to Pech Valley in Kunar where Islamic State fighters have settled. "Dear brothers, fighting against this menace is our biggest priority."

'Valley Of Death'

Such outreach is not unusual in a country where the word of traditional leaders often counts for more than directives from central government. And Nuristan, a province whose name means "the land of light" in Persian, has a history of repelling outsiders, including the Taleban and Al-Qaeda, by refusing them food and shelter and engaging in combat if necessary. But Afghanistan's security forces see Islamic State as a fresh menace, because by targeting the minority Shiite community it risks making a dangerous insurgency led by the Taliban even harder to contain.

Last month, more than 30 people died in a suicide bombing claimed by Islamic State at a Shiite mosque in Kabul. Nuristan is seen as a natural buffer, with its singular culture, rugged mountain ranges and lack of paved roads or electricity. Known as "Kafiristan", or "land of infidels", before its people were converted to Islam in the 19th century, it has an economy partly based on barter and local languages and dialects unrelated to the main languages of Afghanistan, Pashto and Dari. That has made it difficult for the central government to exert control, and only a few thousand lightly armed police and one army unit are stationed there. The real power in Nuristan is widely considered to be the "Qaomi Shura", or local elders' council. "If they say to someone 'die', that person dies. This is the power of the council," said a senior government official in the provincial capital Parun. If elders can be persuaded not to allow Islamic State to settle, security officials believe they will have a better chance of stopping its fighters from crossing from Pech Valley, where the Taleban and Al-Qaeda are also established.

Officials say Islamic State fighters from different countries have found sanctuary in a part of Kunar that includes an area known by US troops as "The Valley of Death", where they have lost dozens of soldiers. Al-Qaeda's presence was underlined in October, when a US airstrike killed Farouq al-Qatari, the movement's top commander in the east. So far, Islamic State's presence is contained, as it finds its place in an area hotly contested by other militant groups, and locals have been warned against giving help. — Reuters

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OIL FIRMS, CARMAKERS DIVERGE IN COSTLY DEBATE

Many carmakers are predicting a significant shift to electric vehicles in the next decade. Advances in battery technology and the growth of autonomous driving and ride sharing - suited to electric vehicles - will power this expansion, they reason. But some oil executives take a different view, predicting electricity will play only a bit part in transport out to 2040 at least. If they are on the wrong side of the argument, it could come at a cost to an industry where new projects often cost billions of dollars to build and need decades of at least moderate crude prices to pay off.

Over half of all crude oil pumped is used for transport. An overly pessimistic outlook for electric cars may lead oil companies to adopt an overly optimistic outlook for oil consumption and price growth, analysts say. ENI SpA Chief Executive Claudio Descalzi is among those who believe the threat posed to the oil industry by electric vehicles is not significant. "Electric cars, they can grow, but I don't think that is a problem (for us)," Descalzi told Reuters on the sidelines of a conference in London last month.

ExxonMobil Corp, the largest western oil producer by market value, and British rival BP Plc publish oil market outlooks to 2035 and 2040 respectively that guide their investment decisions. Both predict that in 2035, less than 10 percent of new cars will be electric vehicles (EVs) or plug-in hybrids - cars with a backup combustion engine for when the battery runs flat. "Our central view in the outlook is the penetration of electric vehicles and electricity more generally is likely to be pretty limited over the next 20 years," Spencer Dale, BP's Chief Economist, said in February.

The carmakers don't produce comparable long-term outlooks for vehicle production but their nearer term predictions for vehicle roll-outs envisage a much faster take up of EVs. Dieter Zetsche, CEO of Mercedes Benz manufacturer Daimler AG, said in September his goal was to have EVs make up between 15 and 25 percent of group global sales by 2025. BMW AG has said it could do the same. Ford CEO Mark Fields said in April that by 2020, 40 percent of models would be electrified.

"For over 100 years the internal combustion engine has been a basic design assumption for our business, for our

industry," Hau Thai-Tang, Ford vice President for Purchasing told analysts at an investor day in September. "This shift to electrification is game changing," he added. For the oil companies, a lot is riding on the accuracy of their demand forecasts, said Alex Griffiths, Group Credit Officer for corporates at credit rating agency Fitch, who produced a report about electric vehicles. "Without that (oil) demand increase, you potentially find that the market gets out of kilter - which is not a good place for the oil industry to be in," he said. To be sure, some in the oil industry are predicting a rapid expansion of EVs and some carmakers are conservative on EV prospects, but they are in a minority. Norway's Statoil, for instance, says electric motors could roll out widely in the next two decades. And Fiat Chrysler Automobiles NV CEO Sergio Marchionne has expressed caution about the uptake of electric cars.

Advances in Technology

Where there is a variance in outlook between the oil and auto industries, it is usually down to different expectations around technological developments and what happens in emerging markets. Carmakers expect batteries to become cheaper and be able to support greater vehicle range than some oil companies have predicted. Oil companies have said regulated caps on vehicle emissions can be most efficiently achieved by improvements in combustion engine efficiency.

But carmakers say it is becoming increasingly expensive to hit emissions targets with combustion technology. BMW Chairman Harald Krueger told investors last year that electric motors were the only way to meet CO2 emissions regulations coming into force in Europe and elsewhere. But an even bigger reason why many in the auto industry believe the future for cars is electric is because of developments in car ride sharing and autonomous vehicles. Thanks largely to the involvement of Silicon Valley companies like Google owner Alphabet Inc., driverless cars have gone in a few years from the stuff of science fiction to a reality.

Many of the big carmakers are developing models and predicting large-scale roll-outs in the 2020s. Indeed, they predict the technology could change their business model from selling vehicles to providing transport as a service.

That would be a big boost for electric engines. Electric cars are expected to remain more expensive than combustion engine vehicles for the foreseeable future but their operating costs are much lower than gasoline.

That extra cost can be quickly recouped if the vehicle is part of an autonomous fleet with a high utilization rate - as ride hailing like Uber Technologies envisage emerging in the next decade. Also, with fewer moving parts, electric cars are cheaper to maintain - another incentive for fleet owners. And perhaps most crucially, driverless technology integrates better with an electric engine than a combustion engine because such technology needs electricity to operate, auto experts say.

"All those sensors and that computer platform, the beauty is on board we've got a lot of capability to power all those systems," Pam Fletcher, General Motors Chief Engineer said at a conference in September. There is no evidence oil companies have factored this change into their calculations. Neither BP nor Exxon's outlooks mentioned autonomous vehicles, although a policy document issued by BP on Monday said driverless cars would be considered in its next outlook due out in early 2017.

Nor were autonomous vehicles mentioned in the transcripts of 44 analyst presentations given in the past year by the seven biggest Western oil companies - Exxon, BP, ENI, Royal Dutch Shell Plc, Chevron, ConocoPhillips and France's Total SA - reviewed by Reuters. The companies said they had not modeled the impact of autonomous vehicles, or they declined to comment. A spokesman for the International Energy Agency, which advises developed nations and their oil companies on energy policies, said it had not yet studied the potential impact of driverless cars on oil demand.

China May Be Key

Oil executives' outlook for oil is also supported by an expectation that increased car ownership in emerging markets can more than make up for any increase in EV penetration. "When we talk of electric cars, we are talking about the OECD," ENI's Descalzi said, referring to the group of 35 largely rich industrialized nations. "More than 1.3 billion (people) have no electricity," he added. — Reuters

RIVAL VOTERS LIVING MILES - AND WORLDS - APART

The city that calls itself "SPAM Town USA" is a two hours' drive from Minneapolis, one of the largest cities in Minnesota. Laying claim to the title is Austin, located along the state's southern rolling plains. The food giant Hormel, the maker of SPAM canned meat, employs one in four people here. This is Trump country. But drive just 65 km northeast, to Rochester, and you find a bustling, growing metro area and surrounding rural county - that voted for Hillary Clinton.

How the two regions, a short distance apart, have diverged politically, is a microcosm of the broader American rift between those thriving in the current economy and those not. Clinton won Minnesota, a Midwestern state that has voted Democratic in all but two presidential elections since 1932, by a slim margin. While densely-populated urban pockets such as Rochester voted for Clinton, geographically much of the state voted for Republican Donald Trump, including Austin.

Kyle Keenan, owner of the Coffee House on Main in downtown Austin, thinks he knows why. "The perception is that he is this person who's going to understand the working class and fix our economy for the manufacturing sector," he said.

Steeple and Wind Farms

Austin is a city of 25,000 people. Arriving by car brings a trio of church steeples into view in the distance. The SPAM Museum is located here. Outside the city, there are wind farms with tall turbines gently spinning in the constant winds of the plains. Aside from food processing, people here work to raise livestock, and grow corn and soybeans. Keenan, whose coffee shop sits on three-block stretch of low-slung buildings with businesses such as Piggy Blue's Bar-B-Que restaurant and Belles and Beaus wedding store, is a Trump skeptic.

But he says he understands the billionaire businessman's appeal for many in his town. "There's something nostalgic about

him, especially for white men, that he's going to bring us back to some safer place where there's some kind of stability, in a world that's changing so fast, with technology taking over," he said. Paul Meyer, a retired blue-collar worker who lives in Austin, said he voted for Trump because Clinton offered "more of the same." Trump, he said, represented "change and hope". "He was saying all the right things that I wanted to hear," Meyer said of Trump. "There were a lot of people who were thinking and saying the same things as I was thinking, and that's why this happened."

'Left behind'

While Austin's economy has newly shown signs of improving, with optimistic forecasts for the next decade, the city's recent past has been lackluster. Job growth has stagnated over the past 10 years, and

the average annual wage here is just under \$44,000 a year, below the national average. "The simple conclusion - and this is consistent with Trump's appeal - is that the people who largely feel that they've been left behind voted for Trump," said David Schultz, a political science professor at Hamline University in St Paul.

By comparison, Rochester feels a world apart. The city is home to the world-renowned Mayo Clinic hospital and one of technology titan IBM's largest facilities. Rochester and its surrounding county voted for Clinton, albeit by a tiny margin of just 598 out of 77,916 votes cast. At Cafe Steam, near the Mayo Clinic, business people mixed with surgeons in scrubs and college students poring over books. On the brick walls of the 1800's building hung stained glass, paintings and papier-mache. The economic and cultural divide this presi-

dential election exposed nationwide is on clear display here.

'Disgraceful'

Chelsey Mingone, a 26-year-old with a graphic art degree, voted for Clinton and had trouble understanding that so many others voted for Trump, whose divisive campaign singled out immigrants and Muslims for attack. "It's embarrassing and disgraceful that our nation would even vote for hatred," she said. "They're trying to upset the system. They see this as a solution to all their problems, but voting for a man who stands for so much hatred and injustice isn't the solution."

In Minnesota - as was the case nationwide - urban regions with diversified economies tended to vote for Clinton, and college-educated workers in these areas, who see themselves as part of the global economy, may struggle to understand why rural voters wanted a change in direction, political experts said. "We really have two political regions in one state now," said Stephen Schier, professor of political science at Carleton College in Minnesota. "In Rochester, you have growing employment in sectors that are really linked into the international economy, like IBM. People are flying from all over the world to get to Mayo. They aren't flying into Austin, though," he said.

That translates into a sizeable income gap: the additional pay workers receive in Rochester could pay for about a half a year's wage of a mid-level food processing worker in Austin. Melvin Yunker, a 71-year-old farmer who raises 8,000 hogs with his wife Sharon on their family property outside Austin, said Trump "wants to bring a lot of our jobs back that have gone overseas." And while many in Austin said that immigration, gun control, abortion and a host of other issues were determining factors in their vote, for most - like Yunker - the bottom line is about jobs. — AFP



Paul Meyer, 64, with his cousins Debra Soderberg, 62, and Susan Hays, 50, all Donald Trump supporters, are seen in Austin, Minnesota on Nov 29, 2016. — AFP