

# KUWAIT RANKED 74TH IN ECONOMIC FREEDOM INDEX

## STATE LISTED AS 'MODERATELY FREE' AHEAD OF FRANCE

**KUWAIT:** Kuwait retained its 74th rank globally in the latest economic freedom index released by the Heritage Foundation. Kuwait earned a score of 62.7 out of 100, putting it as a 'moderately free' country ahead of France, Saudi Arabia and Turkey, and with states like Poland, Belgium, and Spain in the same category. Kuwait made only a 0.2 improvement compared to last year's index.

The 2016 Index of Economic Freedom indicates that despite efforts to modernize and diversify Kuwait's economy, oil production remains dominant. The private sector is largely dependent on government spending and expatriate labor, and the labor market is highly segmented. The public sector employs about 80 percent of the labor force; expatriates are employed mostly in the small private sector.

Regarding rule of law, the report indicates that inadequate transparency in government spending and operations is exacerbated by the weak rule of law. "The legal system is not well developed, and foreigners face difficulties enforcing contract provisions in local courts. Only citizens of Gulf Cooperation Council countries may own land," the report reads. Yet, it indicates that Kuwait saw improvement in freedom from corruption.

### Income tax

The report further points out the fact that Kuwait does not tax individual income. "In practice, foreign-owned firms and joint ventures are the only businesses subject to the corporate income tax, which is a flat 15 percent," the report reads. "Duties on international trade and transactions account for most other tax revenue." And while the report indicates that government spending has dropped, it says that the spending



Source: The Heritage Foundation's 2016 Index of Economic Freedom.

equals 37.5 percent of GDP, and public debt is less than 10 percent of GDP. "Oil revenues allow tax rates to be kept low while maintaining government revenue," the report reads.

With regards to regulatory efficiency, the report indicates that progress in regulatory reform has been gradual and uneven. "Bureaucratic hurdles add to the cost of completing licensing requirements," the report says. "Labor regulations lack flexibility, and the labor market remains highly segmented. Reflecting the reality of long-term

lower oil prices, the government has initiated a five-year (2015-2019) development plan to phase out Kuwait's extensive system of subsidies, currently 9 percent of GDP." In general, the index indicates that labor freedom in Kuwait has regressed, while business and monetary freedom has improved.

### Trade freedom

As for trade, the report says that Kuwait's average tariff rate is 3.9 percent. "Government pro-

cesses favor domestic firms," the report says. "The government screens new foreign investment and restricts investment in some sectors of the economy. The financial sector continues to evolve. The number of non-performing loans is declining, and the banking sector remains well capitalized. The Capital Markets Authority took on a supervisory role in September 2011." According to the index, trade freedom in Kuwait improved last year, while no similar improvements were seen in investment and financial freedom.

### Economic Freedom Snapshot

- \* 2016 Economic Freedom Score: 62.7 (up 0.2 point)
- \* Economic Freedom Status: Moderately Free
- \* Global Ranking: 74th
- \* Regional Ranking: 7th in the Middle East/North Africa Region
- \* Notable Successes: Trade Freedom and Monetary Freedom
- \* Concerns: Rule of Law, Business Freedom, and Labor Freedom
- \* Overall Score Change Since 2012: +0.2

### Quick Facts

- \* Population: 4.0 million
- \* GDP (PPP): \$284.0 billion
- \* 1.3 percent growth
- \* 3.3 percent 5-year compound annual growth
- \* \$71,020 per capita
- \* Unemployment: 3.0 percent
- \* Inflation (CPI): 2.9 percent
- \* FDI Inflow: \$485.8 million

The index ranks Kuwait in sixth place among Arab countries, trailing Bahrain, the United Arab Emirates, Qatar, Jordan and Oman respectively. It argues that political tensions remain high, and economic policymaking has been constrained by political disputes. Kuwait controls roughly 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and 95 percent of export revenues.



A truck parked in a planted area in violation of the environment protection law.

## NINE VISAS RENEWED ON FAKE COMPANY'S FILE

By Hanan Al-Saadoun

**KUWAIT:** Residency detectives uncovered forgeries in official documents that belong to a contracting company owned by female citizen. When the commercial license of the company was being checked, doubts came up with regards to the authority of the contract and rent receipts, so the companies' department was contacted to make sure about the license and copies were requested of the original renewal transactions. Meanwhile, the building owner was summoned, and when he saw the contract and receipt, he said they are forged and have nothing to do with his company. When the file of the company was checked, it was found that residencies of nine workers were renewed after vacating the premises, and all were renewed according to the forged license, and the owner of this 'fake' company was the one who submitted the transactions. The case was sent to Khaitan police station and charges of forgery were made.

### Body found

A security source said the body of an unidentified person was sent to the coroner for identification and determining the cause of death, as marks on the body suggest foul play. The body was found between trees in Mahboula.

### Scores arrested in Ahmadi campaign

Ahmedi Security Directorate launched a campaign targeting violations of law and order. The campaign covered the areas of Hadiya, Abu Halifa, Mahboula, Mina

Abdullah and Fintas, resulting in the arrest of 26 violators, while 13 traffic tickets were issued. Six persons were arrested at a suspected liquor factory, while a citizen and an Asian were detained on suspicion of having drugs and drug paraphernalia on them. Seven persons were detained on debt cases, one wanted to serve five years in jail, while five persons were arrested as their residencies had expired.

### Environment protection law

The Interior Ministry's Relations and Security Information Department said environment police officers spotted a vehicle that belongs to an agricultural company parked on greenery behind Kuwait International Airport, which is a violation of the environment law, as it damaged the plants. The violation was sent to the public prosecution, based on articles 33 and 171 of the environment protection law no. 42/2014. Separately, environment police officers ticketed a truck for the negligence of its driver of environment safety conditions while hauling some goods, which dropped on top of Niqwa Bridge on 7th Ring Road, snarling traffic. The scattered goods were removed with help from the municipality, while the driver and truck were sent to concerned authorities.

### Thief caught

Hawally detectives closed eight cases related to the theft of transformers with the arrest of a Pakistani man. The arrest was made in Zahra and he confessed to all eight crimes. He said that he wanted to send the batteries abroad.

## JUWAIHEL FINED KD 20,000

By Meshal Al-Enezi

**KUWAIT:** A court yesterday sentenced Mohammed Al-Juwaihel to a KD 20,000 compensation in case filed against him by former MP Musallam Al-Barrak. The two former lawmakers have a history of conflict. In March 2011, a court sentenced Juwaihel, a political activist and owner of the satellite channel Al-Sour, to a year in prison for slandering Barrak and another lawmaker; Sadoun Al-Otaibi during a 2009 live television broadcast. However, Juwaihel was released in April after the court suspended his sentence, contingent on good behavior, and fined him 200 dinars (\$720). Then in July 2012, a Twitter account in the name Mohammed Al-Juwaihel was used to insult Barrack's tribe. Juwaihel denied any connection to the account but the lawmaker's election tent was burnt down by thousands of Mutairi tribesmen in response to the remarks. It is not clear what specific case yesterday's verdict decided.

In other judicial news, a court yesterday annulled Minister of Social Affairs and Labor Hind Al-Subaihi's decision on dissolving Ardhya Cooperative Society's board of directors. Meanwhile, a court

yesterday rejected a case filed by a citizen against the government accusing it of wasting its budget in traffic projects that, according to him, harmed both his family and house.

### Domestic workers

According to a document leaked on social media networks, the Interior Ministry allegedly published a list of countries from which Kuwaiti families could get domestic laborers including Morocco. The document also showed official approval of bringing domestic laborers from African countries that do not have embassies in Kuwait, provided the laborer's passport is valid for at least three years.

### Tents removed

Kuwait municipality yesterday announced removing three tents that had been pitched on public property without prior permission from the municipality that had been used as cafes at Sulaibiya industrial area.

In addition, Jahra municipality inspection teams also removed three abandoned vehicles and three truckloads of debris and used tires.

## VAT CRUCIAL TO ECONOMIC STABILITY: ECONOMISTS

**KUWAIT:** Two Kuwaiti economists agreed that levying of a value added tax (VAT) is crucial to stability of the state's economic policies and offsetting the budget deficit under the current low prices of oil. VAT has a distinctive feature, that is the provision of a high cash yield to the state, Dr Nayf Al-Shemmeri, professor of economics at Kuwait University (KU), said in statements.

"This tax is linked to the value of consumption and is applicable to a large variety of goods and services; its ratio is set according to the difference between the cost of a product and the consumer price," he said.

"VAT is one of the most important indirect sources of income; it is levied in more than 150 countries. It distributes the burdens of tax payments among the various stages of production and selling before the end user of a product or service recipients," Dr Shemmeri pointed out.

VAT is an important economic and social leverage that influences both the state economic policies and individuals' behaviors since encourages the tendencies to saving, investment and rational consumption, besides promotion of exports and economic development, he explained. On the VAT disadvantages, he said they include adding burdens to consumers through raising the prices of goods and services.

### Budget imbalance

Dr Shemmeri added that the objective of taxation and cutting of subsidies is to increase the sources of income and address the imbalances of the state budget, but what is more urgent is



to diversify the sources of the national income.

He called for better utilization of the economic resources of the country, encouraging the local and foreign investment particularly in industry, and improving the work environment. Furthermore, he warned that unless the government adopts urgent measures to diversify the sources of state revenues, the citizens will bear the brunt of the taxation and subsidy cuts.

Dr Wa'el Al-Shuwa'ei, KU professor of economics, affirmed meanwhile that VAT generates a high cash yield and is applicable to a large variety of goods and services. "VAT stimulates economic growth and represents one of the main economic reforms," he said.

"This tax plays a great role in increasing the state revenues, promotion of saving practices and economical usages of resources, and cor-

recting the lifestyles relating to consumption," Dr Shuwa'ei noted. In the meantime, he cautioned that the VAT will lead to higher prices of goods and higher inflation rates in the short run, thus negatively affecting the low-income people.

### Tax relief

Dr Shuwa'ei suggested alleviated such negative impacts through tax relief for staples and provision of selective subsidies or aid to the low-income people. He also suggested addressing the budget deficit through a comprehensive restructuring of the national economy, and reducing reliance on the oil revenues to ensure sustainable financial stability.

"The industrial sector has to account for a greater percentage in the GDP through directing more investment in the energy-intensive industries, such as the petrochemical industry," he stressed. He highlighted the need of increasing the competitive edge of the private sector and creating new economic sectors with a high value added that could, in turn, create more jobs and contribute to economic development.

"The current low prices of oil brought to the fore an essential imbalance in the economy policy which is the overreliance on oil revenues as virtually the sole source of income," Dr Shuwa'ei noted, urging for comprehensive economic restructuring. The state budget for FY 2015-2016 aims to bridge the gap of KD eight billion in budget deficit through a range of measures including the VAT to be levied in Kuwait and other GCC states. —KUNA

## EXPERTS: OIL SECTOR'S BROAD KNOWLEDGE COULD BE IMPARTED TO STATE INSTITUTIONS

### OFFICIAL CALLS FOR CHANGING CRUDE OIL PROPERTIES

**KUWAIT:** The consensus amongst oil experts yesterday was that Kuwait's oil sector possesses broad knowledge and an unlimited potential to impart that knowledge to government institutions, for the betterment of the country's economy.

The Kuwait Petroleum Corporation (KPC) has acquired vast experience, especially in the realm of human resources, KPC Chief Executive Officer (CEO) Nizar Al-Adsani said during the fifth session of a national conference on modern state jobs, from an economic perspective. Sharing of knowledge between international oil companies and local ones is taking place, Adsani added.

Kuwait was amongst the first countries to implement projects of renewable energy, particularly solar, but the environment and cost of these projects dictate their success or lack thereof, Adsani noted. Kuwait oil companies are conducting numerous studies aimed at reducing the cost of renewable energy projects, through employing the latest means of technology in that field, the KPC CEO said.

Moreover, Secretary General of the Supreme Council for Planning and Development (SCPD) Dr Khaled Al-Mahdi said that a robust economy is crucial to diversifying revenue sources, stressing the need to rely on experience and knowledge amongst government sectors.

EQUATE President and CEO Mohammed Hussein said that Kuwait should seize the opportunity to diversify its economy, suggesting that the country should focus on the petrochemical field given the "competitiveness of this sector." New inventions in the petrochemical sector could prove beneficial, Hussein noted, saying that EQUATE boasts a team of specialists that stands ready to examine any ideas related to projects in this field.

### Oil priorities

Meanwhile, a Kuwaiti official said yesterday that it is a necessary factor to change the properties of crude oil and to seek to find additional sources of income. The government's austerity policy has not affected so far the petroleum sector, especially the Petroleum Research Center (PRC), Meena Marafi, executive director of Kuwait Institute for Scientific Research (KISR), told reporters on the sidelines of the 17th Kuwait-Japan Joint Symposium

Advancement in Petroleum Industries.

She referred to the necessity of making Kuwait petroleum products in accordance with international standards, especially diesel whose large amounts are exported.

She noted that the refining sector is facing some challenges in terms of producing clean fuel for electricity and water. Marafi called for using the best means of technology to address these challenges at forums during consultations with presti-

gious world companies so as to share knowledge. Suad Al-Radhwan, Manager of Research Technology at Kuwait National Petroleum Company (KNPC), told reporters meanwhile that the event discussed research topics for environmentally-friendly products attracted by the European markets. Producing competitive products is a major challenge facing the oil sector, she said. "We are currently working on developing catalysts and how to use them in heavy oil," she said. —KUNA

## LAWMAKER DEMANDS LISTS OF EXPATS BETWEEN 2003-2015

**KUWAIT:** MP Rakan Al-Nisf asked Deputy Prime Minister and Interior Minister Sheikh Mohammad Al-Khaled Al-Sabah to provide him with lists of expatriates who were granted residency visas in the period from 2003 to 2015. The lawmaker also asked for detailed statistics about each of those years.



MP Rakan Al-Nisf

### 'Original Kuwaitis'

Following his argument with his colleague Mohammed Tana Al-Enezi, MP Jamal Al-Omar repeated his accusations of Enezi of not being an 'original Kuwaiti'; that he had come from the "north" and does not deserve to represent the people in parliament. His newest remarks came in the form of questions he sent to the interior minister, asking him for lists of Kuwaitis who had been given Article 1 Kuwaiti citizenship although they had not been in Kuwait before 1920 - a prerequisite for the highest classification of the citizenship.

### Postal privatization

Minister of Communications and Minister of State for Municipal Affairs Essa Al-Kandari said that a law on privatizing postal services would be finalized within a few days and submitted to the Cabinet pending referral to the parliament for voting. "Postal services will accordingly be commercially administered to provide better revenues

to state treasury and better services for the public," he explained.

### Fishermen's demands

Head of Kuwait Fishermen Union Thamer Al-Sowayan urged the Public Authority for Agricultural Affairs and Fish Resources to look into fishermen's demands, especially since the new fishing season is about to start while those demands had not been met yet. Sowayan expressed a wish to meet His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah to explain the problems fishermen face and that fish prices would be positively affected if these problems were resolved. He added that unlike other sectors in Kuwait, fishermen received the least amounts of subsidies.

### Death sentence

The criminal court yesterday sentenced two suspects to death over charges of drug smuggling and trafficking.

### Weapons seized

Weapons detectives seized a number of heavy weaponry and military attire from a Farwaniya stable, said security sources, noting that the weapons included six AK-47s, an RPG, a machinegun, nine shotguns, a large quantity of ammunition and military clothing. The sources added that the stable owner is at large.