

## Business

## NBK Economic Report

# Kuwait's external surplus fell on lower oil exports in 2020

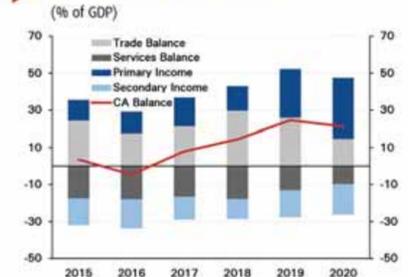
## Current account surplus narrowed in 2020 to KD 6.9 billion

**KUWAIT:** Kuwait's current account surplus narrowed in 2020 to KD 6.9 billion (21.1 percent of GDP) from KD 10.1 billion (24.5 percent of GDP) in the previous year. The (percent of GDP) decline in the surplus came on the back of reduced oil exports, and despite a fall in imports, outbound tourism and workers' remittances. As for the financial account, it registered a decline in net outflows as the reduction in government deposits abroad (repatriation of deposits) outweighed the rise in direct and portfolio investment outflows from the country. Therefore, the surplus in the overall balance of payments declined to KD3.3 billion in 2020.

Trade balance of goods surplus witnessed a steep fall in 2020, from KD 10.7 billion in 2019 to KD 4.7 billion. This was largely on the back of the decline in oil exports (-38.5 percent y/y) due to a combination of low oil production (-9.1 percent y/y to avg. 2.4 mb/d) and sharply lower oil prices (KEC: -35.6 percent y/y to avg. \$41.4/bbl). In addition, non-oil exports declined by 27.3 percent which could be a reflection of trade disruptions and the decline in external demand due to the impact of the pandemic. Meanwhile, imports dropped by 15.5 percent, which helped to offset part of the fall in the goods surplus.

Moreover, the services account deficit narrowed to KD 3.1 billion from KD 5.4 billion in the previous year as the government's imposition of mobility and travel restrictions to combat the spread of the coronavirus

Chart 1: Kuwait current account (% of GDP)

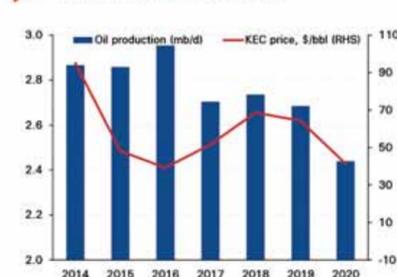


Source: Central bank of Kuwait, CSB

limited Kuwaitis' overseas travel and spending opportunities (-52.9 percent y/y to KD 1.8 billion).

The primary income account, which includes Kuwaiti investment returns from abroad, remained relatively stable at KD 10.6 billion (32.9 percent of GDP). Direct and portfolio investment returns increased by 7.5 percent y/y and 4 percent y/y, respectively, on the improvement in the performance of financial markets in the 2H20, which was supported by loose monetary policies and positive investor sentiment especially after the rollout of the anti-coronavirus vaccines in late 2020.

Chart 2: KEC price and production



Source: OPEC monthly bulletin

The secondary income deficit narrowed to KD 5.4 billion on lower workers' remittances. These declined by 7.3 percent, partly due to a reduction in the expatriate population in Kuwait by 4 percent in 2020. Financial account net outflows declined to KD 6.5 billion compared to a net outflow of KD 10.2 billion last year. This came despite the rise in direct and portfolio investment outflows and the increase in the central bank's reserve assets due to the notable fall of government deposits abroad.

Kuwait's investment outflows remained higher than its historical averages, with direct investments abroad

increasing by KD 2.3 billion and portfolio investments rising significantly by KD 17.2 billion. Most of these investments were directed toward equity investments (75.3 percent of flows). Moreover, general government and local banks' deposits abroad decreased in 2020 by KD 14.5 billion and KD 0.6 billion, respectively, while non-resident deposits at local banks fell slightly by KD 0.3 billion, compared to an increase of KD 1.6 billion the year before.

Despite the impact of the pandemic on oil prices, the CBK reserve assets increased in 2020 by KD 2.6 billion, helping Kuwait's gross international reserves to reach KD 14.7 billion (45.2 percent of GDP) by the end of the year. This level equates to around 13.6 months goods and services import cover.

Following a year of economic distress, the current account surplus is expected to increase in 2021 in line with the anticipated recovery in global economic activity and energy demand growth. Kuwait's oil exports revenues should benefit from higher average oil prices in 2021, markedly improving Kuwait's external position (OPEC's decision in the second half of the year to unwind the May 2020 production cuts will result in higher real exports for Kuwait, but this will only positively affect year avg. outcomes in 2022). However, downside risks remain and could arise from further resurgence of COVID-19 outbreaks and possibly lower oil prices.

## Conservation meet mulls plan to save 80% of Amazon

**MARSEILLE:** Should 80 percent of the Amazon be declared a protected area by 2025? The world's top conservation body is poised to decide whether its 1,400 members can vote on this controversial proposal, put forward by indigenous groups. Submitted under an emergency provision to the International Union for the Conservation of Nature (IUCN), the measure calls for a "global action plan" to halt rampant deforestation and the destructive extraction of precious minerals and oil.

Over the last two decades, the Amazon has lost roughly 10,000 square kilometers every year, according to assessments based on satellite data. "That's the emergency, not just for us but for humanity," Jose Gregorio Diaz Mirabal, a leader of the Curripaco people in Venezuela, told AFP at the Congress venue in Marseille. For the first time in the IUCN's 70-year history, indigenous groups have a separate status alongside government agencies and national or international NGOs. Diaz Mirabal submitted the Amazon proposal for the newly admitted organization COICA, which represents more than two million indigenous people in nine Amazon nations.

"We have been neglected, and now we have a voice and will exercise that voting right," he said.



RUIROPOLIS, Brazil: A herd of cattle is seen at a farm in Ruiropolis, Para state, Brazil, in the Amazon rainforest. — AFP

## Armed with voting rights, native groups join conservation fray

**MARSEILLE:** Newly-armed with voting rights, indigenous peoples have come to the world's leading conservation congress meeting in the French city of Marseille both hopeful and wary. They have demands, and will not go quietly into the night, their representatives say. "It makes no sense for consultants and companies to come to teach us how to protect what we have always successfully protected," said Jose Gregorio Diaz Mirabal of COICA, which represents more than two million indigenous people across nine Amazon nations. Their boldest proposal is for a measure to ensure that 80 percent of the Amazon is declared a protected area by 2025.

The reasoning is simple. "Half of [tropical] forests, and 80 percent of biodiversity" in the world are found in indigenous territories, said Peter Seligmann, a veteran conservationist who set up an NGO-Nia Tero (Our Land) — run in part by indigenous leaders.

Walter Quertehuari is a leader of the Wachiperi people in southeastern Peru. His commune in the Amarakaeri reserve is recognized on the IUCN Green

### 'Territory of humanity'

Recent research has warned that massive destruction of tropical forests combined with climate change are pushing the Amazon towards a disastrous "tipping point" which would see tropical forests give way to savannah-like landscapes. This would not only drastically change the region's climate, but have an impact on global climate systems as well, scientists say. Rates of tree loss drop sharply in the forests where native peoples live, especially if they hold some degree of title-legal or customary-over land, other research has shown. IUCN officials are reviewing the COICA measure, along with 20 others proposals submitted after the deadline last year, "to make sure they are both 'new' and 'urgent,'" said Enrique Lahmann, a senior administrator.

"Both criteria are required." A decision is expected today, his office said.

While the vote, which would be held in the coming week, would not have legal weight, it demonstrates the strength of feeling among indigenous groups. In an emotional press conference, Diaz Mirabal-flanked by indigenous leaders from French Guiana and Ecuador-implored world leaders to take heed of his message.

"We are asking governments to help us protect our territory, which is also the territory of humanity," he said. "Because if the Amazon rainforest disappears, people will die everywhere, it's that simple."

"It is crucial to stop extracting the oil, the gold, the uranium," he added. "This is wealth for Europe, the United States, Russia, and China, but is poverty for us." — AFP



HYERES, France: A gray heron stands in the "Vieux-Salins" in Hyeres, southeastern France. — AFP

## 'Virtuous cycle': Putting a price on CO2 in Gabon's forests

**MARSEILLE:** How much is a tree worth when its roots are in the ground and its leaves are helping suck carbon from the air? Answer: in most places, far less than the dollar value of its wood. The value we put on nature is the subject of a motion at the IUCN World Conservation Congress in Marseille. A trailblazing partnership attracting particular attention is just getting off the ground in the rainforest of Central Africa, which absorbs tons of CO2 — the gas responsible for climate change. At the end of June, Gabon received \$17 million from the Central African Forest Initiative (Cafi), which was launched in 2015 by the UN to bring together Central African countries and international donors.

"If a tree is standing it's worth nothing, if you cut it down it's worth something, but that's useless for the planet," said Carlos Manuel Rodriguez, Costa Rica's former environment minister who now heads the Global Environment Facility, a specialized funding organization. "Without Gabon, there won't be rain in Africa. Without the Congo Basin forest we will never, never, achieve 1.5 degrees Celsius," he said referring to one of the ambitions outlined in the Paris climate deal.

### 'No real alternative'

Saving the world's rainforests is an "extremely ambitious goal", said Bard Vegar Solhjell, Director of the Norwegian Development Agency (Norad), which is funding the Gabonese operation. "But we have no real alternative if we want to avoid catastrophic climate change," said Solhjell, Norway's former environment minister. Norad is spending hundreds of millions of

dollars on programs to fight deforestation in several areas of the world. From Brazil to Indonesia, trees are felled at an industrial scale largely to make way for the expanding footprint of agriculture. But the picture is different in Gabon, which has preserved its section of a forest system that covers nearly 90 percent of its territory and spreads out across the Congo Basin. In this region, protection of forests is inextricably linked to the fight against poverty, said Solhjell.

Local people rely on slash-and-burn farming and cutting trees for firewood. According to Cafi, Gabon's forests absorb 140 million tons of CO2 every year and emit about 30 million. They also house 60 percent of the remaining population of critically endangered forest elephants. The country has agreed to combat illegal logging and reduce forest degradation. The June payment was part of a much larger fund available for the country, which can claim payments for emission reductions.

### 'Virtuous cycle'

Flore Koumba Pambo, scientific adviser at the Gabon National Parks Agency, said the funding would help fuel other projects, such as the Iwindo National Park, which has just been named a UNESCO World Heritage Site. She hopes it is the start of a "virtuous cycle", adding: "We are very proud of this recognition." For Rodriguez, the Gabon partnership is a testing ground and possible blueprint for other initiatives. It is also "a great opportunity to talk about carbon pricing"—a thorny issue that will be discussed at crunch UN climate talks in Glasgow. The donors say transparency is a crucial part of the process, as is evaluation. "We've also invested a lot in building up civil society, we have seen how important working with that side is," said Solhjell. In terms of assessing the value of natural services and supporting developing countries to preserve natural heritage, he said the Gabon project had clear benefits. "We are actually paying for the services Gabon is doing to the region and the world," he said. —AFP

But "indigenous communities have the right to self-determination," he added.

### 'We are nations'

The full integration of indigenous peoples into the IUCN has been a lengthy and tortured process, sources within and outside the organization acknowledge. "We have long been invited to attend, but indigenous peoples do not see themselves as conservation organizations," Victoria Tauli-Corpus, a former UN special rapporteur from the Philippines, told AFP.

"We are nations, we are peoples," she added. "And besides, membership is so expensive. Where do they think indigenous peoples can find the money?"

IUCN members—some 1,400 government ministries, research institutes and non-governmental organizations large and small—pay anywhere from 300 to 20,000 Swiss francs (about \$300 to \$21,000), depending on their size and resources. "Since the 1980s there have been indigenous group members," said Enrique Lahmann, director of the World Conservation Congress. "Inuits were among the first."

But after years discussion and debate, native groups now have a separate status alongside government agencies and NGOs. "This is the first time that the IUCN has made changes within its categories" Lahmann said. Due to COVID, there are far fewer indigenous activists than in the past at the congress, which usually attracts upward of 10,000 participants.—AFP

List for its work in protecting biodiversity.

Unable to attend the International Union for the Conservation of Nature (IUCN) meet in person due to Covid restrictions, Quertehuari reminded participants by videolink that his people have safeguarded more than 400,000 hectares of forest for more than 15 years. By staying off the deforestation taking place all around them, he explained, his people have not only protected a crucial biodiversity hotspot but prevented planet-warming CO2 from leaching into the atmosphere.

Now it's time for a payday. "We are talking about

how carbon credits from the reserve can be sold," he told the IUCN's first Indigenous Summit. Paying to restore or maintain healthy forests in order to fight climate change is not a new idea, and has been embedded in the UN climate convention for many years.

But such initiatives have been plagued with accounting and oversight problems, and some environmentalists say the concept is fundamentally flawed. "There are indigenous communities that say: 'As soon as you put a monetary value on a tree, someone is going to want to cut it down, because that's the story of our relationship with Westerners,'" said Seligmann.



MARSEILLE: French President Emmanuel Macron (center) shakes hands with US actor Harrison Ford (right) during the IUCN World Conservation Congress Sunday. — AFP