

## Business

THURSDAY, MARCH 23, 2023

## Bolster supply chain management to ensure food security: Economist

'Kuwait needs to reform agricultural lands, boost investments'

By Majd Othman

**KUWAIT:** Food security is in focus recently due to the political and economic situations around the world including the Russia-Ukraine war, financial crises and debates whether to raise the interest rate to control growing inflation. Meanwhile, food staples have been weaponized to pressure countries — for instance, the Russian invasion of Ukraine has forced the world to find alternative suppliers to secure sufficient supplies amid shortages of wheat and other raw materials.

The Kuwaiti government has announced food reserves in Kuwait are stable and can cover the country's population for six months with all basic consumables. But will the global instability force the country to rethink options to ensure its food security? And whether the presence of financial resources is enough to depend on during crises?

Economist Hajjaj Bou Khaddour stressed the importance of developing the country's food security, saying the most realistic solutions are through three steps — working on a solid supply chain management, reforming local agricultural lands and investing in agricultural lands outside Kuwait.

Bou Khaddour said proposals have been presented to the government since the early nineties based on the situation the country went through during the Iraqi invasion of Kuwait. "After the liberation, I proposed we should adopt the concept of food security, and highlighted the country must invest in it," he said. He added that as Kuwait is not an agricultural country, it has to invest in agricultural lands outside Kuwait and in the food industry as well. It is also important to work on creating a solid management of the country's supply chain, starting from the procurement of raw materials to the delivery of the product to its final destination in stores.

"Land reform for agriculture must include lands reserved for oil production, especially since Kuwait's exploitation of oil lands is only about 5 to 10 percent, while the rest of the land is also reserved for the ministry of oil," Bou Khaddour said. He pointed out technology and techniques can



Hajjaj Bou Khaddour

make it possible to develop investment methods in a way that can be adopted in Kuwait, such as using vertical farming. "There are vertical farms in many countries such as Japan," he said.

"This investment will achieve internal and external food security. Kuwait established distinguished projects during the sixties like the Food Catering Company, Flour Mills Company and the Livestock Company. The country was proactive in this field, then the wheel stopped in the seventies when food insurance came for certain items," Bou Khaddour recalled.

**Financial resources**

Bou Khaddour said financial resources are not a rescue factor during times of need. "For some cases it could help, but when we think about it, we are talking about food security, not food imports. It is a matter of state security in terms of food. Therefore, it is required to secure food through a strong strategic dimension," he said.

"Investing in the agricultural lands, whether outside or inside the country, will save plenty of money in the import budget, especially since consumer prices are constantly rising exponentially," he highlighted, pointing out that despite the importance of a local role in cooperating to help in this issue, unfortunately there are no institutions equivalent to Kuwait Flour Mills to lend a hand as well.

**Expected results**

Regarding the expected results from creating a supply chain management (CSM), he said the rate of food savings will be much higher, as it will exceed the period of five years instead of only six months. "The benefits of supply chain management are that

ing pay rises won by some sectors thanks to mass strike action. The BoE—caught between hiking rates to dampen hot inflation or pausing owing to chaos in the commercial banking sector—unveils its latest monetary policy announcement Thursday.

The world's central banks are rushing to contain fallout from the recent collapse of two regional US banks and the enforced buyout of troubled Credit Suisse by its Swiss rival UBS. Rate decisions are due also from the Federal Reserve on Wednesday—and Thursday in Switzerland and Norway.

**'Compelled' to hike**

Nigel Green, head of financial consultancy de Vere Group, said the BoE was "likely to feel compelled to continue increasing interest rates" following the UK inflation data. "This is despite growing fears over the unfolding confidence crisis in the global banking system." The BoE has gradually increased its key rate to 4.0 percent from a record-low 0.1 percent in December 2021.

Yet inflation remains in double digits, fuelled by rampant food and energy prices in the wake of Russia's war on Ukraine. "The re-acceleration in overall CPI inflation... may be enough to tilt the BoE towards raising interest rates from 4.0 percent to 4.25 percent tomorrow," said Paul Dales, chief UK economist at Capital Economics.

"The recent tightening in financial conditions caused by the banking turmoil will probably weaken UK economic activity and underlying price pressures. "But the Bank of England may well want to see hard evidence of that before it

**Less competition**

"This is where the question arises of what skills will be kept, said Cordonier, as the profiles of the two banks, although close, are not identical. So far, many questions remain unanswered.

Such a takeover would normally need months of negotiations, but UBS only had a couple of days, under some serious arm-twisting by Swiss authorities.

UBS chief executive Ralph Hamers admitted at an analysts' conference that he did not yet have all the details of the takeover. Switzerland is a confederation of 26 cantons and Cordonier said the alternative could be to turn from the national banks to the cantonal banks.

However, many do not currently have the skills to help companies export to far-off markets such as Asia, and would have to develop them. The other option is to turn to foreign banks, although they would not possess "in-depth knowledge of the Swiss market, Cordonier said.

"If there is only one major bank that has the capacity to work abroad, this will restrict the choice of solutions for companies, said the engineer, who is also concerned about the repercussions on costs "if there is less competition.

Founded in 1856 by Alfred Escher, the godfather of Swiss railways, Credit Suisse was closely linked



KUWAIT: A vendor puts fresh vegetables and fruits for display at his stall in Souk Mubarakiya in this file photo. — Photo by Yasser Al-Zayyat

it is not limited by time; it is continuous and permanent. It will also achieve what is called sustainable development," Bou Khaddour said. "As a quick solution, there are too many lands in the hands of the government, which must be invested in setting up warehouses, even with the BOT system, especially if the government decides one day to implement the CSM system, so it won't be facing obstacles."

**UAE experience**

In 2017, the Department of Agriculture and Livestock in Sharjah announced a local initiative titled "Emirates wheat", to operate a wheat farm in Malhiha area, representing national efforts in the field of enhancing food security, which extends over an area of 1,900 hectares, according to Emirates news agency WAM. The initiative today produces more than 80

tons of wheat at the state level during the harvest season, according to Emarat alyoum.

On Monday, Ruler of Sharjah and Member of the Supreme Council Sheikh Sultan bin Muhammad Al-Qasimi clarified that the wheat produced in Sharjah is considered one of the best in the world as it contains the highest percentage of protein and is free from chemicals, fertilizers and other substances harmful to human health.

Meanwhile, UAE benefited from its location as a geographic gateway between the East and West, and succeeded in developing a commercial system that made it a trade corridor and one of the most important transport corridors and re-exporter of many products, including wheat, while it exported about 100,000 tons of wheat in 2017/2018, according to Arabic RT.

## Surprise jump in UK inflation deals new blow

**LONDON:** British inflation unexpectedly accelerated in February, official data showed Wednesday, deepening a cost-of-living crisis and pressuring the Bank of England to hike interest rates further despite global markets turmoil. After slowing for three straight months, the UK Consumer Prices Index shot up to 10.4 percent in February—not far from 40-year highs and more than five times the BoE's target. That followed CPI of 10.1 percent in January and dashed expectations for a slowdown to 9.9 percent.

**'Tough' times**

Wednesday's data comes after the UK government last week forecast inflation would slow sharply to 2.9 percent by year-end, adding that the country would avoid recession in 2023. The predictions were published alongside finance minister Jeremy Hunt's £94-billion (\$114-billion) cost-of-living measures for this year and next. "We recognize just how tough things are for families across the country, so as we work towards getting inflation under control we will help families with cost-of-living support," Hunt said Wednesday.

Soaring inflation continues to erode the value of wages for millions of UK workers, even follow-

## Swiss sweat over size of new superbank

**ZURICH:** The arranged marriage of UBS and Credit Suisse will create the biggest bank Switzerland has ever seen, with some wondering if the superbank might be too big for its own good. The deal struck late Sunday prevented the collapse of the country's second-biggest lender by folding it into the largest.

Even before last week's dramatic events, both firms were already among the 30 around the world deemed of strategic importance to the global banking system and therefore too big to fail. Some in business, industry and politics are not convinced that one even bigger bank will turn out for the better.

"Credit Suisse was really the bank of the economy and industry, said Philippe Cordonier of Swissmem, the national association representing the engineering industry. For exporting companies, Credit Suisse offered a range of services essential for international transactions, "payments abroad, credits, leasing or currency hedging, he told AFP.



LONDON: In this file photo taken on February 20, 2023, a sign displays the price in pound sterling for a pineapple, displayed alongside fruit and vegetables at a market stall in east London. — AFP

stops raising interest rates," Dales added. Widespread salad and vegetable shortages sent UK food prices rocketing to their highest rate of increase in more than 45 years last month, the Office for National Statistics said Wednesday.

ONS chief economist Grant Fitzner said this was caused by high energy costs and bad weather across Europe. Inflation was driven also by rising alcohol prices in pubs and restaurants after recent discounting. Inflation around the world last year struck the highest levels in decades, while the UK rate peaked at 11.1 percent in October. —AFP



ZURICH: People watch a market board at the headquarters of Swiss giant banking UBS in Zurich. —AFP

to the country's economic development. The bank financed the expansion of the rail network, the construction of the Gotthard Tunnel beneath the Alps, and the start-up of Swiss companies that went on to become leaders in their sector. "Twenty-five years ago, there were four big Swiss banks, recalled the Swiss Federation of Companies, which represents small and medium enterprises. —AFP

## Sri Lanka leader warns hard times to follow IMF bailout

**COLOMBO:** Sri Lanka's president warned Wednesday of more economic pain to come for the crisis-hit nation, with strict austerity measures needed to restore its ruined finances after an IMF bailout deal. The International Monetary Fund approved its long-delayed rescue package on Monday after China, the South Asian island's biggest bilateral lender, offered debt relief assurances.

President Ranil Wickremesinghe lauded the deal in a speech to parliament as a milestone in Sri Lanka's recovery from last year's unprecedented economic crisis. But he also told lawmakers that the bailout was only the first step in more difficult structural reforms. "The IMF loan is not an end in itself, this is the beginning of a long and more difficult journey," Wickremesinghe said.

"We have to traverse it with care and courage. The only objective is to rebuild the economy."

Sri Lanka defaulted on its \$46 billion foreign debt last April after nearly exhausting its foreign exchange reserves, making it almost impossible for importers to source vital goods. The island nation's 22 million people endured months of food and petrol shortages, along with runaway inflation and prolonged blackouts, as a result. Wickremesinghe has sought to restore government coffers by sharp tax hikes and ending generous consumer subsidies on fuel and electricity.

On Wednesday he said more taxes were on the cards to meet the IMF's demand that Sri Lanka halve its spend on foreign debt servicing from the 9 percent of GDP recorded last year.

The IMF also requires Sri Lanka to set up tough anti-corruption laws and sell off cash-bleeding state companies, including beleaguered carrier SriLankan Airlines. Wickremesinghe said the government would assume the external debts of key public companies to make them more attractive to investors.

Trade unions have opposed the austerity program with strikes crippling the health and transport sectors last week and warnings of further industrial action to come. —AFP