



KCCI - Country Wrap (May 2015)

Kuwait

Kuwait - A country rich in Oil Reserves

Kuwait, one of the most stable Arab nations among all the Middle East region, possess the truest form of democratic government. Its citizens enjoy high living standards and the country is a home to large number of foreign expatriates which comprise more than 82% of the total workforce. Although the country is rich in oil resources with its key revenues generating from oil based economy, the international projections about its economic stagnation has made the government to speed up the development projects aimed at diversifying its revenue generation sources away from oil sector. Moreover, large size of its public sector also impedes the growth of private sector based on non-oil revenues.

A quick glance at Kuwait's Economy

Kuwait, with the world's sixth biggest oil reserves along with positioned at the most strategic location, enjoys the status of net creditor and high income country. The republic also experience low debt obligations and provide stable business environment to its investors. However, its difficult political system tends to slow the policy reforms and implementation steps refraining it to make use of potential investment opportunities existing in the region. As the country is more dependent on gas and oil revenues, it is facilitated with the huge current account and fiscal surpluses.

The excessive revenues through oil and gas sectors are then invested in buying foreign assets to further bolster the economic infrastructure of the state. These revenues are also made use of for building up oil reserves for the future benefits of the economy. The industries of Kuwait are widely capital intensive where employment opportunities are not being created for the growing populace of the country. On the other hand, as the large chunk of gas and oil sectors remain at the govt.'s disposal, the private sector is predominantly weak. Moreover, greater reliance on energy sectors for deriving proceeds and prone to output cycles and oil prices also make the economic growth unpredictable and inconsistent.

Key Industries and Agri-product of Kuwait

The key strength of Kuwait's economic progress lies in its petroleum, petrochemicals, cement, shipbuilding and repair, water desalination, food processing and construction sectors. The main agriculture product of the country is fish.

Kuwait's major trading commodities and partners

The major export commodities of Kuwait are oil, its refined products and fertilizers which it exports to South Korea (16%), India (15.7%), Japan (13.4%), the United States (11.7%), China (9.2%) and Singapore (4.2%). On the other hand, Kuwait imports food, construction materials, vehicles and parts, clothing from its trade partners United States (11.8%), China (9.2%), Saudi Arabia (8.3%), Japan (8.2%), South Korea (7%), Germany (5.1%), Italy (4.7%), India (4.6%) and UAE (4.2%).

Bilateral Relations of Pakistan and Kuwait

Kuwait and Pakistan bilateral relationship are brotherly and historical based on shared history, traditions and common culture. Kuwait and Pakistan had always enjoyed deep friendly, business and cultural ties though Kuwait's decision to ban visas for Pakistani nationals has to some extent restricted the relations between the two countries. The number of Pakistanis living in Kuwait is estimated to be around 100,000. Both countries also possess the membership of Organization of Islamic Cooperation (OIC). Pakistani forces took active part in the liberation of Kuwait along with coalition forces in 1991. After the end of first Gulf War in 1991, Pakistani army engineers served in a program of mine clearance in Kuwait.

Economic Trade Relations between Pakistan and Kuwait

During Fiscal Year 2014, Pakistan exported goods to Kuwait of worth \$ 99.24Mn as against imports of \$ 89.01Mn in the previous Fiscal Year 2013 showing a growth of 11.4%. On the other hand, imports of goods by Pakistan from Kuwait witnessed a decline of 9.16% to \$ 3,118.29Mn during Fiscal Year 2014 as against imports of \$ 3,432.78Mn in the same period last year. The balance of trade has remained in the favour of Kuwait by \$ 3.02Bn. Kuwait and Pakistan have decided to expand their mutual trade by \$1Bn annually in the next two to three years. Kuwait has signed Bilateral Investment Treaty (BIT) and Double Taxation Treaty (DTT) with Pakistan.

Kuwaiti Companies operating in Pakistan

Pakistan Kuwait Investment Company is a joint venture of Kuwait and Pakistan government authorities which was established in Pakistan years ago. **Pak-Kuwait Takaful Company Limited (PKTCL)** is another multinational with joint venture partnership between Pakistan, Kuwait, Malaysia, Saudi Arabia and Sri Lanka. **Kuwait Foreign Petroleum Exploration Company (KUFPEC)**, which is a subsidiary of Kuwait Petroleum Corporation, is an international oil company engaged in exploration, development and production of crude oil and natural gas. It has its office in Pakistan and currently operating in two blocks including Jati Exploration Block in Sindh and Paharpur Block in KPK.

Trading Commodities between Pakistan and Kuwait

Pakistan and Kuwait enjoys healthy bilateral relations with each other and several commodities are being exchanged among the two countries. The goods exported by Pakistan to Kuwait include meat and edible meat offal, textile made articles, sets, worn clothing, cereals, fish, crustaceans, cotton, edible fruits, nuts, machinery, oil seed, edible vegetables, knitted articles of apparel and accessories, manmade staple fibres, not knitted articles of apparel and accessories, articles of leather, footwear, animal fodder etc. The goods imported by Pakistan from Kuwait include mineral fuels and oils, organic chemicals, iron and steel, ships, boats, plastic and its articles, raw hides and skins, wood pulp, aluminium and articles, furniture, glass and glassware, copper and articles thereof etc.

Potential for enhancing bilateral trade relations between Kuwait and Pakistan

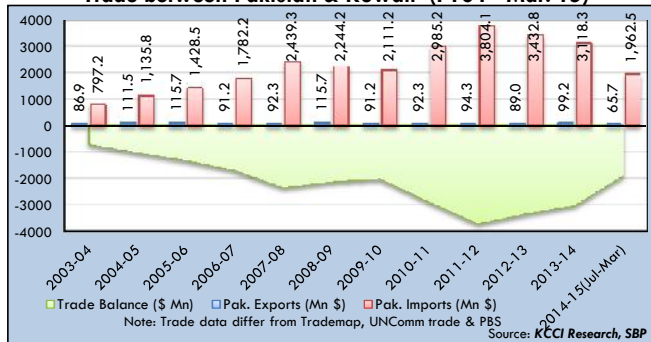
- There is much potential between both the countries to enhance the bilateral trade relations amongst the two countries.
- Kuwait can be a good and effective market for Pakistani textile goods.
- As Pakistan possess investment friendly environment, Kuwaiti businesses can look for opportunities of investing in the fields of mining, oil and gas, energy, information technology, infrastructure and construction projects, halal food and SMEs.

Economic Indicators

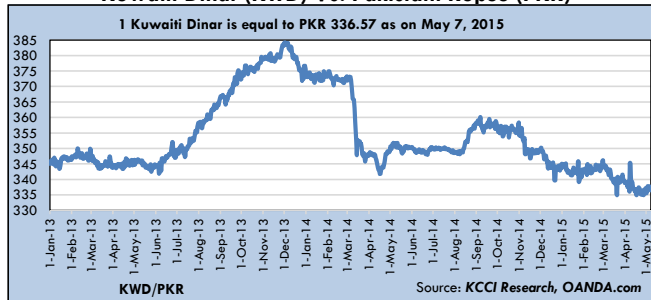
Indicators	Unit	2013	2014	Change
GDP (PPP)	\$ Bn	280.00	283.90	1.39%
GDP per Capita	\$	72,000	71,000	-1.39%
GDP growth	%	-0.4	1.4	1.80%
Forex Reserves	\$ Bn	32.30	38.50	19.20%
External Debt	\$ Bn	33.96	33.10	-2.53%
Exports	\$ Bn	112.70	109.90	-2.48%
Imports	\$ Bn	26.06	24.42	-6.29%
Trade Balance	\$ Bn	86.64	85.48	-1.34%
Current Account	\$ Bn	70.81	66.05	-6.72%
CPI	%	2.6	3.0	0.40%
Unemployment	%	3.0	3.0	0.00%
Prime Lending Rate	%	4.90	5.0	0.10%

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Kuwait (FY04 - Mar.'15)



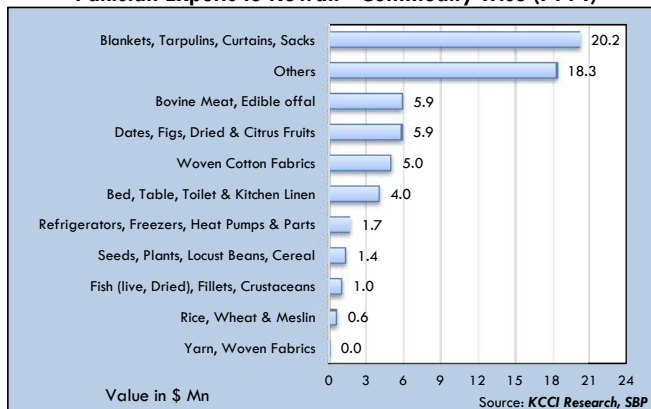
Kuwaiti Dinar (KWD) Vs. Pakistani Rupee (PKR)



Key Memberships

Kuwait is a member of ABEDA, AFESD, AMF, BDEAC, CAEU, CD, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OIC, OPCW, OPEC, Paris Club (associate), PCA, UN, UNCTAD, UNESCO, WCO, WHO, WIPO, WMO, WTO etc.

Pakistan Exports to Kuwait - Commodity Wise (FY14)



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