

How can Kuwait diversify?

By Ben Garcia

KUWAIT: "One cannot measure the strength of a country's economy on oil resources alone but on the real power of people and mind that work together combined with the commitment and sound vision and strategy of one government," stated Prof Grzegorz W. Kolodko in an exclusive interview with the Kuwait Times on the issue on globalization, a subject he discussed during a lecture conducted at the American University of Kuwait (AUK) yesterday. Prof Kolodko talked about globalization, mostly about his experiences as a former deputy premier of Poland, an economist, a professor, a researcher and a key architect of Polish reforms.

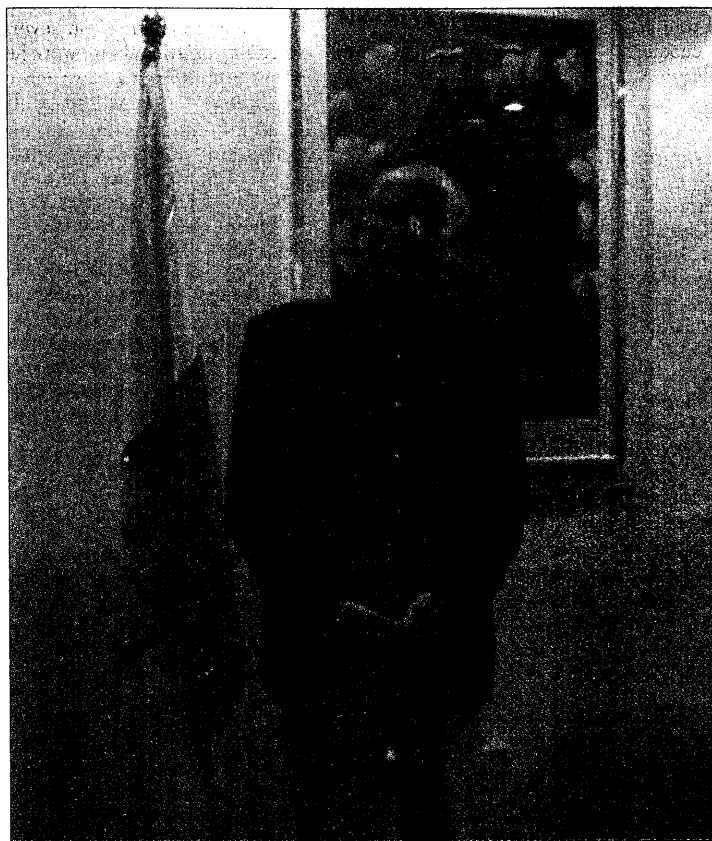
Kolodko answered questions on what the real economic strength of this region was, considering their vast oil reserves. Prof Kolodko cited Finland, Denmark, Sweden, The Netherlands, Japan, Switzerland as successful countries not by mountains of gold and oil reserves, but because they have the best manpower, best characters, institutions with long-term development strategies, diversified structure of economy and deliberate long term prospective.

He added that the world needs energy and it will be so in the generations to come. On the other hand, he also noted that oil dependency will be on the rise for a medium term period, but would eventually decline in the long run. "Many countries are considering more and more attempts and policies supporting the shift to alternative sources of energy. 50 years from now, we'll be using less fossil fuels because the world will be using other alternative sources of energy. Mankind will shift into alternative sources of energy and oil exporting countries are aware of that," he said.

Kolodko uses Bahrain as an example of building oil wells, but have actually run out of resources. He lauded the diversified economic structures which Bahrain adopted a few years ago and which subsequently bore excellent results. In the years to come, according to Kolodko, globalization must be used at the advantage of this region by means of helping to diversify the economy for the long-term future and secure the people here of less oil or energy gas dependence. "For the time being, the people here are too dependent on oil and gas resources. There is good news because the price of oil is too favorable on both people and the government. But oil is unsustainable and oil will not be forever, so diversifying economic structures is very important and the key answer," he explained.

Prof Kolodko stressed that this region, particularly Kuwait, can diversify by encouraging investments in all fronts. He advised using the abundance of oil revenues and to start investing in several industries not related to the oil sector. He also advised Kuwait to import needed technology.

"The best way to invest technology is through the FDI (Foreign Direct



Investment), my advice for the region is to open industries and services which may contribute to the long-term micro-economic restructuring and diversification of the economic structure," he said.

In this economic context, Kolodko noted that the building of the middle class should continue, including the socially peaceful absorption of immigrant workers, which he said somehow assimilate into the societies of this region in the long run. He said that liberalization and integration of the different market in one

interdependent world market is rather very good for regional economies because they can use the transfer of capital, free trade and transfer of technology, together with management skills and other skills as the means to solve the problem which is built due to energy dependence.

"Learn the lesson of Bahrain, what if the resources are gone, fossil fuels are not renewable. What happens after 100 years-what is 100 years- time goes by pretty fast," he pointed out.

To GCC countries, he advised to re-

structure and diversify their economy and regional integration and the introduction of a common currency by 2011 should continue. "It is the best possible policy keep going and to still be open to the global economy. The Gulf region is part of the world economy and the Gulf should take this economic gain to its advantage but not by just pumping more oil and raising the price of oil using OPEC as instrument and forcing us to pay \$100 per barrel of oil. This is good news for the industry, but in an economic point of view, it is also a resource curse. You have the resources but you are cursed fail," he said.

Kolodko is a renowned economist and a world expert on transition and development policy. He served as Poland Deputy Premier and Minister of Finance in 1994-1997 and 2002-2003. He also played a key role in Poland's integration with the European Union. Kuwait was his 130th country he visited mainly to share knowledge on global economic issues. He has written 35 books and over 300 articles and research papers about the economy.

"It is my mission to the world to share my economic theory which comes from my broad economic research, experiences from various places, and from my political experience in Poland government and other international organizations," he said.

Kolodko hesitantly spoke about Kuwait and Poland's bilateral relations and admitted that Poland does not have too much trade with Kuwait to date but he advised Kuwait to strengthen their food relations by importing fresh and clean food from Poland. "Kuwait should not put its eggs in one basket, its resources should come from various countries," he said. During the AUK lecture, Kolodko was asked to present an interpretation about globalization issues and answer questions on how he sees the contemporary stage of globalization and where would we go from here.

Globalization

Globalization is the name for the process of increasing the connectivity and interdependence of the world's markets and businesses. This process has sped up dramatically in the last two decades as technological advances make it easier for people to travel, communicate, and do business internationally. Two major recent driving forces are advances in telecommunications infrastructures and the rise of the Internet.

In general, as economies become more connected to other economies, they have increased opportunities, but also increased competition. Thus, as globalization becomes a more and more common feature of world economics, powerful pro-globalization and anti-globalization lobbies have risen.

The pro-globalization lobby argues that globalization brings about much

increased opportunities for almost everyone, and increased competition is a good thing since it makes agents of production more efficient. The two most prominent pro-globalization organizations are the World Trade Organization and the World Economic Forum.

The World Trade Organization is a pan-governmental entity which currently has 144 members that was set up to formulate a set of rules to govern global trade and capital flows through the process of a member consensus, and to supervise their member countries to ensure that the rules are being followed. The World Economic Forum, a private foundation, does not have decision-making power but enjoys a great deal of importance since it has been effective as a powerful networking forum for many of the world's business, government, and

not-profit leaders.

The anti-globalization group argues that certain groups of people who are deprived in terms of resources are not currently capable of functioning within the increased competitive pressure that will be brought about by allowing the economies to be more connected to the rest of the world. Important anti-globalization organizations include environmental groups like Friends of the Earth and Greenpeace; international aid organizations like Oxfam; third world government organizations like the G77; business organizations and trade unions whose competitiveness is threatened by globalization like the U.S. textiles and European fashion lobbyists, as well as Australian and U.S. trade union movements.

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regions of Africa and this acquisition creates a gateway for us to service this rapidly growing market," he added.

Starfreight's top customers include Hewlett Packard, Mitsubishi and Nestle while their regional clients include mostly

capacities to now compete on a global scale." Starfreight has over 150 employees and two offices in Kenya.

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transportation and freight management services. Our customers span a range of industries from technology and retail to defense and government and oil and gas.

Polish expert urges govt to reduce dependency on oil

Globalization tool for Kuwait economy

KUWAIT, Jan 14, (KUNA): Globalization is an instrument that can be used to restructure and diversify the Kuwaiti economy and reduce dependency on oil revenues, said a Polish economic expert on Monday.

"With its abundant financial resources due to oil exports, Kuwait can afford to invite global investors and high tech firms which can invest here in joint venture projects, bringing new technology, still better management and marketing skills to orient more market output," said Grzegorz Kolodko, Poland's former deputy premier and finance minister, to KUNA.

Future

He said the "question of 'to be or not to be' for Kuwait's economic future" depended on decreasing the dependency on oil as a main source of income for the state.

Kolodko, who is current the director of the Warsaw-based Transformation, Integration and Globalization Economic Research (TIGER), said that in terms of economic diversification, Kuwait could base this on oil processing petrochemical, chemical or pharmaceutical industries where oil resources could be used.

"I think Kuwait has the potential to be an education and research center and education is always a good investment," he added.

As for the hike in global prices of commodities in general, the expert said Kuwait could benefit from an "oil for food" arrangement with such a country as Poland, where "food security for Kuwait comes in

exchange for energy security for Poland .. the Gulf state can get food at competitive prices and also good quality."

This, he explained, would "hamper" food inflation, warning that "inflation is the beast that has the tendency to grow out of control."

The Polish expert said, however, that if members of the Gulf Cooperation Council (GCC) were to achieve currency convergence, "it must be done within an optimal currency zone, which calls for low inflation and competitive exchange rates at the day of introducing the new currency."

He said "currency union is the means to enhance the process of regional integration, and this integration is a very good response of this part of the world to globalization, the GCC states will have a much better chance to play the global economic game within the context of regional integration than as individual countries."

Diversification

Kolodko said that although Gulf states were, in theory, far from being within an optimal currency zone "large diversification of GDP per capita, different rates of inflation, and different sizes of economies, there were still successful examples of currency zones to be seen in the EU, the Caribbean and Western Africa.

"In case of the Gulf, the common currency has a very strong political context, and the political arguments are as important, if not more important, than the economic ones because the common currency is a means of

regional integration," he noted.

He added that because of the outward nature of Gulf economies, as being exporters rather than importers, the common currency "can perform a tremendously positive job in bringing people together, instead of just the factors of geography, religion and language, you will have a strong economic compliment of political, cultural, and economic integration which will be a very good driving force for the future."

The former Polish minister said the "future of the world is in more and more currency zones," noting that in the case of the EU, the integration process was "very much fueled by the common currency, much more than the 'European constitution, we can 'fly' without this political constitution, but it would be difficult without a common currency."

Kolodko is in Kuwait on invitation by the American University in Kuwait (AUK) to lecture on regional development in the context of ongoing globalization. He also visited Qatar, Bahrain and Iran as part of his regional visit.

Professor Grzegorz W. Kolodko - a key architect of Polish reforms - is a renowned economist and a world expert on transition and development policy. While deputy premier and finance minister (1994-1997), he led Poland to join the OECD. Holding the same positions again in 2002-2003, he played an important role in his country's integration with the EU.

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