



Kuwait: Security, Reform, and U.S. Policy

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Summary

Kuwait, which has been pivotal to nearly two decades of U.S. involvement in Iraq, has been mired for the past three years in internal wrangling between the elected National Assembly and the ruling Al Sabah family primarily over the political dominance of the Al Sabah. In March 2009, this infighting led to the second constitutional dissolution of the National Assembly in the past year, setting up new parliamentary elections on May 16, 2009. Among other effects, the political stalemate has delayed or caused cancellation of key energy projects, including some projects involving major foreign energy firms, as well as of measures to help Kuwait deal with the effects of the global financial and economic crisis.

The elections produced many new deputies in the 50-seat Assembly, including four women, the first to be elected to the Assembly in Kuwait since women were given the vote in 2005. However, the elections did not resolve the government-Assembly political disputes or produce meaningful progress on major issues, and there is the potential for yet another dissolution of the Assembly and new elections.

On regional policy, the political stalemate in Kuwait has caused Kuwaiti leaders to generally defer to Saudi Arabia and other more active Gulf states. Kuwait has not attempted to take a leadership role in mediating disputes within the Palestinian territories or to try to determine Iran's role in Gulf security and political arrangements. It has built ties to a range of Iraqi leaders and contributed to the rebuilding of post-Saddam Iraq, but the two countries differ over whether and how to close out the Saddam-era U.N.-administered reparations process.

Contents

Governmental Changes and Political Reform	1
Executive-Legislative Disputes	1
2009 Political Crises and Elections.....	3
Human Rights Issues.....	5
U.S.-Kuwait Relations and Cooperation on Iraq	6
Foreign Policy Issues	8
Iraq.....	8
Arab-Israeli Dispute.....	9
Iran.....	9
Cooperation Against Islamic Militancy.....	10
Economic Policy	10

Figures

Figure 1. Map of Kuwait	2
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Tables

Table 1. Composition of the National Assembly: 2008 – 2009	5
Table 2. U.S. Aid to Kuwait and Purposes	8

Contacts

Author Contact Information	11
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Governmental Changes and Political Reform¹

Kuwait's optimism after the 2003 fall of its nemesis, Saddam Hussein, has soured since the January 15, 2006, death of Amir (ruler) Jabir Ahmad al-Jabir Al Sabah. His successor, Shaykh Sa'ad bin Abdullah Al Sabah, was at the time very ill (he has since died), and a brief succession dispute among rival branches of the ruling Al Sabah family ensued. It was resolved with Prime Minister Shaykh Sabah al-Ahmad al-Jabir Al-Sabah (about 78, the younger brother of the late Amir) becoming Amir on January 29, 2006. The 2006 succession dispute was significant for the first use of the National Assembly's constitutional ability to formally declare an Amir unfit (Shaykh Sa'ad) and to remove him.

Although the rulership struggle was resolved, Amir Sabah subsequently overturned a tacit agreement to alternate succession between the Jabir and Salem branches of the family, and he appointed his half-brother, Shaykh Nawwaf al-Ahmad Al Sabah, age 67—a member of his Jabir branch—as his Crown Prince/heir apparent. He appointed another member of the Jabir branch as Prime Minister—his nephew, Shaykh Nasser Muhammad al-Ahmad Al Sabah, age 66. The highest ranking member of the Salem branch is Dr. Mohammad Al Sabah, who kept his Foreign Minister post and simultaneously is deputy prime minister. Tensions between the two branches of the family have since continued to simmer.

Executive-Legislative Disputes

Differences between the government and reformists in the elected National Assembly have added to the tensions within the ruling family to produce political deadlock since the Amir's death in 2006. The Assembly, established by Kuwait's November 1962 constitution, is the longest serving all-elected body among the Gulf monarchies. Fifty seats are elected, and members of the cabinet serve in it ex-officio. Amirs of Kuwait have, on several occasions, particularly recently, (1976-1981, 1986-1992, 2003, 2006, 2008, and 2009), used their power to dissolve the Assembly when it aggressively challenged the government. The Assembly does not confirm cabinet nominees but it can, by simple majority of elected members, vote no confidence in ministers and can veto government decrees issued during periods of Assembly suspension. Political parties are still not permitted, but factions can compete as "currents," or "trends." Kuwaitis have a parallel tradition of informal political consultations in nightly "diwaniyyas"—social gatherings held by elites.

¹ Much of this section is from the State Department's country report on human rights practices for 2008 (released February 25, 2009); the report *Supporting Human Rights and Democracy: The U.S. Record 2006*, by its Bureau of Democracy, Human Rights, and Labor (April 5, 2007); the *International Religious Freedom Report* for 2009 (October 26, 2009); and the *Trafficking in Persons Report for 2009* (June 16, 2009).

Figure I. Map of Kuwait



Source: CRS Graphics

The post-2006 deadlock has manifested as repeated Assembly suspensions and subsequent elections, none of which has resolved differences over the fundamental power balances between the executive and the legislature. In the post-January 2006, period, Amir Sabah suspended the Assembly in May 2006 when 29 “opposition” members—an alliance of liberals and Islamists—demanded to question the Prime Minister over the government’s refusal to endorse a proposal to

reduce the number of electoral districts to 5, from the current 25. The opposition wanted to increase the size of each district so that it would be more difficult to influence the outcome through alleged “vote buying” or tribal politics. In the June 29, 2006, election, the opposition, which attracted youth support under the “Orange” banner, won 34 out of the 50 seats. The election was the first in which women could vote or run, but none of the 27 female candidates (out of 249) won a seat. The Amir did, however, ultimately accept the opposition’s demand to reduce the number of electoral districts to five, a law to that effect was signed by the Amir.

The continuing schisms between the opposition and the government again became irreconcilable in March 2008 when the Assembly insisted on a second pay raise for state employees, beyond one granted by the cabinet in February 2008, as a response to spiraling inflation. The government refused, the cabinet resigned, the Amir dissolved the Assembly, and new elections were called for May 17, 2008. Those elections were the first held since the reduction of electoral districts from 25 to 5. Sunni Islamists and conservative tribal leaders won a total of 24 seats—an increase of four. Their allies in opposition to the government—the so-called “liberals”—won seven seats. Shiites increased their representation by one to a total of five seats. Pro-government and other independent tribalists held the remaining fourteen seats. As in the 2006 election, none of the 27 women candidates won a seat.

Almost immediately after the 2008 elections and related cabinet appointments, Islamists agitated against the appointment of two women to the cabinet. The two female cabinet members were Nuriya al-Sebih, who was reappointed as the education minister (after surviving a January 2008 no-confidence vote), and Mudhi al-Humoud, a liberal academic, who was appointed as state minister for two positions: housing affairs and development affairs. (Another woman, Ms. Masouma Mubarak, who was the first female minister ever in Kuwait, resigned in September 2007 after some members of parliament blamed her for mismanagement.) Al Hamoud remains in the cabinet as Minister of Education and Higher Education.

Sunni-Shiite tensions added to the dissension within the Kuwaiti elite. Possibly as a spillover of sectarian tensions in post-Saddam Iraq, recriminations flared in February 2008 after several Shiite politicians attended a public ceremony commemorating the killing earlier that month of Lebanese Hezbollah terrorist leader Imad Mughniyah. The Minister of Public Works and Municipalities, Fadi Safar, a Shiite, was detained briefly in March 2008 and questioned over his connection to the local branch of Hezbollah, but formal charges were not filed.

In November 2008, the cabinet resigned when three Sunni Assembly deputies requested to question Prime Minister Shaykh Nasser over corruption allegations and his decision to permit the visit of an Iranian Shiite cleric who was perceived as having slighted Sunnis. However, on December 1, 2008, the Amir reappointed Shaykh Nasser as Prime Minister, pending formation of a new cabinet, but he did not suspend the Assembly, hoping to avoid yet another early election. These Sunni-Shiite tensions have occurred even though the Sabahs have expanded Shiite representation in the cabinet to three ministers, up from one that was customary.

2009 Political Crises and Elections

The power struggle between the government and opposition deputies in the Assembly resumed in March 2009, when the Assembly insisted on questioning the Prime Minister over his management of the global financial crisis, and alleged misuse of public funds. The disputes had held up passage of a proposed \$5 billion fiscal stimulus and financial guarantees program to address economic weakness and the severe decline in Kuwait’s stock market, which had triggered protests

from investors who saw much of their savings wiped out. The suspension enabled the government to go forward with the stimulus. On March 19, 2009, the Amir accepted the resignation of the cabinet and again suspended the Assembly. New Assembly elections were required by May 19, 2009, under the constitution, and the elections were held on May 16, 2009.

The election—in which turnout was relatively light at about 55% of the 385,000 eligible voters—produced more than 20 new parliamentarians, including four women. They were the first females to be elected to the Assembly since women were given the vote in 2005. They included Masouma Mubarak, mentioned above, who is Shiite, as well as Rola Dashti, who narrowly missed winning election to the body in 2006. The other women were Aseel al-Awadhi and Salwa al-Jassar, both professors. The election of the women, and the setback for Sunni Islamists, signaled to some that Kuwaiti voters wanted a less assertive Assembly that would work with rather than constantly challenge the government. The results raised hopes that the political crisis would be resolved, or at least eased.

Perhaps reflecting the strengthened government position, immediately after the election, the Amir reappointed Shaykh Nasser as Prime Minister. There had been pre-election speculation that the Amir would appoint the Crown Prince, Shaykh Nawwaf, as Prime Minister, concurrently. This move would produce some measure of stability because the Assembly is not able, constitutionally, to question the Crown Prince. The move would also restore the tradition of combining the two positions, which had been adhered to until July 2003, when Amir Jabir divided the two posts were divided between Prime Minister Sabah and Crown Prince Sa'ad.

Observers who said that the 2009 elections would not end the political stalemate apparently proved correct. In November 2009, Assembly members filed motions to question four ministers, including the defense minister, for alleged corruption in the arms sale process. The Assembly also demanded that Prime Minister Nasser be questioned by the Parliament for other corruption involving the 2008 elections. On December 8, the Prime Minister accepted his questioning by the Assembly, which marked the first time in the Gulf region that a head of government had been forcibly summoned by an elected body. On December 9, however, 10 Assembly members filed a motion to remove Interior Minister Shaykh Jabir Khalid Al Sabah for alleged corruption. A separate motion by 10 members cited the Prime Minister for “non-cooperation” with the Assembly, although a majority of members later issued a statement expressing confidence in the Prime Minister. Votes on the motions are to be held on December 17. If the motions carry, it is likely that Kuwait will again be plunged into a crisis that leads to Assembly dissolution and setting of new elections.

Some maintain that the stalemate can only be resolved by a change to Kuwait's constitution that reduces the power of the ruling family in favor of the elected Assembly, but there are no indications that Al Sabah are ready to agree to such limitations.

Table I. Composition of the National Assembly: 2008 – 2009

Ideology/Affiliation	Post-2008 Election	Post-2009 Election
Sunni Islamist (Muslim Brotherhood and Salafi)	24	16
Liberals	7	8
Shiite Islamist	5	5
Independents	14	21
Women (included in “independent” total, although likely will align with liberals in the Assembly. One woman is Shiite.)	0	4

Human Rights Issues

There has been progress over the past two decades in extending the franchise—a closely watched indicator of Kuwait’s political liberalization. Kuwait’s population is only about 3.3 million, of which 1.02 million are citizens. The government has expanded the electorate gradually, first by extending the franchise to sons of naturalized Kuwaitis and Kuwaitis naturalized for at least 20 (as opposed to 30) years. The long deadlock on female suffrage began to break in May 2004, after the government submitted to the Assembly a bill to give women the right to vote and run. (A government attempt in May 1999 to institute female suffrage by decree was vetoed by the Assembly.) In May 2005, then Prime Minister Shaykh Sabah pressed the Assembly to adopt the government bill, which it did on May 16, 2005 (35-23), and which was effective as of the 2006 National Assembly elections. Islamist deputies added a requirement for gender-segregated polling entrances.

On broader human rights issues, the State Department Country Report on Human Rights Practices for 2008,² released February 25, 2009, says that the government limits “freedoms of speech, press, religion, and movement for certain groups,” and that “Government corruption and trafficking in persons remained problems.” Non-Gulf Arabs and Asians, and stateless residents (“bidoons”) continue to face discrimination. The report also notes that violence against women remains a “serious and overlooked problem.” Kuwait was designated by the State Department’s “Trafficking in Persons” report (for 2009, issued June 16, 2008) as a “Tier Three” (worst level) country—the same as the 2008 and 2007 reports, but a downgrade from the 2006 report (Tier Two Watch List). The Tier Three designation has been maintained because, according to the 2009 report, Kuwait is “not making sufficient efforts” to comply with minimum standards for the elimination of trafficking.

Official press censorship ended in 1992, assisting the growth of a vibrant press, but the State Department report says the government does not always respect the constitutional provisions for freedom of speech and the press. The government allows one trade union per occupation, but the only legal trade federation is the Kuwait Trade Union Federation (KTUF). Foreign workers, with

² State Department human rights report for 2008. <http://www.state.gov/g/drl/rls/hrrpt/2008/nea/119119.htm>

the exception of domestic workers, are allowed to join unions, and the government has tended not to impede strikes.

On religious freedom, the State Department religious freedom report for 2009 (released October 26, 2009) reported “no change” in the status of respect for religious freedom by the Kuwaiti government during the reporting period. Shiite Muslims (about 30% of Kuwait’s population) continue to report official discrimination, including limited access to religious education and the perceived government unwillingness to permit the building of new Shiite mosques. Kuwait has seven officially recognized Christian churches. Members of religions not sanctioned in the Quran—including Baha’i’s, Buddhists, Hindus, and Sikhs—are not allowed to operate official places of worship, but they were allowed to worship in their homes.

The U.S. Embassy in Kuwait uses various programming tools, including discussions with Kuwaiti leaders, public diplomacy, and funds from the Middle East Partnership Initiative (MEPI), to encourage further democratization. MEPI funds have been used to enhance the capabilities of the media, to promote women’s rights, to support democracy initiatives, and to provide a broad spectrum of educational opportunities. Several Kuwaiti organizations, such as the Kuwait Women’s Cultural and Social Society, actively promote democratization.

U.S.-Kuwait Relations and Cooperation on Iraq

A U.S. consulate was opened in Kuwait in October 1951; it was elevated to an embassy upon Kuwait’s independence from Britain in 1961. Kuwait, the first Gulf state to establish relations with the Soviet Union in the 1960s, was not particularly close to the United States until the Iran-Iraq war (1980-88). In 1987-88, the United States established a U.S. naval escort and tanker reflagging program to protect Kuwaiti and international shipping from Iranian naval attacks (Operation Earnest Will). Kuwait’s leaders were exiled and shaken by the August 1990 Iraqi invasion, and have been well disposed toward the United States because of the U.S.-led liberation of Kuwait in the 1991 Persian Gulf War. Kuwait signed a 10-year defense pact with the United States on September 19, 1991 (the text is classified), which reportedly provides for mutual discussions in the event of a crisis; joint military exercises; U.S. training of Kuwaiti forces; U.S. arms sales; pre-positioning of U.S. military equipment (armor for a U.S. brigade); and U.S. access to Kuwaiti facilities, such as Ali al-Salem Air Base. A related Status of Forces Agreement (SOFA) provides that U.S. forces in Kuwait be subject to U.S. rather than Kuwaiti law.³ In September 2001, the pact was renewed for another 10 years.

Kuwait contributed materially to the 1991 war and subsequent containment efforts—it paid \$16.059 billion to offset the costs of Desert Shield/Desert Storm, funded two-thirds of the \$51 million per year U.N. budget for the 1991-2003 Iraq-Kuwait Observer Mission (UNIKOM) that monitored the Iraq-Kuwait border, and contributed about \$350 million per year for U.S. military costs of Kuwait-based Iraq containment operations. This included the 1992-2003 enforcement of a “no fly zone” over southern Iraq (Operation Southern Watch), involving 1,000 Kuwait-based U.S. Air Force personnel. Kuwait hosted an additional 5,000 U.S. forces during Operation Enduring Freedom, which ousted the Taliban from Afghanistan.

³ Hajjar, Sami. *U.S. Military Presence in the Gulf: Challenges and Prospects*. U.S. Army War College, Strategic Studies Institute. P.27.

Kuwait supported the Bush Administration's decision to militarily overthrow Saddam Hussein (Operation Iraqi Freedom (OIF)); it closed off its entire northern half to secure the U.S.-led invasion force, and allowed U.S. use of two air bases, its international airport and sea ports, and provided \$266 million in burden sharing support to the combat, including base support, personnel support, and supplies such as food and fuel. In appreciation of Kuwait's support to OIF, on April 1, 2004, the Bush Administration designated Kuwait as a "major non-NATO ally (MNNA)," a designation held by only one other Gulf state (Bahrain).

According to Defense Department budget documents, Kuwait has contributed about \$210 million per year in similar in-kind support to OIF. These funds help defray the costs incurred by the approximately 50,000 U.S. military personnel that have rotated in or out of Iraq. Kuwait will serve as the key exit route for U.S. troops as they implement President Obama's February 27, 2009, draw down plan that will see U.S. forces in Iraq decline from the current 145,000 to about 50,000 by August 2010. The key U.S. staging facility in Kuwait is Camp Arifjan and a desert firing range facility, Camp Buehring (Udairi Range); it is at these locations that equipment from the Iraq battlefield will be cleaned, repaired, and packed up for return to the United States or stored in regional prepositioning sites. U.S. forces vacated Camp Doha, the headquarters for U.S. forces in Kuwait during the 1990s, in December 2005.

U.S. officials say that the U.S.-Kuwait defense relationship, enhanced by the small amounts of U.S. assistance shown in **Table 2** below, has improved the quality of the Kuwaiti military, particularly the air force. Its military has now nearly regained its pre-Iraq invasion strength of 17,000. U.S. Central Command (CENTCOM) officials said in February 2008 they are establishing in Kuwait a permanent platform for "full spectrum operations" in 27 countries in the region. Among the objectives is to help Kuwait establish a navy.

U.S. arms sales have sought to enhance Kuwait's capability. Kuwait is not eligible to receive U.S. excess defense articles. Major post-1991 Foreign Military Sales (FMS) include (1) 218 M1A2 tanks at a value of \$1.9 billion in 1993 (deliveries completed in 1998); (2) five Patriot anti-missile fire units, including 25 launchers and 210 Patriot missiles, valued at about \$800 million, in 1992 sale (delivered by 1998). Some of them were used to intercept Iraqi short-range missiles launched at Kuwait in the 2003 war; (3) 1992 sale of 40 FA-18 combat aircraft (purchase of an additional 10 are under consideration); and (4) September 2002 sale of 16 AH-64 (Apache) helicopters equipped with the Longbow fire-control system, valued at about \$940 million. According to the Defense Security Cooperation Agency (DSCA), another \$730 million in purchases were agreed during 2005-2007, including a \$20 million deal for 436 TOW anti-tank missiles. The first major sale to Kuwait under the "Gulf Security Dialogue" package for the Gulf states, designed to contain Iran, was 80 PAC-3 (Patriot) missiles and 60 PAC-2 missiles and upgrades, valued at about \$1.3 billion, notified to Congress on December 4, 2007. On September 9, 2008, DSCA notified a sale of 120 AIM-120C-7 Advanced medium Range Air-to-Air Missiles (AMRAAM), along with equipment and services, with a total value of \$178 million.

Table 2. U.S. Aid to Kuwait and Purposes
(dollars in thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010
International Military Training and Education (IMET). Permits Kuwait to get discount for all Kuwait-funded trainees in U.S.	-	19	14	15	15
Non-Proliferation, Anti-Terrorism, De-Mining and Related (NADR).	628	1,025	-	-	-

Foreign Policy Issues

Iraq

Kuwait's key external concern remains Iraq, and Kuwait has tried to build political ties to newly ascendant Iraqi factions in order to ensure there is no repeat of the 1990 invasion or the Shiite violence that rocked Kuwait in the 1980s. The December 1983 bombings of the U.S. and French embassies in Kuwait and an attempted assassination of the Amir in May 1985 were attributed to the Iraqi Da'wa (Islamic Call) Party, the Shiite party of Iraqi Prime Minister Nuri al-Maliki. Seventeen Da'wa activists were arrested for these attacks, and Da'wa activists hijacked a Kuwait Airlines plane in 1987. Since the fall of Saddam Hussein, Kuwait has built a water line into Iraq, and it runs a humanitarian operation center (HOC) that has funneled over \$550 million in assistance to Iraqis since Saddam fell, in line with its pledges. A Kuwaiti company, First Kuwaiti General Trading and Contracting, was lead contractor on the new U.S. embassy in Iraq.

On April 22, 2008, Kuwait hosted the third Iraq security conference which included the United States, Iran, and other neighboring countries. On July 18, 2008, Kuwait named its first ambassador to Iraq since the 1990 Iraqi invasion—Ali al Momen, a retired general. Momen is a Shiite Muslim, and his appointment signaled Kuwait's acceptance that Iraq is now dominated politically by Shiites. In March 2009, Momen reported that members of his staff in Baghdad had received death threats against him.

Preventing close relations between the two countries are differences over the lingering after-effects of the 1990 Iraqi invasion. U.N. officials, as outlined in a July 27, 2009, report by the Secretary General pursuant to U.N. Security Council Resolution 1859 (December 22, 2008),⁴ are attempting to find compromises to satisfy both sides. Kuwait has been reluctant to drop its insistence on full U.N.-supervised reparations by Iraq for damages caused from the 1990 invasion. Iraq wants the issue closed out not only to end its standing as a country under "Chapter 7" U.N. Resolution mandates, but also to cease the deduction of 5% of all its revenue that is used to pay compensation to the victims of the Iraqi invasion of Kuwait. About \$25 billion still is owed to Kuwaiti claimants, which, at current Iraqi revenue rates, could still take many years to pay off. This issue is the crux of U.N. discussions that might result in an end to Chapter 7 mandates, and

⁴ Report of the Secretary-General Pursuant to Paragraph 5 of Resolution 1859 (2008). S/2009/385, July 27, 2009.

some discussions have focused on, as an interim step, reducing the percentage deduction to 1% or 2%. However, U.N. officials said in November 2009 that agreements might have to await the outcome of Iraq's next elections, now set for March 7, 2010.

Iraq also wants to close out the issue of the 605 Kuwaitis missing and presumed dead from the 1991 war. The cases of 369 Kuwaiti and third-party nationals remain unresolved; the bodies of over 227 have been found (confirmed by DNA tests) in post-Saddam searches. From Kuwait's standpoint, the unknown whereabouts of the Kuwaiti National Archives continues to be a point of tension. There is also a minor dispute over the share of costs to maintain the markings system of the U.N.-demarcated border between them.

Among other residual issues from the Saddam era, in 2004, Kuwait reportedly pledged to forgive a substantial portion of the \$25 billion Saddam era debt, but it has not written off the debt to date.

Arab-Israeli Dispute

After Kuwait's liberation in 1991, Kuwait's fear of Saddam Hussein colored its foreign relations. On the Arab-Israeli dispute, Kuwait was more critical than were the other Gulf states of the late Palestinian leader Yasir Arafat because he had opposed war to liberate Kuwait. Kuwait expelled about 450,000 Palestinian workers after liberation. Kuwait has maintained consistent ties to Hamas, and in March 2006, pledged \$7.5 million per month in aid to the then Hamas-led government. Kuwait supported a Saudi-brokered Fatah-Hamas unity government in March 2007, which later fractured. At a March 2, 2009, conference in Cairo, Kuwait pledged \$200 million for Gaza reconstruction following the Israel-Hamas war of December 2008- January 2009. Kuwait participated in multilateral peace talks with Israel during 1992-1997, although it did not host any sessions. In 1994, Kuwait was key in persuading the other Gulf monarchies to cease enforcement of the secondary (trade with firms that deal with Israel) and tertiary (trade with firms that do business with blacklisted firms) Arab boycotts of Israel. Still, possibly because it is distracted by its internal political crises, Kuwait has not, as has Saudi Arabia or Qatar, stepped forward as a major mediator in intra-Palestinian disputes or as an advancer of new proposals for resolving Israeli-Arab disputes.

Iran

Kuwait has not viewed Iran as the potential regional hegemon that some of its Gulf allies have. During the rule of Saddam Hussein of Iraq, Kuwait was seen by its Gulf neighbors as too willing to engage and support Iran as a potential counterweight to Saddam, and Kuwait often hosted pro-Iranian Iraqi Shiite oppositionists against Saddam, even though these same Shiite groups had conducted attacks in Kuwait in the 1980s. Unlike Bahrain, Kuwait has not publicly accused Iran of attempting to support Kuwaiti Shiites as a potential internal opposition in Kuwait. The Amir, most recently in November 2009, has publicly endorsed Iran's right to purely peaceful nuclear energy. On the other hand, Kuwait said in early December 2009 that it would not invite Iran to the GCC summit taking place in mid-December 2009, this year hosted by Kuwait. By agreement among GCC leaders, it is the host nation for each year's summit that has the discretion whether to invite non-GCC leaders to the summit. Qatar angered some Gulf leaders by inviting Ahmadinejad to the GCC summit in 2007.

Cooperation Against Islamic Militancy

The State Department report on global terrorism for 2008 (released April 30, 2009) credited Kuwait with measures to protect U.S. forces in Kuwait from terrorist attacks but noted that “successive parliamentary dissolutions prevented the enactment of stronger antiterrorism and money laundering legislation.” The State Department terrorism report praised Kuwait for launching new programs to encourage moderation in Islam in Kuwait, and for funding (\$2.7 billion) an Action Plan of counterterrorism programs, as well as for participating in NATO-led exercises in November 2008 that focused on terrorism and piracy.

However, Kuwait was criticized in the report, as it has been in the past, for not enacting stronger antiterrorism and money laundering legislation and for lacking legal provisions to deal with conspiracy to commit terrorist acts. On June 13, 2008, the Treasury Department froze the assets of a Kuwaiti charity with alleged links to Al Qaeda—the Revival of Islamic Heritage Society—under Executive Order 13224. The NADR funds shown above assist Kuwait with counterterrorism efforts, border control, and export controls.

Economic Policy

The global financial crisis has caused unrest in Kuwait over falling stock prices and the effects of lower oil prices. As noted above, executive-legislative disputes delayed passage of stimulus measures to address the crisis. The deflationary financial environment of late 2008 contrasts with mid-2008; in June 2008, the National Assembly passed a salary increase for public sector employees and approved additional citizens’ benefits to help them cope with the mounting inflation rate (then estimated at 10.14%.)

The government-Assembly political deadlock also has prevented movement on several major initiatives, the most prominent of which is Project Kuwait. The project, backed by the Kuwaiti government, would open Kuwait’s northern oil fields to foreign investment to generate about 500,000 barrels per day of extra production. The Assembly has blocked the \$8.5 billion project for over a decade because of concerns about Kuwait’s sovereignty, and observers say no compromise is in sight. On the other hand, some observers say the election results open the possibility of compromise between the government and Assembly on the building of a fourth oil refinery, estimated to cost \$8 billion. The Assembly blocked the project in 2008 by alleging that the contracts awarded by the state oil company did not comply with procedures set out by Kuwait’s Central Tenders Committee, which handles all public sector contracts.

The financial crisis, coupled with the political infighting, also caused Kuwait to shelve the formation of a joint venture with Dow Chemical to form the largest maker of polyethylene. On December 29, 2008, the government cancelled the venture, which was have entailed a Kuwaiti investment of \$7.5 billion by state-run Petrochemical Industries Co., citing the financial crisis and falling oil prices. Kuwait and Dow Chemical had finalized an agreement for the joint venture in November 2008, and Dow Chemical expressed surprise at Kuwait’s cancellation only four weeks later. Dow had planned to use the proceeds of the investment to fund its purchase of the Rohm and Haas chemical firm, although that deal ultimately went through anyway.

The state-owned oil industry still accounts for 75% of government income and 90% of export earnings. The United States imports about 260,000 barrels per day in crude oil from Kuwait (about 3% of U.S. oil imports). Kuwait’s proven crude oil reserves are about 95 billion barrels,

enough for about 140 years at current production levels (about 2.5 million barrels per day). Total U.S. exports to Kuwait in 2008 were \$2.7 billion, consisting mostly of foods and industrial equipment. Total U.S. imports from Kuwait in 2008 were \$7.1 billion, of which \$6.6 billion consisted of crude oil. Of the remainder, \$390 million consisted of fertilizers, pesticides, and insecticides, or “other petroleum products.”⁵

Like other Gulf states, Kuwait sees peaceful uses of nuclear energy as important to its economy, although doing so always raises fears among some in the United States, Israel, and elsewhere about the ultimate intentions of developing a nuclear program. Kuwait is cooperating with the International Atomic Energy Agency (IAEA) to ensure international oversight of any nuclear work in Kuwait.

There are ongoing discussions about reviving the project. In 1994, Kuwait became a founding member of the World Trade Organization (WTO). In February 2004, the United States and Kuwait signed a Trade and Investment Framework Agreement (TIFA), often viewed as a prelude to a free trade agreement (FTA), which Kuwait has said it seeks. Kuwait gave \$500 million worth of oil to U. S. states affected by Hurricane Katrina.

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⁵ U.S. Census Bureau: Foreign Trade Statistics. <http://www.census.gov/foreign-trade/statistics>