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1NC- (1/2)

A. Kuwait’s economy is on the brink now – a rescue package has stabilized the economy but if any worsening means catastrophe.

Reuters 6/21 (Reuters, international news organization, [http://arabia.msn.com/Business/Market/AF/2010/June/1730513.aspx?ref=rss] AD: 6/24/10)JM

Kuwait's numerous trading and holding companies known as investment houses were hard hit by the meltdown, which prompted a government economic rescue package worth 1.5 billion dinars ($5.15 billion) last year. Critics note the houses require no banking licenses despite offering investment banking services, some real estate firms are licensed to operate as investment companies, and others lend without having to fulfil reserve requirements like banks. "This measure is just an attempt to accelerate the process of cleaning up the market," said independent economist Jassem al-Saadoun. "(The central bank) believes that if things are left without controls, companies will remain hanging between life and death for a long time and that is harmful to shareholders and to confidence in the market." Saadoun estimated some 40 percent of Kuwait's investment firms were too weak to survive, and 40 percent were in good condition. The rest, like Global Investment House and Investment Dar, were "too big" to be allowed to fall. Their keeling over would be "catastrophic" for banks, asset prices, individuals who invest in their funds and even the judicial system that could be swamped in the aftermath, he said. Global has reached a deal with creditors to reschedule $1.7 billion in debt, and Investment Dar, which is struggling to restructure about $3.48 billion of debt, has applied for support under the rescue package.

B. **US security assurances are critical for oil investment**

Habibi and Woertz 9 (Nader and Eckart, Nader – Henry J. Leir Professor of the Economics of the Middle East and Eckart – Director of Economic Studies @ the Gulf Research Center, Middle East Brief Vol. 39, Feb, www.brandeis.edu/crown/publications/meb/MEB34.pdf) JPG

The second component of U.S. oil policy in the region is close alliances with the oil monarchies of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman. These six oil-exporting countries, which make up the GCC, rely on the U.S., and to a lesser extent on the UK and France, for their external defence and domestic security assistance. The third component of U.S. oil policy is to maximize the participation of U.S. oil companies in the production, refining, and transportation of oil and gas products in the region. Western oil companies such as Halliburton, ExxonMobil, Texaco, and British Petroleum (BP)—with a large American ownership—are actively involved in exploration, production, and refining activities in GCC countries. In the past two decades, American oil firms have continued their involvement in the production and distribution of oil and gas in several MENA countries. This cooperation has mostly taken the form of service contracts for specific activities—whereas lucrative production-sharing agreements that allow international oil companies to show the oil reserves of a particular project on their balance sheets have been off-limits. Some American oil firms have also participated in public-private joint ventures in partnership with national oil companies. The Bush administration actively promoted the participation of American oil firms in these public-private partnerships and encouraged GCC governments to accept foreign investment in their energy sectors.4

C. Kuwaiti oil is key to the regional economy.

Al-Fil 4/7 (Gérard, financial journalist in Dubai, [http://www.marcopolis.net/kuwait-economic-vision.htm?Itemid=112] AD: 6/23/10)JM

The objective: Kuwait aims to be a prosperous state that is less dependent on oil but based on a well diversified multi-industry. The country wants to play a pivotal role in the gulf region. With production of 3,15 million barrels per day (bpd), Kuwait, whose surface of 20,000 square kilometers is half the size of Switzerland, produces more crude oil per day than Algeria and Indonesia combined. Within the Organization of Petrol Exporting Countries (OPEC), consisting of 12 members states, Kuwait stands at number four in production ranking, together with the United Arab Emirates (UAE) and Nigeria. In addition to its role as a major oil supplier, Kuwait is also the home of global players in the non-oil sector. From A like Agility to Z like Zain, Kuwait corporations are increasingly quoted in the Middle Eastern business news sections. Agility is a leading logistics firm in the region and is listed at both the Kuwait Stock Exchange KSE and the Dubai Financial Market DFM. The Kuwait-based telcom giant Zain (formerly MTC Kuwait), was founded in 1983 as the region’s first mobile operator. It has since emerged as one of the leading players in the Middle East and North Africa (Mena). Zain operates today in 22 countries and has a client base 56.3m people. Kuwait’s Minister of Commerce and Industry , Amad A-Haroun , stresses that “Kuwait has a strategic geographic location, which is unique in the region. Situated between three major economies, it has much potential to become a trade center and a trade route, bringing back the glories of the historic Silk Way.” Kuwait is a member of the Gulf Cooperation Council (GCC), a political and economic union founded in 1981, which is composed of Kuwait, Saudi-Arabia, Bahrain , Qatar, the UAE and Oman. Among GCC members, Kuwait has always been on the forefront of investing abroad. No other people travel more. No one is investing more aggressively abroad than Kuwaiti businessmen.

1NC- (2/2)

D. Middle East economic instability spurs political instability and terrorism.

Raddatz 9 (Martha, reporter for ABC News, Feb 13, 2009 [http://abcnews.go.com/Politics/International/story?id=6895135&page=1] AD: 6/24/10)JM

"Yes, we have to look at this as part of our threat matrix," the secretary of state said. "I know some people have criticized him and said, 'what does the economy have to do with terrorism.' That's a very short-sided view. I think what director Blair was saying is that we get fixated sometimes on the headlines of dangers, and that is not in any way to underestimate the continuing threat from terrorism, the instability in the Middle East and Afghanistan and Pakistan and elsewhere." "But this economic crisis, left unresolved, will create massive unemployment," she said. "It will upend governments, it will unfortunately breed instability, and I appreciated his putting that into the context of the threat matrix." In linking the economic downturn to instability, Clinton singled out Pakistan, where Taliban-linked militants have taken control of the frontier region along the border with Afghanistan, and of the once-tourist haven Swat. "... Look at Pakistan, a country that we know has to be stabilized for the benefit of not only South Asia, but beyond," Clinton said. "It is where the terrorists and their allies have found haven. But the economy in Pakistan is under even greater pressure now because of the global economic crisis. If Pakistan becomes even more unstable, that increases the danger we will face by the extremists to the Pakistan government." Asked about reports of shariah law being imposed in the Swat valley as part of a peace deal between the government and militants, and Pakistani officials saying that the government will not undertake any more offensive attacks on militants, Clinton said there have been some "contradictory reports" and that she wants to "get the whole picture" before commenting.

2. Terrorism causes extinction

Alexander 3 [Alexander, Professor and Director of Inter-University for Terrorism Studies, Washington Times, August 28, Lexis ]

Last week's brutal suicide bombings in Baghdad and Jerusalem have once again illustrated dramatically that the international community failed, thus far at least, to understand the magnitude and implications of the terrorist threats to the very survival of civilization itself. Even the United States and Israel have for decades tended to regard terrorism as a mere tactical nuisance or irritant rather than a critical strategic challenge to their national security concerns. It is not surprising, therefore, that on September 11, 2001, Americans were stunned by the unprecedented tragedy of 19 al Qaeda terrorists striking a devastating blow at the center of the nation's commercial and military powers. Likewise, Israel and its citizens, despite the collapse of the Oslo Agreements of 1993 and numerous acts of terrorism triggered by the second intifada that began almost three years ago, are still "shocked" by each suicide attack at a time of intensive diplomatic efforts to revive the moribund peace process through the now revoked cease-fire arrangements [hudna]. Why are the United States and Israel, as well as scores of other countries affected by the universal nightmare of modern terrorism surprised by new terrorist "surprises"? There are many reasons, including misunderstanding of the manifold specific factors that contribute to terrorism's expansion, such as lack of a universal definition of terrorism, the religionization of politics, double standards of morality, weak punishment of terrorists, and the exploitation of the media by terrorist propaganda and psychological warfare. Unlike their historical counterparts, contemporary terrorists have introduced a new scale of violence in terms of conventional and unconventional threats and impact. The internationalization and brutalization of current and future terrorism make it clear we have entered an Age of Super Terrorism [e.g. biological, chemical, radiological, nuclear and cyber] with its serious implications concerning national, regional and global security concerns.

UQ- Up- Europe

**Kuwait economy improving though still susceptible to European stagnation**

Arab Times 5/29 [http://www.arabtimesonline.com/NewsDetails/tabid/96/smid/414/ArticleID/154584/t/Kuwait-sees-3.0-pct-GDP-growth-for-%E2%80%9910,-all-eyes-on-govt-projects/Default.aspx] KLS

KUWAIT CITY, May 29: 3.0% growth this year, all eyes on government projects \* The Kuwait economy is recovering this year and real GDP should grow 3.0%. The non-oil sector is expected to lead with growth of 4.0% while the oil sector advances 1.4%. \* The consumer sector is growing, and real estate is improving. The remaining sectors, though healthier, await government spending to improve further. \* As they gradually come on line, government projects should lead to faster growth in 2011 and beyond. \* Inflation was 4.0% last year and should be steady at 4.2% this year. NBK’s latest GCC Brief stated: Kuwait’s economy is improving and set to grow 3.0% in real terms this year. Most sectors are steady and/or improving: - the consumer sector which had been the steadier through last year’s weakness is still holding up well. - the real estate sector is showing improvement in recent months and is returning to levels of activity not seen since 2007-08, except in commercial real estate, where oversupply is weighing on the sector. - the so-called “productive” sectors (trade, industry, construction, etc) are finally and tentatively showing signs of life, after a protracted period of stagnation. It is no surprise that these sectors were the most impacted by the crisis/weakness of 2008-09. - the oil sector is recovering along with world demand, and is expected to grow 1.4% this year in real terms. - the non-oil sector should grow 4.0% this year, to yield the 3.0% overall performance we project. Data for the first few months of this year support this view of gradual improvement, and we expect the 2010 pace of growth to accelerate toward a 4-5% clip by 2011-12, depending on the government’s ability to deliver on large plans and projects in coming months. The world economy which had looked stable for some time is now again rising concerns around Greece, and other over indebted states and their macroeconomic impact on Europe and beyond. Now, the GCC economies have little direct exposure to Greek debt or Greek banks, and similarly for other distressed borrowers (Portugal, Spain, etc). However, we have seen in recent weeks that these remote events have pressured oil/energy prices and stock markets worldwide. Oil prices are still around USD70 pb and the Kuwait stock market is still up slightly on a year-to-date basis, even after the severe correction of the last two weeks.

UQ- Up- Fiscal Regulation

Kuwait economy surviving on guarantee of stability assured by governmental fiscal regulation

The Banker 6/1 [2010, Lexis] KLS

However, KIB does not agree with S&P's prognosis. "For Dubai-based banks, such assumptions could be justifiable bearing in mind the adverse impact of the Dubai debt crisis on its local banking sector. But, for Kuwait's banking sector, we do not agree with such an assumption. The economic environment surrounding Kuwait's banking sector looks different. International Monetary Fund sources, as well as domestic official sources, anticipate a real growth rate of 4% to 5% for Kuwait's economy in 2010," it says in a statement. A move that will go some way towards confounding worries about the health of Kuwait's banking sector is the introduction of the country's Financial Stability Law. Approved by Kuwait's cabinet in March 2009, the law entails a $5.2bn economic stimulus package to enable banks to lend about Kd4bn within two years, of which the government would guarantee up to 50% to encourage lending. The increase in liquidity is supplemented by a means to restructure operational companies with solid assets. In March of this year, the sharia-compliant investment house Investment Dar successfully filed to enter into the law so as to institute a restructuring plan that will allow the company to repay its financial obligations. This particular development has been well received. "The fact that the Financial Stability Law has been passed is positive and has helped to reassure the market. There is still the question of the extent to which it will be used. The law further underlines the authorities' willingness to support the local economy, but not many banks are likely to take advantage of it, as the banks would in any case finance proposals from sound customers with appropriate collateral," says Fitch Ratings' Mr Smith. Florence Eid, founder and CEO of Arabia Monitor, a London-based research and advisory firm specialising in the Middle East and north Africa region, agrees. "The slump in oil prices over the course of late 2008 and the first half of 2009 contributed to exposing firms that were overleveraged. When oil revenues fell, the problems of those firms were magnified. The new Financial Stability Law should go some way towards restoring investor confidence," she says. Kuwait's banking sector is also helped by a strong regulatory environment, according to Mr Smith. "The central bank is a strong regulator and has cultivated that reputation since guiding the sector through the turbulence of the Iraqi invasion of Kuwait. It monitors the sector closely and is prepared to intervene, when necessary. Oversight has been stepped up in light of the global financial crisis and difficulties faced by some local banks, as demonstrated by the thorough review of banks' loan books and provisions before they are allowed to finalise their results."

Kuwait economy on the road to recovery- fiscal rule and squo spending must be maintained

Thabet 6/15 [Mokhtar, Staff Writer, 2010 Global Arab Network http://www.english.globalarabnetwork.com/201006156218/Finance/kuwait-negative-banking-outlook-weak-diversification-oil-reliance.html] KLS

On February 2010, Kuwait’s parliament approved a KWD30 billion (US$100 billion) development plan aimed at financing much-delayed infrastructure projects. If efficiently implemented, the plan could potentially boost the country’s non-oil private sector economy and support its construction one, the fortunes of which have flagged in recent years. Boding well for the credit standing of construction companies, it is expected to have a positive effect on the asset quality of Kuwaiti banks (indeed construction companies are some of their largest customers). However, its efficient implementation remains in question given that Kuwait’s cumbersome bureaucracy has previously prevented the authorities from meeting much lower budgetary spending targets.

UQ- Up- Political Stability

Kuwait economy forecasting growth reliant upon political and fiscal stability

Odion-Esene 6/1 [Brai Staff Writer, 2010 http://imarketnews.com/?q=node/14314] KLS

WASHINGTON (MNI) - Standard & Poor's Ratings Services Tuesday affirmed its 'AA-/A-1+' sovereign credit ratings for Kuwait, the outlook is stable, citing the government's strong financial position and the Emirate's wealth of resources. Meanwhile the National Bank of Kuwait -- Kuwait's largest financial institution -- predicts Kuwait real GDP will grow by 3% in 2010, before accelerating toward a 4% to 5% range by 2011-2012, "depending on the government's ability to deliver on large plans and projects in coming months". The ratings on Kuwait are supported by the sovereign's "rich resource endowment," S&P said, which, combined with prudent policies, has enabled the government to build very strong external and fiscal balance sheet positions in recent years. According to the NBK, the Kuwait government's preliminary budget figures for FY'2009/10 show a surplus of KD 8.2 billion ($25.7 billion). The bank expects that number to be revised, close to KD 6.0 billion ($18.8 billion), when the final accounts are released. This would be the 12th consecutive surplus and would leave the state's finances "in superb shape," it said. This, the bank added, gives Kuwait the flexibility and latitude to stand behind an estimated KD 31 billion ($97.2 billion) worth of projects planned for the next 4 years "In our view, these strengths comfortably balance our view of the State's increased contingent liabilities, high institutional risks, and the slow progress thus far on structural reform, which remains a constraint upon economic growth," S&P said.

Kuwait economic health dependent upon regional and political stability- disruption cripples credit

Odion-Esene 6/1 [Brai Staff Writer, 2010 http://imarketnews.com/?q=node/14314] KLS

The ratings agency said the stable outlook on Kuwait balances the government's strong financial position against elevated regional geopolitical risks, increased contingent liabilities, and potential impediments to growth. It added that significantly reduced geopolitical risk could lead to a rise in rating in the future. Additionally, the firm said a stabilization of the relationship between the government and the parliament -- "along with a political consensus that helps to accelerate both private domestic and foreign investments" -- should alleviate major impediments to growth and would be positive for the rating. It warned, however, that a "sustained worsening" of political and event risks, such as a deterioration in relations with Iran, or a significant and sustained erosion of the government's asset position, could put Kuwait's creditworthiness under pressure. In a report on the Kuwait economy published over the weekend, the National Bank of Kuwait said the economy is recovering this year and real GDP should grow by 3.0%. The non-oil sector is expected to lead with growth of 4.0% while the oil sector will expand by 1.4%, recovering along with world oil demand. It noted that the consumer sector is growing, and real estate is improving, returning to levels of activity not seen since 2007-08. "Except in commercial real estate, where oversupply is weighing on the sector." The remaining sectors, though healthier, await government spending to improve further. The NBK added that as they gradually come on line, government projects should lead to faster growth in 2011 and beyond. Inflation in 2010 should be steady at 4.2%, it concluded.

Link- Transport

US military sustains Kuwait transport sector

Oxford Business Group 10 [http://www.oxfordbusinessgroup.com/publication.asp?country=33] KLS

Kuwait’s transport sector weathered the global economic turmoil in 2008 and 2009 in relatively good shape. While commercial cargo and airline passenger businesses saw a temporary drop in demand, logistics firms were protected by long-term fixed defence and government contracts. Indeed, Kuwait-based logistics leaders such as Agility and Kuwait and Gulf Transport (KGL) maintained their solid providing services linked to US military operations in Iraq. While Kuwait continues to vie for a regional role in transport and logistics, its proximity to Iraq and access via a land border will remain its major competitive advantage in the short to medium term. Some new players are entering the fray, looking to capitalise on the Iraq logistics market. Project developers have cited Kuwait’s excellent highway infrastructure, international links, proximity to Iraq and security as factors that make the country an ideal base to enter the Iraqi market. Indeed, the country ranks high on road quality measures (it earned the 36th spot in the WEF’s 2009-10 Global Competitiveness Report). However, the country received a relatively low global ranking for both its port infrastructure (68th) and air transport infrastructure (58th), with capacity issues in both segments hampering the country’s competitiveness as a regional logistics centre. But there is fresh optimism that long-awaited projects like the airport expansion, Boubyan Island and the railway network will finally come on-line in the near future. Though airline traffic suffered in 2009 on account of the global crisis, Kuwait is likely to enjoy a strong rebound in air traffic volumes – both from regional and wider international demand – in 2010. Two private Kuwaiti airlines, Wataniya Airways and Jazeera Airways, pressed ahead with expansion plans that are designed to cater to both the high and low ends of the passenger market. The aim is to serve specific niches that were underserved by the state-owned Kuwait Airways, which, as the only long-haul operator in Kuwait, maintains its specific niche and is also facing increased competition from regional providers.

Link- Liquidity

Kuwait eager for US troops- promotes liquidity

RTE 3 [March 3, RTE News, http://www.rte.ie/news/2003/0303/turkey.html]

Kuwait has said it is willing to host those US troops which the Turkish parliament refused on Saturday. The Kuwaiti Defence minister, Sheikh Jaber al-Hamad al-Sabah, said that if the US made a formal request, Kuwait would be respond positively. Kuwait already hosts tens of thousands of US forces training in the Gulf Arab state for a possible attack on neighbouring Iraq. Advertisement Turkey shares down 10% after vote Meanwhile Turkish share prices slumped more than 10% early today following parliament's failure to approve deployment of US troops. The central bank hinted that it might inject financial liquidity into the economy to help support markets.

Link- Relations

The US-Kuwaiti defense relationship benefits economies of both countries

Hajjar 2 (Sami, March 2002, PhD in Poli Sci @ University of Missouri-Columbia – Director of Middle East Studies @ US Army War College, http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106358&id=47256) JPG

U.S.-Kuwait bilateral relations, including a moderately visible U.S. military presence in Kuwait, are based on mutual vital interests. The United States provides Kuwait with critical security guarantees against an Iraqi regime that continues to regard it as a province of Iraq,118 and a potentially bellicose Iran. The United States is also a primary source of advanced military equipment and training for Kuwait’s armed forces whose performance on the eve of Iraq’s invasion in 1990 was less than exemplary—in fact, embarrassing. For the United States, Kuwait is critical for the successful implementation of U.S. policy objectives in the Northern Gulf, foremost among which is the containment of Iraq and secondarily Iran. Kuwait’s stability insures that its vast oil reserves continue to reach the world market at reasonable prices. And yes, Kuwait’s security needs, as well as those of other Gulf states, offers the United States a lucrative market for arms In a nutshell, the U.S. position in Kuwait stands on firm bases and is not likely to change drastically, not even in a post-Saddam Iraq. This is because as many Kuwaitis suspect, the Iraqi claim of Kuwait is national rather than regime-specific. Future Iraqi generations are also likely to blame Kuwait for the negative impact of the sanctions. It is a case where national (Iraqi, Kuwaiti) blood is thicker than Arab blood, so that Iraqis will hold a grudge against Kuwait for years to come.

Link- Shipping Lanes

US protects Kuwait econ- shipping lanes

Hajjar 2 (Sami, March 2002, PhD in Poli Sci @ University of Missouri-Columbia – Director of Middle East Studies @ US Army War College, http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106358&id=47256) JPG

The security situation in the region did become serious enough, leading to increased U.S. military involvement. During the Iran-Iraq war in the 1980s, the combatants resorted to attacking neutral ships in the Gulf including Kuwaiti tankers. Kuwait sought help from the permanent members of the UNSC, and, when the Soviet Union offered to charter Kuwaiti tankers, the United States reversed an earlier decision and decided to place the tankers under its flag and protection.42 Between 1987 and 1990, the United States conducted 489 missions, escorting reflagged tankers through the Gulf to Kuwait and back out through the straits of Hormuz in Operation EARNEST WILL. During these escort operations, USCENTCOM forces engaged Iranian naval forces on several occasions, in response to Iranian mine laying activities in the Gulf or because of their missile attack on reflagged Kuwaiti tankers.43 During the watch of the third USCENTCOM commander, General H. Norman Schwarzkopf, Iraq invaded Kuwait and precipitated the second Gulf war which eventually led to acceleration in U.S. military presence in the region, as well as a much more visible and robust commitment to the collective and individual security of friendly Gulf States. Heightened U.S. presence was achieved through a series of defense cooperative agreements that the United States entered into with Gulf governments.

Troops key to econ- stability increases investment

BankIntroductions.com 4 (Private research group and bank introductions services company, 4/24/4,

http://www.bankintroductions.com/kuwait.html) JPG

The U.S. Navy patrols Persian Gulf shipping lanes thus providing Kuwait the necessary vital sea security as the United Sates is a close ally to Kuwait. Saudia Arabia, located to the south of Kuwait is increasing in risk volatility with internal uprisings and bombings from al-Qaeda groups with a stated goal of removing the Saudi royal family from power. Domestic security for Kuwait is enhanced by strong United States military presence within the country coupled with Kuwait’s high proportion of defense spending. The delicate situation in Iraq located to the north of Kuwait appears to be under control by British and American forces mostly, however the medium to long term picture is quite unclear as the risk of Iraqi civil war remains. Kuwait’s close relationship with the U.S. military further enhances Kuwait’s internal stability and helps to mitigate external risks posed by neighboring countries. In BI.C’s view, the threat of terror attacks within Kuwait is also a lesser risk when compared to both Saudi Arabia and Iraq.

I/L – Shipping Key

Shipping is key to the Kuwait economy – 95% of its revenue comes from oil exports.

Nadkami 8 (Shirish Nadkarni *Port Management International* Issue No. 2 AUTUMN 2008, pg 32-33, http://www.portmanagementinternational.com/files/PMI\_Issue02.pdf)KM

Looking to the Emirate of Kuwait, problems with sandstorm earlier in the year shut the ports down as shipping and operational visibility was blurred and severely reduced. Despite this, Kuwait Port Authority (KPA) reported a rise in2007 of cargo volumes, including containers. The container terminals at the Ports of Shuwaikh and Shuaiba have been experiencing a boom in trade, due mainly to the sustained growth in Kuwait’s economy and the ports’ strategic location for Iraq-bound cargoes. Port operational efficiency is somewhat hampered by delays at Customs and the ports’infrastructure could do with major improve-ments to increase productivity. Delays and congestion have been known to redirect ship-ping to neighbouring Gulf ports. These are all being aggressively addressed by KPA. Kuwait has the world’s fifth largest proven oil reserves and is the fourth richest country in the world by per capita income. Petroleum and petroleum products account for 95% of the country’s revenue. Shuwaikh and Shuaiba are Kuwait’s prin-cipal ports which, together, handled over750,000 teu in 2007 – with Mina Al-Ahmadi being the largest, handling as it does the coun-try’s oil exports. Shuwaikh, the main Kuwaiti commercial port, is a free trade zone, which at present handles 80% of the country’s seaborne trade.

Kuwait’s economy depends on exporting and shipping oil.

AABC 10 (01 JUNE 2010 AfroAsian Business Chronicle, “KUWAIT GIVES ITS OIL ECONOMY A RENEWABLE TWIST” http://www.aabc.co.in/asia/372-kuwait-gives-its-oil-economy-a-renewable-twist.html)KM

Kuwait, the second largest producer and exporter of oil, has embarked on a path to diversify its energy sector by infusing big ticket investment in renewable energy, which is seen as a sunshine sector. This move doesn't discount the fact that Kuwait's economy will, for decades to come, remain centred around its oil wealth. But the diversification move, based mainly on the technological prowess of the US and France, is keeping in view the future challenge. “We have oil wealth which can serve us for decades to come... But we are also keen to tap the potentials in renewable energy sector. What we are looking at is not investment of money, but transfer of technology," Kuwaiti Minister of Commerce and Industry Ahmad Rased Al Haroun told Editor in Chief of Afro Asian Business Chronicle Renu Malhotra, during her recent visit to the country in the Gulf region.

Kuwait’s economy is almost exclusively through oil, and they depend on exports of that oil.

TDS 10 (Travel Document Systems May 07, 2010 http://www.traveldocs.com/kw/economy.htm)KM

Kuwait is a geographically small but wealthy country with a relatively open economy and self-reported crude oil reserves of nearly 105 billion barrels--about 9% of world reserves. Petroleum accounts for nearly half of GDP, 95% of export revenues, and 95% of government income. Kuwaiti officials have committed to increasing oil production to 4 million barrels per day (bpd) by 2020. Due to a budget surplus generated from oil prices, Kuwait survived the economic crisis that began in 2008, and in 2009 it posted its eleventh consecutive budget surplus. Kuwait has done little to diversify and reform its economy, in part because of this positive fiscal situation, but also due to the poor business climate. In addition, the acrimonious relationship between the National Assembly and the executive branch has stymied most movement on economic reforms. Nonetheless, in 2009 the government passed an economic development plan that pledged to spend up to $104 billion over five years to diversify the economy away from oil, attract more investment, and boost private sector participation in the economy. There is speculation whether such an increase in spending over the planned time frame is even possible.

I/L – Investment Key

Investment is key to Kuwait’s economy – they need it to stay diverse and competitive in the booming Middle East.

Kuwait Times 7 (“New Kuwaiti tax law to help woo foreign investors: Global”, December 30, 2007 http://www.kuwaittimes.net/read\_news.php?newsid=MjI3NjgyNTQ4)KM

KUWAIT: In a significant move to attract foreign investments in line with the state's policy of transforming the Gulf state into a regional financial hub, the Kuwaiti parliament, cut down income tax imposed on foreign commercial institutions operating in the country from 55 percent to 15 percent. Omar El-Quqa, Executive Vice-president at Global, said that the move will help in attracting significant amount of foreign direct investments (FDIs) in the country. Kuwait has struggled to attract foreign investment at a time when the booming markets of Middle East are transforming into a financial hub. And with the new proposed law we believe this progression will take place and the country which plans to attract investments worth close to $100bn in the oil and other sectors over the next 10 years will no more be a dream. As indicated by the Finance Minister the value of foreign investments in Kuwait last year was less than $300mn compared to $18bn in Saudi Arabia. The high level of taxation has always been considered as one of the important entry barriers for foreign investors. "We believe that these positive amendments in tax laws provides significant mileage to the country in terms of increasing in attractiveness for FDIs. The slashing of tax rates will help in attracting business interests of many foreign companies which will help in diversifying the economic base of the country, which heavily relies on oil as the sole source of income," he pointed.

Investment is key to economic diversification which is necessary for economic growth.

Al-Kawaz 8 (*Journal of Economic Cooperation Among Islamic* *Countries*, July 2008 Ahmed Al-Kawaz, http://www.britannica.com/bps/additionalcontent/18/35215699/Economic-Diversification-The-Case-of-Kuwait-with-Reference-to-Oil-Producing-Countries)KM

The paper addresses the issue of economic diversification as a necessary, but not sufficient condition to enhance economic development process in the state of Kuwait, and oil exporting countries alike. A number of diversification indices are calculated, and an Input-Output based diversity index is provided. The latter measured with reference to the Norwegian economy as a benchmark for a well-diversified oil producing country. Moreover, an econometric model is estimated based on pooled analysis. This is important to draw some conclusions on the main determinants of diversification in the group of a selected oil producing countries: Indonesia, Iran, Kuwait, Oman, and Venezuela. Investment, and other few variables, is turn to be one of the most important determinants. The paper concludes by a set of policy recommendations.

I/L – Kuwait K2 Middle East Econ (1/2)

Kuwait is key to the regional economy.

Al-Fil 4/7 (Gérard, financial journalist in Dubai, [http://www.marcopolis.net/kuwait-economic-vision.htm?Itemid=112] AD: 6/23/10)JM

The objective: Kuwait aims to be a prosperous state that is less dependent on oil but based on a well diversified multi-industry. The country wants to play a pivotal role in the gulf region. With production of 3,15 million barrels per day (bpd), Kuwait, whose surface of 20,000 square kilometers is half the size of Switzerland, produces more crude oil per day than Algeria and Indonesia combined. Within the Organization of Petrol Exporting Countries (OPEC), consisting of 12 members states, Kuwait stands at number four in production ranking, together with the United Arab Emirates (UAE) and Nigeria. In addition to its role as a major oil supplier, Kuwait is also the home of global players in the non-oil sector. From A like Agility to Z like Zain, Kuwait corporations are increasingly quoted in the Middle Eastern business news sections. Agility is a leading logistics firm in the region and is listed at both the Kuwait Stock Exchange KSE and the Dubai Financial Market DFM. The Kuwait-based telcom giant Zain (formerly MTC Kuwait), was founded in 1983 as the region’s first mobile operator. It has since emerged as one of the leading players in the Middle East and North Africa (Mena). Zain operates today in 22 countries and has a client base 56.3m people. Kuwait’s Minister of Commerce and Industry , Amad A-Haroun , stresses that “Kuwait has a strategic geographic location, which is unique in the region. Situated between three major economies, it has much potential to become a trade center and a trade route, bringing back the glories of the historic Silk Way.” Kuwait is a member of the Gulf Cooperation Council (GCC), a political and economic union founded in 1981, which is composed of Kuwait, Saudi-Arabia, Bahrain , Qatar, the UAE and Oman. Among GCC members, Kuwait has always been on the forefront of investing abroad. No other people travel more. No one is investing more aggressively abroad than Kuwaiti businessmen.

Kuwait key to Middle East economy.

Al-Bisher 5 (Khaled A., Vice-Chairman and Managing Director of Tijara, [http://www.worldreport-ind.com/kuwait/interview2.htm] AD: 6/24/10)JM

I encourage businessmen and investment companies to come to Kuwait and invest here as I personally believe that Kuwait played a crucial role for Gulf economy before Gulf War I and even today due to its location. Kuwait can be economic and financial centre of the region. In the recent developments of the region Kuwait has emerged as more secure nation and after the political reforms initiated by His Highness Sheikh Jaber Al Ahmed Al Sabah, Kuwait's economy is shaping to grow fast with stable outlook. Moreover the economy, which is going to open for private players soon, has huge potential and the country has the enormous capabilities and the opportunities for foreign companies. Recently, most international companies are visiting Kuwait and we have already seen a lot of movements in this regard here.

Kuwait provides critical economic assistance in the region.

U.S State Department 7 (U.S State Department, Embassy of the United States, Kuwait City, Kuwait, [http://kuwait.usembassy.gov/kuwait\_economic\_trends.html] AD: 6/24/10)JM

Kuwait has been a major source of foreign economic assistance to other states through the Kuwait Fund for Arab Economic Development, an autonomous state institution created in 1961 on the pattern of Western and international development agencies. In 1974, the fund's lending mandate was expanded to include all-not just Arab-developing countries. Over the years aid Kuwait has provided aid to Egypt, Syria, and Jordan, as well as the Palestine Liberation Organization. During the Iran-Iraq war, Kuwait also gave significant aid to the Iraqis. The Kuwait fund issued loans and technical assistance grants totaling over $419 million during its fiscal year ending March 31, 2003. Kuwaiti provided unparalleled assistance during Operation Iraqi Freedom by establishing and operating the Humanitarian Operations Center for Iraq.

I/L – Kuwait K2 Middle East Econ (2/2)

Kuwait’s economy is a stabilizing factor in the Middle East.

KUNA 5/2 (Kuna, Kuwait News Agency, [http://www.kuna.net.kw/NewsAgenciesPublicSite/ArticleDetails.aspx?Language=en&id=2080009] AD: 6/24/10)JM

By Mehdi El-Nemer ROME, May 2 (KUNA) -- The State of Kuwait plays a key role in the Gulf and Arab region due to the wise leadership of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and the Amir's visit is to have profound results and effect on Kuwaiti-Italian and Gulf-Europe relations. In remarks in an interview, Minister of Infrastructure and Transport Altero Matteoli told KUNA "Kuwait served as a most reliable point of reference in the region in terms of Middle East stability issues and in terms of mutual understanding between the west and the Islamic world." He added that this unique status promoted Italy to come to Kuwait' aid back in 1991 and support the war to liberate the state. Italy still considers Kuwait a balanced partner on the complicated scene of politics and power in the Middle East, the minister noted. On Italian relations with Arab states, the official remarked that the time-honored trade and cultural interaction with the Islamic world underwent major changes after WWII. The situation is complicated as the Arab World seek peace and stability, Israel maintains a right to exist, and Italy and Europe seeking to establish and maintain stable relations with "all" parties in the region. The Arab region being a major energy supplier further complicated the situation, he said. Now, Italy and Kuwait have a heavy political burden to navigate within this climate and mitigate crises, each within its unique dimension. On another point, the minister noted the expertise of Italian companies in the fields of urban development, construction, civilian infrastructure, and transportation can be of great use to Kuwait's development plans. The Amir's visit, Matteoli said, would yield a clearer understanding of the plans and the requirements of implementing them. "Italian companies not only stand to contribute high-standard technology and quality, but the skill of finding harmony within the unique environment they venture in." While Kuwait's particular needs would be made clearer during the visit, the Kuwait side on its part shall find reliable and specialized partners in Italian corporations. "I am particularly hoping that His Highness the Amir accepts to assume a leading role at a G8 Conference on environment and transportation, due in Rome in November, which seeks sustainable solutions for all sectors related to transport on a global scale," the official added. On the need for a Kuwait-Rome aviation route, he said he was "certain this new route would yield more understanding and interaction," adding both states are keen on and willing to work for such progress.

MPX – Middle East Econ Good- Terrorism Xtension

Terrorism causes extinction.

Sid-Ahmed 4 (Mohamed, political analyst for the 'Al-Ahram' newspaper, 26 August, [http://weekly.ahram.org.eg/2004/705/op5.htm] AD:6/23/10)JM

A nuclear attack by terrorists will be much more critical than Hiroshima and Nagazaki, even if -- and this is far from certain -- the weapons used are less harmful than those used then, Japan, at the time, with no knowledge of nuclear technology, had no choice but to capitulate. Today, the technology is a secret for nobody. So far, except for the two bombs dropped on Japan, nuclear weapons have been used only to threaten. Now we are at a stage where they can be detonated. This completely changes the rules of the game. We have reached a point where anticipatory measures can determine the course of events. Allegations of a terrorist connection can be used to justify anticipatory measures, including the invasion of a sovereign state like Iraq. As it turned out, these allegations, as well as the allegation that Saddam was harbouring WMD, proved to be unfounded. What would be the consequences of a nuclear attack by terrorists? Even if it fails, it would further exacerbate the negative features of the new and frightening world in which we are now living. Societies would close in on themselves, police measures would be stepped up at the expense of human rights, tensions between civilisations and religions would rise and ethnic conflicts would proliferate. It would also speed up the arms race and develop the awareness that a different type of world order is imperative if humankind is to survive. But the still more critical scenario is if the attack succeeds. This could lead to a third world war, from which no one will emerge victorious. Unlike a conventional war which ends when one side triumphs over another, this war will be without winners and losers. When nuclear pollution infects the whole planet, we will all be losers.

MPX – Middle East Econ Good- Genocide

A. Middle East economic growth solves instability.

Taylor 4 (John B., Under Secretary of the Treasury for International Affairs, “Economic Growth in the Greater Middle East”, April 7, 2004)JM

I wish that I could have participated in the whole conference, especially to have been here this morning to listen to the papers by George Abed and others. That this type of economic growth research is having a significant impact on development policy is one of the themes of my remarks today. And it would have been a special pleasure to spend more time interacting with my former Stanford colleague, Guido Tabellini, in a rough-and-tumble seminar setting. But my job now is much more about applying economic research in practice than conducting such research. Economic growth in the greater Middle East is a high priority of the Bush administration. As President Bush made clear in his National Endowment for Democracy speech on the greater Middle East last November, these economic growth issues are closely linked with political and security issues, perhaps even more so than in any other part of our foreign policy. One indication of the importance of economic issues in this region for the U.S. Treasury is that I have traveled to the Middle East or key neighboring regions a dozen times since I was sworn in as Under Secretary in 2001.

B. Instability causes genocide and terrorism

Forest 7 (James, director of terrorism studies at the U.S. Military Academy and the Combating Terrorism Center at West Point, September 1, 2007, [http://www.allbusiness.com/government/government-bodies-offices/5523341-1.html] AD: 6/24/10) JM

A regional war in the Middle East would bring a variety of negative consequences for the United States. First, and most obvious, the global security environment would shift in a most unfavorable direction. The death and destruction would transcend geopolitical boundaries and possibly spill over into neighboring regions. The humanitarian crisis would overwhelm the unprepared regimes throughout the Middle East. Calls for intervention and relief could result in allies of the United States becoming involved. [ILLUSTRATION OMITTED] Meanwhile, the asymmetric nature of much of the fighting will offer new opportunities for many young, motivated men and women to acquire the skills of guerrilla warfare, making them attractive recruits for al-Qaeda and affiliate terrorist organizations. Wars bring an enabling environment for arms trafficking and other sorts of criminal activity, as well as human rights abuses--in some cases, even atrocities like genocide. It is also highly doubtful that, should such a war take place, the victors of the bloodshed will be inclined to establish the sort of liberal, open democratic societies that were fostered and nurtured in Europe and Asia following World War II.

MPX – Middle East War Goes Nuclear

Middle East instability leads to nuclear war.

Steinbach 2 (John, researcher for Centre for Research on Globalisation, March 2002 [http://www.globalresearch.ca/articles/STE203A.html] AD: 6/24/10)JM

Meanwhile, the existence of an arsenal of mass destruction in such an unstable region in turn has serious implications for future arms control and disarmament negotiations, and even the threat of nuclear war. Seymour Hersh warns, "Should war break out in the Middle East again,... or should any Arab nation fire missiles against Israel, as the Iraqis did, a nuclear escalation, once unthinkable except as a last resort, would now be a strong probability."(41) and Ezar Weissman, Israel's current President said "The nuclear issue is gaining momentum(and the) next war will not be conventional."(42) Russia and before it the Soviet Union has long been a major(if not the major) target of Israeli nukes. It is widely reported that the principal purpose of Jonathan Pollard's spying for Israel was to furnish satellite images of Soviet targets and other super sensitive data relating to U.S. nuclear targeting strategy. (43) (Since launching its own satellite in 1988, Israel no longer needs U.S. spy secrets.) Israeli nukes aimed at the Russian heartland seriously complicate disarmament and arms control negotiations and, at the very least, the unilateral possession of nuclear weapons by Israel is enormously destabilizing, and dramatically lowers the threshold for their actual use, if not for all out nuclear war. In the words of Mark Gaffney, "... if the familar pattern(Israel refining its weapons of mass destruction with U.S. complicity) is not reversed soon- for whatever reason- the deepening Middle East conflict could trigger a world conflagration." (44)

Middle East instability goes nuclear – it doesn’t take much

Gaffney, Jr. 97 (Frank, founder of the Center for Security Policy, September 1997, [http://www.meforum.org/360/china-arms-the-rogues] AD: 6/24/10)JM

The PRC's arms transfers will greatly intensify, if not precipitate, the next war in the Persian Gulf, the Levant, or North Africa. For example, the mere existence of chemical or biological weapons-to say nothing of nuclear ones-on medium-range ballistic missiles in the hands of people like the mullahs of Iran, Saddam Husayn, Hafiz al-Asad, and Mu'ammar al-Qadhdhafi could make the costs to Israel of "going second" appear intolerably high. Under such circumstances, even the tiniest provocative spark could be sufficient to set off a conflagration unlikely to remain confined to the Middle East. The proven Iranian, Syrian, and Pakistani willingness to collaborate with other potentially dangerous states-notably Libya, Algeria and, to varying degrees, Iraq-greatly complicates international efforts to combat proliferation. The Syrian-Iranian strategic partnership, one of the means by which Chinese technology reaches Hafiz al-Asad's regime, is particularly worrisome. For the People's Republic of China, these transactions may be more than simply a valuable means of generating hard currency, paying for oil imports, and gaining influence. Peking also appears to be encouraging weapons proliferation in the Middle East as part of its campaign to diminish America's presence and influence in Asia. 42 For violent conflict in the Middle East would preoccupy the United States, sapping its resources and tying it down far from Chinese borders. That the PRC's proliferation activities appear to be part of a larger and more ominous pattern of hostile behavior adds to the urgency of effective countermeasures. The United States must take the lead in forging efforts-multilateral where possible, unilateral where necessary-to resist and curb these perils.

MPX- US Econ Module (1/2)

A. Kuwait economic downturn precludes US importation of oil

Katzman 9 (Kenneth, Specialist in Middle Eastern Affairs for Congresional Research Institute, 12/9/9, Issue RS21513, www.fas.org/sgp/crs/mideast/RS21513.pdf) JPG

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 allegeing 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, 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.

MPX- US Econ Module (1/2)

B. Lack of importation ability throws the econ into a tailspin

Duffield 8 [John S, Professor of Political Science at Georgia State University, Stanford Law and Politics http://books.google.com/books?id=ENy0AAAAIAAJ&q=Over+a+Barrel:+The+Cost+of+US+Foreign+Oil+Dependence&dq=Over+a+Barrel:+The+Cost+of+US+Foreign+Oil+Dependence&hl=en&ei=bd4jTOy9DsKB8gbNz9GqBQ&sa=X&oi=book\_result&ct=result&resnum=1&ved=0CCwQ6AEwAA] KLS

One frequently suggested approach to cutting imports is to increase the level of oil production in the United States. Indeed, reducing U.S. foreign oil dependence has been a principal justification used by proponents of lifting restrictions on offshore drilling and opening up the Arctic National Wildlife Refuge (ANWR) and other federal lands to oil production. But even an all out effort to raise domestic output will not make a substantial difference. In the first place, the potential is quite limited. According to several recent estimates, increasing access to all possible reserves would result in at most two to three MBD in additional production, and then only when the new Alaskan production was at its temporary peak. In addition, short of the elimination of all imports and the effective isolation of the U.S. oil market, there are sharp limits to how much increased production and concomitantly lower imports alone could reduce the economic costs and risks of U.S. foreign oil dependence. As long as the United States remains a large oil consumer and as long as the prices of oil and petroleum products are ultimately set on world markets, the U.S. economy will be hobbled by high prices and susceptible to the negative consequences of the oil supply disruptions, wherever they may occur. As one expert has written, “our nation’s economic vulnerability to the oil price is largely a function of how much oil we use and not how much we produce.” Thus the most effective way to reduce the economic costs and risks of foreign oil dependence is to reduce U.S. oil dependence more generally, regardless of its source. As a recent report on the subject noted, “in a global market, the benefits of each barrel of increased domestic production are shared by all consumers in all nations through a lower equilibrium price, whereas the benefits of each barrel of reduced consumption accrue fully to those who have lessened their oil use. Reducing U.S. oil dependence across the board could have a number of economic benefits. First, it would most likely result in a decline in American imports of oil and petroleum products, since not all of the reduction in demand would met by a drop in domestic production. Second, it could help to bring down prices, at least temporarily. As by far the largest aggregate consumer of oil and petroleum products, the United States more than any other country determines the price on world markets. Other things being equal, a decline in US consumption would bring about a larger drop of prices that would a comparable reduction as a percentage of demands by any other consumer country. Both lower import volumes and prices would in turn reduce the recurring economic costs of foreign oil dependence. Third, a decline in--- or at least a lessening in the growth of- US consumption would help to use the current and foreseeable pressure on the world oil market generated by rising global demand. It could help to create some much needed slack in the market, primarily in the form of a restoration of a meaningful margin of surplus production capacity, which would in turn make oil shocks less likely or shorter in duration. Unless the United States could continue to reduce its demand over a prolonged period, however, this effect might also be only temporary as other consumers respond to lower prices by increasing their consumption and producers respond by investing less in new production capacity. Finally, a decline in overall US oil dependence, as measured by the oil intensity of the American economy would reduce the economic cost of future oil shocks. These costs are directly proportional to the overall level of consumption in the economy. For example, a 10 percent reduction in oil intensity would result in a comparable reduction in the immediate outlays for oil, the long-term loss in potential economic output, and the macroeconomic adjustment costs due to sudden price changes. In other words, noted economic martin Feldstein has argued, “reducing consumption of oil would make the U.S. economy less sensitive to global oil prices and therefore to shocks in global foreign supplies. If oil plays a smaller role in the economy, changes in the world oil prices would have less of an impact on the domestic economic output.

C. US economic collapse causes nuclear war

Cook 7 [Richard C., Writer, consultant, and retired federal analyst in U.S. Treasury Dept, Global Research, June 14. Accessed: <http://www.globalresearch.ca/index/php?context=va&aid=5964>] KLS

Times of economic crisis produce international tension and politicians tend to go to war rather than face the economic music . The classic example is the worldwide depression of the 1930s leading to World War II. Conditions in the coming years could be as bad as they were then. We could have a really big war if the U.S. decides once and for all to haul off and let China, or whomever, have it in the chops. If they don't want our dollars or our debt any more, how about a few nukes?

MPX- Arms Sales Module

A. The US provides military and technology in exchange for use of bases in Kuwait – this totals 787 billion.

Global Security 5 (20/6/5, http://www.globalsecurity.org/military/facility/kuwait.htm) JPG

The United States is currently Kuwait's largest supplier, and Kuwait is the fifth-largest market in the Middle East for US goods and services. Since the Gulf war, Kuwaiti attitudes toward Americans and American products have been excellent. US exports to Kuwait totaled $787 billion in 2000. Provided their prices are reasonable, US firms have a competitive advantage in many areas requiring [advanced technology](http://www.globalsecurity.org/military/facility/kuwait.htm), such as oil field equipment and services, electric power generation and distribution equipment, telecommunications gear, consumer goods, and military equipment. In 1993, Kuwait publicly announced abandonment of the secondary and tertiary aspects of the Arab boycott of Israel (those aspects affecting US firms). Kuwait also is an important partner in the current US-led campaign against terrorism, providing assistance in the military, diplomatic, and financial arenas. Kuwait has two modern ports -- Mina Al Shuwaikh and Mina Shuaiba -- which handle most of the country's imported goods. Both are equipped with facilities to manage most kinds of cargo. The small ports at Mina Shuaiba and Mina Abd Allah [Mina Abdulla] are also used for the export of oil products.

B. Arms sales to Kuwait are key to regional security and economic growth

Bureau 9 (7/30/9, DefenseWorld.net

http://www.defenseworld.net/go/defensenews.jsp?n=Kuwait%20to%20buy%20eight%20KC-130J%20tanker/transport%20aircraft%20for%20$1.8%20billion&id=3372) JPG

On July 15, the Defense Security Cooperation Agency notified Congress of a possible foreign military sale to the Government of Kuwait of eight KC-130J Multi-mission Cargo Refueling Aircraft and associated equipment, parts and support for an estimated cost of $1.8 billion. The Government of Kuwait has requested a possible sale of 8 KC-130J Multi-mission Cargo Refueling Aircraft with 32 AE-2100D3 Turbo propeller engines, 8 spare AE-2100D3 Turbo propeller engines, 4 AN/ALR-56M Radar Warning Receivers, 4 AN/AAR-47 Missile Approach Warning Systems, 4 AN/ALE-47 Countermeasures Dispenser Sets, 20 AN/ARC-210 (RT-1851A(U)) Very High Frequency/Ultra High Frequency HAVEQUICK/Single Channel Ground and Airborne Radio Systems, spare and repair parts, support equipment, publications and technical documentation, warranties, aircraft ferry support, personnel training and training equipment, U.S. Government and contractor technical and logistics personnel services and other related elements of program support. The estimated cost is $1.8 billion. This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country which has been, and continues to be, an important force for political stability and economic progress in the Middle East.The Government of Kuwait needs these aircraft to strengthen its tactical and operating capabilities with its defense network. The aircraft will provide enhanced airlift capability, and with the refueling capability, add significant operational flexibility by extending the range of Kuwait’s air defense aircraft. The proposed sale of these aircraft will not alter the basic military balance in the region.The principal contractor will be Lockheed Martin Aeronautics Company in Marietta, Georgia. There are no known offset agreements proposed in connection with this potential sale. Implementation of this proposed sale will not require the assignment of any U.S. Government or contractor representatives to Kuwait.

C. Conflict in the Middle East goes nuclear
Blank 01 [Stephen- Professor at Strategic Studies Institute at US Army War College, World and I, 2/1/01] KLS

After seven or more years of America's best efforts, we now should see with whom we are dealing and the multiple fronts of the real Middle East war. In today's Middle East, every form of conflict along the spectrum from rock throwing to nuclear war can take place. Governments there have long since used weapons of mass destruction in other states' civil wars**.** Further opportunities to start these civil wars or use such weapons must be firmly deterred and discouraged. Rather than choose peace and democracy, Arafat and his allies have chosen war and hatred. Israel and the United States should act together to make sure that they never get to make another similar choice.

MPX- Arms Sales Module Xtensions

Kuwaiti arms purchases generates growth and creates regional stability

Chun 10 (Clayton, Chair for the Department of Distance Education at the U.S. Army War College, Strategic Studies Institute, February 2010, www.strategicstudiesinstitute.army.mil/pdffiles/pub967.pdf) JPG

The nation has spent much of its oil revenues diversifying its economy. The government has developed economic trade zones to lure business from Asia, Europe, and other areas. A new economic trade hub, Silk City, will cost an estimated $75 billion to complete.27 Increased trade and commerce may require additional security to assure companies and financial institutions that their investments are safe. Defense spending can provide a visible demonstration of Kuwait’s assurance of security. Defense spending is also a means to develop the economy. Some countries, like Kuwait’s neighbor, the United ArabEmirates (UAE), also use defense spending as a means to improve domestic job skills by requiring foreign defense contractors to use the local industrial base for labor, components, and assembly.28 The composition of Kuwaiti defense spending determines the size and character of the budget. Increased Kuwaiti defense spending serves to compensate for the small size of the armed forces. The total Kuwaiti active force is about 15,500 personnel, with another 23,700 reservists. This small force could not withstand a serious attack by Iran. The Iranian active forces number over one-half million personnel with a reserve force of 350,000. The Kuwaiti Ministry of Defence tries to compensate for the personnel disparity through the purchase of advanced weaponry. Kuwaiti defense forces aim to meet such enemy threats

with technology entailing extensive and expensive acquisitions. For example, a missile defense system is required to defeat an Iranian ballistic missile. In 2007, Kuwait purchased 80 advanced Patriot-3 missiles plus upgrade kits for existing older generation Patriot missiles.29 These systems could defend the country’s airspace and provide a limited shield against a ballistic missile attack. Kuwait also recently purchased theFrench Rafale fighter, naval frigates, and additional anti-missile defense systems.30 Other purchases include tube-launched, optically-tracked, wire-guided (TOW) anti-tank missiles to replace older versions of the existing system. Kuwait has also sought bilateral defense cooperation agreements with a number of countries, to include Turkey, which may aid it in a time of national emergency. Kuwait’s purchase of weapons from large western nations also solidifies international support during a crisis, improves its ability to use modern weapons technology to offset its numerical disadvantages, provides for an opportunity to expand a growing industrial base, and, by sacrificing its oil revenue, demonstrates its determination to resist regional threats.

MPX-Arms Sales- A2 “Oil Exports Bad for US Econ”

US arms sales even out disparities created by oil purchasing

FAS 2 (Federation of American Scientists – Arms Sales Monitoring Project Division, February 2002, http://www.fas.org/asmp/profiles/kuwait.htm) JPG

Another objective of U.S. arms sales is the recycling of "petrodollars." As with the Shah of Iran in the 1970s, arms sales to major oil exporters help maintain America's balance of payments (Michael Klare, *American Arms Supermarket* (Austin: University of Texas Press, 1984), pp. 118-121). Foreign sales also delay the shutdown of arms production lines. Kuwait received the first of its M-1A2 tanks in August 1994 (*Aerospace Daily*, 23 August 1994), less than a year after General Dynamics built the last M-1A2 for the U.S. Army. Although the Army plans to upgrade some older M-1 tanks, the tanks being built in Lima, Ohio are for Saudi Arabia and Kuwait only. Kuwait's purchase of F/A-18C/D fighter-bombers also reduces unit costs for the Pentagon and subsidizes development of the F/A-18E/F aircraft.

MPX- Arms Sales- A2 “Poverty/Econ” Module

Privatization solves – increases efficiency, productive jobs, and international competition

Al-Ebraheem 96 (Yousef, dean of the College of Administrative Sciences and associate professor of economics @ Kuwait University, Middle East Quarterly, Sept. 1996, http://www.meforum.org/312/kuwaits-economic-travails) JPG

To deal with this emerging crisis, Kuwait needs structural reforms that emphasize long-term development, not short-term welfare. The government must gradually reduce welfare benefits and subsidies, reserving them only for the poor, and encourage private enterprise to play its historical and natural (in other words, its pre-oil era) role. There is only one solution: the government must design and implement a privatization strategy. This will do several positive things: increase efficiency, create productive job opportunities, and prepare national private companies to compete internationally. The Kuwaiti government in 1993 commissioned the World Bank to develop a privatization strategy and, as part of this effort, it sold its ownership in sixteen companies to the public, generating KD 370 million ($1.23 billion) in less than two years. While the National Assembly is preparing legislation to regulate the privatization process, the government has postponed privatizing the truly major corporations, such as the telephone and the electricity companies. The government is also allowing Kuwaiti and foreign companies to participate in downstream oil industries; a planned $2 billion petrochemical complex will include a 40 percent share for Union Carbide and 10 percent for other private firms.

Kuwait government is spending over 100 billion in oil now

France24.com 10 (2/2/10, Int’l News Site, http://www.france24.com/en/20100202-kuwait-adopts-100-billion-spending-plan) JPG

Kuwait's parliament on Tuesday passed an economic development plan that authorises the government to spend 30 billion dinars (104 billion dollars) on mega projects over the next four years.The plan, passed with little opposition, calls for boosting the OPEC country's oil production capacity and modernising oil facilities. Its ultimate goal is to turn Kuwait into a regional trade and financial centre and help reduce its dependence on oil revenues, which account for around 94 percent of total state income.

MPX- Econ Growth Good- Democracy Module (1/2)

A. Strong Kuwait economy sustains Middle East democracy

Terril 7 [Dr. W. Andrew, senior international security analyst at the Lawrence Livermore National Laboratory, September Strategic Studies Institute http://www.strategicstudiesinstitute.army.mil/pubs/summary.cfm?q=788] KLS

Kuwait has been a close military partner of the United States since a U.S.-led military coalition liberated it from the iron grip of Iraqi occupation in 1991. The U.S.-Kuwait relationship since that time has been consolidated as an important alliance for both countries. Although Kuwait is a small country, it is also strategically located and supports ongoing security relations with the United States. The importance of Kuwait's strategic position can be expected to increase as the United States reduces its presence in postSaddam Iraq but still seeks to influence events there and throughout the Gulf region. Kuwait's strategic importance also increased following the U.S. decision to remove its combat forces from Saudi Arabia in 2003.[3](http://www.strategicstudiesinstitute.army.mil/pubs/summary.cfm?q=788#endnotes) Additionally, Kuwait rests upon approximately 10 percent of the world's known oil reserves and is expanding its efforts to explore for natural gas, making it a vital economic ally. More recently, and also of interest to the United States, the Kuwaiti experience is emerging as an especially important ongoing experiment in democratic institution-building and the expansion of democratic practices. This approach to governance is being implemented in ways that support U.S. goals for increased democratization of the region, although elections have also helped to empower some extremely conservative Islamists, such as members of the Kuwaiti Islamic Constitutional Movement, which is the political arm of the Kuwaiti Muslim Brotherhood.[4](http://www.strategicstudiesinstitute.army.mil/pubs/summary.cfm?q=788#endnotes)

B. Democracy prevents Iranian nuclearization

Washington Post 93 [December 19, Lexis] KLS

The United Front for Democracy in Iran, a nonsectarian, non-Marxist representation of the Iranian community, completely agrees with Amos Perlmutter's assessment and conclusion of Nov. 23 regarding the perilous consequences of a nuclear fundamentalist regime in Iran ("Unrealistic policy guidelines"). However, Mr. Perlmutter's solution is odious to every Iranian, irrespective of his political beliefs or hatred for the current Iranian regime, i.e., U.S. cooperation with Israel and Turkey to wrest Azerbaijan away from Iran. Action by foreign powers to incite rebellion, promote irredentism or to truncate Iran would generate a feeling of spontaneous nationalism and would rally all Iranians around the flag. Neither Mr. Perlmutter nor anyone else is justified in advocating partition of a sovereign country on the pretext that it is about the join the nuclear club. The United Front for Democracy in Iran believes that to forestall Iranian nuclearization, we need to focus on the means of further discrediting and isolating the fundamentalist government and of promoting a viable democratic alternative, such as the United Front, in its place.

MPX- Econ Growth Good- Democracy Module (2/2)

Iranian nuclearization ignites Middle Eastern war- 28 million dead in 21 days, 33 million to follow, global economy destroyed- extinction

Walker 7 [Martin Senior Director of the Global Business Policy Council November 22 Middle East Times http://www.metimes.com/Opinion/2007/11/22/analysis\_a\_mideast\_nuclear\_war/4411/ ] KLS

He has now turned his laser-like research and forensic intelligence skills to studying the real implication of the endless diplomatic minuet at the United Nations over Iran's nuclear ambitions. In the real world, this matters mainly because an Iranian nuclear capability would transform the power balance in the wider Middle East, and leave the region and the rest of us living under the constant prospect of a nuclear exchange between Iran and Israel. This would mean, Cordesman suggests, some 16 million to 28 million Iranians dead within 21 days, and between 200,000 and 800,000 Israelis dead within the same time frame. The total of deaths beyond 21 days could rise very much higher, depending on civil defense and public health facilities, where Israel has a major advantage. It is theoretically possible that the Israeli state, economy and organized society might just survive such an almost-mortal blow. Iran would not survive as an organized society. "Iranian recovery is not possible in the normal sense of the term," Cordesman notes. The difference in the death tolls is largely because Israel is believed to have more nuclear weapons of very much higher yield (some of 1 megaton), and Israel is deploying the Arrow advanced anti-missile system in addition to its Patriot batteries. Fewer Iranian weapons would get through. The difference in yield matters. The biggest bomb that Iran is expected to have is 100 kilotons, which can inflict third-degree burns on exposed flesh at 8 miles; Israel's 1-megaton bombs can inflict third-degree burns at 24 miles. Moreover, the radiation fallout from an airburst of such a 1-megaton bomb can kill unsheltered people at up to 80 miles within 18 hours as the radiation plume drifts. (Jordan, by the way, would suffer severe radiation damage from an Iranian strike on Tel Aviv.) Cordesman assumes that Iran, with less than 30 nuclear warheads in the period after 2010, would aim for the main population centers of Tel Aviv and Haifa, while Israel would have more than 200 warheads and far better delivery systems, including cruise missiles launched from its 3 Dolphin-class submarines. The assumption is that Israel would be going for Iran's nuclear development centers in Tehran, Natanz, Ardekan, Saghand, Gashin, Bushehr, Aral, Isfahan and Lashkar A'bad. Israel would also likely target the main population centers of Tehran, Tabriz, Qazvin, Isfahan, Shiraz, Yazd, Kerman, Qom, Ahwaz and Kermanshah. Cordesman points out that the city of Tehran, with a population of 15 million in its metropolitan area, is "a topographic basin with mountain reflector. Nearly ideal nuclear killing ground." But it does not end there. Cordesman points out that Israel would need to keep a "reserve strike capability to ensure no other power can capitalize on Iranian strike." This means Israel would have to target "key Arab neighbors" - in particular Syria and Egypt. Cordesman notes that Israel would have various options, including a limited nuclear strike on the region mainly inhabited by the Alawite minority from which come the ruling Assad dynasty. A full-scale Israeli attack on Syria would kill up to 18 million people within 21 days; Syrian recovery would not be possible. A Syrian attack with all its reputed chemical and biological warfare assets could kill up to 800,000 Israelis, but Israeli society would recover. An Israeli attack on Egypt would likely strike at the main population centers of Cairo, Alexandria, Damietta, Port Said, Suez, Luxor and Aswan. Cordesman does not give a death toll here, but it would certainly be in the tens of millions. It would also destroy the Suez Canal and almost certainly destroy the Aswan Dam, sending monstrous floods down the Nile to sweep away the glowing rubble. It would mean the end of Egypt as a functioning society. Cordesman also lists the oilwells, refineries and ports along the Gulf that could also be targets in the event of a mass nuclear response by an Israel convinced that it was being dealt a potentially mortal blow. Being contained within the region, such a nuclear exchange might not be Armageddon for the human race; it would certainly be Armageddon for the global economy. So in clear, concise and chillingly forensic style, Cordesman spells out that the real stakes in the crisis that is building over Iran's nuclear ambitions would certainly include the end of Persian civilization, quite probably the end of Egyptian civilization, and the end of the Oil Age. This would also mean the end of globalization and the extraordinary accretions in world trade and growth and prosperity that are hauling hundreds of millions of Chinese and Indians and others out of poverty.

Kuwait Econ Key to World- Small Investment

Kuwait economy emerging as forefront in global smaller investment markets

Cheng 6/21 [Andria, Market Watch Economist, Wall Street Journal, 2010, http://online.wsj.com/article/BT-CO-20100621-710031.html?mod=WSJ\_latestheadlines] KLS

Alongside the promise of the so-called BRIC countries to the U.S. and other global retailers, smaller emerging markets, including Kuwait and Dubai, are rising as the new crop of global expansion opportunities. About 80% of retailers still consider Brazil, Russia, India and China as key to their short-term international growth plan, according to a survey of 60 global retail executives in the ninth annual Global Retail Development Index study by management consulting firm A.T. Kearney. The study uses 25 macroeconomic and retail-specific variables, including country risk and market saturation, to rank the top 30 emerging countries attractive for retail expansion. However, the BRIC countries tell only part of the story. Kuwait emerged as No. 2 on the list, while Chile, Saudi Arabia, United Arab Emirates, Uruguay and Peru also surfaced in the top 10 along with their BRIC counterparts. The top 10 list represents the most diverse mix of large and small markets in the index's nine-year history. Other countries including Albania and Macedonia, which weren't placed in last year's top 30 rankings, also surfaced on the chart. "Don't underestimate the smaller markets," said Deepa Neary, a consultant in the retail practice at A.T. Kearne, in an interview, adding those markets could also help serve as retailers' entry point to a given region. "There are huge opportunities there as well."

Kuwait Econ Key to World- Oil

Kuwaiti economy foundation of world oil market

Oxford Economic Country Briefings 8 (1/18/8, “Kuwait,” Oxford Economic Country Briefings [Magazine] ) JPG

Kuwait has a relatively undiversified economy, dominated by the oil industry and government sector, with oil accounting for about half of GDP, 95% of export revenues and around 80% of government revenues. During the 1970s, the economy grew strongly on the back of rapidly rising oil prices, but in the 1980s it was hit by a securities market crash and sharply lower oil prices, followed up by the 1990 Iraq invasion. In exile during the Iraqi occupation, the government drew down over half of its US$1 OObn in overseas investments to help pay for reconstruction. The economy has enjoyed a period of prosperity since the US-led invasion of Iraq, with many companies in Iraq establishing offices in Kuwait and procuring goods through Kuwaiti companies, with banking and construction having grown particularly strongly. Sharply higher oil prices in the last few years have also given the economy another big boost, with real GDP growth jumping to over 15% in 2003 and averaging about 10% in 2004-05. The oil sector has led the way, climbing to almost 60% of GDP in 2005, but non-oil sectors, in particular services, have also been boosted by the impact of booming oil revenues. However, the pace of economic reform has been slow, hampering the growth of private sector involvement in the economy. \* Crude oil reserves are officially said to be almost 10Obn barrels, or 8% of world reserves, making Kuwait a key player within OPEC and world oil markets. The Saudi-Kuwaiti neutral zone, shared by the two countries, holds an additional 5bn barrels, lifting Kuwait's total oil reserves to over 100bn barrels, enough for over 100 years of production at the 2005 level of around 2.5m b/d. Under the US$7bn Project Kuwait, the government is hoping it will reach 3.0m b/d by 2008 and 4m b/d by 2012, but these plans are thought unlikely to be met. And there have also been industry reports that proven oil reserves are only about half of the officially quoted level, which in turn would cast doubt over the sustainability of any sharp increase in production. \* As a result of booming oil revenues, the country's traditional balance of payments surpluses have been swollen further in recent years, with the current account surplus rising to over US$50bn in 2006, equal to about 50% of GDP. These surpluses have enabled the government to rebuild its external assets, which were heavily depleted after the Iraq invasion but are now thought to be approaching the US$100bn level again. As well as rising external surpluses, which have helped to support the dinar (KWD, pegged to the US$ from January 2003 to May 2007 and now to a trade- and investment-weighted basket of currencies), the government has also posted rising budget surpluses, estimated at 30% of GDP in 2005 and 2006. These have enabled total gross debt to be brought down to 13% of GDP at end-2005, and the acquisition of foreign assets has made Kuwait one of the world's largest net external creditors. Along with the other states in the Gulf Cooperation Council (GCC), Kuwait is planning to form a currency union by 2010, but doubts about the feasibility of this plan have surfaced in the past year, especially following the May 2007 KWD revaluation.

Kuwait economy key to global economy- oil

Rueters 4/25 [http://www.tradearabia.com/news/ogn\_178729.html] KLS

Opec would pump more oil to prevent a rally in oil prices above $100 from hurting the global economic recovery, Kuwait's oil minister said on Sunday. Oil is well below the $100 a barrel mark, settling at just over $85 a barrel on Friday. For a month, oil has traded over the $70 to $80 level that many in Opec have pegged as fair.  But there was room for more upside before the producer group would respond, Sheikh Ahmad Al-Abdullah Al-Sabah told Reuters in an interview at a media event. "If it's sustained above $100 that would damage the economic recovery," he said. When asked if Opec would boost supply to prevent that, he replied "I would say so."     Current oil prices were acceptable to both producers and consumers, he said.    The oil market was oversupplied, but Kuwait had seen a sudden, surprising surge in demand from Asia that was absorbing some of the surplus, he said. "I was surprised a little bit, to see a sudden surge," he said. "I was expecting to see the demand, but not at the same pace as we've seen lately." The whole of Kuwait was sat on more oil than previously thought, not just the Burgan oilfield, Sheikh Ahmad said. He declined to give more details. Last week, a Kuwaiti official said Greater Burgan, the world's second-largest oilfield, was bigger than past estimates had indicated.

\*\*\*Aff Answers\*\*\*

No UQ- Down- General (1/2)

**Turkish economy destroyed- banks, investment losses, regulation**

Elias 6/21[ Diana, Staff Writer, 2010 Rueters http://in.reuters.com/article/idINIndia-49489620100621] KLS

(Reuters) - A better-late-than-never set of financial regulations will help rid Kuwait's investment sector of zombie firms and make it more attractive but won't turn the Gulf Arab state into the financial centre it aims to become. The central bank of the world's fourth-largest oil exporter has given the loosely regulated investment firms two years to comply with tougher leverage rules after risk management at many was found woefully lacking in the financial crisis. Kuwait's numerous trading and holding companies known as investment houses were hard hit by the meltdown, which prompted a government economic rescue package worth 1.5 billion dinars ($5.15 billion) last year. Critics note the houses require no banking licenses despite offering investment banking services, some real estate firms are licensed to operate as investment companies, and others lend without having to fulfil reserve requirements like banks. "This measure is just an attempt to accelerate the process of cleaning up the market," said independent economist Jassem al-Saadoun. "(The central bank) believes that if things are left without controls, companies will remain hanging between life and death for a long time and that is harmful to shareholders and to confidence in the market." Saadoun estimated some 40 percent of Kuwait's investment firms were too weak to survive, and 40 percent were in good condition. The rest, like Global Investment House and Investment Dar, were "too big" to be allowed to fall. Their keeling over would be "catastrophic" for banks, asset prices, individuals who invest in their funds and even the judicial system that could be swamped in the aftermath, he said. Global has reached a deal with creditors to reschedule $1.7 billion in debt, and Investment Dar, which is struggling to restructure about $3.48 billion of debt, has applied for support under the rescue package. The central bank demanded in its new directives to all investment companies that their debts not exceed double the size of their capital. Cash and cash equivalents should cover at least 10 percent of liabilities, and a company's investments or contracts outside the country were no longer allowed to account for more than 50 percent of its capital, the regulator said. In an interview with local daily al-Rai published on June 15, central bank governor, Sheikh Salem Abdul-Aziz al-Sabah, said 49 of the 100 investment companies already comply with all of these regulations. The rest adhere to only one or two. John Sfakianakis, chief economist at Banque Saudi Fransi, said some Kuwaiti firms had already learned a lesson about the dangers of heavy exposure to international markets, but they nonetheless "need to feel the arm of the state" and possible penalties if they digress from regulations. Because of the small size of Kuwait's economy, investment companies go abroad. "They accumulated a lot of risk based on huge amounts of leverage, the risk was not properly contained and they got hit," he said. Anwar al-Kandari, financial adviser to the chief executive of al-Imtiaz Investment Co, said it will take less than two years for the country's investment sector to slim down. "At the end of the day, the number of investment companies will go down either through mergers, liquidation or requests to cancel licenses," he said.

No UQ– Econ Down- General (2/2)

Expert opinion is that Kuwait’s economy is already failing.

Odion-Esene 6/14 (Brai, reporter for Need to Know News, [http://www.automatedtrader.net/real-time-news/43833/mideastwatch-moodys-maturing-debt-to-challenge-gulf-issuers] AD: 6/24/10)JM

In a separate report, Moody's also said it continues to maintain a negative outlook on three banking systems in the Arab Gulf region, namely those of Bahrain, Kuwait and the United Arab Emirates, citing ongoing struggles from the credit crunch and the fall-out from plummeting real estate market. In a report commenting on credit risk for Arab companies, Moody's warned that the credit environment for select corporate issuers in the GCC region will remain challenging. "This is particularly true for more vulnerable corporate issuers which need to address significant bullet maturities over the coming 18 to 30 months," it said. These issuers also face rolling over short-term debt on an ongoing basis while grappling with a difficult operating environment, it said, "which could moderately benefit from government spending programmes." Moody's noted that access to capital and liquidity remains constrained, mainly because of volatility in the capital markets, limited investor appetite for debt not issued by Middle East government-related firms, and the heavy exposure of banks to pockets of Middle East credit risk at a time when they face a rise in non-performing loans. "The 2012 wall of maturing debt poses a major challenge for many non-GRIs and GRIs, with low support assumptions as $28 billion worth of debt -- nearly one fifth of an estimated US$145 billion of total debt outstanding -- will mature that year," Moody's warned. Dubai- and Abu Dhabi-based institutions account for the majority of this debt. The most exposed sectors are investment holding companies and real estate developers. Of all the Gulf nations, Moody's said the banking systems of Bahrain, Kuwait and the UAE "have been the most affected by the liquidity drought, the sharp fall in asset prices (especially those of properties) and the dramatic negative impact suffered by specialized institutions (like investment houses and real estate companies) as a result of a concentrated, wholesale funding strategy and massive asset impairments."

No UQ- Down- Laundry List

Kuwait econ terrible- banking, low diversification, investment, stock exchange

Thabet 6/15 [Mokhtar, Staff Writer, 2010 Global Arab Network http://www.english.globalarabnetwork.com/201006156218/Finance/kuwait-negative-banking-outlook-weak-diversification-oil-reliance.html] KLS

The outlook for the Kuwaiti banking system remains negative, although implementation of the government’s four-year development plan could stimulate the weakened operating environment, according to Anouar Hassoune, VP-Senior Credit Officer at Moody’s. This negative outlook is driven by the Kuwait economy weak diversification and its heavy reliance on the performance of oil sector even if the Kuwaiti state remains affluent. The state-owned oil industry is cash-rich and does not require external funding. Therefore, banks’ lending activities in recent years have been limited to only a few growth areas: personal lending (with around one-third of personal credit used for purchasing securities); real estate and construction; non-bank financial institutions; and, to a lesser extent, trade. The negative outlook for domestic banks also reflects the lackluster performance of the Kuwaiti stock exchange and the slow recovery of the real estate market, together with the weakening credit standing and rising indebtedness of consumers.

No UQ- Down- Automotive Industry

Kuwait economy in recession- automotive industry proves

Press Office 6/17 [http://www.officialwire.com/main.php?action=posted\_news&rid=163021] KLS

Car sales fell in Kuwait in 2009 to 119,133 units, from 122,623 in 2008. The impact of the international economic crisis was felt in the Gulf state's economy; plunging oil prices in the latter half of 2008 and early 2009 had a serious effect on the country's income, while tightening credit also curtailed economic growth. The Central Bank of Kuwait (CBK) estimates that the country slid into recession, in 2009, with us estimating a 2.4% contraction. As a consequence of these factors, the automotive sector, heavily reliant on consumer confidence, took a knock, though the fall in sales is nowhere near as drastic as in many other countries. Dealers have reported that second-hand car sales have been holding up considerably better than those of new vehicles, the Kuwait Times reported in June 2009. While new model sales had dropped by around 50%, used vehicle sales had only fallen by 10-15%, the newspaper said. However, as the market picks up as expected in 2010, this trend may be weakened as buyers in Kuwait - particularly Kuwaitis - show a clear preference for new vehicles. Recovery in the economy will be slow to arrive, providing little impetus to consumer confidence. We forecast car sales rising to 121,861 in 2010, still below 2008 levels. By 2014, the market should reach a value of 140,361 units.

No UQ- Down- Bank Failures

Kuwait economy destroyed- key bank failures

The Banker 6/1 [2010, Lexis] KLS

Banking difficulties The banking sector's performance has mirrored Kuwait's economic woes in many ways. In the same way that the global financial crisis triggered an economic slowdown affecting oil prices, the same crisis has had implications on a number of key Kuwaiti banks. The most notable case concerns Gulf Bank, Kuwait's third largest bank, which had engaged in faulty derivatives transactions that led to the bank recording a Kd359.5m ($1.23bn) net loss in 2008. This was a particularly chastening experience; Kuwait's government via its central bank and its investment fund, Kuwait Investment Authority (KIA), supported Gulf Bank through its troubles.

Kuwait economy destroyed- bank failure

The Banker 6/1 [2010, Lexis] KLS

Recent regional developments, namely the Dubai World debt crisis and the defaults concerning Saudi Arabia's Saad and Ahmed Hamad Algosaibi & Brothers (AHAB) conglomerates, have also cast a shadow over the Gulf's banking sector. However, local bankers were keen to note that local banks were largely immune to those problems. "Kuwaiti banks have not yet reported any exposure to Dubai World, and the likelihood of such is remote as well," says Mr Ahmed. Mr Dabdoub adds: "The fallout from the Dubai World debt crisis and the default of Saad/AHAB groups had no effect on NBK as we had no exposure to either. NBK's management believes that establishing strong, long-term banking relationships with clients is key to a successful operational model. We have thus limited our exposure to only core banking activities and invested in businesses we understand." Future outlook Current commentary on Kuwait's banking sector suggests that it will be another difficult year for the country's banks. In a report published in February of this year, Standard & Poor's (S&P) outlines its belief that Kuwait-based banks will suffer from the effects of unfavourable economic conditions on their profitability and asset quality.

No UQ- Down - Investment

Kuwait economy depressed- lack of domestic activity and foreign investment

The Banker 6/1 [2010, Lexis] KLS

The financial crisis has thrown up a number of additional obstacles for the local banking market, according to Kuwait International Bank (KIB). A statement released to The Banker from KIB says: "The impact of the global financial crisis imposes some challenges on the local banking market, the most important of which are a slackening in demand for credit facilities being affected by the slow recovery mode of the overall domestic activity; shrinking market values of some mortgaged assets; and the probability of continued application of cautious financial provisioning policies." For its part, KIB, in spite of reporting a loss of Kd8.2m in 2009, intends to open eight new branches and introduce more advanced banking services in the domestic market over the course of 2010.

No UQ-Down- Oil

Kuwait economy shot- oil sector sparked deflationary spiral

The Banker 6/1 [2010, Lexis] KLS

Last year was a year of introspection for Kuwait. For the first time this century, the world's fourth largest exporter of oil recorded a decline, following eight years of consistent growth. While oil prices reached an all-time high of $147 a barrel in July 2008, they dropped dramatically by the end of that year, plummeting to $32 a barrel. Kuwait's oil export-dependent economy has been subject to the whims of the global market. Oil prices only seemed to recover by June 2009, when they crept above the $70 a barrel mark for the first time that year. Those developments have had important implications on the Kuwaiti government's finances. The country's current account balance was estimated to have fallen to 25.4% of gross domestic product (GDP), from 41.2% of GDP in 2008. In addition, current and capital spending was said to have decelerated in response to oil prices. Last year was also marked by significant deflation, considerable underperformance of the Kuwait Stock Exchange and policy stagnation resulting in no new investment. Kuwait's saving grace was that it recorded its 11th consecutive annual surplus in the 2009/10 financial year, with $28.9bn of revenue in the first 11 months.

No Link- Proximity

US presence has no effect on local economies- no urban input

Bowman 8 (Bradley, Council on Foreign Relations international affairs fellow, Spring 2008, Washington Quartetly, Spring 2008, www.twq.com/08spring/docs/08spring\_bowman.pdf) JPG

Yet, the unique conditions in Bahrain, Kuwait, Oman, Qatar, and the UAE make these five countries less susceptible to radicalization sparked by a U.S. military presence, thus allowing a minimal U.S. posture to continue. In Kuwait, the distance between the primary population center of Kuwait City and the bulk of U.S. military forces largely places U.S. forces “out of sight, out of mind.” Prudent adjustments by Central Command in recent years have further reduced the visibility and footprint of U.S. military operations in Kuwait. Furthermore, despite the strong disapproval of U.S. foreign policy by the average Kuwaiti, the United States still enjoys a significant reservoir of goodwill thanks to the U.S. military’s 1991 liberation of Kuwait from Saddam. Instability in southern Iraq and the increasingly assertive Iranian regime only serve to increase the desire of Kuwait to maintain a significant long-term U.S. military presence.

Link Turn- Investment, Immigration

US military presence destroys Kuwaiti economy- deters investment and immigration

Kamen and Kendrick 90 [Al, Keith, Staff Writers, August 12, Washington Post, Page A1, Lexis] KLS

"All foreigners in Kuwait want to leave because there is horror and because there is a heavy Iraqi military presence. They are killing civilians," he said. South Korea was hesitant to criticize Saddam, special correspondent Peter Maass reported from Seoul, because it receives almost all of its oil from the Middle East and has a large number of construction contracts and workers in Iraq and Kuwait. Like South Korea, Japan receives most of its oil from the Middle East. There are 376 Japanese in Iraq and 276 in Kuwait, according to the Japanese Embassy here. Egyptian President Hosni Mubarak, in deciding how to respond, took into account the almost 1 million Egyptian nationals in the area, staff correspondent William Claiborne reported from Cairo. Egyptian officials have been quick to point out that the human dimension was significant in the weighing of such decisions as whether to send Egyptian troops to the region. Egyptians, who number 700,000 in Iraq and 150,000 in Kuwait, are managing to leave the area at the rate of 2,500 a day, many of them through the Red Sea port of Nuweiba, Claiborne reported. An estimated 75,000 have returned from the area since Aug. 2. Turkish President Turgut Ozal, who has given permission for the United States to use Turkish air bases in the event of hostilities, has about 60,000 of his countrymen living and working in Iraq and Kuwait, according to the Turkish Embassy here. Along with the Egyptians, 300,000 Palestinians are the linchpin of the Kuwaiti economy, filling jobs in sectors from construction and services to big business and finance. The money they send home also plays an important role in the economies of the West Bank and Gaza, staff correspondent Jackson Diehl reported from Jerusalem. Because the Palestine Liberation Organization has sided with Saddam, it is not likely they would be under any threat.

No MPX- Kuwait Pays

Kuwait pays for the majority of expenses of US presence

Hajjar 2 (Sami, March 2002, PhD in Poli Sci @ University of Missouri-Columbia – Director of Middle East Studies @ US Army War College, http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106358&id=47256) JPG

Of all the Arabian Peninsula states, Kuwait is decidedly the most supportive of U.S. presence fundamentally because there has not been a regime change in Iraq since the 1990 invasion. Kuwait is understandably Iraq-centric and “Kuwaitis overstate the threat [from Iraq] to us; if the threat changes, Kuwait might change its attitude toward U.S. presence.”109 Consequently Kuwait is very satisfied with the terms of the Defense Cooperative Agreement (DCA) it has with the United States and “when that agreement is up for renewal, Kuwait will not ask to renegotiate it.”110 Indeed since the Gulf war, Kuwait has become very serious about its defense, and in the past decade the United States has sold it upward of $6 billion worth of military equipment, including F18 fighters. Additionally, Kuwait pays the bulk of the expenses associated with U.S. military involvement in the country. At the same time, however, and despite the strong support for U.S. presence, “the perception among the average citizen is that by paying for all the expenses associated with U.S. military presence, Kuwait is being taken advantage of.”111 Such a perception has led the government to emphasize that the military bases housing U.S. military personnel and equipment [primarily Camp Doha at the outskirts of the capital] are Kuwaiti and not U.S. bases; “the government also does not wish to publicize that air strikes against Iraq are initiated from Kuwait.”112 A fair assessment would be that Kuwait strongly supports measures to change the regime in Iraq so that sanctions could be lifted. Until then, however, and despite popular sympathy for the suffering of the Iraqi people, Kuwait would oppose a change in the sanctions regime. As one high-ranking Kuwaiti officer opined, “The United States should be weary of Arab calls to lift the sanctions; Arabs are ‘emotional’ and their reference to the suffering of the Iraqi people is based on emotional considerations as opposed to rational calculations. As long as Saddam is in power, Iraq is a major threat.”113

No MPX- A2 Arms Sales

The US-Kuwait defense relationship is a pre-requisite cooperation across the board

Kuwait Times 10 (2/22/10, http://www.kuwaittimes.net/read\_news.php?newsid=Njk3ODQzNjMz) JPG

Congratulating the Kuwaiti leadership, government and people on the 49th National Day and the 19th Liberation Day, Jones noted that for those who had seen the destruction that was wrought on Kuwait during the invasion, "now it's really an oasis in a very difficult neighborhood." This oasis, she explained, was brought about by Kuwait's system of governance, a freely elected parliament, an open and free press, and a highly educated populace that was guaranteed to keep Kuwait in the forefront.She described the Kuwaiti-US relationship as "mature" and one of "honest friends," but said that "we have obligation not only to keep developing ourselves, but to do it so that we can be stabilizing factors in the world around us, and that we can be the enzymes for positive change in the world. That's why I believe in this relationship." Asked about areas of cooperation, she said that as in any mature relationship, there was cooperation "across the board." "Obviously we have a very important security relationship, and that remains the case because Kuwait remains essential to our logistical support for operations in Iraq and elsewhere in the region in terms of regional security ... But we consult regularly on a broad range of regional security issues, including Iran and Yemen, Al-Qaeda, etc.," she explained.

MPX T/- A2 Arms Sales- Poverty Module

A. Kuwaiti nationalization of oil trades off with productive sectors of the economy which are key to reducing poverty

Chemingui 7 (Mohamed Abdelbasset, Head of UN Economic Commission for Africa, International Food Policy Research Institute, May 2007, http://www.ifpri.org/publication/public-spending-and-poverty-reduction-oil-based-economy) JPG

This study is part of a collaborative project between the International Food Policy Research Institute and the Arab Planning Institute in Kuwait on public policy and poverty reduction in the Arab region. The purpose of this paper is to assess the impact of an increase in public spending in priority areas on economic growth and poverty reduction in Yemen. To accomplish this objective, the study builds a dynamic Computable General Equilibrium model to provide a baseline scenario of changes in the economy and poverty levels in Yemen during the period 1998-2016. Alternative scenarios are then compared to isolate the specific impact of several policies on poverty. The scenarios assume an increase in public spending devoted to three priority area (agriculture, education, and health), which affect the economy through an increase in sectoral or economy-wide technical factor productivity. Results of public spending experiments show that targeting increased amounts of public spending towards education and health services will generate more economic growth and poverty reduction than increasing public spending solely on the agricultural sector. However, when an oil sector is a prominent part of the economy, as in Yemen, additional public spending on health and education does not improve productivity in the oil sector. Therefore, spending on agriculture becomes the most important channel for poverty reduction and economic growth. While increasing public spending in priority areas appears to be the best solution available for the government to reduce poverty during the next decade, the road is still long for Yemen to be able to achieve its Millennium Development Goals for poverty reduction. Re-allocating public expenditures from defense to key sectors appears to be an additional option for reducing poverty, given the financial constraints facing Yemen. However, in the current context of terrorism concerns, it will be difficult to convince policy-makers to reduce spending on defense and security. Seeking additional resources from international donors seems to be the only option available to increase benefits from increased public spending in the priority areas identified and assessed in this study.

B. Strife is the root cause of war in the Middle East

Yildrim et. Al. 5 (Julide, Ph.D in Economics @ Univ. of Manchester, Defence and Peace Economics, 2005, Vol. 16(4), August, pp. 283–295, maliyesempozyumu.pamukkale.edu.tr/ocalyilsezg.pdf) JPG

American intervention during the first Gulf War did not solve the long-term security problems of the southern Gulf States, Saudi Arabia (SA), Kuwait, Oman, Bahrain and UAE, even though it restored Kuwaiti independence. Iraq has been subdued but Iran has long been seen as a threat, especially by SA. Ismael (2001) argues that the Saudi and Iranian regimes are inherently incompatible for political, economic and ideological reasons. As these countries cannot build military forces to defeat any possible Iranian or Iraqi challenge, a mutual defence pact between the Southern Gulf States, Egypt and Syria was signed in 1991. Moreover, Kuwait and USA signed a ten-year defence pact in 1991. The attempts to establish a security umbrella by Southern Gulf Countries have been shattered by the continuous strife among these countries and their national pride. Since Egypt signed a peace deal with Israel at Camp David, Syria has been seeking the leadership of the Arab world. Syria has the single largest military force bordering Israel. However, after the first Gulf War, Egypt had an active role in bilateral negotiations in the Arab–Israeli peace process.

MPX T/- A2 Arms Sales- Econ Module (1/2)

Kuwaiti defense spending kills the economy – 7 warrants

Looney 94 (Robert E., Middle Eastern Studies Vol. 30 No. 2 April 1994 pp. 377-384, [JStor]) JPG

The above studies provide valuable insights in which military expenditures affect economic performance in the Arab world. They are, however, somewhat silent about how these effects occur. In particular, it is not always apparent whether in these studies the military burden simply acts in some way as the statistical proxy for government expenditures. As noted, the size of the government is likely to have a positive direct effect (Keynesian). A negative indirect effect (crowding out) on private sector activity is also a possibility. Are the net impacts of these effects similar or opposite for defense and non-defense governmental expenditures? In this regard, defense expenditures may retard industrial development because of their potential to cause: (1) Decreases in private consumption because fewer resources (including foreign exchange) are available to the civilian sector. (2) Decreases in civilian imports, and even balance of payments difficulties due to increased military imports. (3) Increases in inflation due to increased government budget deficits. (4) Distortions in the pricing system because military procurements are not made in open, competitive markets. (5) Shortages of managerial skills and skilled workers in a labor-constrained civilian sector, leading to reduced productivity and growth. (6) A distribution of income for the military and against the civilian sector, and (7) Increases in the political power of the military. In turn, this may result in the preempting of goods from the civilian sector. Many of these effects combine in the oil exporting countries to produce the so-called ‘Dutch Disease effect – the increased profitability, through exchange rate movements and international inflation, of non-traded activities such as services and construction and, simultaneously, the reduced profitability of traded goods such as agricultural and industrial products. In developed countries (in particular Holland) where this phenomenon was first observed, de-industrialization has taken place. In the case of OPEC members, the result has been a fall in domestic production of traded agricultural and industrial goods, and an expansion of construction and services. The traditional Dutch Disease oriented approach to the analysis of oil booms stresses the factors associated with the appreciation of the real exchange rate, driven by a rise in the relative price of non-traded goods and a fall in theoutput of traded goods. Returns to capital in non-traded activities rise while returns in traded activities fall. THE RELATIVE IMPACT OF DEFENSE AND GENERAL GOVERNMENT EXPENDITURES In sum, empirical studies of oil-based government expenditures have been pessimistic. Studies focusing on the impact of defense expenditures stress the retarding effect of these allocations on overall growth. Studies focused on general or total governmental expenditures, especially in oil-rich countries, indicate that the side effects associated with these expenditures often depress industrial investment and development.

MPX T/- A2 Arms Sales- Econ Module (2/2)

Oil and military spending cripples the Kuwaiti economy – crowd out

Al-Ebraheem 96 (Yousef, dean of the College of Administrative Sciences and associate professor of economics @ Kuwait University, Middle East Quarterly*,* Sept. 1996*, http://www.meforum.org/312/kuwaits-economic-travails) JPG*

Government revenues. In real terms, oil revenues have declined sharply during the past decade. Adjusted for inflation, the price of a barrel of oil in dollars is now below its level in 1974. TB: I have a graph from the NYT somewhere showing this DP Furthermore, the exchange-rate value of the dollar against major currencies has declined by 50 percent since 1980. Despite this precipitous decline, oil remains the dominant source of GCC government revenues for the simple reason that the governments have not succeeded in generating other sources of revenues.

Population. The population size in the GCC has more than doubled in twenty years, increasing from about 10 million persons in 1975 to about 25 million in 1995. Of this number, 30-80 percent of the population are expatriates (Oman and Saudi Arabia are at the low end, UAE at the high). The growing number of residents increases the government expenditures needed just to maintain the existing benefits of medical care, education, jobs, and a host of subsidies. The continued reliance on expatriate labor also has other, non-economic implications, leading to a variety of social and (potential) political problems.

Budget deficit. Budget deficits are the paramount issue on the economic docket throughout the GCC. True, the budget deficit began in the mid-1980s, a result of much lower oil revenues (from $150 billion in 1980 to $25 billion in 1986), but at that time these countries could offset the decline in oil revenues by tapping their enormous financial reserves, which by then had reached over $300 billion. Those reserves are now much reduced, making the deficit far more of a problem. The budget deficit now affects the balance of payments, the rate of inflation, economic growth, the overall welfare system, and the very social fabric of the GCC societies.

Military spending. The military is a permanent and major component of government expenditures. Prior to the Iraqi invasion of Kuwait, GCC countries in the aggregate ranked in the top twelve countries in terms of military spending. According to the International Monetary Fund, the GCC spent 13 percent of its GDP on arms, compared with the whole of the Middle East, which spent an already very high 5 percent of GDP.2 Just reducing their military spending to the average Middle Eastern level would have saved the GCC countries around $30 billion a year before 1990.3 Published government documents show that the GCC devoted on average a third of its total financial resources on security-related purposes.4

Military spending has only increased since the Kuwait war, so that it is now about 20 percent higher than the pre-1990 level. The total amount is estimated to be more than $50 billion ($5 billion in arms purchases from the United States in 1994 alone). The actual numbers may be higher because all the GCC budgets except for Kuwait's lack transparency and accountability; some major spending items are either not included or buried under an "unspecified expenditure and transfers" rubric. Military spending has crowded out expenditures on other important matters, such as health care, education, and infrastructure. Moreover, military spending generally causes subsidies to be reduced and taxes increased, thereby leading to an increase in income inequality.

Job opportunities and economic activity. Mix a very high rate of population growth (3.5 percent per annum) with a failed educational system and you have a profound imbalance between economic demands and the competence of the labor corps. To exacerbate matters further, most citizens work for the government, not in business. This situation has led to a great influx of foreign labor, to the point that it now constitutes on average 80 percent of total labor force.5

To absorb the growing population, GCC economies need to create 200,000 jobs per year. The real decline in oil revenues means that governments cannot continue providing jobs for their nationals. But private enterprise is not able, at present, to create all these job opportunities. The GCC is heading to a situation of increasing unemployment, with all the attendant social and political maladies. Bahrain, with a 20 percent unemployment rate, appears to be leading the way; indded, its high rate of unemployment is a major factor contributing to the violence and social unrest experienced in that country since late 1994.

A2 2NC Arms Sales Module Xtensions

No trade-off between oil and productive sectors

Emirates Business 5/30 (5/30/10, http://www.business24-7.ae/economy/regional-economy/kuwait-set-for-3-growth-this-year-2010-05-30-1.249652) JPG

The real estate sector has been showing improvement in recent months and is returning to levels of activity not seen since 2007-08, except in commercial real estate, where oversupply is weighing on the sector. The so-called "productive" sectors such as trade, industry and construction are tentatively showing signs of life, after a protracted period of stagnation. The oil sector too, is recovering along with world demand, and is expected to grow 1.4 per cent this year in real terms. The non-oil sector should grow four per cent this year, to yield a three per cent overall performance. NBK said the preliminary budget numbers for 2009-10 financial year showed a surplus of KD8.2 billion (Dh103bn). "We expect that number will be revised close to KD6bn, when the final accounts are released."

Nationalization is comparatively better in Gulf States

Kuwait Times 7 (9/27/7, http://www.kuwaittimes.net/read\_news.php?newsid=NzMyNzMxODA) JPG

Assaf noted that nationalisation is a topic of rising importance. While there was a consensus that nationalisation was a necessary goal for the region and the companies that operate here, participants also agreed that for nationalisation drives to progress, there needs to be greater emphasis on education and training of potential job candidates, rather than a sector- or position-based quota system, particularly where it involves penalties for non-compliance. If you limit yourself to quotas and penalties, it becomes a numbers game," said Tina Mascarenhas, Manager - Human Capital, Metito, the world leader in water and waste water treatment technology. "Emiratisation must be one of the company's strategic objectives. Mascarenhas' words reflected the prevailing sentiment at the roundtable, which saw some spirited debate concerning the pros and cons of enforced nationalisation. "We should recruit on a need basis rather than quotas," said Ahmed Al Tenaiji, Marketing Manager, Zabeel Investments, a UAE-based multi-diversified investment firm. "Penalties don't work. Added Ala Atari, Chief Operating Officer, Medcare Hospital, a private hospital in Dubai: "We should only think of the organisation's benefit and hire on that basis." He added that this principle is especially important in the healthcare sector. "We cannot compromise on quality," he said, adding, "There are no university hospitals here, so recruiting [nationals] is a challenge. Responding to participants' concerns, Abdul Rahim Sultan of Tanmia stressed that enforcement of the quota system - which in the UAE has been restricted to a handful of key industries, such as banking and insurance - has become less of a priority. Indeed, he said, the response to the Emiratisation drive has been so positive that hiring UAE nationals was now seen as an essential business objective by many companies.

No MPX- A2 Democracy Module

Their impact is the wrong direction- Kuwait democracy pushed to sustain econ

Righter 90 [Rosemary, Staff Writer, October 15, The Times, Lexis]

When the emir dissolved the assembly in 1986 and imposed censorship on what had been the freest press in the region, the official reason was the threat posed by pro-Iranian extremists to Kuwait's security. The real reason may have been the parliament's investigations of the ruling family's conduct of government business and its role in the traumatic collapse of Kuwait's unofficial stock exchange in 1982 leaving $97 billion in paper debts. The belief that the emir was trying to shield the al-Sabahs from accountability was the spur to the pro-democracy movement led by former MPs which burst into life last winter. In November, the emir refused to accept a petition, signed by 25,000, to bring back the assembly. A series of demonstrations followed, some of which were broken up by police, before the government announced elections to a national council with largely consultative powers; one third of its members would be appointed. A committee would then, over four years, draw up plans for reviving parliament. The elections in June were boycotted by the opposition, which continued to press for reconstitution of the assembly. Kuwait at the time of the invasion, then, was in the middle of a battle for political rights, albeit for a small minority. The al-Sabahs were caught between the need to avoid offending Saudi Arabia, which is thoroughly hostile to parliamentary democracy, even Kuwait-style, and fears that without concessions, opposition might one day reach the point of questioning their right to rule. Iraq's invasion has rallied Kuwaitis behind their rulers. Even the opposition demands that the country be ''left alone to determine its future''. But the Iraqi occupation vastly complicates the task of building democracy. Up to 1.4 million people have fled, including half Kuwait's 600,000 citizens. Thousands of Iraqis and Palestinians have moved in from Baghdad.

Impact non-unique- democracy a farce in Kuwait

The Economist 98 [June 6, Lexis] KLS

WITH ceremony, on June 1st, Sheikh Saad al-Sabah, Kuwait's crown prince and prime minister, promised to carry out long-awaited reforms. Kuwaitis felt they had been there before. In 1991, after the Iraqi occupying force had been thrown out of their country, their princely rulers had reluctantly agreed, under American pressure, to turn over a new leaf. No more procrastination, they said: democracy would be restored, the economy would be liberalised, and migrant labourers would never again be allowed to outnumber Kuwaitis in their own country. Seven years on, the limited democracy reintroduced after the Gulf war is being undermined by petty squabbling, economic reform still exists only on paper, and foreigners once again make up two-thirds of the population.

MPX T/- A2 Democracy Module

Democracy destroys the environment – several reasons.

Li and Reuveny 7 [Li, Professor of Political Science at Penn State, and Reuveny, Professor of public and Environmental Affairs at Indiana U, Quan and Rafael, “The Effects of Liberalism on the Terrestrial Environment” http://cmp.sagepub.com/cgi/content/abstract/24/3/219] KLS

According to the *policy inaction argument*, facing environmental degradation, democracy can often exhibit policy inaction for several reasons (Midlarsky, 1998: 159). First, democracy seeks to please competing interest groups. As such, it may be reluctant to alleviate environmental degradation because some groups are expected to benefit (or lose) from environmental policies more than others. Second, “corporation and environmental groups can fight each other to a standstill, leaving a decision making vacuum instead of a direct impact of democracy on the environment.” Third, when budgets are tight democracies may ignore environmental problems, perceiving economic issues to be more pressing.

Democracies start more wars

Henderson 2 [Errol Henderson, Assistant Professor, Dept. of Political Science at the University of Florida, 2002, Democracy and War The End of an Illusion?, p. 146] KLS

Are Democracies More Peaceful than Nondemocracies with Respect to Interstate Wars? The results indicate that democracies are more war-prone than non-democracies (whether democracy is coded dichotomously or continu­ously) and that democracies are more likely to initiate interstate wars. The findings are obtained from analyses that control for a host of political, economic, and cultural factors that have been implicated in the onset of interstate war, and focus explicitly on state level factors instead of simply inferring state level processes from dyadic level observations as was done in earlier studies (e.g., Oneal and Russett, 1997; Oneal and Ray, 1997). The results imply that democratic enlargement is more likely to increase the probability of war for states since democracies are more likely to become involved in—and to ini­tiate—interstate wars.

MPX Turn – Terrorism

Middle East instability prevents terrorism

Davies and Cetron 7 (Owen and Marvin J., researchers for the Futurist, September 2007 [http://www.britannica.com/bps/additionalcontent/18/26265546/WORSTCASE-SCENARIO-THE-MIDDLE-EAST ] AD: 6/24/10)JM

Velamoor suggests that Iraq may quickly become a Shi'ite theocracy on the model of Iran, slowly growing more liberal in the years ahead. Others hold that Iran is stirring the chaos in Iraq not so much to dominate its neighbor as to keep U.S. troops mired there. That way, if President Bush decides to attack Iran, Teheran will have 200,000 U.S. hostages at hand right next door. Even so, the idea of a generalized war in the Middle East appears credible enough and its potential impact on the West serious enough to merit examination. It is the worst-case scenario and needs to be understood and either defended against or, if possible, turned to the West's advantage. To date, most commentators have simply assumed that a generalized war in the Middle East would be a bad thing, and today's concerns have limited their analyses to policy implications for the U.S. occupation of Iraq. Certainly, wholesale carnage is never to be welcomed, and the risk of unrestrained slaughter must be factored into any decision the United States makes about the land it chose to occupy. Yet, the United States will not remain in Iraq forever, forced comparisons with Korea notwithstanding, and its departure is likely to leave a power vacuum in that country. Under the circumstances, there are questions that need to be answered in some detail. What would a regional war in the Middle East imply for the United States and its allies? And what should the West do to influence the situation to its advantage, now and in the future? Thus far, many possibilities have been overlooked. For example, the Iraq war has inspired, recruited, trained, and battlehardened a new generation of future terrorists who, when freed from Iraq, are likely to turn their attention to the United States and its allies, especially in the U.K. and France. Having September-October 2007 www.wfs.org 17 Left: Terrorist acts such as car bomb explosions are certain to grow significantly in number in the wake of a U.S. withdrawal from Iraq, but can't effectively be prevented by a U.S. military presence in the Middle East either, the authors argue. Below: An Israeli military jeep parked by the infamous wall that cuts across the Israeli Palestinian boarder. NICHOLAS BURKE / ISTOCKPHOTO.COM "The United States must be seen to seek peace in between Israel and its neighbors in a way that most Muslims will view as fair to the Palestinians. It is the only thing Washington can do to insulate its nation, even in part, from violence once it leaves Iraq." a Middle Eastern war to keep them occupied may be the West's only protection against a jihad that could make terrorism to date seem relatively tame.

Kuwait Econ Not Key to World

Kuwait economy not key to world- dependent on global trends

Jamieson 6/11 [Lee, Staff Writer, Arabian Business.com, http://www.arabianbusiness.com/590034-taking-care-of-business] KLS

However, recent economic turbulence has made Kuwait acutely aware of how reliant it is on the global economic system. The Kuwait Stock Exchange experienced a loss of US $10 billion early last year, high inflation is an ongoing concern and the number of expatriate workers, which make up 50% of its overall population, has dropped for the second year in a row.

Kuwait Econ Resilient- Hotel Investors

Kuwait economy resilient- hotel investors

Jamieson 6/11 [Lee, Staff Writer, Arabian Business.com, http://www.arabianbusiness.com/590034-taking-care-of-business] KLS

Despite this turbulence, the Kuwaiti government has proved to be resilient throughout the economic storm, in part thanks to its vast financial reserves, and has proved itself to be a safe harbour for hotel investors. "The fact that Kuwait has remained economically buoyant despite the world recession is a key factor driving investment into the country," explains InterContinental Hotels Group Middle East and Africa vice president of development, Phil Kasselis.

Kuwait Econ Resilient- Banking

Kuwait econ resilient- banking, liquidity, efficiency

Thabet 6/15 [Mokhtar, Staff Writer, 2010 Global Arab Network http://www.english.globalarabnetwork.com/201006156218/Finance/kuwait-negative-banking-outlook-weak-diversification-oil-reliance.html] KLS

Thanks to a comfortable banking sector’s aggregate equity to total assets and a good liquidity system supported by the availability of ample government funding, Kuwaiti banks are able to weather significant pressure. Nonetheless, despite some improvement, banks’ risk management practices need further enhancement, as shown by the significant portfolio concentrations on the stressed Kuwaiti investment company and real estate and construction sectors. Unlike excellent profitability undergone by Kuwaiti banks before the financial crisis (benefiting from the booming local and regional economies), Moody’s expects the yearend 2009 results to show a significant increase in system NPLs due to increased provisioning charges and adversely affecting returns. Elevated provisioning charges are likely to continue to affect some banks’ profits throughout 2010. Moody’s expects banks with higher concentrations in their loan books or weaker credit standards to report weaker results than those of their peers. The Central Bank of Kuwait (CBK) relaxing its rule on the loans to deposits ratio did not impede a loan growth slowdown since the crisis started. Eventually, the efficiency of Kuwaiti banks in terms of cost-to-income ratios is excellent in global terms, although some deterioration in efficiency ratios as a result of the weakened operating conditions could exert pressure on profits.

Kuwait Econ Resilient- Oil

Kuwaiti economy resilient – oil

Oxford Economic Country Briefings 8 (1/18/8, “Kuwait,” Oxford Economic Country Briefings [Magazine] ) JPG

Kuwait has a relatively undiversified economy, dominated by the oil industry and government sector, with oil accounting for about half of GDP, 95% of export revenues and around 80% of government revenues. During the 1970s, the economy grew strongly on the back of rapidly rising oil prices, but in the 1980s it was hit by a securities market crash and sharply lower oil prices, followed up by the 1990 Iraq invasion. In exile during the Iraqi occupation, the government drew down over half of its US$1 OObn in overseas investments to help pay for reconstruction. The economy has enjoyed a period of prosperity since the US-led invasion of Iraq, with many companies in Iraq establishing offices in Kuwait and procuring goods through Kuwaiti companies, with banking and construction having grown particularly strongly. Sharply higher oil prices in the last few years have also given the economy another big boost, with real GDP growth jumping to over 15% in 2003 and averaging about 10% in 2004-05. The oil sector has led the way, climbing to almost 60% of GDP in 2005, but non-oil sectors, in particular services, have also been boosted by the impact of booming oil revenues. However, the pace of economic reform has been slow, hampering the growth of private sector involvement in the economy. \* Crude oil reserves are officially said to be almost 10Obn barrels, or 8% of world reserves, making Kuwait a key player within OPEC and world oil markets. The Saudi-Kuwaiti neutral zone, shared by the two countries, holds an additional 5bn barrels, lifting Kuwait's total oil reserves to over 100bn barrels, enough for over 100 years of production at the 2005 level of around 2.5m b/d. Under the US$7bn Project Kuwait, the government is hoping it will reach 3.0m b/d by 2008 and 4m b/d by 2012, but these plans are thought unlikely to be met. And there have also been industry reports that proven oil reserves are only about half of the officially quoted level, which in turn would cast doubt over the sustainability of any sharp increase in production. \* As a result of booming oil revenues, the country's traditional balance of payments surpluses have been swollen further in recent years, with the current account surplus rising to over US$50bn in 2006, equal to about 50% of GDP. These surpluses have enabled the government to rebuild its external assets, which were heavily depleted after the Iraq invasion but are now thought to be approaching the US$100bn level again. As well as rising external surpluses, which have helped to support the dinar (KWD, pegged to the US$ from January 2003 to May 2007 and now to a trade- and investment-weighted basket of currencies), the government has also posted rising budget surpluses, estimated at 30% of GDP in 2005 and 2006. These have enabled total gross debt to be brought down to 13% of GDP at end-2005, and the acquisition of foreign assets has made Kuwait one of the world's largest net external creditors. Along with the other states in the Gulf Cooperation Council (GCC), Kuwait is planning to form a currency union by 2010, but doubts about the feasibility of this plan have surfaced in the past year, especially following the May 2007 KWD revaluation.