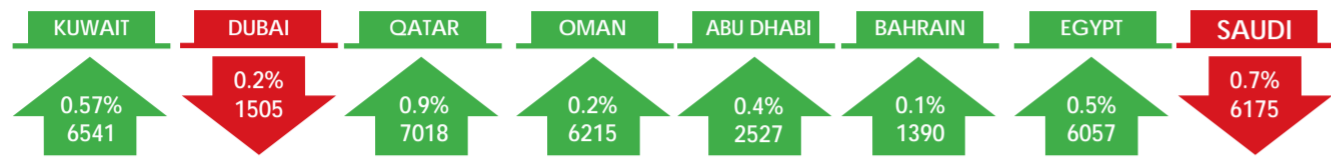


DUBAI: Debt-laden Dubai property developer Nakheel outlined detailed terms of its plans to repay bank lenders on Wednesday, asking them to respond to the proposal by Aug. 31. The developer, which has overstretched itself building islands in the shape of palms and other ambitious real estate developments, is in continuing talks with creditors on restructuring 10.5 billion US dollars in bank debt.



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MARKET WATCH



OIL MARKETS

US Crude	\$77.16	US Dollar	Buy 0.2892
London Brent	\$76.97	British Pound	Buy 0.441
Kuwait Crude	\$71.46	Saudi Riyal	Buy 0.0771
		Qatari Riyal	Buy 0.07961
		Indian Rupee	Buy 0.006205
		Japanese Yen	Buy 0.003263
		UAE Dirham	Buy 0.07874
		Bahraini Dinar	Buy 0.7671
		Philippine Peso	Buy 0.00627
			Sell 0.00327
			Sell 0.07888
			Sell 0.7685
			Sell 0.006253

Information Courtesy: KAMCO

CURRENCIES

US Dollar	Buy 0.2892	British Pound	Buy 0.441	Saudi Riyal	Buy 0.0771	Qatari Riyal	Buy 0.07961	Indian Rupee	Buy 0.006205
	Sell 0.2897		Sell 0.4419		Sell 0.0773		Sell 0.07935		Sell 0.006193
Euro	Buy 0.3673	Japanese Yen	Buy 0.003263	UAE Dirham	Buy 0.07874	Bahraini Dinar	Buy 0.7671	Philippine Peso	Buy 0.00627
	Sell 0.368		Sell 0.00327		Sell 0.07888		Sell 0.7685		Sell 0.006253

Prices in Kuwaiti fils As of July 14, 2010 COURTESY: KAMCO

Kuwaiti crude down \$ 0.55 to trade at \$ 69.91

Kuwaiti oil tankers renting rates down by 40% in 2009: KOTC

KUWAIT: Kuwait crude oil declined 0.55 US dollars on Tuesday to trade at \$69.91 per barrel (pb) compared with Monday's price of \$70.46 pb, Kuwait Petroleum Corporation (KPC) said on Wednesday.

The decline in oil prices lately is due to the report published by the International Energy Agency (IEA) expecting a slowdown in the global demand on oil by more than 400,000 barrels per day (bpd) in 2011.

The current price of the Kuwaiti crude is much better compared to prices in the last two years, at some time reaching a low of \$32 pb, in December 2008, while a peak of \$136 pb was seen in July that same year.

In other news, the global economic crisis has overshadowed Kuwait's marine transport revenues, Chairman and Managing Director of Kuwait Oil Tanker Company (KOTC) Nabil Bourisili said on Wednesday, pointing out renting rates fell by 40 percent in the fiscal year (2009-2010).

Bourisili added in a statement to Kuwait News Agency (KUNA) that this fall in the renting rate was one of the biggest challenges facing KOTC of late and it had its operational and financial impact on it, noting that continuing weak dollar, the main currency on trading oil derivatives, contributed to aggravating the crisis.

He also made clear that the company's fleet currently consists of 21 oil tankers including five giant tankers for transporting crude oil and 12 tankers of various sizes for transporting oil derivatives as well as four gigantic tankers for transporting gas, noting that the fleet's tonnage cargo amounts to 472.2 million metric tons.

Bourisili said that KOTC sold outmoded and single hull crude tankers in the current fiscal year as part of a plan for renewing the fleet at a total cost of 36.4 million US dollars, making clear that the company is about to sell two double hull tankers this month with one of them for crude oil and the other for the oil products.

He asserted that this comes within the renovation process of the company's fleet and it best serves the company as all its fleet would consist of double hull tankers that provide better protection for the ships and transported cargo and in what also complies with international navigation and environmental conservation law.

Bourisili expected a change in the numbers of tankers owned by the company's fleet in the coming five years with 15 new tankers being constructed including eight giant tankers for transporting crude oil and seven for oil products, making the total tonnage of the fleet amounting to 4.786 million metric tons.

On the strategies followed in stockpiling crude on high seas as a strategic reserve, he said that oil tankers are currently used as gigantic floating containers for storing oil in what makes them economically required, noting that increase in supplies caused a drop in shipping prices and made stockpiling crude oil on old tankers a comparatively cheaper.

Bourisili also referred to attempts made by some companies to keep oil on floating tankers as long as possible pending the right time to sell it at a reasonable price due to the big price fluctuations.

Finally, he asserted that the company's winning of international safety and high quality certificates came as a result of the efforts exerted by all its relevant departments and in cooperation with the quality control department that was especially set up for managing all safety and quality programs. -KUNA



Indian workers embroider a sari at a workshop in New Delhi, India, Wednesday, July 14, 2010. The workers earn Indian Rupees 150 (\$ 3.10) for a 12-hour day of labor. (AP)

Tough surveillance over prices to ensue

KUWAIT: The Undersecretary of the Ministry of Commerce and Industry Rasheed Al-Tabtabaie emphasized that all companies have to adhere to laws administered by the ministry, and that the ministry will exert all possible efforts to control price hikes before the holy month of Ramadan.

The ministry has to adopt these laws because companies may hike-up prices, especially on food supplies, before Ramadan, wherein food purchases and consumption increase rapidly. The ministry decided on imposing strong surveillance in all markets in Kuwait after a meeting held between the undersecretary and the assistant undersecretary for commercial surveillance affairs Ali Al-Baghli in addition to a number of inspectors from various Kuwaiti areas. Al-Tabtabaie listened to all inspectors as they

discussed strategies and work progress in different areas. The inspectors submitted detailed explanations and plans about what they would do if they were faced with any fraudulent attempts or law violations. Al-Tabtabaie said that the ministry will penalize any companies or individuals who attempt to hike prices illegally. In other news, Al-Tabtabaie met with the Jordanian delegation headed by the General Manager of King Abdullah Design and Development Bureau, Muoaid Al-Saman. They discussed effective ways to activate commercial cooperation between Kuwait and Jordan. Al-Tabtabaie said that the commercial exchange between Kuwait and Jordan should develop, and that the Ministry of Commerce has plans for encouraging investments with Jordanian companies in Kuwait. -KUNA

Zain may invest in Middle East: CEO

Zain awards the students of the future

Jameel W. Karaki
Staff Writer & Agencies

KUWAIT: Kuwaiti telecom firm Zain is open to investing in communications and the Internet in the Middle East, its chief executive said in remarks published on Wednesday. The state news agency Kuwait News Agency (KUNA) quoted Nabil bin Salama as saying the company's profits for the first half will be "good." He did not provide any figures. Zain sold most of its African assets to India's Bharti Airtel in a nine billion US dollar deal last month. It overhauled its management in line with its new strategy to concentrate on Middle East operations. Bin Salama said Zain was interested in acquiring the telecoms company it operates in Lebanon, MTC Touch, if the government decides to sell it.

Zain was the first company to inject cash liquidity into the Kuwaiti financial market, at a value exceeding 650 million Kuwaiti dinars, amid hard economic conditions, he said, affirming that the company does not interfere in pricing its stocks at the Kuwait Stock Exchange (KSE).

Shares of the company are priced on the basis of the demand and supply in the KSE trading, Salamah elaborated, affirming that its financial state was solid following sale of its stakes in Africa.

On Tuesday, July 13, 2010, Zain hosted an honoring and an award ceremony in Al Raya Ballroom for Kuwait's top graduating high school students in recognition of their academic accomplishments. It was just one of the many community education initiatives that Zain is supporting, believing on the importance

of the human capital.

In attendance at the ceremony were, Chief Operating Officer, Barrak Al-Sabeeh along with officials from the Kuwaiti education sector represented by Tamader Al-Sadrawi and the ministry of education representatives.

On his part, Zain Group Chief Executive Officer, Nabeel Bin Salama stated that "Zain is fully aware that education is the main resource in the development of the social fabric of the communities we serve. Therefore Zain has undertaken a range of initiatives in education and will continue to support and reward those who shine."

He also in his speech to the students described them as the present representatives and the people who will shape the future. "Today is the day of harvest, harvesting the hours, days and months of sleepless nights and anxiety. It is your right to rejoice in this achievement, which is a ticket to a new journey to more success and other challenges," he said.

During his speech, Bin Salamah further stressed Zain's commitment to social responsibility, referring to it as a "the new reality", one that Zain has harnessed and refined with its Future University Network (FUN). FUN, as it is known, is a youth development initiative that encourages university students who invest in themselves under Zain's mentorship. It gives team members opportunities to develop projects and come up with innovative business ideas that test them against the real world. He also highlighted the cooperation between Zain, Cisco and the University of Kuwait, in a program that will train more than 90 teachers from various schools across Kuwait to bridge the information technology gap. It was, along with FUN he said, part of Zain's long-term commitment to champion education in Kuwait.

operating within a year, though Al-Naser Airlines, which has two Boeing Co. 737s and a widebody 767, is the only one up and running so far, said Aqeel Kawthar, a ministry spokesman. Lufthansa will fly to Baghdad from Munich, the German airline announced on May 28, two days after Iraq's government revealed plans to liquidate Iraqi Airways.

Double capacity

Iraq aims to double the capacity of airports including Baghdad International as it spends billions of dollars to improve a shattered and outdated infrastructure. Iraqi Airways, founded in 1945, hopes to be around to reap the benefits even amid the legal clash with Kuwait, Commercial Director Gulseren Abdul Kadir said in an interview. While the carrier has ceased flights to Britain, Germany and Sweden, it still has routes outside the European Union and will contest a UK ruling favoring Kuwait Airways in a court case on Aug. 8. -Bloomberg

Baghdad is back on map for Lufthansa, business jets

CAPITALS: Iraq is transforming from a battleground into a focus for civil aviation as the collapse of its national airline and a decline in violent attacks attract international carriers and business-jet operators. Deutsche Lufthansa AG will begin flights to Baghdad on Sept. 30, helping to fill a void left by Iraqi Airways, which the government is dissolving to prevent Kuwait from seizing planes as compensation for 10 jetliners plundered by Saddam Hussein's invading forces in 1990. Middle Eastern carriers have also begun services and Charter Company Royal Jet is flying twice a week from Abu Dhabi as attacks in Iraq fall to their lowest level since the 2003 US-led invasion.

"The constantly improving security situation combined with ongoing reconstruction and investment has created ideal conditions for private aviation into and out of the country," John Morgan, Royal Jet's Vice President for commercial operations, said in an interview.

The economy, ravaged by war and starved of investment,

is sparking life, with Exxon Mobil Corporation and Royal Dutch Shell Plc securing rights to develop untapped crude that Iraq needs to pay for its reconstruction.

Iraq has the world's third-largest oil reserves and aims to more than double production to six million barrels a day by 2015. The country is also home to important pilgrimage sites for Shiite Muslims. Royal Jet caters mainly to executives in the construction and oil industries.

Bookings have boomed since January, said Morgan. Royal Jet began flying seven years ago and has a fleet of 11 corporate aircraft based in Abu Dhabi.

Local airlines

As the new entrants restore Iraq's links with the outside world, the Transport Ministry is also encouraging privately owned local operators immune to financial claims from state-run Kuwait Airways. As many as three private carriers may be

Don't worry about China

Alessandro Magnoli Bocchi
Chief Economist
Kuwait China Investment Company

CAPITALS: China's economic prospects remain solid. Recent worries about weakening growth, excessive tightening (such as premature withdrawal of fiscal and monetary stimuli), and rising wages are creating alarm bells, but these are overstated possibly enhanced by a worrisome global macro environment.

Yes, China's economy has been decelerating for some time, and it is now in a softening phase.

Growth peaked at 11.9 percent in the first quarter (Q1) of 2010. Recent PMI data showed slower manufacturing growth, as 'new orders' declined. But the country was growing too quickly, and the ongoing deceleration is healthy. Importantly, the government remains in the driver's seat: it is deliberately cooling the economy in April, the State Council instructed local governments to control prices via restrained lending, and in doing so is creating more room for future expansionary interventions. As the fiscal stimulus is withdrawn, the deficit is narrowing. As the monetary stimulus decelerates this year, loan growth is expected at 17 percent versus last year's 30, local governments' investment vehicles are getting less and less bank financing.

Bottom line: in case of need, the government has the financial means for an additional stimulus plan, mostly via resuming infrastructure spending in the provinces. On economic tightening, the sequence followed so far shows the government's ability to implement - and strong preference for targeted policy interventions. In other words, it tackles the issues where they are. At first, administrative measures curbed lending, to contain excessive price growth and speculative real estate purchases. Then, the appreciation of the Chinese renminbi - largely a political move - is expected to cool import prices. Interest rates hikes are kept as a last resort, because they affect the whole economy and negatively impact growth. Given this very practical approach, it is fair to assume that if the economy were to excessively decelerate the tightening would be reverted.

On wages, it is true that dissatisfaction is mounting, especially in the South, but China is not moving into a 'new era' of large wage increases and declining competitiveness. The minimum wage is set by local governments, and over the last decade it has been rising on average 10 percent per year, with faster increases in the last five years.

After the 2008 crisis, wages were frozen and the recent wage growth is just catching up to the trend. Also, for years productivity rose faster than wages, so higher labor costs are de facto already absorbed by productivity gains. In short, this means that investors are unlikely to move their factories from China to say Vietnam.

In sum, beyond the near term the overall outlook remains very positive. In the ongoing global slowdown, growth is just declining to potential (a healthy nine percent), with the bottom expected in mid 2011 and is unlikely to drop below potential, as the Government, if growth were to falter, will intervene. In short, China's growth model still works very well; in 2010, growth is expected above 10 percent.

Of course, there are risks. In the short term, the Government needs to 'get right' the timing of two important policies. First, the withdrawal of the stimuli: if resources were to be pulled back too early, the economy could contract faster; if too late, inflation might rise. Second, shifting the economy - in an orderly way - from an 'export led growth' model to one driven by local consumption. On the one hand, a weaker global demand and faster than expected renminbi appreciation forecasted at five percent over the year, with potential of 20 percent over the next three to five years could excessively hit the export sector. On the other hand, a strong global recovery could promote Chinese exports, and - alas - a good crisis would have been wasted, China would still grow thanks to external demand, with large reserve accumulation, and no rebalancing of the global economy.

In the medium term, three risks need to be addressed: first is the debt of local governments - i.e. the exposure of the banking system to local infrastructure development. Indeed, if these projects were to create over capacity, they would be unable to generate the cash flow needed to honor loan repayment. Still, the total debt of China's local governments is estimated at 20 percent of gross domestic product (GDP).

Given that central government debt is also faring at around 20, a total debt of 40 percent of GDP is a level that many developed countries would dream of having. Second, the country's external reserves need to be managed better; pushing savings abroad (every Chinese peasant has 2,000 US dollars in T Bills) is neither optimal resource allocation nor efficient investment.

Third, as income disparity rises, complaints about the 'class with special rights' are on the rise. In the long run, three challenges need concrete mitigation strategies. Firstly, the demographic profile is turning unfavorable: an aging population, the one child policy, and poor pension provisions will be compounded by a labor force that will start contracting in 2020.

Secondly, environmental constraints especially desertification and water scarcity - can hamper long-term growth prospects. Thirdly, China needs to correct its current inefficient allocation of resources, for example by reducing the size of the state, and dismantling monopolies. Overall, these risks are manageable; the Government is aware of the challenges and has the financial resources, human capital, and administrative capacity to successfully tackle them.

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