

***Keynote Speech at the Seminar on  
“Privatization in Kuwait”<sup>(1)</sup>***

I am delighted to have been invited to deliver the opening speech of this seminar on privatization.

It is believed that word “privatization” first appeared some thirty years ago. For those who then promoted the concept, it seemed part of a hopeless cause to persuade governments that the interests of their peoples were not best served by state monopolies providing the essential services. The rapid public sector expansion of the 1960’s and early 1970’s had been seen by many as the primary driving force of economic activity and political stability. However, by the mid seventies, opinion had changed, and it was then seen as inflexible, and a drain on increasingly limited public resources. Consequently, the movement towards privatization gathered speed as attitudes began to harden against state involvement in industry and services.

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(1) Delivered on December 6, 1992, in Kuwait, on the occasion of the seminar on “Privatization in Kuwait” which was organized by the Strategic Investment Forum Ltd.

Over the past ten years, many governments of the industrialised and developing countries have adopted policies to free their economies from state control. Privatization of state-controlled or state-owned enterprises has been one of the key measures used within this broad framework. This policy has unquestionably had an enormous impact on economies and has changed, perhaps permanently, the way each government approaches the economic problems it faces.

The leader of this movement was the United Kingdom, which instigated, in the early 1980's, an aggressive and wide-ranging privatization program. This lead was taken up by other countries. At present we find Italy selling its banks, France its chemical companies, Spain its tobacco monopoly, and Eastern Europe practically everything. Indeed, within the Soviet Union, the privatization proposal is, as I understand, the most popular part of the entire reform program. The worldwide expansion of this process has been such that it has become a real policy in more than seventy countries, to the point that last year there were close to \$40 billion worth of privatizations worldwide.

Experience in these countries has shown how complex privatization can be, and the need for careful control and planning. Each country, and no doubt each sector, presents its own problems. No one should be under any illusion that because some countries have

been successful the process is easy. There have been many failures in this policy, but these do not get so much publicity. We need to learn from both the successes and the failures, and accept that in Kuwait, the transition, though hopefully challenging and rewarding, will of necessity involve some painful decisions.

We need to clearly define our strategy and objectives for privatization. The Western world has found that in most cases, public sector organizations generally perform less efficiently than their private-sector counterparts. Objectives shared by most countries include the reduction of government control in the economy, attraction of foreign technology and expertise, increased competition and efficiency, and many others. All these are relevant in Kuwait, but perhaps the most important is our need to encourage economic activity and attract local capital for productive use. We would want this to lead to greater efficiency in the services provided in Kuwait, and in turn ensure that government spending is used more efficiently, to the benefit of all in Kuwait.

In Kuwait, state ownership is large, and its growth was accelerated by the problems of the early 1980's. The private sector's share of non-oil GDP dropped from 66.2% in the early eighties to 47.9% by the end of that decade. This continuing trend is of concern to us, as we do not wish to have a fully state-controlled economy. Kuwait started to study the possibilities of privatization prior to the Iraqi







