

Opening Speech of His Excellency the Governor of the Central Bank of Kuwait at the Second Annual Conference on Enhancing Joint Gulf Cooperation in the GCC Central Bank Governors' Committee, 14 September 2025, Kuwait*

Our Distinguished Attendees,

It is my pleasure to welcome you to the opening of the Second Annual Conference on Enhancing the Gulf Cooperation Council (GCC) Joint Action within the framework of the Committee of Governors of the Central Banks of the GCC countries, which is being held this year in the State of Kuwait under the theme of “**Central Banks in the Age of Artificial Intelligence**”.

This conference affirms our commitment to strengthen Gulf coordination in building a resilient banking sector capable of adapting to the everchanging global landscape.

This conference is also held at a critical time, as the world is facing elevated geopolitical and economic challenges. These developments urge us to continually strengthen our analytical capabilities and refine our strategic planning, while remaining prepared through the careful and responsible adoption of AI technologies and their applications.

Your Excellencies,

Distinguished Guests,

The past few years have witnessed deep shifts in the global economic landscape. The start of this decade, in particular, has been marked by an unprecedented surge in inflation, fueled by the surge in energy and

* Opening Speech by His Excellency Basel Ahmed Al-Haroon, Governor of the Central Bank of Kuwait, at the Second Annual Conference on Enhancing Joint Gulf Cooperation in the GCC Central Bank Governors' Committee, held in Kuwait on 14 September 2025.

food prices, along with severe disruptions to global supply chain, which prompted central banks to embark on the fastest monetary tightening cycle in an attempt to curb these inflationary pressures.

Fast-forward to 2024, the repercussions of this tightening are becoming evident in both growth and trade, as global trade flows decelerate significantly against a backdrop of increasing protectionist policies and persistent geopolitical challenges, with elements of economic fragmentation taking hold. At the same time, financial markets have become increasingly sensitive to the growing geopolitical and economic developments. Interest rates, and exchange rates have shown heightened volatility, adding complexity to the task of monetary policymakers as they work to manage liquidity levels and mitigate prevailing risks.

Against this backdrop, the new reality facing central banks today is neither situational nor transitory; it represents a structural shift and what can rightly be described as a “New Policy Reality”.

Uncertainty has become a defining characteristic, and shocks have become increasingly interconnected, not only across geographical borders but also across different asset classes. This growing interconnectedness has shortened the time between the onset of economic disruptions and their direct impact on monetary policy decisions, demanding greater analytical agility and readiness to respond rapidly to emerging developments.

Your Excellencies,

Distinguished Guests,

Amid this growing complexity, AI emerges as a strategic tool capable of reshaping the role of central banks within an increasingly digital environment, one which is defined by vast data flows, the expansion of digital financial services, and the rise of technology-driven economic interactions. AI enables us to analyze massive volumes of unconventional data, anticipate behavioral shifts in the

macroeconomy, model complex relationships between indicators, and enhance the effectiveness of institutional communication with markets.

However, Artificial Intelligence is not without its challenges and inherent risks, particularly in the absence of robust governance frameworks. It can exacerbate distortions in analytical models, create a false sense of certainty based on flawed models, or be used in unprotected environments that could threaten financial stability. For this reason, the utilization of AI cannot be left to chance, it must be deliberate and cautious, aligned with the central bank's core mandate, and guided by the principle of responsible use.

History has shown that when major technological waves advance unchecked, they often create gaps and imbalances, while gradual guidance enables a more sustainable transition. What is needed today is not the replacement of human judgment with AI, but rather the enhancement of that judgement through supporting AI tools.

In light of this shifting landscape, adapting effectively to AI has become a strategic priority for central banks, emphasized by four key pillars.

First, establishing a comprehensive governance framework covering data governance, risk management, cybersecurity, and compliance, to ensure responsible and transparent use.

Second, investing in institutional skills by building analytical and technical capabilities that enable stakeholders to understand and confidently interact with AI outcomes.

Third, creating a flexible regulatory environment that supports innovation and encourages disciplined implementation without compromising stability.

Fourth, deepening cooperation to enhance collective resilience against emerging risks.

Your Excellencies,

Distinguished Guests,

The priorities presented today reflect operational requirements that cannot be postponed. They are driven by the profound and rapid transformations reshaping the global monetary landscape and our ongoing responsibility to safeguard financial stability.

Against this backdrop, today's conference includes two sessions that shed light on pivotal issues. The First Session discusses building resilient systems in a fragmented world, while the Second addresses the adoption of AI in central banks – from practical use to governance, aiming to enrich the discussion and formulate shared future visions that support sustainability and integration.

In conclusion, I would like to express my sincere gratitude and appreciation for your presence and active participation, and to extend my appreciation to our distinguished speakers for the valuable contributions they will be sharing. Hoping that the sessions of this conference will yield practical insights that benefit us all.