U.S. – ARAB CHAMBER HOSTS KUWAIT DELEGATION TOUTING “PARADIGM SHIFT” TO BUSINESS-FRIENDLY REGULATIONS

U.S. Ambassador: “For the First Time, Foreign Companies Can Enjoy Up to 100 Percent Equity Ownership”

*Investment Authority Director General: Kuwait is Seeking Knowledge Transfer, Advanced Technology, Innovative Ideas, and Know-How*

**Washington, DC** – Last week, on the sidelines of the U.S. – GCC Summit, the National U.S. – Arab Chamber of Commerce (NUSACC) hosted one of the highest-level public/private delegations in many years from the State of Kuwait. Led by H.E. Sheikh Meshaal Jaber Al Sabah, Director General of the Kuwait Direct Investment Promotion Authority, and the Honorable Douglas Silliman, U.S. Ambassador to the State of Kuwait, the delegation highlighted wide-ranging changes that are being made to transform Kuwait into a more investment-friendly destination. Some 200 U.S. companies registered for the event, which took place at the Ronald Reagan Building and International Trade Center in Washington DC.

“Kuwait and the United States have shared a special relationship for many years . . . during tough times and good times, in the crucible of war, and in the shining light of independence,” noted David Hamod, President & CEO of the U.S. – Arab Chamber. “Against the backdrop of this special relationship, recent changes in the commercial landscape of Kuwait hold great potential for U.S. companies.”
During a two-day visit to New York and Washington DC, representatives of the U.S. Embassy, private businesses in Kuwait, and the Kuwait Direct Investment Promotion Authority (KDIPA) touted Kuwait’s emergence as a safe haven and a draw for investment. The DC event was organized in cooperation with the U.S. Department of Commerce and the U.S. Embassy in Kuwait, and sponsors included Boeing (Lead Sponsor), AECOM, and the Ronald Reagan Building and International Trade Center.

U.S. Ambassador’s Perspective

“We are seeing important changes in Kuwait’s legal infrastructure and the way that the government regulates and approves businesses,” said Ambassador Silliman. “For the first time in the history of Kuwait, foreign companies can enjoy up to 100 percent equity ownership. This is a big step forward, and there is more to come.”

Silliman pointed out that Kuwait has enjoyed “record budget surpluses for over a decade, average GDP growth of over four percent for the last six years, and a $116 billion National Development Plan.” Sectors of particular interest to U.S. companies, he suggested, should include education, healthcare, information and communications technology (ICT), transportation & logistics, oil & gas, and renewable energy.

Education is a cornerstone of Kuwait’s “Vision 2035” master plan, Silliman said, and an integral part of Kuwait’s transition to a knowledge-based economy. He also highlighted ICT opportunities, including new developments in mobile banking, data security, and smart city technology. Kuwait’s mobile penetration rate has reached 215 percent, Silliman noted, one of the highest levels in the world. On the energy front, he said, Kuwait intends to utilize new technologies to add one million barrels per day of oil over the next five years and to ensure that 20 percent of the nation’s energy comes from renewable sources by the year 2030.
The State of Kuwait is emerging as one of the fastest growing markets for U.S. goods and services in the Middle East and North Africa (MENA) region. In 2014, U.S. merchandise exports to MENA reached their highest level ever ($70.85 billion), and some of this growth was paced by Kuwait, whose merchandise imports from the USA grew a remarkable 40 percent from 2013 to 2014. U.S. goods exports to Kuwait reached $3.6 billion in 2014.

The KDIPA Perspective

H.E. Sheikh Meshaal Jaber Al Sabah, Director General of the Kuwait Direct Investment Promotion Authority (KDIPA), said that Kuwait’s most recent development plan (2015 – 2020) focuses on 30 strategic megaprojects in nine different sectors: Oil & gas, North Zone Development, electricity & water, urban development & housing, health, education, transport & communications, tourism & media, and the environment.

The most recent development plan, part of “Vision 2035,” Al Sabah said, places special emphasis on encouraging entrepreneurship and promoting small & medium-sized enterprises (SMEs). This reflects a sea change in culture, he suggested, because Kuwaitis have historically preferred the security of government jobs. “Kuwait is less interested in capital investments than in added-value investments,” he said, “which includes knowledge transfer, advanced technology, innovative ideas, and know-how.”

Nine panelists participated in the Q&A session. From left to right: Dao Le, U.S. Embassy in Kuwait; David Hamod, NUSACC; Sheikh Meshaal, KDIPA; Ambassador Douglas Silliman; Bashar Kilani, IBM; Del Renigar, GE; Ali Dashhi, KGL Holding; Alok Chugh, Ernst & Young; Ahmed Abdelal, University of Massachusetts Lowell.
Some of Kuwait’s value propositions, Al Sabah noted, include: competitive fuel & electricity costs; high stability and low risk; low corporate taxation (15 percent); high levels of human development and quality of life; and an Investment Grade Sovereign Rating (Moody’s: Aa2 and Standard & Poor’s: AA).

Kuwait put in a strong macroeconomic performance in 2014, Al Sabah said, with non-oil real economic growth solid at 3.5 percent, low inflation (three percent), a fiscal surplus that is 26 percent of Gross Domestic Product (GDP), and a current account surplus of 37 percent of GDP.

The Director General of KDIPA ran through the list of new laws that have been promulgated in recent years, including but not limited to laws governing Foreign Direct Investment (FDI), Public Private Partnerships (PPP), commercial companies, privatization, and SMEs. Works in progress include laws governing bankruptcy and public procurement.

KDIPA was established in 2013, and it serves as an implementing arm of the country’s development strategy. Its mandate is to promote direct investment by local and foreign investors, streamline the investment environment to improve Kuwait’s competitive position in the region, license direct investments, and raise awareness of direct investment opportunities in the State of Kuwait.

KDIPA offers a number of incentives, including this sampling:

- Holding up to 100 percent foreign ownership
- Corporate income tax exemptions for up to 10 years
- Total or partial exemptions from customs duties
- Facilitating allocation of land in accordance with local laws
- Facilitating the employment of foreign labor that may be needed for the investment

For more information about the work of KDIPA, go to: www.kdipa.gov.kw.
Private Sector Perspectives

Kuwait’s “Road Show” also included select panelists who described their private sector experience in Kuwait. The panel discussion was led by Mr. Dao Le, Senior Commercial Officer at the U.S. Embassy in Kuwait. He noted, “What is happening in Kuwait today represents nothing less than a paradigm shift, the first of its kind in the Gulf Cooperation Council nations. If you enjoy doing business with friends, then come to Kuwait.”

The panel consisted of nine persons, including Messrs. Le, Hamod, Silliman and Al Sabah. The other five panelists included:

**Ernst & Young** – Mr. Alok Chugh, Partner, Tax Advisory Services, noted that Ernst & Young has been operating in Kuwait since 1952. “We are more confident today than ever that Kuwait is heading in the right direction – with its vision to develop a diverse economy,” he said. “Kuwait is now giving 100 percent access to its market, without a local partner, because Kuwait wants to apply and adopt U.S. technology and to apply best practices.”

**General Electric** – Mr. Del Renigar, GE’s Senior Counsel for Global Government Affairs & Policy, said, “Kuwait is heading in the right direction with a strategic vision that attracts the right partners . . . to diversify its economy using advanced technology and investment in education and training.” He went on to say that Kuwait is a “strategic partner to GE – and a very promising market – with over 200 employees, two major facilities, one of the largest wastewater treatment facilities in the world, two offices, and a major technology center.” Renigar concluded, “GE’s technology center will open in 2016, and it will be the largest of its kind outside the United States, focused on power generation programs and the oil & gas sector.”

**IBM** – Mr. Bashar Kilani, IBM’s Territory Executive for the Middle East (GCC & Levant), noted that IBM is “pleased and honored to be the first company to take advantage of this unique initiative in Kuwait. We submitted our application and we are now a 100 percent foreign-owned company in Kuwait. The process for our application was very swift and very structured, thanks to KDIPA.”
KGL Holding – Dr. Ali Dashti, Chairman, said, “Kuwait is a strategic access point, not just to the Gulf, but to the region. Kuwait-based companies operate in the entire Middle East and beyond. Many major U.S. companies, partners with Kuwaiti companies, have conducted successful business throughout the region for decades.”

University of Massachusetts Lowell – Dr. Ahmed Abdelal, Provost and Professor of Biological Science, noted, “The University of Massachusetts Lowell has proudly partnered with Kuwait University and Raytheon Corporation on developing 15 Bachelor’s degree programs to be offered in Kuwait as part of our mission to work closer with Kuwait on their education development vision.” He went on to point out, “These programs will grant dual degrees for Kuwait graduates – one from Kuwait and one from the United States.”

Kuwait Vision 2035

Kuwait is now moving into its second development plan, part of Kuwait Vision 2035, which seeks to “transform Kuwait into a world class commercial & financial hub.” Kuwait hopes to accomplish this by encouraging the private sector to “assume a leading role in economic activities, aiming to enhance the competitive environment with the support of an enabling institutional framework.” In so doing, Kuwait Vision 2035 will “upgrade the country’s productive efficiency, preserve values and the national identity, achieve human development objectives with balanced development, and provide adequate infrastructure, advanced legislation, and an attractive business environment.”

The five strategic goals of Kuwait Vision 2035 include:

- Increasing the nation’s GDP & well-being
- Enabling the private sector to take a leading role
- Supporting human & social development
- Improving population policies
- Encouraging efficient government administration

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According to the Amiri Diwan, the headquarters of Kuwait’s leadership, Vision 2035 aims to “restore the regional pioneering role of the State of Kuwait as a financial and commercial hub, reviving the central role of the Kuwaiti private sector…” This strategic plan will also “provide the controls and climate to ensure total human and balanced development aimed at establishing the values of the society, maintaining its identity, building citizenship, achieving justice and a means of honorable living, supporting and establishing the democratic system based on respect of the Constitution, and compliance with the same to ensure justice, political participation, and freedoms.”

The Kuwait City skyline at night.