Dear Friends of the Global Diwan,

One year ago, on March 11th, we were on the starting blocks, but the lockdown immediately blocked our ambitious start... Six newsletters after our beginnings with almost 1000 followers on various social medias we are proud to announce we will be happy to meet you personally in Nice (France) on October 7th, 2021 for our 1st annual Euro-Arab forum dedicated to common goods security with shared experiences in Europe and in the Arab countries. 

Save the date and read below the academic framework contribution of Sciences-Po Paris.

Kuwait recently played a very special role among the Gulf countries’ reconciliation. The Global Diwan is happy to celebrate its National Day on February 25 and as long as 60 years of French-Kuwaiti friendship. Ambassador Anne-Claire Legendre, Shaikha Al Bahar and Khalifa Al-Yakout contributed to this issue on business perspectives and Vision 2035 a few weeks before the visit of French Minister Franck Riester. I want to mention two webinars to come soon and embracing cultural and social concerns, one on February 25 about patrimony and collectors in the MENA region with the Louvre, Christie’s and the participation of two Maghreb institutions: Rambourg Foundation and Mohammed VI Museum; the second one will take place on March 8 exploring women business success stories under the sponsorship of our two advisory chairpersons: Princess Intisar Al Sabah and Ambassador Gourdault-Montagne.

Enjoy your reading! And please spread the information to your network.

Éric Schell
Executive Chairman of the Global Diwan

Kuwait City, Kuwait
I. Challenges

The MENA countries are structurally on the front line of security challenges and unsustainabilities that the Anthropocene is only exacerbating: the consequences of global warming lead to a paradigm shift for the classical growth models to alternative ones. While ‘collapsology’ may be a subject of debate in Western societies, the region is seriously facing a series of closely intertwined and long-term challenges.

The Arab-Persian Gulf countries, e.g. Kuwait or the UAE, struggle with Food security that appears to be the most glaring challenge in a time of increasing demographic pressures. Due to geological, geographical and hydrological conditions, these countries can hardly achieve a food autonomy covering basic needs. Hence, the management of food dependence is likely to remain strategic. For example, Qatar has only 48 hours of food reserve, exposing its vulnerability to any disruption of supply chains (imports cover 90% of its food consumption).

For Maghreb countries with an important agricultural sector, severe drought episodes and water scarcity have a long-term macroeconomic effect, as highlighted by the 2015 drought in Morocco.

Environmental security is the other major concern: based on the IPCC median scenarios, the temperature could reach 45°C in the summer in the Gulf countries, starting in 2100, causing irreversible health damage. Air pollution already exemplifies this kind of challenges: WHO data show that people in Gulf countries breathe the most toxic air on the planet. It is a primary source of respiratory diseases, while coping with water needs is the other chronic challenge. According to a recent World Bank study, 40% of the Moroccan coastline will be at high risk of erosion and flooding by 2030. Hence, key sectors such as agriculture and farming, human health, water resources and tourism will be impacted.

Finally, Health security is likely to remain a top priority of the countries’ public policies. This region is indeed a major place of transit (see the Dubai airport hub). In addition, it sees massive flows of tourists, pilgrims and foreign workers (India, Pakistan, and Southeast Asia) in spaces landlocked by their topography (Bahrain, Medina, Doha). The rise of pandemics or the development of antibiotic resistance (10 million deaths per year worldwide by 2050) will affect permanently social resilience.

II. Security challenges are transnational per se: if each country has already initiated its own transition (e.g. Vision 2030 in Saudi Arabia), answers will be comprehensive and cooperative.

Disruptive and cutting-edged technologies may provide with new opportunities for cooperation, such as monitoring of environmental data (meteorological, oceanographic and terrestrial). Water and food waste management are another area of cooperation. A North African cooperation on one side, and on the other a GCC-wide regional epidemiological surveillance agency (including Iran and Iraq) should also be under consideration.

This first annual forum is an extraordinary moment to foster dialogue and build privileged connections with personalities in business, politics or academics. It will take place in the wonderful city of Nice this Fall 2021.
The Great Challenge of Food Security in the Gulf

By Shathil Nawaf Taqa

THE COVID-19 PANDEMIC HAS DISRUPTED THE FOOD SUPPLY CHAINS GLOBALLY. ACCORDING TO A 2018 STUDY OF THE UNITED NATIONS’ WORLD FOOD PROGRAMME, FOOD INSECURITY THREATENS 822 MILLION PEOPLE. THAT IS TO SAY ONE IN NINE PERSONS ON EARTH SUFFERS FROM CHRONIC UNDERNOURISHMENT. SUCH INSECURITY IS ALSO A THREAT FOR THE MORE THAN 113 MILLION HUMANS THAT NEED VITAL FOOD AID. THE WORLD’S GOVERNMENTS SOON STARTED TO IMPLEMENT POLICIES TO PRESERVE FOOD SECURITY AS IT IS DEFINED BY THE WORLD FOOD CONFERENCE: TO REACH A POINT WHERE THE WHOLE POPULATION HAS SUFFICIENT, HEALTHY AND NUTRITIONAL FOOD AT ANY GIVEN TIME.

It is in this context that Gulf Cooperation Council’s (GCC) countries have approved on April 16, 2020, a Kuwaiti proposal aiming at the creation of an integrated food security network. The GCC members (Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates) have agreed on applying special measures at border checkpoints and customs to facilitate the movement of food products and basic medical supplies within the Gulf alliance.

The food challenge of the 21st century

Historically, owing to the thriving regional economies, food security was not considered as a major concern for the six Gulf states. Their satisfactory budgetary situation translated into a high purchasing power allowing the Gulf countries to be less vulnerable to the risk of rising prices and allowing them to fill the void of national production deficit. However, following the global food crisis of 2007-2008, food security appeared as a source of national vulnerability. The crisis brought to light the heavy dependency of the GCC countries towards importations, as well as the limits of food policies based solely on importations and the necessity of increasing local production. Such vulnerability would add up to the limitation of the natural environment as far as agriculture is concerned: scarce water resource, poor soils and aquifers already exploited well above their natural refill capacities. Given the aridity of such land where developing sustainable food security is challenging, some Gulf states took action abroad to take care of their population’s food supply. Qatar, for example, through its sovereign wealth fund — Qatar Investment Authority — launched in 2008 Hassad Food to guarantee food supply thanks to agricultural investments. The 2017 diplomatic crisis has been pivotal to the company that was able to alleviate the isolation Doha was experiencing. Its international activism especially with Turkey, Iran and Russia through the implementation of supply chains, trade agreements and the development of infrastructures that favoured agricultural good’s importation and supply to the market. Other countries, such as Saudi Arabia, Kuwait and the United Arab Emirates have invested in farmlands in Sudan, Tanzania and Pakistan. Some have also invested in agribusiness groups, many of which in developed countries. In this way, an Emirati company bought eight agricultural holdings in Serbia for 400 million dollars and invested in a rice producer in India.

Multiple projects to prepare the future

From a national standpoint, the Gulf states avec launched national food security programmes because the independence towards foreign countries faces the
Following the global food crisis of 2007-2008, food security appeared as a source of national vulnerability. The crisis brought to light the heavy dependency of the GCC countries towards importations and the necessity of increasing local production.

critical challenge of demographic growth. According to the Gulf Cooperation Council’s statistics, the population went from 30 million people in 2000 to 35 million in 2006. Such number should grow to 58 million in 2030 as per the projections of the Gulf Research Center (GRC) based in Dubai.

With the objective of becoming the global leader for food security, the Emirati government took interest in agricultural innovations. DIME, an Emirati company, has invented an ingenious system that uses hydrophobic sand (soilless) to retain water and then spray it on plantations. In 2019, the United Arab Emirates have launched the Food Tech Challenge, a global competition aiming at developing innovating solutions for the production and management of food products. The four winners share a one million dollars prize. The challenge matches with the objective of the National Strategy for Food Security 2051 that aims to develop a national system resting upon a sustainable food production thanks to the use of modern technologies.

In Qatar, government tries to faithfully follow the pluriannual plans set by the Emir to consolidate this strategic sector. The programme’s purpose is to reduce importations by multiplying measures favouring innovating solutions to produce locally, desalinate water for irrigation, use solar energy for field crops and pay special attention to three crucial edibles (cereal, meat and sugar). In addition to this programme, the construction of Hamad Port, a dedicated terminal for the storage of food products.

On the diplomatic front, two Gulf states, Qatar and Kuwait, participated to the Global Dryland Alliance launched in 2012 at Doha’s initiative. Betting on collective dynamics and knowledge sharing, the Global Dryland Alliance aspires to aggregate expertise and experience from members in a situation of agricultural vulnerability due to their climate or limited natural resources. The Covid-19 pandemic accelerated the wish to invest in agricultural technologies. It is notably the case of Kuwait, through Wafra International Investment Company, which announced a 100 million dollars investment in the group Pure Harvest. The financial transaction aims at supporting construction projects of high technology greenhouses with monitored climate control producing fruits and vegetables without pesticide. Such innovation is popular in Kuwait, a country with a high annual sunshine duration and little rain.

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Business opportunities in Kuwait

A new era has opened for Kuwait following the succession from His Highness late Sheikh Sabah to HH Sheikh Nawaf at the end of September 2020. His Highness Sheikh Nawaf Al-Hamad Al-Sabah takes the helm of a prosperous country of 4.6 M inhabitants (1.4 M Kuwaitis) with a GDP of 45 000$ by head (in purchasing power parity terms) in 2019. The Emirate relies on a strong oil industry (7th world reserves, 8th largest world producer) and a powerful sovereign wealth fund (assets at over $bn 550, 400% GDP).

The new leadership faces serious economic challenges brought on by the Covid-19 pandemic and lower oil prices even if Kuwait has been doing pretty well to keep the epidemic under control. The vaccination campaign started late December and by mid-January 20 000 people had been vaccinated. The Kuwaiti economy has obviously been hit by the crisis but the government’s determination to implement its long-term development plan New Kuwait 2035 remains unchanged.

Indeed, Kuwait has the double ambition to modernize its oil industry and to develop new sectors. The country can rely on its ample financial reserves, entrepreneurial tradition and privileged location. In this context, there are many opportunities to be seized by foreign companies. An example in the oil and gas industry is the $30bn Petrochemical Refinery Integration Al Zour (« PRIZe ») project which combines the delivery of a mega refinery (650 000 barrels a day) by 2021 to a petrochemical complex (bidding process expected at the end of 2021). Kuwait also offers great opportunities in offshore exploration. Drillings with the American company Halliburton are planned in 2021 and more opportunities are to be expected for foreign companies in 2022 or 2023. Beyond the oil and gas sector, Kuwait also develops major projects in transport, electricity and environment. The Kuwaiti authorities have stated their ambition to further transform the country into a financial and trading center for the region. In that spirit, Kuwait is currently building a new airport with a capacity of 25 million passengers a year that should be completed by 2022. Furthermore, Kuwait has implemented a series of reforms to increase its competitiveness. International institutions have noticed the country’s efforts. Thanks to a comprehensive reform program over the past year, Kuwait was one of the world’s top 10 improvers amongst 190 economies in the World Bank Group’s Doing Business 2020 study.

French companies have been contributing to Kuwait 2035 from the outset. According to the IMF, France is the 1st European investor in Kuwait with major companies in the industrial sector (Air Liquide, Engie, Saint-Gobain, Schneider Electric) and the
services sector (BNPP, CMA CGM, DCI, Eiffage, Technip, Veolia). In total, more than 20 French companies are established in Kuwait where they employ more than 2000 people.

2021 will be a special year for the relationship between France and Kuwait since we will celebrate the 60th anniversary of the independence of Kuwait and consequently the 60th anniversary of our diplomatic relations. We will also celebrate the 30th anniversary of the liberation of Kuwait from Iraq by an international coalition in which France actively participated. In this context, we decided with the Kuwaiti authorities to upgrade our strategic dialogue to ministerial level and we are expecting the visit of our Minister for International Trade and Attractiveness Mr Franck Riester to Kuwait mid-March 2021, Covid allowing. We hope that more and more French companies will be ready to support Kuwait to materialise Vision 2035, for instance through the implantation of public private partnerships (PPP) where France has a recognised expertise. More globally, we believe that, with Vision 2035, Kuwait will have the potential to be a strong industrial hub for European countries looking to expand across the region. In these troubled times, Kuwait appears as a safe bet for foreign companies.

Kuwait, a very prosperous emirate (% GDP)
Kuwait today is at a key juncture and policy makers need to make crucial decisions to secure the prosperity and sustainability of the country’s economy and the wellbeing of its future generations. While enjoying one of the highest GDP, income and oil reserves per Capita in the world, Kuwait’s most frequently discussed topic recently, and which had dominated public debates, is how to secure financing for the country’s expected budget deficit, not only this year but in the coming years as well. Should financing be through borrowing in local and international markets or using the future savings through borrowing from the country’s Future Generation Fund (FGF).

As much as this topic continues to be essentially important, it is more important to go further beyond the symptoms and try to analyze and understand the problem at its core. Although the apparent reason for today’s and expected future budget deficits remain the volatility of oil revenues, being it the result of lower oil prices and/or volatile oil production levels, what is equally important is the mounting budget expenditures as well.

In my view, and in an effort to summarise and simplify the structural problems in our economy, it is simply a matter of concentration and centralisation. Firstly, is the concentration and dependence of the government’s revenues on oil. A significant share of the country’s revenues are reliant on oil and are trapped in its volatility. To tackle this issue we need to support, promote and inspire the private sector to grow its contribution to the economy.

A significant share of the country’s revenues are reliant on oil and are trapped in its volatility. To tackle this issue we need to support, promote and inspire the private sector to grow its contribution to the economy. This will in turn allow the government revenues to expand in other venues including, but not limited to providing supporting services to various growth sectors, removing some subsidies to these businesses and eventually introducing some progressive tax regime that can be lucrative in the future as the private sector develops further. This requires many efforts to target both internal and external investments. As much as Foreign Direct Investments (FDIs) are important to developing the private sector’s contribution to economic activity, domestic investments are key to its endurance and sustainability. As the development of non-oil economic sectors and engaging the private sector into the national economic activity, are among the strategic development goals of the national development plan stipulated in ‘Kuwait Vision 2035’, this should be a priority to all future governments. We have seen some improvement in recent years in Kuwait’s legislative and logistical infrastructure, reflecting positively on the country’s ranking among various indexes, like ease of doing business and competitiveness, but it is still a long way to achieve the targeted levels that will reflect on private sector investments to grow and have a material contribution to GDP.

On the other hand, centralisation and the public sector dominance in the economy is another major challenge. In addition to its central role in the economy because of its oil-dependent nature, the public sector is also the main employer for...
FOCUS ON

Kuwait

Today, the gap between labor market needs and the outputs of government education is significant. There is a pressing need to invest in human capital through quality education that serves the needs of the labor market.

Kuwait’s national workforce. Considering Kuwait’s young population and growing at a relatively fast pace, leaving the responsibility of job creation for the country’s growing workforce with the public sector has created inefficiencies along with lack of accountability, competitiveness and naturally very limited creativity. This all feeds into a vicious cycle that has been creating a monstrous public sector workforce consuming budget revenues in an ever-growing salary expense line, leading to additional pressures on the public finances.

As we try to address these issues leading to the structural imbalances in Kuwait’s economy, a major challenge, in my view, is our approach to human capital development, from academic education to nurturing and developing soft skills of our younger generations. Today’s educational system creates a generation that is mostly focused on employment with preference to the government sector and very limited entrepreneurial and innovational skills which are highly needed in today’s market place. In addition to these skills being the most needed to be able to manage the country’s resources and creatively maximise the returns for generations to come.

Recently, we have seen significant leaps in the world of innovation. Digital technologies, robotics, machine learning and big data concepts are all new and did not exist few years ago. This is where we need to invest. Our educational system should generate talents that, with the help of on job training and local and international practical preparation, can master these concepts and efficiently apply them across various industries.

“Today, the gap between labor market needs and the outputs of government education is significant. Therefore, there is a pressing need to invest in human capital through quality education that serves the needs of the labor market. The gap has continued to expand as the needs of the job market has been evolving at a very rapid pace. As the private sector today is looking for competent and experienced candidates in the areas of advanced technologies, the educational system remains less focused on innovation and creativity. This is the real missed opportunity considering how young and tech savvy the population is, and hence could be the country’s most valuable asset with the proper educational system.

As the education system develops, a chain effect will occur that will result in a general improvement in social and economic aspects of the country. The improved outcome of the educational system shall increase creativity and innovation among that instrumental younger generation. This will create significant opportunities for the emergence of new business ideas, leading to a growing private sector and more job opportunities in the future. This should lift the pressure on the public sector from being the sole employer of the growing workforce and accordingly alleviating budgetary pressures in the future, while on the other hand the growing private sector will help vary economic activity and improve diversification.
Overcoming the GCC crisis: Kuwait at the forefront

by SSF

THE AL-ULA SUMMIT SIGNALLED RECONCILIATION AFTER THE SEVERE CRISIS THAT TORN APART THE GULF COOPERATION COUNCIL SINCE 2017. FAITHFULL TO ITS TRADITIONAL ROLE OF MEDIATOR, KUWAIT SPARED NO EFFORTS TO REACH AN AGREEMENT WHICH STILL NEEDS TO STAND THE TEST OF TIME.

Gulf Cooperation Council: the reconciliation after three and a half years of quarrel

The much-awaited relief came from the Kuwaiti, in the form of an address from the Minister of Foreign Affairs on 4 January 2021. In other words, the day before the Al-Ula Gulf Cooperation Council (GCC) Summit, where the reconciliation was sealed under the aegis of the United States of America. During his statement, Cheikh Ahmed Nasser Al-Sabah announced that “An agreement has been reached to open airspace and land and sea borders between Saudi Arabia and Qatar as of this evening”. Many had been expecting such statement for some weeks already. It ended the three years long blockade imposed to Qatar by its neighbours. Major internal crisis in the Gulf, and go-between role for Kuwait: how did we get to that point?

The 5 June 2017 will remain engraved in the GCC annals. This day, a quartet composed of Saudi Arabia, the United Arab Emirates (UAE) and Bahrain, joined by Egypt, decided the exclusion of Qatar. These countries broke diplomatic and economic relations with Doha. For their part, Kuwait and Oman, historical players in the Gulf’s conflict resolution, supported the quartet but didn’t take part in the sanctions and acted like mediators.

Figure head of the dispute, Saudi Arabia denounced Qatar’s excessive collusion with Iran, while the UAE rejected forcefully Doha’s support of the Muslim Brotherhood. Things gathered pace at the end of 2017,
when Qatar accused the UAE of hacking the Qatar News Agency (QNA), that then quoted Sheikh Tamim Al Thani as telling a military ceremony that Iran was an “Islamic power that cannot be ignored”. Such crisis isn’t entirely new (Saudi Arabia, the UAE and Bahrain had already broken diplomatic ties with Qatar in 2014 for similar reasons), but this one was without a doubt of unprecedented gravity. Described as “Tehran agent” and a “support of terrorism”, Qatar that shares with Iran the vast natural gas offshore fields South Pars was in a position of quarantine. The ostracism had almost culminated to an armed confrontation according to Doha. The crisis was all the more sharply felt locally since the border shutdown suddenly and brutally separated families settled in a vast region inhabited by the same tribes. Didn’t President Trump himself used the expression “tribal dispute” to describe the situation at the beginning of the crisis?

Kuwait, an influent mediator

“To know a country’s geography is to know its foreign policy” Napoleon used to say. Effectively pressured between the two giants Saudi Arabia and Iran, Kuwait which 25% of the population is Shia plays on shaky grounds. The Emirate has a long tradition of being an intermediary which has unquestionably benefited its regional positioning. Dedicated to the Gulf states’ and the Arab world’s unity which constitute its compass and determines its own stability, Kuwait is actually able to discuss with Riyadh as well as with Tehran. Unique country of its kind in the region, it has a dynamic political life with a parliament elected by direct universal suffrage (where the opposition holds 24 seats out of 50 since the legislative election of 5 December 2020), all of which contributes to its balanced positioning. Kuwait also makes the case for the introduction of an Arab state at the UN Security Council.

This Kuwaiti diplomacy made of peaceful dispute settlements was incarnated during almost sixty years by the Emir Sabah Al Ahmad Al-Jaber Al-Sabah in person. Truly respected in the region, this tireless mediator passed away last September 29th 2020 at the age of 91 years old. He had been in turn Minister of Foreign Affairs (1963-2003), Prime Minister (2003-2006), and Head of State (2006-2020). He regularly stood out offering his assistance during numerous conflicts that torn apart an unstable region. “World humanitarian leader” according to former President Jimmy Carter, the Emir played a critical role in liberating his country from the yoke of the Iraqis during the 1991 Gulf War. The fact that Qatar’s Emir as well as of the Interior Minister of the UAE both attended his funerals while the crisis was still raging is revealing of the aura he benefited from in the region. Riyadh and Tehran also payed tribute to his memory during the funerals. Incidentally, the year 2020 wasn’t kind for mediators since it also saw the death of Oman’s Sultan Qaboos bin Said. Following its secretary-general’s position of the GCC held since 1 February 2020, Kuwait naturally played its part as a mediator as soon as the crisis began. However, at a time when the Iranian influence is subjected to heavy popular unrest in Iraq, this negotiation process was lead with constant caution to preserve the special relationship with Riyadh.

The celebrated reconciliation at the Al-Ula summit was a noticeable success for the Kuwaiti diplomacy, especially as the crisis was deep-seated. The American electoral calendar naturally helped the conflict resolution. President Trump applied a heavy pressure on Saudi Arabia, as well as on the other GCC members to isolate Iran as much as possible before leaving the White House. While the Biden administration took office and wished to reestablish contact with Tehran, Mohammad bin Salman considered the moment had come to bring back together the GCC family and normalise relations with Doha.

Mirage or reality?

Doha unquestionably comes out of this confrontation with its Gulf neighbours as a winner. In comparison with the 13 initial demands expressed by the quartet in 2017, (shutting down Al Jazeera, closing a Turkish military base in Qatar, preventing further relations with Iran etc.), Doha concessions seem minor. Furthermore, the blockade paradoxically allowed the rich Emirate to increase its self-sufficiency strategy and to come closer to Iran and Turkey. The most important question is now the longevity of the reconciliation celebrated at Al-Ula on January 5. Quoted in French newspaper Le Monde, Kuwaiti political specialist Bader Al-Saïf considers that “The roots of the crisis that are embedded in deep diplomatic divergences, are still there. This crisis has penetrated the minds of the people of the Gulf like no other before. Time will be needed to heal such injury. But for now, at least, leaders are going to talk to each other. That is already a good start.” Now there is another agreement that took place on 15 September 2020 under the auspices of the United States of America that could completely change the situation in the region. The Abraham Accords, the normalisation of the relationship between Israel on the one side and the United Arab Emirates and Bahrain on the other side (soon followed by Sudan and Morocco), puts this time Kuwait in an awkward position. Being an ardent defender of the Palestinian cause, the Emirate keeps indeed an uncompromising position towards Israel.
The Legal Framework for Foreign Investments in the State of Kuwait

by Khalifah Al-Yaqout

I. Why invest in Kuwait?

Kuwait has a prosperous growing and stable economy and is considered to have the 7th largest oil reserve in the world which generally provides the state with high and stable revenues. Kuwait is politically stable and is an alley to many western governments such as the United States and the United Kingdom. Kuwait is composed of a youthful and well-educated population that has a high average income and high domestic consumption. The country’s banking sector is well managed and regulated and the financial markets are sophisticatedly supervised by the Capital Markets Authority. Kuwait is located in a strategic location in the Gulf and is in the heart of the most prominent financial and trade regions. The state also allows foreign capital in a diverse range of sectors including the oil and gas sector, construction projects, the energy sector, real-estate, retail, pharmaceuticals, and financial services and others. However, the recent decline in oil prices has encouraged the Kuwaiti government to diversify the economy through encouraging foreign investment in the private sector which is part of the Kuwait Vision 2035. Accordingly, in recent years, the state has seen significant improvements in the laws and regulations in favor of foreign investors. This will likely continue with more improvement in the legal framework regulating foreign direct investment given the decline in oil prices and the negative impact of the...
ongoing COVID-19 pandemic on the Kuwait economy.

II. Foreign Investment Laws

Local investment regulations are the primary policy tool used to promote and regulate cross-border investments in Kuwait. The foreign investment framework identifies how an investment is established and how it operates within the state. In Kuwait, foreign investments are regulated either under the Commercial Law, Law No. 68 of 1980 (“Commercial Law”), in accordance with Kuwait Direct Investment Promotion Authority (“KIDPA”) which was established under Law No. 116 of 2013 (“FDI Law”). Kuwait is also party to 68 Bilateral Investment Treaties (“BITs”) currently in force and 6 Multilateral Investment Treaties (“MITs”). This section will provide an overview of the legal, domestic, and international, framework regulating foreign investments in Kuwait.

Commercial Law

Article 23 of the Commercial Law requires that foreign entities enter into the Kuwaiti market through the establishment of a Kuwaiti entity where the Kuwaiti partner ownership is at least 51%. Foreign nationals could also alternatively do business in Kuwait by appointing a local agent, as per Article 24 of the Commercial Law. Article 2 of Law No. 13 of 2016 on the organisation of Commercial Agencies (“Agencies Law”) requires that the local agent be a Kuwaiti national or a company where a Kuwaiti national owns 51%.

Direct Foreign Investment Law

Alternatively, foreign investments could also be established under the FDI Law. The law allows, KIDPA the right to grant investors an investment license enabling foreign individuals or entities to own 100% of a business establishment in Kuwait. KIDPA has wide discretion in awarding investment licenses taking into consideration the aims and objectives of the FDI Law which are outlined in Article 3. The FDI Law seeks to promote foreign investment in Kuwait by improving the investment environment, facilitating the procedures regarding the establishment and operation of foreign investment in Kuwait, and supporting the state’s social and economic development. Furthermore, Decision No. 313 of 2016 establishes a scoring system that helps KIDPA evaluate a foreign investment license application and helps determine the tax and customs incentives that are to be granted to eligible foreign investors. The FDI Law allows for 100% foreign ownership of Kuwaiti companies, branches or representative offices operating in various industries including; infrastructure projects (these include water, energy, power, wastewater management, telecommunications, etc); information technology and software development; housing and urban development projects; insurance; hospitals and pharmaceuticals; air, land and sea freight; tourism and entertainment; and investment management. As a general rule, investments in any sector are permissible under the FDI Law unless excluded by Article 1 of the Ministerial Decision No. 75 of 2015, which excludes direct foreign investment through certain activities. This includes the extraction of crude petroleum; extraction of natural gas; manufacture of coke oven products; manufacture of fertilizer and nitrogen compounds; manufacture of gas; distribution of gaseous fuels through mains; real estate (except privately operated building development projects); security and investigation activities; public administration and defense or compulsory social security; activities of member organisations; and the recruitment of labor. The FDI Law under KIDPA seeks to provide foreign investors with different incentives, for example, it reduced the time required to receive an investment license. The law sets a 30-day limit for KIDPA to review and respond to an investment application. The law further provides a one-stop-shop, which brings together all the relevant government departments to assist a foreign investor with the establishment of their business entity and licensing.

International Treaties Protection

Kuwait is a signatory to 68 BITs which are currently in force and 6 MITs with investment provisions. These treaties provide foreign investors from one of the countries which is party to a treaty with substantives protection for their investments. The treaty awards protection to investors including:

1. Protection against Illegal Expropriation: All the BITs and MITs signed by Kuwait prohibit expropriation by the state of an investment without providing the investor with prompt, effective, and adequate compensation. Expropriation must also serve a public policy purpose.

2. Fair and Equitable Treatment: All the investment treaties signed by Kuwait provide that foreign investors must be treated fairly. This standard of protection is broad in meaning and the wordings of the BITs provide little assistance to their context. But ISDS practice often interpreted this clause to mean the host country must act in good faith, treat investors fairly and award them the appropriate due process, comply with their contractual obligations, and operate following transparent rules and a stable legal system.

3. Most-Favored-Nation Treatment: Which provides that a host country must provide investors from one country treatment that is no less favorable than that awarded to an investor from another country.

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The local legislations do not explicitly refer to these protections and rules however the general foreign investment framework does observe the rights awarded under international instruments. For example, Article 19 of FDI Law guarantees an investor’s right against unlawful expropriation which is one of the most important substantive protections often awarded to foreign investors under international investment treaties.

III. Types of Investment Entities

Article 12 of the FDI Law states that an investment license may be awarded to:

1. Companies incorporated under Companies Law (Law No. 1 of 2016). This acts as an exception to local control rule as required by commercial law, whereby a foreign investor with an investment license may own 100% in a limited liability, joint-stock, or single-person company.

2. A branch office with a foreign company licensed to do business in Kuwait. Which is fully regulated under the director-general Decision No. 35 of 2014 issued 9 December 2014.

3. A representative office which won’t be able to conduct all business activities in the territory. Their role is limited to studying the market and production without executing any commercial activity.

In practice, investors in Kuwait most commonly establish their business in the form of a limited liability corporation or a single person company. This business vehicle is attractive to foreign investors because it protects the partners from liability and is simple to establish. In addition, foreign investors also pursue this course of action given that the company incorporated under FDI Law (as opposed to a branch or a representative office) would be treated as a Kuwaiti company for the purpose of public procurement and projects.

IV. Grants and Incentives to Foreign Investors

Article 27 of the FDI Law and Article 27 and 28 of the Executive Regulations to the FDI Law (Ministerial Decision No. 502 of 2014) lists the incentives and exceptions available to foreign investors. As a way to attached foreign investors, legal framework provides investors with different grants and incentives to encourage their operation of their investment in Kuwait. These exceptions are contained in Article 27 of the FDI Law and Article 27 and 28 of the Executive Regulations to the FDI Law (Ministerial Decision No. 502 of 2014) and includes; exemption from income tax or any other tax for up to 10 years; exemption from taxes, customs duties, and fees payable for machinery and equipment or raw material for up to 5 years. The Law also allows foreign companies to employ foreign labor, provided that the ‘Kuwaitisation’ (i.e. hiring of Kuwaiti nationals) requirements are met. Foreign investors are also allocated real estate and land to be used for their investment in accordance with Article 30 of the Executive Regulations.

V. Investor Protection and Enforcement Mechanisms

Pre-Establishment Governance

Foreign investors in establishing and operating their investment must follow domestic law and must also comply with the procedures of the Ministry of Commerce and Industry. Companies that are particularly established under FDI Law must comply with the procedures, criteria and requirements set by KIDPA. A key feature available under the new FDI Law as regulated by KIDPA is that it provides the investor the right to initiate grievance procedures concerning decisions issued by KIDPA. The committee established by KIDPA consisting of at least three members who will hear the investors’ claims regarding the decisions issued in relation to the investor and their investment. The procedure allows the investor to attend a hearing before the committee and discusses any complaints. The committee deliberates the causes and passes their decisions by a majority and within 30 days.

Contract Enforcement Mechanisms

In practice, the applicable law with regards to the enforcement of foreign investment contracts and projects depends on the type of investment made:

1. Foreign investments through a 51% Kuwaiti-owned partnership: In this business relationship, the applicable laws on the contract and the business relationship between the parties is Kuwaiti Law, where the Kuwait courts often exercise jurisdiction over the dispute.

2. Foreign investments through a Kuwaiti Agent: The registration of the agency agreement with the Ministry of Commerce and Industry establishes Kuwaiti courts’ jurisdiction over disputes arising thereunder. The dispute settlement clauses also often refer to alternative dispute settlement mechanisms such as arbitration.

3. Foreign companies contracting with governmental entities: In the majority of government contracts and projects, the applicable law in the agreements is Kuwaiti Law, and the Kuwaiti courts often exercise exclusive jurisdiction on the dispute arising with the projects.

4. Foreign companies established under KIDPA: Article 24 of FDI Law states that, notwithstanding a provision in the law to the contrary, Kuwait law governs all investments established under KIDPA. Article 26 further gives the
Kuwaiti courts the competence to hear any dispute however the parties may agree to refer foreign direct investment disputes to arbitration. Article 172 of the Promulgation of Civil and Commercial Procedures Law, Law 39 of 1980, (“Civil Procedures Law”) also states that parties may agree in writing to submit their dispute to arbitration. Kuwait is also a party to the New York Convention on the Enforcement of Foreign Arbitral Awards (“New York Convention”). The requirements to enforce an arbitral award are reiterated in Kuwait’s Code of Civil and Commercial Procedure, Law 39 of 1980, specifically articles 199 to 203. The courts in Kuwait follow the criteria in the New York convention with particular focus to the principle of reciprocity and whether the judgement involves matters of public policy. The legal system in Kuwait requires that the party seeking the enforcement of the arbitral award file for the recognition and enforcement of the award in domestic courts.

Investor-State Dispute Settlement
Kuwait’s international foreign investment framework provides investors with rights and obligations on the host state regarding their investments. The international framework protecting foreign investments introduces the concept investor-state dispute settlement (ISDS) for foreign investors in Kuwait. Kuwait is also a party to the International Center for the Settlement of Investment Disputes (“ICSID Conventions”). All the aforementioned BITs and MITs also include consent by Kuwait to settle investment disputes under ICSID. A key feature in this form of dispute settlement mechanism is its powerful dispute settlement enforcement mechanism. Article 54(1) of the ICSID Convention states that all and any awards rendered under the Convention shall be considered binding and enforce as if it were a final judgment of a court in the state.

VI. Regulatory Reforms in other Economic Laws
The efforts made to promote foreign investment law in Kuwait could be viewed through the collective changes made in different economic laws in the territory. The first of these reforms come in 2016, where the new Companies Law, Law No. 1 of 2016 (“Companies Law”), improved the rules regarding the establishment of new companies. Another development is seen in the New Agency Law, Law No. 13 of 2016 (“Agency Law”). The new law has enacted the non-exclusivity of the agency agreement and allows a principle to terminate an agency agreement for cause, if the agent violates the terms of the agreement. This provides the principle with an advantage in the event the agent is underperforming or is not executing the contract. Legal developments are also seen under the new Public-Private Partnership Law, Law No. 116 of 2014 (“PPP Law”). The Law was amended to develop Kuwait’s investment framework and encourage foreign investors to take part in public projects. The Law was drafted following international best practices and observing lessons learned from the implementation of the old legislation. The law has made significant improvements in facilitating the acceleration of procurement and implementation of PPP projects. The new law has simplified the application process; set specific time limits for the decision making by the governing body, Kuwait Authority for Public-Private Partnerships (“KAPP”); and conducts appropriate feasibility studies to ensure that the appropriate companies are awarded a project and exempts a successful bidder from different fees and taxes.

VII. Conclusion
Kuwait has an attractive commercial environment and in recent years, the state has shifted its focus to attract foreign investment and reduce the obstacles foreign investors might be facing through regulatory amendments all in hopes of fostering an investment-friendly climate. If utilized properly, KIDPA, provides as an excellent tool to attract foreign investment in the country, improving the investment climate, and having an influential role in the broader Vision 2035 development plan. However, for the FDI framework to succeed, improvements and reforms must be continued. Kuwait will benefit from conducting specific studies on the effects of foreign investment on the Kuwaiti economy and target investment from key political allies and in industries that are essential to the state’s economic growth.
What to expect from Biden’s administration in the Middle East?

By Côme de Villepin


Although an accelerated US disengagement from the region might be overstated, Trump’s record is mainly characterised by a puzzling loss of American leadership. The “withdrawal doctrine”, according to Richard Haass words, has led to a surge of hawkish regional actors.

The resurgence of powers like Russia or Turkey and the burgeoning ramping up of China, has filled the gap provided by this structural dynamic. Besides the new military base in Djibouti, recent investments in the ports of Jizan (Saudi Arabia), Port Said (Egypt), or Duqm (Oman) are instances of the discreet but significant deployment of China in the region.

Nonetheless, new staff nominations, a terrorist upsurge in some areas and great power competition might curb this trend.

Hard, soft or smart power?

First of all, regarding the widening calls in the US for disengagement we are unlikely to see a comeback of hard power, even though Biden as well as his inner circle are originally mostly interventionist. Number of his staff was in favour of the war in Iraq in 2003, as well as in Syria in 2013, against Obama’s intuition. Anthony Blinken, the secretary of Defence, is even closer to neoconservatives’ streams. He has recently signed a paper in the Washington Post, with neoconservative leader Robert Kagan that states that “the world does not govern itself” without the US playing a “leading role”. Furthermore, Jake Sullivan, the new National Security Advisor, is initially close to Hillary Clinton. As Deputy Chief of Staff of the Department of State, he was quite interventionist and helped persuade Obama to launch a military expedition in Libya — albeit him being one of the main architect of the JCPOA.

On the other side, Gen. Lyod Austin the secretary of Defence, William Burns, the CIA director, or Robert Malley, envoy for Iran, appear less militarists and mostly inclined to opt for a diplomatic approach. Likewise, the ongoing rejuvenation of the State Department scarred by two decades of wars could bolster this stream. In any case, Biden’s administration will not rule against its own people and will try to keep its promise to “end the endless wars”. But they will certainly opt to maintain a limited number of troops in Syria and Iraq at least to prevent a terrorist spate.

Chief of staff and intelligence officers will certainly continue their recurring use of drones. As under Obama and Trump, the “reaper” will remain the principal weapon of coercive power of the US, all the more so as Avril Haines, nominated as Director of National Intelligence, have pleaded in its favour. It is expected however that its use will be limited to terrorist threats, rather than against official leaders, like Qassem Soleimani or Abu-Mahdi al-Muhandis, targeted in January 2020.

At odds with his predecessor, Biden will also rely on soft power: NGO’s, human rights, legal standards and multi-sectorial partnerships including economic and cultural ties. However, the pro-human rights approach might sometimes be a limiting factor with dictatorships, which in the end have successfully resisted the Arab Spring.

Instead of a comprehensive dialogue and “a new beginning” pleaded by Obama in 2009 in Cairo and Ankara, pundits develop this time lower expectations.

The American doctrine, which traditionally relies on key allies and political settings, might be a disadvantage compared to its competitor powers. The inclusive conception of Moscow and Beijing, which jointly maintain good relations with Saudi Arabia, Iran, Turkey or Egypt seems actually more effective.

Finally, the intermediate path of smart power and sanctions never used before on such scale by Donald Trump, will also remain a significant leverage for the new administration. Some dissenting voices are rising both amid the Democratic Party’s left wing and former members of Obama’s administration, such as Philip Gordon, who highlights their lack of efficiency compared to the humanitarian consequences on the population. Despite these critics,
the economic leverage, as well as other dematerialised tools like cyber attacks, will be part of the “smart power” set out by the new administration.

Continuation or rupture?

While at odds on the domestic field, it seems that the GOP and Democrats share some views on foreign policy in the Middle East.

It is likely that US positions will barely evolve in failed states like Syria and Libya. In the former, they will not intervene in the peace process and even less on the ground, as they have been excluded from the Astana peace talk process. Is it not expected the new administration plans to lift the Caesar Act — enacted by the Trump administration — aimed at sanctioning the regime. Given the considerations of this administration for human rights and the outspoken statements of Biden and Harris about the “criminal nature” of the Syrian regime, the US will not invest in rebuilding post-war Syria either. All the more so as this money will benefit to the regime and its allies’ interests and might fuel an endemic corruption, like in Iraq and Afghanistan after the war. At this time, presidential elections in the country are scheduled for April 2021.

In the same vein, a forceful engagement in Libya is not expected either. Many of the members of the new administration were already present in the situation room throughout the hard blows of the forced Franco-British intervention in 2011. The deleterious local situation which followed and led to the murder of the US ambassador Christopher Stevens deeply scared them. Yet, in the first weeks of his term, Biden has already called for a withdrawal of Turkish and Russians forces. This occurred notably after the Pentagon indicated last November that the UAE funded the Wagner mercenaries in Libya. The well-established ties and real knowledge of this administration in Iraq and Lebanon, which have had a tumultuous past year in a half, may hopefully help to pacify domestic situations. Though unlikely, it is still unclear whether the new administration will include Shia militias in the negotiations over political compromise, either Hezbollah in Lebanon or the nebulous militias of the Hashd al-Shaabi in Iraq. An improvement of political stability would enable economic opportunities given that the area deeply requires investments.

Both American and European presence and funding could improve the security desperately needed for development. The “Jacksonian Moment” is over, and Biden’s team intends to review decisive policies adopted by the former president. Saudi Arabia should be the major shake-up of forthcoming American decisions. Indeed, the new energetic configuration since 2017 enables diplomatic shifts on the Arabian Peninsula. As pledged throughout his campaign, the President has paused arms sales to Saudi Arabia and the UAE after only one week in office.

The personal relations with Mohammed bin Salman (MBS) bode ill considering the killing of Khashoggii, the attempted killing of Saad al-Jabri in Canada and the imprisonment of Mohammed bin Nayef who is close to Biden’s team. The spokesperson of the White House recently asserted that “the President’s counterpart is King Salman”, meaning not MBS. Yet, the two months anticipated release of Loujain al-Hathloul indicated a good-will effort from the Crown Prince.

The US President also criticised Egypt’s human rights violations. But the President al-Sissi will certainly not forget either the Obama-Biden administration’s abandonment of the regime nor its support for Mohammed Morsi after the 2012 election.

The American position towards emerging regional powers like the UAE, sometimes nicknamed “the little Sparta”, is still a pending question. For now, Anthony Blinken has expressed his reluctance to honour Trump’s promise of selling F-35 fighter jets to Abu Dhabi. This deal, struck

Saudi Arabia should be the major shake-up of forthcoming American decisions. Indeed, the new energetic configuration since 2017 enables diplomatic shifts on the Arabian Peninsula.

...
Iran towards China and Russia. Beijing and Tehran are negotiating a partnership agreement of $400 billion of Chinese investments in Iran, as well as a deal for a potential military and intelligence cooperation. Their mutual interest is that Iran continues to export its oil to China, which seeks to secure its energy supply routes as part of the BRI, the “Belt and Road Initiative”. Yet, such a shift is not irreversible, it might be the result of a temporary political misalignment. The timeframe is important, especially since the Islamic Republic resumed the enrichment of uranium to 20% in a new breach of the JCPOA. Considering also the length of nomination and review process in Washington D.C and the June elections in Tehran, it is possible that official negotiations will not start before that date.

**A challenged economy?**

On a global economic stage, as many governments have learned all too well, controlling the pandemic and economic normalisation are inextricably linked. The 46th president will seek to control COVID-19 and to rebuild important alliances. He will likely reach out to international cooperation and new partnerships with efforts to share data about the pandemic, the vaccines and their potential side effects. Such initiatives will certainly provide much needed confidence to global economies and set the stage for growth and thus economic stability. It will benefit the global demand and the Middle Eastern markets. The region relies heavily on energy, global trade, commerce, and tourism, which have been greatly impacted by the global demand slowdown. Joe Biden may unwind the China trade war in favour of a return to global growth until the US economy returns to normalcy. Indeed, Middle East countries are eager to maintain economic ties with both the United States and China, and do not want to be forced to choose sides. A reduction in trade tensions will provide them an opportunity to expand both relationships. In Iran, the economy has gone through many hardships, but has for now weathered the storm, though the middle class suffers of the overwhelming Riyal’s devaluation and unemployment. However in the perspective of a new agreement, many pundits estimate that if Iran opens up for business, despite the wariness, investments may come back in the country. According to such a scenario, they also suppose that a considerable number of assets will be directed to the UAE, Oman or Kuwait along with a rising number of tourists, and increased trade will stimulate the economy more than a higher oil price would.

The human rights promotion into the bilateral relationships does not mean that Biden will neglect the economy. But rather that he believes in the potential for greater economic prosperity through an approach grounded in globalisation and an emphasis on middle class creativity.

About the Gulf economy in general, a few sectors like the oil industry could see an impact due to Biden’s policies related to climate change and clean energy. But for other sectors it will likely remain “business as usual”. In an interview for the Financial Times in July 2018, Henry Kissinger said, “I think Trump may be one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretences.” Now, let’s see if Joe Biden will succeed in reversing this trend and prove us otherwise.

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