

Kuwait



Oil has put the small Gulf state on the map. Now Kuwaiti companies are setting their sights on business opportunities worldwide

THE RISE OF A GLOBAL PLAYER

From its location at the northwest corner of the Arabian Gulf, Kuwait has been an overseas trader throughout history. Long before oil was discovered in the 1930s, the tradition of seafaring and commerce produced a successful entrepreneurial community. Today, with their confidence boosted by the removal of the threat from Kuwait's northern neighbor, Iraq, Kuwaiti companies are increasingly engaged in seeking business abroad, staking their claim to a place not just in the markets of the Gulf and the wider Middle East, but internationally, from South East Asia, to Japan, Europe, and the United States.

"It is this inherent entrepreneurial drive, coupled with ample financial resources, that makes Kuwaiti companies thrive globally," observes Ahmad Al-Haroun, Director General of Kuwait Chamber of Commerce and Industry.

Over the last three years, Kuwait's economy has more than doubled in size. Big rises in the international price of oil and increased production of Kuwait crude has brought significant windfall revenues, and the enormous surplus in Kuwait's current account has been channeled into the acquisition of foreign assets in other countries, resulting in a surge of investment abroad. The government accounts for most of this, followed by investment companies and banks, but firms engaged in sectors ranging from telecommunications and logistics, to finance, real estate, and the hospitality industry are also ramping up their interests and activities in the region and the wider world.

Kuwaitis are not new to investments abroad, however. Fuad Al-Homoud, Deputy CEO of International Leasing and Investment Co., says, "Kuwait in the investment and finance arena is not a new player. It has been a major player over the past decades, and since the oil exploration, one of its main income producing factors is international investment."

Abdulwahab Ahmad Al-Nakib of Al-Deera Holding Company stresses that Kuwaitis are



The Kuwait Towers, a landmark in the capital and a global icon for the Middle East

experienced market traders, and believes that their investment abroad has also strengthened markets at home. He observes, "Today with globalization the world is becoming one huge market to trade in, and this increases competition, making CEOs perform better in their markets. This trend has also elevated the standards in the trading markets, creating a professional

investment environment that attracts foreign money to the region."

Last year, public and private holdings of foreign assets increased by almost \$49 billion, according to National Bank of Kuwait. Record returns on investments abroad helped to boost Kuwait's gross national product by 24 percent to \$119 billion. The outflow of foreign direct

investment totaled a remarkable \$8 billion, compared to \$7.8 billion in 2004 and 2005 combined.

Slightly smaller than New Jersey, Kuwait has a population of just 2.5 million, so it is not surprising that successful Kuwaiti firms are looking for new markets, and they are not just limiting themselves to other states in the Gulf or even the Middle East.

Hussain Al-Kharafi, Chairman of Kuwaiti Industries Union, says, "Kuwait is such a small country that any company with ambition has to go outside to expand. Many successful ventures have been undertaken in Jordan, and lately in Pakistan and India. Kuwaiti companies are engaged in ventures in many sectors, like banking, power, and communications. They have the know-how and they have the finance."

Mohammad Al-Sabah, Director of the Citizens Services and Governmental Bodies Assessment Agency, says the amount of excess capital in the country is so huge that there are simply not enough opportunities in which to invest it. He points out that Kuwait is responsible for the largest foreign investments in Abu Dhabi, Dubai, Egypt, Jordan, Morocco, Qatar, and the Arab region of Iran. "Kuwaitis have been

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An extended version of this report with interviews given in full can be found at www.nytimes.com/global/kuwait

SUCCESS AT HOME PROVIDES A FIRM FOUNDATION FOR BANKS TO **EXPAND** ABROAD

As Kuwait pursues hopes of reestablishing itself as the region's financial center, its top-rated banks are strengthening their foothold on neighboring markets

Among the first countries in the GCC to embark on economic development, Kuwait was the financial center of the region from the 1960s to the early 1980s. Since then, the economic landscape has changed, and Kuwait finds itself up against tough competitors, such as Dubai, Bahrain, Saudi Arabia, and Qatar.



Kuwait Finance House has ambitious plans for further expansion following a \$1 billion share sale.

Bader Al-Humaidhi, Kuwait's Minister of Finance, is confident that Kuwait can win back its place at the forefront. "At the beginning of this new century, we decided to regain our position as a financial center," he says. "Kuwait has many factors to its advantage, including highly qualified manpower and good physical infrastructure. All we need is the legal system to contain it all, and to push us to the front. It might take time, but one day we are going to reach our goal."

Sheikh Salim Al-Sabah, Governor of the Central Bank of Kuwait, says, "We have most of the potentialities and requirements. Preparing Kuwait to be a financial center means a lot of changes in the financial infrastructure, as well as in legislation. Ultimately, we want to achieve a proper, attractive investment and financial environment. That is the target."

As competition increases at home with the entry of foreign banks into the local market, Kuwaiti banks are on the lookout for business opportunities abroad. Major lenders like National Bank of Kuwait, Commercial Bank of Kuwait, Global Investment House, and the leading Islamic bank, Kuwait Finance House, are extending their activities into Iraq and Syria, Bahrain, Jordan and Saudi Arabia, and looking further afield to Egypt.

Kuwaiti banks have been rated by international agencies as the best in the emerging markets of the Middle East. Yousef Al-Jassem, Secretary General of the Union of Kuwaiti Banks, says, "The high credit ratings granted to Kuwaiti banks from the international rating agencies reflects their performance, and is strong evidence of their strength and solidity."

Successful efforts toward international expansion are among the factors that have won "A" ratings for Kuwait Finance House, one of the largest Islamic banks in the world. KFH has gone a long way toward establishing a global presence, covering the Gulf, East Asia, and Turkey. Following a recent \$1 billion share sale, and a 72 percent increase in this year's second quarter profit, it is pushing ahead with plans to expand in Saudi Arabia, Oman, and Qatar.

"You can find us wherever there

ISLAMIC BANKING IS BASED ON ETHICS

Particularly strong in the Gulf States and in Malaysia, Islamic banking is rapidly becoming a global phenomenon, moving from a niche activity into the financial sector mainstream. This quickening pace is generated by increasing demand for financial products and services that comply with Shariah law, which forms the basis of the daily life for people in Islamic countries.

Currently, there are reckoned to be at least 300 Islamic financial institutions operating worldwide, with more than US\$300 billion in terms of capital. Clientele are not limited to Muslim countries, but are spread over Europe, the United States, and the Far East, with growing numbers of Western banks offering Islamic banking services, both at home and abroad.

Ahmad Al-Yaseen, one of the founders of Kuwait Finance House and the Chairman of its Shariah Supervisory Board, says, "We always believed that Islamic banking would be big, or we would not have introduced it to the market."

In contrast to the ethically neutral approach that characterizes Western financial practices, Islamic banking seeks to operate on principles based on values

such as fairness and social justice. This has resulted in the evolution of sophisticated financial products and services that aim to be both profitable and ethically motivated. At the root of Islamic banking is a passion for justice, says Sheikh Al-Yaseen. "Islamic banking takes into consideration, according to Shariah law, all the interested parties involved – the buyers and sellers."

The most notable difference with conventional banking is the prohibition of riba, or usury. This is interpreted as a ban on the giving or receiving of interest. "Bank notes are a unit of measurement. One unit equals another unit; so 100 meters should equal 100 meters, 100 kilograms should equal 100 kilograms, and US\$1 dollar should equal US\$1. It is not possible that US\$1 equals US\$1.10."

Excessive risk, speculation, and uncertainty are also excluded, while profit and loss sharing is promoted. "Bank notes plus production equal a result, and the result should be shared between the owner of the unit of measurement and the people who made the result possible," says Sheikh Al-Yaseen. "This is the principle of justice."



SHEIKH AHMAD AL-YASEEN
Chairman of the Shariah Supervisory Board of Kuwait Finance House

is a suitable environment," says General Manager Mohammad Al-Omar. "Our strategy is to go where the investment system is very clear—where there is a legal infrastructure, transparency, and full commercial laws to protect foreign investments.

"On the global level, KFH has strengthened its ties with the major financial institutions through strategic alliance and cooperation agreements, as well as exchange of expertise," he elaborates. "We have gone a long way in diversifying investment opportunities and entering into new projects to mitigate risk and maximize profit."

KFH has been strategically investing in the Turkish market since the early 1980s. KFH-Turkey is one of the largest Islamic banks in the country, with an expanding network of around 80 branches spread around the major cities, and more than \$2 billion in assets. The bank's strategy is to build a bridge that links commercial transactions in the Gulf countries with Turkey, while also serving as a gateway into Europe.

KFH is also looking into extending further

into East Asia. It is already firmly established in Malaysia, which it sees as its regional hub. KFH-Malaysia, winner of the country's Best New Bank Award, has arranged successful transactions in collaboration with major financial institutions and

corporate entities, both in Malaysia itself and other South East Asian countries. These include a joint investment in Singapore healthcare company Radlink, and a strategic partnership with Hong Kong and Chinese firms to establish the first sino-foreign real estate joint venture in Chongqing, China.

In May, the KFH subsidiary in Bahrain announced plans to establish a \$50 million investment bank in Jordan, focusing on investment banking, private equity, and tourism investments.

KFH-Bahrain has made strategic investments in several countries including New Zealand, Australia, Turkey, the United Kingdom, and the United States. Major real estate investments by the bank in Bahrain itself are expected to reach \$12 billion over the next 10 years. ■



MOHAMMAD AL-OMAR
General Manager of Kuwait Finance House

INVESTMENT FIRMS ARE BOOSTING THEIR FOREIGN ASSETS

Al-Madar Finance & Investment Company looks for real estate deals in high return areas in the GCC states and other Arab countries

Eager to spread their wings and expand beyond the limitations of the domestic market, Kuwaiti investment companies were responsible for net financial outflows of KD713 million last year (\$2.5 billion) according to a report by National Bank of Kuwait. They focused mainly on portfolio investments - followed by direct investments - while increasing their net borrowings from foreign sources by KD402 million (\$1.4 billion).

Among the established players looking to expand their business activities across the GCC and beyond is Al-Madar Finance & Investment Company. "For us and for others, the only possible way is to go outside, where we find steady growth with a reasonable price value," says Nabil Ameen, the Chairman and Managing Director.

Founded in 1998, and listed on the Kuwait stock exchange in 2005, Al-Madar is one of the leading providers of Islamic Shariah-compliant equity and corporate finance related products and services in Kuwait and the Gulf region. "We started with the Gulf, and

step-by-step we are looking at the Middle East. After that comes Europe, and then the United States," says Mr. Ameen.

Last year, Al-Madar reported a net profit of KD7.24 million (\$25 million). The financing portfolio managed by the company surged to more than KD93 million (\$329.6 million), a growth rate of 87.5 percent.

The company is becoming increasingly interested in the ownership, development, purchase, and sale of real estate. Al-Madar has participated in a number of deals outside Kuwait, and plans to expand further with real estate purchases in high-return areas in the GCC states and a number of Arab countries. "The real estate market has plenty of growth potential. It is the fastest way to make a profit," says the Chairman.

Logistics and transportation are another area of interest. "When it comes to ports and industries, like refineries, there



Al-Madar's Chairman Nabil Ameen (left) collects the Best Islamic U.S. Equity Fund Award at the Failaka Islamic Fund Awards.

is a huge need for transportation and storage. These are areas we are looking at," Mr. Ameen adds.

Al-Madar carries out comprehensive Shariah analyses of the companies it deals with to determine whether they are in accord with approved Islamic guidelines. It also

offers an Islamic restructuring service to firms wishing to bring their operations and investment activities into compliance.

The company provides a total of 30 Islamic Shariah-compliant indices; 12 for Kuwait, 16 for the GCC region, one for the MENA region, and one for the U.S. market, providing a valuable tool for the Islamic asset management community. The indices are licensed to six different funds, managed by some of the most respected investment companies in Kuwait, including National Investment Company, and Kuwait Financial Center.

The award-winning Al-Madar U.S. Index Fund, the first fund to trace the performance of Islamic indexes on the American stock exchanges, has consistently delivered high returns, beating both the Dow Jones Islamic Market Index and the American S&P 500 index in 2006. ■

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ALTERING THE SME BUSINESS LANDSCAPE IN THE REGION

Kuwait-based Al Ritaj is poised to service the region's hitherto untapped small and medium sized enterprises space through localized investment strategies of international standards

In a globalized era marked by economic liberalization, privatization, lowering of barriers against foreign investment and World Trade Organization requirements, local and regional markets are undergoing significant changes engendering a transformation in the way business is conducted in contrast to a decade ago. The challenges are many, and often call for restructuring.

In Kuwait, up to 85% of small and medium sized enterprises (SMEs) are family businesses with individual-style management. Many lack the managerial and financial competencies to operate effectively in today's rapidly changing market. Furthermore, amongst the established firms, the reins of control are passing from the second generation to the third.

Here's where Al Ritaj Investment Company

steps in with its expertise across a range of services from private equity and asset management to Islamic financial products and advisory. Established just over a year ago with a paid-up capital of KD 25 million (\$88.5 million), Al Ritaj conducted extensive research to identify and define the niche market of SMEs and restricts its potential client base to existing companies with a net value between KD 1 - 10 million (\$3.5 - 35.4 million).

Managing Director and CEO Jehad M. Al-Qabandi underlines that the company has tapped a space that holds high potential. "Most SMEs are overlooked by big investment companies as detailed financial information about unlisted family-owned businesses is lacking. The challenge also lies in defining such businesses in terms of size, and communicating an evaluation and subsequently our unique partnership strategy to owners who may have reservations about external intervention in their business."

However, backed by a highly professional team with extensive local, regional and international experience across a wide range of industries; a strong shareholder base comprising the most prestigious institutions in Kuwait; and a wide network of international technical partners, Al-Qabandi is confident that the company's partnership strategy will be welcomed by SMEs across Kuwait, the GCC and MENA.

"Our strategy is based on strengthening and developing the performance of the target company through a direct partnership position in the company," he explains. "Our business model follows Islamic Shariah. We do not aim to merely finance or acquire a company. We provide the requisite solutions - be

it business plans, expansion, turnaround and restructuring plans, mergers and acquisitions - in addition to providing management, financial and operational improvements. We work with the owners of the business to change the legal status of the company to that of a share-

holding one and exit when a targeted significant increase in its value is achieved and the expansion and turnaround plan has been met."

The company lays high emphasis on HR to bring clients superlative service, synergizing the strengths of executives - mostly Arabs - who have been hitherto associated with international corporations across the U.S., Europe and the Middle East. "Key to our business is an ability to localize global practices to suit regional business cultures and sensibilities," explains Al-Qabandi. "Such insights equip our investment team to enable entrepreneurs to envisage how the requisite business acumen and managerial support results in a win-win situation."

The company has already made impressive inroads into the MENA market. "Besides Kuwait, we have secured projects in Saudi Arabia, Qatar and Bahrain," adds Al-Qabandi. "We have also successfully clubbed together six pharmaceutical companies across Jordan, Egypt, Syria and Saudi Arabia into a holding company." With a number of projects in the pipeline awaiting finalization, Al Ritaj aims to extend the success of its business model to the international market in the future. ■



JEHAD M. AL-QABANDI
Managing Director
and CEO of Al-Ritaj

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at the forefront of the economic boom and the investment curve for 25 or 30 years now," he states.

When it comes to global reach, a prime example of an aggressively expanding company is Mohammed Abdulmoshin Al-Kharafi & Sons, which, in addition to being one of the largest and most diversified conglomerates in the Middle East, employs more than 100,000 people in 25 countries, and boasts an annual turnover of \$4 billion. "We have the technology, personnel, and experience to operate and successfully do business anywhere in the world," says Nasser Al-Kharafi, the group's President, and one of the world's richest men.

Investment Dar's Chairman and Managing Director, Adnan Al-Musallam, says, "Nobody believes today that any country can stand on its own. Globalization is here to stay, and if you don't go global you will remain static."

Similar sentiments are expressed by Dr. Saad Al-Barrak, Managing Director and Deputy Chairman of Kuwait-based telecoms giant MTC. "You cannot just be regional any more. You have to go global, or you will stagnate," he says. MTC and its rival, Wataniya, have both been pursuing aggressive expansion strategies abroad. MTC, which in July secured the license to become Saudi Arabia's third mobile operator, aims to become one of the top 10 telecom companies worldwide. In April, Wataniya won Palestine's second mobile license.

Logistics companies like Agility and Kuwait & Gulf Link Transport are among a number of Kuwaiti firms with ongoing contracts to assist U.S. reconstruction efforts in Iraq, but their regional ambitions are much wider. Dr. Ali Dashti, KGL's Chairman, says, "Our objective is to create a world-class supply chain group of companies in this region. And when I say this region, I mean not just the Middle East, but Africa, India and Pakistan."

CEO of Gulf Investment House Bader Al-Ali says that the regional scenario has changed completely since the take-over in Iraq, and that his company is now embarking on an aggressive expansion campaign in real estate, consumer finance and investment banking throughout the Gulf area. ■

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REAL ESTATE FUND TARGETS U.S. CITIES

The launch of a value added real estate fund that will invest in up to \$140 million of U.S. real estate is one of the latest ventures of Kuwait-based Global Securities House (GSH). The international investment arm of Securities House Kuwait, GSH and its partner, ABC International Bank, intend the Bronco Fund to acquire a diverse portfolio of offices and industrial assets in major U.S. cities.

Earlier this year the same partnership announced the successful sale of the assets of their jointly sponsored Al Bait UK Real Estate Fund for a cool \$117 million.

GSH structures, manages, and monitors global real estate products on behalf of its investors. Assets controlled by the company, which already include institutional quality real estate holdings in the U.S., have an impressive total value of US\$1.8 billion.

With its extensive experience in real

estate investments in the U.S., U.K., and France, GSH has built its reputation on a proven ability for cherry picking. "On a monthly basis, we have 3-4 different opportunities that come to our table," says Fahad Boodai, Chief Executive Officer. "Out of those, we



FAHAD F. BOODAI
Chief Executive
Officer of Global
Securities House

might not pick any of them, or we may pick one that we really like. We are not under pressure to do something every day. Unless it is an exceptional product, then we will not do it."

He puts the emphasis on the quality of the investments that the firm brings to investors, and on finding opportunities that fit the market. "It is really the quality not the quantity that

is important. It doesn't have to be a lot of investment. We usually work from the investor's point of view, and that is how we look at it, because at the end of the day we are investors along with them," he adds.

FOREIGN PARTICIPATION IS KEY TO BOOSTING OIL PRODUCTION

Huge investment and mega projects are needed to achieve the target of four million barrels of oil per day by 2020

At the heart of Kuwait's standing in the international community are its massive oil reserves—officially put at around 99 billion barrels, or close to 10 percent of the world's total. But Kuwait's potential for expanding production of the world's most traded commodity is in turn dependent on cooperation with other countries, as represented by the big international oil firms.

As Hani Hussein, former Deputy Chairman and Chief Executive Officer of the state-owned Kuwait Petroleum Company (KPC), says, "In order to develop our industry, be it in exploration, production, refining, or petrochemicals, we have to rely on the interaction and assistance of companies worldwide."

Some \$44 billion are being spent on mega projects such as a large refinery and upstream improvements to raise output, in addition to a number of large petrochemicals plants. Farouk Al-Zanki, Chairman and Managing Director of Kuwait Oil Company (KOC), KPC's upstream arm, says the whole sector needs to be upgraded, and that external assistance is vital. He stresses the need to employ new technology to move beyond the recovery of easily accessible oil and to boost production capacity from around 2.6 million barrels a day to Kuwait's target of four million barrels per day by 2020.

The long-awaited Kuwait Project, which would open five fields in the north of the country to international companies, is the first major undertaking since the nationalization of the oil sector in the 1970s to reintroduce the international oil companies (IOCs) back into the Kuwaiti fields. "We definitely have the potential to achieve the four million barrels per day. We have the

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reserves and we have the financial capacity," says Mr. Al-Zanki. "What we lack is the technical capability, and that is the main reason why the Kuwait Project came into existence."

In the long term, Kuwait must focus on building its own trained workforce, but this cannot be achieved overnight, he adds. "In the meantime, we have to look at other options, and the involvement of international oil companies is our first choice. We need to invite Westerners like the Americans and Europeans to participate in the major projects, because of their experience, and the complexity and the size of these projects."

Hashim El-Rifaai, Chairman and Managing Director of KOC's sister company, Oil Development Company, says this is the beginning of a new era. "We are no longer employing members of the IOCs to be advisors. The reintroduction of the IOCs is to take responsibility for developing fields, demonstrating their capabilities, and on-job training of nationals on their fields."

A prime example of the benefits that

can flow from partnerships with international companies is Equate, the largest petrochemicals plant in the country, a joint venture of more than 10 years between Kuwait's Petrochemical Industries Company and U.S. partners Union Carbide, a subsidiary of Dow Chemical. "You can see the confidence in this venture, the value and the transfer of knowledge," says Hamad Al-Terkait, Equate's President. "Billions of dollars have been put into Kuwait. It has brought good value and high value."



FAROUK AL ZANKI
Chairman and MD
of Kuwait Oil
Company

Meanwhile, Kuwait Energy Company (KEC), founded just two years ago, is breaking new ground in the private sector, eyeing investment opportunities in the Middle East, Africa, and Central Asia in its drive to become the preeminent Middle East-based independent oil and gas company.

"We are pioneering in a completely new sector of the business in this part of the world," says Sara Akbar, Deputy Chairman and Managing Director. "And that is the independent, upstream company, which is completely missing from this region." ■

EDUCATION TO MEET GLOBALIZING NEEDS

Equipping young Kuwaitis to function in a globalized world is one of the primary objectives of education, according to Minister of Education, Nouriya Al-Subeeh. "We need to have a universal curriculum, not a Kuwaiti one," she says. "We will still have our own special subjects like the Arabic language and Koran studies, which are special for the Muslim world, but we are looking forward to the future."

Addressing the need to find a balance between the traditions of Kuwaiti society and the requirements of a modernizing economy, she points out that ways of teaching are changing. "There are some who are afraid of modern teaching; we need to show them that nothing in our religion will change because of this."

The University of Kuwait has grown dramatically from its modest beginnings in 1966. Over the years, the university has seen dramatic growth in both student numbers and faculty strength. Today, 13 colleges offer 72 academic programs in



NOURIYA AL-SUBEEH
Minister of
Education



ABDULLAH AL FUHAID
President of
Kuwait University

sciences and humanities, in addition to 36 masters and doctoral level programs.

Undergraduate students number almost 19,400, with a further 940 students in post-graduate studies. The culturally diverse faculty staff

of 1,433 includes internationally recognized academics, and the sprawling campuses boast state-of-the-art facilities, sophisticated laboratories, libraries and technological resources.

Together with its commitment to the quality of its scientific programs and its research performance, the university emphasizes its "openness and receptivity to emerging concerns of global significance, and the international compatibility of its programs as a determined move toward coveted world class status."

"With several new programs across the board for clearance and implementation, the institutional development process is on fast track," says Abdullah Al Fuhaid, the university's President.



A traditional 'diwaniya' is normally a large reception area attached to the main house.

DOING BUSINESS IN KUWAIT

While the Ministry of Education is busy creating a national curriculum that prepares young Kuwaitis for the globalized world, Westerners venturing into the country would do well to brush up on a few pointers for carrying out business Kuwaiti-style.

Minister of Information H.E. Abdullah Saud Al Muhailbi says that Kuwait is a friendly and open nation, and that "the Kuwaiti Constitution guarantees citizens' freedom of expression, especially the freedom of expression."

Dr Rola Dashti, the first female chairperson of the Kuwait Economic Society, says that Kuwait is a very friendly community for foreign investment, adding, "Kuwait is prone to an open economy since Kuwaitis have historically been traders."

Nick A. Nicolaou, CEO of HSBC Kuwait, confirms that the local

business community has been very receptive to the growing international presence in the country, while Kuwait Country Officer for Citibank, Raj Dvivedi, comments, "Relationships and trust are very important. When we put together our business plan for the

country, we said our priority was to earn trust. If we do that, business will follow."

Citibank's approach was the right one. Kuwaitis traditionally prefer to do business with those with whom they have a personal relationship, and

business is carried out once an atmosphere of trust and friendship has been established.

The tradition of the diwaniya is also still strong in Kuwait, and today's diwanias are a meeting place for men where subjects such as politics and business are discussed.

'RELATIONSHIPS AND TRUST ARE VERY IMPORTANT. WHEN WE PUT OUR BUSINESS PLAN TOGETHER FOR THE COUNTRY, OUR PRIORITY WAS TO EARN TRUST'



HOW OIL WEALTH HAS ENABLED A SMALL ARAB COUNTRY TO ASSIST DEVELOPING NATIONS **ALL OVER THE WORLD**

Supporting development in other countries is an important part of Kuwait's foreign policy and reflects the active role it plays in the international community

Among the many elements that contribute to the close relationship between Kuwait and the United States is a shared interest in the stability and prosperity of the region. Apart from its importance to the U.S. as a source of oil, says Richard LeBaron, former U.S. Ambassador to Kuwait, "I think we share broader interest in seeing development, in a broad sense, in all the countries of the region, including Iraq and the Gulf countries as well."

The Kuwaitis, he says, have given generous and strategically important support to Operation Iraqi Freedom, without which the task of U.S. forces in Iraq would be much more difficult. But even more than that, "it's a relationship that also extends beyond just the Gulf area. The Kuwait Fund for Arab Development, for example, is operating all over Africa, and places in Asia and so forth, and we try to co-operate in some of those areas as well," the Ambassador adds.

Established in 1961, the same year that Kuwait gained its independence, the Kuwait Fund for Arab Development extends aid to Arab and other developing countries, acting on behalf of the state. In its 45 years of operation, it has assisted development in more



Ouagadougou Water Supply Project in Burkina Faso, Western Africa, which the Kuwait Fund co-financed with a US\$14 million loan

than 100 countries across the world. An autonomous public body, with an independent legal identity, the fund is administered by a board of directors appointed by the Crown Prince, the Prime Minister, and the Chairman of the Board. The Chairman of the Fund is the Minister of Foreign Affairs, currently Sheikh Mohammad Al-Sabah.

Director General Abdulwahab Al-Bader points out what an advanced idea the fund was at the time of its inception. "To start an institution of this nature was an idea well ahead of its time. In 1961, there were only a handful of bilateral development institutions around the world.

"Kuwait is a small country, but we have always considered ourselves as part of the international community," he affirms. "To be able to live in this world, you have to look at the welfare of your neighbors and your brothers around you, and that's the main thinking behind the idea."

Until 2000, the fund focused on building up the infrastructure of developing countries, placing the emphasis on financing projects in the agriculture, irrigation, transport, communications, energy, industry, and water and sewage sectors. In more recent years, it has been extending its support to health and education projects - areas in which its director general expects to see increased involvement in the future.

Initially, the fund confined its activities to the Arab region, but since 1975 it has extend-



ABDULWAHAB AL-BADER
Director General of
Kuwait Fund for
Arab Development



MOHAMMAD AL-SABAH
Minister of Foreign
Affairs and Chairman
of the Kuwait Fund

ed its support to a much wider range of countries. Today, in addition to supporting development projects in Arab, African, and Asian nations, it reaches out to Central Asia and Europe, and Latin America and the Caribbean. Total loan commitments have risen to around \$13.5 million. Just over half of the fund's total of almost 700 loans are for large projects requiring co-financing with other donors.

The fund works closely with the countries to which it provides support. "Nobody understands the requirements of any country more than the people of the country themselves," says Mr. Al-Bader. "The recipient country decides whether a project is to their best benefit or not. We look into the economics of the project and whether it's the right project technically, because, in the end, we

have to see the return is worthwhile. Later on, we try to follow as much as we can the progress of the project, even years after."

While the fund is chiefly engaged in financing projects, it also provides technical assistance to strengthen and accelerate development efforts. Over the years, it has built up such a level of trust with the countries it deals with that it is sometimes asked to participate in projects, not for financial backing, but for its experience. Says Mr. Al-Bader, "They like us to be there as a lead participant. Even if we don't have majority financing for specific projects, we are by default leading the way because of our experience."

In addition to providing direct aid, Kuwait also contributes through the fund to the resources of regional and international institutions such as the Arab Fund for Economic and Social Development, the African Development Fund, the International Development Association and the African Development Bank.

Mr. Al-Bader says the principle of aid is very simple and very important. "Aid is one way of really eliminating wars and poverty. A lot of wars are caused by poverty, because it is very easy to manipulate the underprivileged into doing something that they don't want to do. If they have anything to eat, the rest doesn't matter to them," he explains. ■



The upgrading of Ethiopia's Addis Ababa Bole International Airport is backed by multi-million dollar loans from the fund.

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Kuwait offers a range of top class hotels. Shown here from left: Crowne Plaza Kuwait, Mövenpick Resort & Residence Al-Bidaa, and the Holiday Inn Kuwait.

EYE TOWARD BUSINESS TOURISM BOOSTS HOSPITALITY

New hotels are being built to cater to business visitors, but moves are also under way to boost domestic and regional leisure tourism

Bustling Kuwait City draws visitors from across the globe these days, but it's work rather than leisure that attracts them. Rubbing shoulders with traveling dignitaries, military personnel, and government officials are business

people, investors, contractors and oil executives from the United States, the UK, Japan, Korea, Taiwan, and Singapore.

The oil-fueled economic boom and Kuwait's increasing importance as a center for finance and investment has combined

with the U.S. presence in neighboring Iraq, and the ongoing reconstruction efforts, to give a new lease on life to the local hospitality industry. Business travelers account for 90 percent of hotel occupancy.

International hotel chains are entering the market, and new hotels are springing up. "You can see that there are a lot of projects in the city," says Laurent Rigaud, former General Manager of Holiday Inn Downtown, part of the Inter-Continental Hotels Group. "There are opportunities here, and this is why you have all the key players joining the market."

Meanwhile, the government wants to encourage Kuwaitis to holiday at home instead of spending billions of dollars on foreign vacations. As part of its bid to diversify the economy and create more jobs, it has launched an extensive tourism development plan, aimed primarily at the domestic market and GCC countries such as Bahrain, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Andreas Bossard, General Manager of Hilton Kuwait Resort, says his establishment has already changed its business mix considerably. "The Hilton was very much occupied by the Americans during the war. Now we are far more into the leisure

business. Not everyone can go every weekend to Dubai, Bahrain, or Beirut so some people are staying here. We are making changes and trying to attract these people to our resort," he comments.

Mövenpick Hotels & Resorts' second hotel in Kuwait, the five-star Mövenpick Resort & Residence Al-Bidaa, which opened this summer, is designed to cater to both business and tourist visitors. Positioned in the prestigious Salmiya quarter, only 15 minutes from

Kuwait International Airport, the Al-Bidaa boasts more than 300 rooms and suites, three flexible conference rooms capable of accommodating up to 100 people, a sub-divisible ballroom for 300, and a business center.

"We are a multi-purpose hotel," says General Manager Johnny Mathis. "We can cater to the meeting-convention market, but we also have the resort part with a nice beach, a health club and a very exclusive spa. We also offer long stay facilities."

He agrees there is plenty of potential for the development of domestic tourism. "Kuwaitis like to enjoy their leisure but do not necessarily want to travel, especially for 3-5 days. Many would prefer to stay within the country," he says. ■

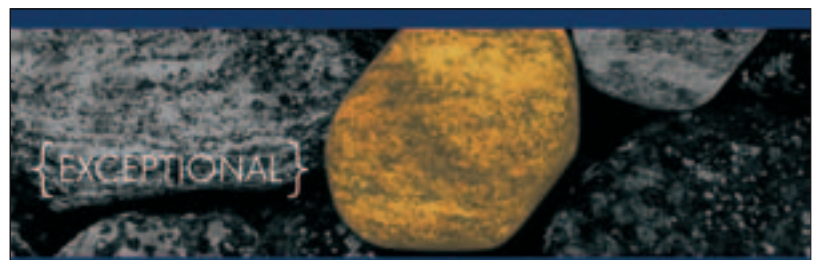


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LEADING HOTELS REFLECT THE AGE OF **GLOBALIZATION**

Part of the local hospitality scene for a quarter of a century, the Radisson SAS Hotel in Kuwait displays both local and international influences



Guests can combine business with leisure and enjoy food and culture from around the world

For anyone looking for a symbol of globalization in Kuwait, the 5-star Radisson SAS Hotel would be a good place to start. At its beachside location on the Arabian Gulf, just 15 minutes from the airport, 10 minutes from the city center, and five from the Salmiya shopping center, the Radisson SAS has been catering to international visitors for more than a quarter of a century.

The 200-room hotel boasts luxury suites and apartments and an executive floor for high-profile guests. Amenities include a business center and 12 meeting rooms, the largest of which can accommodate up to 1,000 people. High-speed wireless Internet access is available throughout. For relaxing, there is a private beach and a state-of-the-art gym. "You could say that we're a business hotel with resort facilities," says Jan Eilertsen, the hotel's general manager.

Guests can choose between four restaurants offering European, Chinese, and even Polynesian, food, in addition to Middle Eastern specialties. Music lovers will appreciate the hotel's reputation as an established concert venue and cultural center. Earlier this year it hosted the second Gulf Jazz Festival, featuring an international line-up ranging from Swedish pianist Bobo Stenson and American saxophonist Ricky Ford, to a Dutch trio playing gypsy swing.

On the sea front, however, is as idiomatic a symbol of Arab identity as you are

likely to find anywhere. A majestic Arabian wooden dhow so large it has been featured in the Guinness Book of Records houses an exhibition center.

Radisson hotels are part of the Rezidor Hotel Group, which is expanding rapidly across Europe, the Middle East and Africa. Mr. Eilertsen is an enthusiastic advocate for Rezidor's "Yes I Can" service philosophy. "It's all about attitude, how to meet and greet the guests, how to follow-up,

how to make sure people are happy when they leave the hotel," he explains. "It's 100 percent guest satisfaction. It's making it right."

Most of the guests at the Radisson SAS are visiting the region for business reasons, and the high level of service is an important factor in making the hotel their preferred location. "Americans represent approximately 30-35 percent of our business," says Mr.

Eilertsen. "One of the reasons it's that high is all the traffic going in and out of Iraq, and all the activities related to what's happening there."

He would like to see Kuwait developing more rapidly, particularly in the area of tourism. "Kuwait is a country with a lot of opportunities. All the resources are there. The people are open-minded, friendly, and well educated," he remarks. "I can't see any reason why Kuwait should not be able to take its market share of what's happening now in the region when it comes to tourism, meetings, incentives, conventions and exhibitions." ■



JAN EILERTSEN
General Manager
of Radisson SAS
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NEW HOTELS AND IMPROVED STANDARDS AND FACILITIES RAISE COMPETITIVENESS WITH OTHER GULF CAPITALS

Major expansion of the deluxe Crowne Plaza will provide extra rooms and upgrade leisure and business facilities in anticipation of busier times ahead

High oil prices are the key to the rejuvenation of the Kuwaiti hospitality industry, according to Hani Kafafi, General Manager of Kuwait's Crowne Plaza Hotel and Director of Operations in the Northern Gulf for InterContinental Hotels Group. "As long as oil prices are high and there is a surplus of funds, the country and the city will catch up with all the projects that have been pending for the past 20 years, such as the northern oil fields and other mega infrastructure projects. To undertake that, you need hotel rooms," says Mr. Kafafi.

With all the development that is expected to take place, new hotels are appearing with standards and facilities equal to, or better than, those to be found in the competing capitals in the Gulf region. "We have to be able to satisfy the demand and expectations of the experienced travelers that visit Saudi Arabia, Dubai, Qatar, or wherever," adds Mr. Kafafi. "The hotel sector must develop, to be able to compete on the same footing."

Part of InterContinental Hotels Group, the Crowne Plaza is a deluxe, international hotel with 330 rooms and suites, which offers every comfort its high-end guests could expect. Conveniently located near Kuwait International Airport, and within easy reach of the major military installations, the city center and local beaches, the impressively designed hotel features a Grand Atrium lobby with a majestic staircase and capsule lifts that whisk guests to the upper floors.

It boasts no fewer than seven restaurants, offering a wide variety of international cuisines, while for those looking to stay trim, the hotel's Nautilus fitness center is open 24 hours a day and has a wide range of the latest equipment. A comprehensive range of well-appointed meeting rooms, conference facilities and banquet halls is equipped with audio-visual equipment, simultaneous translation facilities and videoconferencing facilities.



Part of the InterContinental Hotels Group, the Crowne Plaza Kuwait plans to open one of the finest spas in the Middle East later this year.

Mr. Kafafi puts the service provided by the hotel staff at the top of the Crowne Plaza's appeal. "The number one attraction of the Crowne Plaza is the staff, the teamwork, the service, the knowledge, attentiveness and the friendliness," he says. "Some people come for the varieties of food. Other people like the spa and the dynamic health club we have. Others may be attracted to the transportation provided to the guests. Many who stay with us have business in the area so location plays a very strong role."



HANI KAFAFI,
General Manager
of the Crowne
Plaza hotel

However, there is no room for complacency. A high standard of hospitality will definitely not be enough for the hotel to compete in the future market environment, he says. "We are constantly innovating; we do not stop."

A major expansion of the hotel is underway. At the end of the year, a magnificent new Aqua Tonic spa will open, featuring 20 different treatment rooms, and a 650-square meter pool, with a dou-

ble-deck and four different water temperatures. "It will be one of the greatest spas in Kuwait and the Middle East," promises Mr. Kafafi.

The hotel is also building a new conference center and an 1,800-square meter ballroom, which will boost its facilities for weddings, functions, conferences and product launches. In addition, there will be 200 new guest rooms and suites.

"If you look at the Crowne Plaza in 2009, you will have the main hotel building, the extension with the big conference facilities and the spa with a large multi-purpose playground. With these improvements, we will attract different markets and compete successfully."

Mr. Kafafi attaches prime importance to the American market, particularly since Kuwait is the gateway to Iraq. "I believe in the American market. I am sure American companies have plans for the next 10-20 years that include the Middle East, Iraq and Kuwait. Looking into the

future, Kuwait is the platform from which to rebuild Iraq. If I were an investor, I would be interested. There will be a lot of international American aid in the future. So, the American market is the number one market today. We are in contact with all the sources of business in the States, and we are networking in the major business cities," he states.

Mr. Kafafi also welcomes the arrival of new brands into the local market. "Take what has happened in the four-star category. Five years ago, there was no four-star hotel category in Kuwait. In the past few years, new brands have been opening. Kuwait now has a very good variety of

four-star hotels," he explains.

Kuwait's developing hospitality market will favor the most competent companies, according to Mr. Kafai, who adds, "The hotel business is being transformed today. The future belongs to the strong branded products, to the organizations that are really dominating the business." ■

'I BELIEVE IN THE AMERICAN MARKET. I AM SURE THAT AMERICAN COMPANIES HAVE PLANS FOR THE NEXT 10-20 YEARS THAT INCLUDE THE MIDDLE EAST, IRAQ AND KUWAIT'



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POTENTIAL OF FOREIGN MARKETS DRIVES KUWAITI EXPANSION

Already a world leader in developing integrated and mixed-use projects, IFA Hotels & Resorts is lining up new schemes worldwide

Kuwaitis do not need to get the message about expansion abroad, they have already got it, says Talal Al-Bahar, Chairman and Managing Director of IFA Hotels & Resorts (IFA HR). "Even small companies are expanding internationally. They are pushing their international investment because they see how big the market is, and the potential of future markets," he comments.

Mr. Al-Bahar knows more than most about international expansion. IFA HR has become one of the world's leading international companies engaged in the development of premier integrated and mixed-use hotel and resort projects. IFA HR, whose majority shareholder is Kuwait-based International Financial Advisors, has estab-

lished footholds throughout Europe, the Middle East, the Indian Ocean region and Africa.

"Right now, worldwide we have close to \$3.5 to \$4 billion in investment and projects that we are building," says Mr. Al-Bahar. In August, the company announced year-end profits of KD22.8 million (US\$80.9 million) - a massive 236 percent increase over the previous year. It is listed on the Kuwait Stock Exchange with a market capitalization of over \$1 billion. It is also listed on the Johannesburg Stock Exchange, and has plans to list on other major exchanges.



TALAL AL-BAHAR
Chairman and MD
of IFA Hotels &
Resorts

IFA HR is continuing its aggressive global expansion, adding new projects to existing ones in Dubai, Lebanon, London, South Africa, Zanzibar, Kenya and Portugal. At the end of last year,

it entered the Asian market, acquiring 24.9 percent of Thai-listed residential development company Raimon Land. In March, it launched a joint venture of four hotels in Namibia, and in August a joint venture in the Seychelles.



Projects like the Fairmont Zimbali in South Africa have made IFA H&R world leader in its field.

"We are focusing on Africa and Asia," says Mr. Al-Bahar. "We are also examining possibilities in Latin America and Central America. We are looking at the Bahamas, Costa Rica, Panama, Mexico and Brazil. Developing markets give us good diversification in our portfolio, which we need."

Opportunities for partnerships with U.S. companies are also being explored. "We are aiming to be in the U.S. within the next

year, and are looking at some strategic investment opportunities with U.S.-based real estate developers with a presence in other regions," he adds.

IFA HR also has a majority stake in Yotel, a luxury pod-concept hotel brand that could revolutionize the hospitality industry, and which it intends to introduce worldwide, starting with openings this year at London's Heathrow and Gatwick airports. ■

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