

Kuwait Jumps the Queue

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Syria has been having signal success over the past few years in attracting foreign investment, with Saudi Arabia, Turkey and Iran all making headlines due to the capital they are pouring into the economy. Though garnering less media coverage, Kuwait is fast becoming one of the main sources of overseas investment in Syria, having just taken over third place on the rankings.

According to the state's official news agency, Kuwaiti investments in Syria now total \$6bn, with bilateral trade jumping 30% last year to \$350m.

The latest Kuwaiti foray into the Syrian market came with the signing of an agreement on February 11 between Syria's Al Sham Holding Company and three firms from Kuwait - the Al Kharafi Group, the Kuwaiti Syrian Holding Company and the Kuwait Privatisation Project Holding Company.

The partners announced plans to set up a joint company with a capital of \$100m to engage in major infrastructure projects in Syria, especially in the energy, electricity and wastewater sectors.

The deal was struck during a visit by Kuwaiti Prime Minister Sheikh Nasser Al Mohammed Al Ahmad Al Sabah to Damascus, a trip which saw the two countries move to further strengthen trade and financial ties. This included a proposal to establish a joint Syrian-Kuwaiti bank and talk of increasing investments.

These ties are set to receive another boost in April, when Kuwait will host the Syrian-Kuwaiti Businessmen's Assembly, backed by the governments of both countries and supported by the Syrian chambers of commerce and industry and the Syrian Business Council.

Kuwaiti investments in Syria have been coming thick and fast over the past year, with one of the largest, a \$3bn oil refinery undertaken by Noor Financial Investment, initially announced in July and confirmed in December. The new refinery, to be located at Deir Al Zor in eastern Syria, will have a daily processing capacity of 140,000 barrels per day (bpd).

Noor already had a foot in the door to the Syrian economy, having been granted a licence to operate a bank and an insurance company.

It is not just at the refining end of the energy sector that Kuwait is active in Syria. The Kuwait Foreign Petroleum Exploration Company (KUFPEC), together with Canada's Stratic Energy Corporation, received a three-and-a-half-year concession for oil and gas drilling rights in the south-west Tadmur region in 2005.

Kuwaiti investments are spread across the economy, with portfolios ranging through insurance, finance, petrol distribution, real estate and tourism. In mid-December, work started on a \$217m tourism development in the Kirwan district of Damascus,

another Al Kharafi Group project. The 900-bed, five-star hotel and the accompanying retail, conference, leisure and entertainment facilities will lift the group's investments in Syria to around the \$1bn mark.

The end of August saw the inauguration of Syria's first Islamic bank, the Al Sham Islamic Bank, in which Kuwaiti investors held the largest share of the initial \$100m capital, later raised to \$200m. Among the Kuwaiti shareholders are Investment Dar, the Commercial Bank of Kuwait, the Kuwait Securities Group, the Al Shall Investment Company and the Damascus-based Kuwait United Investment Company.

Increased Kuwaiti interest is due in part to an opening up of investment opportunities in the country, with the government easing regulatory requirements and speeding up the previously cumbersome approval process. In 2005 the government gave initial approval for Islamic banks and insurance companies to enter the market, a move directly designed to attract Gulf investors.

With the gradual opening up of the Syrian economy and the slow withdrawal of the state from business activity, the potential is there for investors to buy into little-tapped markets, an opportunity Kuwait seems to be grasping.