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# Economic Report 2023

## Kuwait

15 June 2023

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### Executive Summary

Kuwait's economy literally depends on oil which accounts for approx. 95% of exports and 90% of government revenues. Kuwait is OPEC's 5<sup>th</sup>-largest crude oil producer (and 10<sup>th</sup> worldwide) with more than 102 billion barrels in proven oil reserves in 2022, which represents around 6% of the world's total reserve. The new oil and gas discoveries every year make its oil reserve sustainable for the next 100 years, while the inevitable fluctuations in oil prices have a decisive impact on the country's economy and finances. The historical savings from oil profits over the years were accumulated in the Kuwait Investment Authority KIA, which manages the asset of **Kuwait Sovereign Wealth Fund** (Future Generation Fund, General Reserve Fund), the oldest sovereign wealth fund in the world (founded in 1953). The KSW is currently the 5<sup>th</sup> largest sovereign fund in the world with assets estimated at USD 750 billion according to the ranking established by the Sovereign Wealth Fund Institute. KIA's stakes are distributed e.g. in ports, airports, and power distribution systems around the world.

Kuwait is a constitutional monarchy. Its enduring stalemates in governance derive essentially from Kuwait's ambition to make democracy and monarchy coexist, a unique case in the region. Focusing in particular on sharing the country's wealth among all of its citizens, voters use their democratic rights to elect in the Parliament a majority of deputies who do not necessarily share the agenda of the ruling family and the circles that support it. Hence the persistent institutional disagreements between the legislative power elected by the people and the government selected by the Emir / Crown Prince.

Kuwaiti is a generous welfare state. About 80% of the Kuwaiti workforce are working in the public sector, which is a challenge to public finances due to the growth of the Kuwaiti population. On the other hand, most of the 15-20'000 new graduates who appear on the market each year prefer to enter the public sector, which will put an even greater strain on the oil rent.

It is largely admitted that the highly dependence on oil requires structural reforms which are however unpopular and therefore stalled by the majority of the deputies elected by the voters. The lack of reforms is not facilitating doing business in the country, considering in particular the impressive developments in the other countries of the region. Nevertheless, Kuwait offers many opportunities for Swiss companies:

- **Extremely favorable political and economic climate towards Switzerland:** rich population (in 2022, Kuwait ranked first in the world with one billionaire for every 33'090 population), strong purchasing power of the Kuwaiti Dinar, people to people ties dating back to the 1930s (thousands of Kuwaitis have been visiting Switzerland for decades, and even own apartments/houses in our country). There is therefore an **important market for Swiss goods**.
- **FINTECH:** since the country aims at diversifying its economy.

- **Agriculture:** Kuwait's quest for food security is a top priority (95% of the food being imported).
- **Health:** needs in this sector are important, and the country wants and can afford highest standards.
- **Sustainable/renewable energy:** improving the ecological footprint of the oil/gas sector and/or develop alternative sources of energy is also a political top priority.
- **Water:** improving the ecological footprint of the desalinization industry.
- **Infrastructures** (e.g. Gulf Cooperation Council's railway project).
- **Iraq:** potential logistics base from which to enter and cover the large Iraqi market.
- **Free-trade zone projects:** "Nuwaiseeb", on the border with Saud Arabia, "Northern Gulf Gateway project" (Silk City), on the border with Iraq. Also Abdali, Al Na' Ayem and Al Wafra Economic Zones.
- **Tourists from Kuwait:** an important opportunity for all sectors connected to tourism in Switzerland.

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## 1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Kuwait's economy has remained resilient in the face of a global slowdown following two years of the pandemic. In particular, Kuwait benefits of productive oil fields – which contributed to high GDP per capita – and one of the world's largest sovereign wealth funds. Public debt levels remained the lowest in the GCC. Hence, during the pandemic, the country could enjoy the necessary fiscal space to enact effective responses to the economic challenges. Thanks to its advanced digital infrastructures and one of the world's highest internet penetration rates, Kuwait could relatively easily facilitate remote working, learning and commerce in front of the pandemic containment measures which were imposed. In fact, over the past years, ICT has been one of the major drivers of inward foreign direct investment. Corporate digital transformation remains a priority in order to facilitate further growth. Also, the authorities have successfully contained inflation and kept under control the direct and indirect adverse spillovers from supply chain disruptions resulting from the war in Ukraine. On the one side, Kuwait's economy bounced back to pre-pandemic levels immediately after the country eased coronavirus-related restrictions on the 01.05.2022. On the other side, the disruptions caused by the pandemic have accentuated the need for further structural reforms. They also further underlined that the private sector should play a bigger role to drive economic activities and create jobs.

In this context, the Kuwaiti economy recorded one of the region's fastest growth rates in 2022 (+8.2%), thanks to looser OPEC+ production quotas, healthy consumer and business credit growth, generous fiscal support and higher employment among Kuwaiti nationals. Growth in 2023 is likely to be moderate. According to the new World Bank Gulf Economic Update, economic growth in Kuwait is expected to slow to 1.3% in 2023, while non-oil sectors are anticipated to grow by 4% in 2023 (IMF, 06.23) driven primarily by private consumption. Overall real GDP growth is expected to be supported in 2023 mainly by high oil prices and sustained improvement in domestic demand, but tighter OPEC+ quotas are currently reducing the growth of the oil production.

Driven by a solid macroeconomic environment, Kuwait is expected to experience solid spending growth in 2023. Even if price volatility is always to be feared, high and rather stable oil prices in 2023 are expected to support public and private sector spending in Kuwait over the next months. Consumer spending in Kuwait is expected to show moderate but stable 4.4% year-on-year growth in 2023, compared to an estimated 5.2% in 2022. In nominal terms, total spending could amount to 20.6 billion Kuwaiti dinars (67 billion USD) in 2023, up from 19.2 billion KWD in 2022. The outlook for spending growth in 2023 is also supported by the prediction that the introduction of a value added tax will be delayed at least until 2024 due to inflation fears and the domestic political situation. The draft budget submitted to Parliament in January 2023 suggests that government spending will remain high and that a potential budget deficit is probable. The current estimations (06.2023) consider a possible public deficit of approx. 11.3 billion USD, **oil revenues remaining the only decisive factor for the final outcome.**

The expenditures in the Ministry of Finance's budget for FY2022/2023 are estimated to exceed revenues, (approx. 400 million USD deficit). Total revenues are KWD 23.39 billion (oil 91%, taxes 2.4%, other revenues 5.9%), total expenses are approx. 76 billion USD (employee compensation 36%, goods and services 17%, grants 24%, subsidies 3.3%). Oil revenues have been estimated according to a barrel price of 80 USD / barrel, and the volume of production is currently 2.730 million / barrel per day.

The overall fiscal surplus is estimated by the IMF to have surged to 22.5% of GDP in 2022, up from 6.4% in 2021. In parallel, the current account surplus is estimated to have risen to 33.0% of GDP in 2022, up from 26.6% in 2021. Moreover, official reserve assets increased to 48.2 billion USD (10.3 months of prospective imports) at end of 2022, and adequately cover balance of payments financing risks. Nevertheless, the external position in 2022 is assessed by the IMF as weaker than the level implied by fundamentals and desirable policies, largely due to insufficient public saving of the oil revenue windfall.

According to the Kuwait Central Bureau of Statistics, consumer price inflation was recorded at 3.1% year-on-year in December 2022 (4.2% in December 2021), and could decrease to average 2.1% year-on-year in 2023. Important subsidies included in the 2023/24 budget (as well as FX peg) should help keep the inflation under control.

According to the IMF, Kuwaiti banks continue to be well-capitalized and liquid, financial soundness indicators are healthy, and private sector credit growth remains strong. As a major regional centre for Islamic banking and other sharia-compliant financial services, Kuwait is a top issuer of *Sukuk* (an Islamic investment certificate, similar to a bond in western finance, that complies with Islamic religious law), with more than 7.2 billion USD issued in total.

The country has its own long-term development vision, named *Kuwait Vision 2035*, which is seeking to secure a position in the top 35 countries in the world by 2035 in all development indicators. The government is hence promising infrastructural spending plans, alongside considerable investments in particular in energy, healthcare and education.

Overhauling infrastructure is a key pillar of *Kuwait Vision 2035*. Kuwait. According to recent reports, these major projects include 14 public sector development projects with a total value of approximately \$59 billion and four partnership projects worth nearly 3.2 billion USD. The projects comprise mainly the airport expansion, Silk City, islands development, the trans-Kuwait rail network and rail link with nearby Gulf countries, Mutlaa City, petrochemicals facilities for the Clean Fuel Project. The country currently has over 700 active projects with a combined value of 230 billion USD. Once completed, these mega projects – 20 percent of them are near completion – are expected to catapult the country into a modern city-state, bringing about a radical transformation to its information and communication technology (ICT), transportation, logistics, trade and power generation and transmission sectors. A number of future projects are also expected to modernize the infrastructure of the country's aviation sector.

**Digital transformation** is another pillar of the *Kuwait Vision 2035*. The country is focusing on adopting smart and digital technologies to innovate services, drive the economy and improve quality of life. The country's ICT market is expected to reach 10 billion USD by 2024 and the country's digital information strategy is pushing greater investment in Kuwait's ICT market and enhancing operational efficiency and performance of key sectors. The ICT goal also aims to push the country's plan to transform it into a digital society and economy by improving government performance through digital transformation and building a robust cyber security infrastructure to prevent attacks and protect digital assets.

**Renewable energy** is also part of the *Vision 2035* and Kuwait is aiming at meeting 15% of its energy requirements from renewable energy sources by 2030. Kuwait is executing a number of green projects like Shagaya Renewable Energy Park and Al-Dibdibah photovoltaic (PV) solar project, among others. Currently, the country is reliant on fossil fuels for energy generation and water desalination. By 2030 Kuwait's energy demand is expected to triple. The amount of fossil fuel available to generate energy in Kuwait is not enough to maintain the country's current rate of social and economic growth. The Kuwait Institute for Scientific Research (KISR) has initiated energy efficiency and energy management programs to help alleviate these challenges (e.g. the RET Program which aims at finding the renewable energy solutions most appropriate for the unique climate conditions of Kuwait).

In line with its *Vision 2035*, Kuwaiti authorities are also implementing measures to improve fiscal revenue collection and spending efficiency. **However, the parliament still has to adopt a debt law** which is required to allow Kuwait to tap international capital markets in the event that the budget is in deficit.

All in all, with regard to the above mentioned pillars of the *Vision 2035*, one must be aware that **only limited progress has been observed so far on reforms** in the non-oil sector aiming at encouraging private sector growth and diversification. The repeated institutional blockages and delays between the executive and legislative powers in the past years have led to successive government reshuffles and dissolutions of parliament, hampering investments, projects and economic fiscal reforms. Paradoxically, the recovery in the public finances generated by the increased oil prices risk to reduce the feeling of urgency for Kuwait's authorities (and public opinion) to duly implement the Vision 2035 and to adopt the structural reforms it requires. Overall, **the two main challenges** therefore remain the **exorbitant reliance on oil** (as almost the single source of income) and the **institutional gridlock** hindering both the structural reforms and the big infrastructure projects which the country needs.

**Despite these challenges, Kuwait offers various opportunities to Swiss companies.** Paradoxically, the country's backwardness in reforms and development projects means that there is still an important potential to materialize.

## **2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES**

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Kuwait's economy largely depends on oil, which accounts for almost 95% of exports and 90% of government revenues. Kuwait is OPEC's fifth-largest crude oil producer (and tenth worldwide) with more than 102 billion barrels in proven oil reserves, which represents around 6% of the world's total reserve. The new oil and gas discoveries every year make its oil reserve sustainable for the next 100 years. The historical savings from oil profits over the years were accumulated in the Kuwait Investment Authority (KIA), which manages the asset of Kuwait Sovereign Wealth Fund (Future Generation Fund (FGF) / General Reserve Fund, GRF), the oldest sovereign wealth fund in the world (founded in 1953) and the third-largest sovereign fund in the world with assets estimated at 737 billion USD in Feb. 2022.

In line with its *Vision 2035*, Kuwait aims at developing its renewable energy sector. In particular, Shaqaya Phase III will include a solar Photovoltaic (PV) plant, a Concentrated Solar Power (CSP) plant, and a wind power plant. The three plants will produce a total renewable energy of no less than 2,000 MW. In any case, the oil and petrochemical sectors will remain the backbone of Kuwait's wealth for a long time.

It is largely admitted that the highly dependence on oil requires structural reforms which are however unpopular and therefore delayed by the majority of the deputies elected by the voters. The lack of reforms is not facilitating doing business in the country, considering in particular the impressive developments in

the other countries of the region. Nevertheless, Kuwait offers many opportunities for Swiss companies. In general, among the positive factors we can underline the **extremely favorable political and economic climate towards Switzerland**, as well as the **rich population** (in 2022, Kuwait ranked first in the world with one billionaire for every 33'090 population), the **strong purchasing power** of the Kuwaiti Dinar, the **people to people ties** dating back to the 1930s (thousands of Kuwaitis have been visiting Switzerland for decades, and even own apartments/houses in our country). More specifically, the potential opportunities for Swiss business actors are in particular the following:

1. **Export of Swiss luxury goods:** the Kuwaiti society is fond of luxury goods and high quality brands, e.g. watches. The high purchasing power of the Kuwaiti dinar makes high end products and luxury goods accessible to almost all.
2. **FINTECH:** in the framework of the efforts to diversify its economy, the financial services and digitalization are one of the priorities.
3. **Agriculture:** Kuwait currently imports about 95% of its food and is therefore striving to develop its agricultural field. Food security is a political top priority and this field offers many opportunities, especially sustainable and smart solutions to reduce water energy consumption.
4. **Health:** needs in this broad sector are important, and the country wants and can afford the highest standards. The construction of new specialized hospitals is creating opportunities. The government is e. g. working on the expansion of three major hospitals as part of its plan to boost the bed capacity across the country. Kuwait's pharmaceutical sector is witnessing a growing number of partnerships with multinational drug makers.
5. **Sustainable/renewable energy:** improving the ecological footprint of the oil/gas sector and/or develop alternative sources of energy is also a top political priority. Kuwait remains overwhelmingly reliant on the export of oil, given that the energy sector contributes to more than 50 % of GDP and 90 percent of revenues. Industrial projects centered upon the hydrocarbon sector will remain a focal point of government investment in infrastructure. Sustainable and key green energy solutions are crucial to this sector.
6. **Water:** improving the ecological footprint of the desalinization industry, which provides virtually all the water consumed by the local population.
7. **Infrastructures:** due to regional pressure, the GCC railway project has some chances to be implemented in Kuwait, despite the delays of the past years. It is noteworthy that the establishment of "Nuwaiseeb", a new free trade zone on its border with Saudi Arabia, is considered a vital project that will attract foreign investment given that the railway will be built next to it. The 2,177 km-long Gulf Railway system is expected to connect all six of the GCC countries in Eastern Arabia.
8. **Platform for the Iraqi market:** Kuwait's geographic position plays a crucial role; sharing borders with Iraq makes it a potential platform to enter and cover the large Iraqi market. Kuwait has maintained open diplomatic channels and supported the stability of Iraq, which offers an enormous potential for commerce.
9. **Free-trade zone projects:** "Nuwaiseeb", on the border with Saudi Arabia, "Northern Gulf Gateway project" (Silk City), on the border with Iraq. But also the Abdali, Al Na'ayem and Al Wafra Economic Zones.
10. **Kuwaiti tourists in Switzerland:** Switzerland is traditionally one of the favorite countries of Kuwaitis when it comes to tourism. It is estimated that Kuwaiti tourists more than 10 billion CHF abroad during the first nine months of 2022. According to studies of the UNWTO, Kuwaiti tourists are spending appreciably more at their destinations than the average tourists. This represents an important opportunity for the various sectors connected to tourism in Switzerland (hotels, restaurants, leisure, shopping, sports etc.). Not to be neglected are also winter and summer camps for young people.

### 3 FOREIGN ECONOMIC POLICY

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#### 3.1 Host country's policy and priorities

Generally speaking, since its independence in 1961, the State of Kuwait has pursued a balanced, fair and ambitious foreign policy, characterized by its openness and its rich and multipolar ties with the international community. For example, the country is a stable ally of the United States but at the same time it was the first GCC country to sign a MoU with China.

Traditionally, and for obvious reasons, the country's policies and priorities have been shaped by the predominance of the oil sector. In recent years, Kuwait has shown special interest in diversifying its economy. It has also strengthened its economic ties with Far Eastern trade partners, especially large importers of Kuwaiti oil like China, Korea and Japan. Turkey and India are also growing economic partners of Kuwait.

When signing the MoU to become a "dialogue partner" of the **Shanghai Cooperation Organization** (May 2023), the Kuwaiti authorities stressed that this rapprochement is in line with the country's foreign policy objectives, in particular strengthening trade links, food security and energy security.

### Regional trade agreements:

#### In force:

- Gulf Cooperation Council (GCC)
- GCC with EFTA
- GCC with Singapore
- Pan-Arab Free Trade Area (PAFTA)

#### Under negotiation:

- GCC - Australia
- GCC - Japan
- GCC – India

As a GCC member, Kuwait has also signed some International Treaties with Investment Provisions (TIPS): GCC-Peru, GCC-USA, GCC-EFTA FTA, GCC-Singapore FTA, GCC-India Framework agreement, GCC-Lebanon FTA, EC-GCC Cooperation Agreement, GCC Economic Agreement, OIC Investment Agreement, Arab Investment Agreement and Arab League Investment Agreement.

### Bilateral investment agreements:

Kuwait signed [at least 93 Bilateral Investment Treaties](#) with nations such as Austria, Belarus, Belgium, Bosnia, Bulgaria, China, Croatia, the Czech Republic, Denmark, Egypt, Ethiopia, Finland, France, Germany, Hungary, India, Iran, Iraq, Italy, Jordan, Kazakhstan, Latvia, Lebanon, Lithuania, Malaysia, Malta, Mauritania, Moldova, Mongolia, Morocco, Netherlands, Pakistan, Poland, Romania, Russia, Serbia, Slovenia, Spain, South Korea, Sweden, Switzerland, Syria, Tajikistan, Tunisia, Turkey, the United Arab Emirates and Yemen.

With the USA, Kuwait signed a "Trade and Investment Framework Agreement" in 2004.

## 3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

Agreements already in force between Switzerland and Kuwait:

- Agreement on the Protection of Investment (1998)
- Agreement on the Avoidance of Double Taxation (1999). The Double Taxation Agreement went into force in September 2013 and after that, the two sides negotiated an amendment of two articles. The protocol of amendment of the agreement was signed in November 2019, and is still pending for the Kuwaiti side to be ratified, most probably due to consecutive institutional crises of the past years.

In the absence of significant Swiss direct or indirect investments in Kuwait, the agreements on Investment Protection and Double Taxation are more advantageous to Kuwait, whose investments in Switzerland are substantial.

- The Air services agreement between Switzerland and Kuwait in 1968 was renegotiated on the sidelines of the ICAO Conference of July 2010 in Jamaica, because Kuwait wanted to introduce an open-skies policy. Further liberalizations were thus agreed upon regarding the national clause of the carriers. A protocol of amendment was signed in Turkey in October 2015, and the constitutional formalities for its entry into force were communicated in October 2016 by the Kuwaiti side. The amended protocol entered into force in 2018.

## 4 FOREIGN TRADE

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### 4.1 Developments and general outlook

Kuwait's trade balance shifted to an increasing surplus from KWD 3.72 billion to KWD 10.98 billion (35.8 billion USD) in 2021. The predominant exports of crude and refined oil scored KWD 19 billion (61.75

billion USD) and formed 92.3% of total commodity exports in 2021. Kuwait recorded a trade surplus of approx. 15 billion USD in the fourth quarter of 2022.

With proven oil reserves estimated at more than 102 million barrels, Kuwait can maintain the current level of production for the next 100 years. New extraction techniques to increase and improve oil production, along with the discovery of new fields' yearly, make Kuwaiti oil sustainable on the very long term.

#### 4.1.1 Trade in goods

##### Exports:

Exports were estimated at KWD 20.600 billion (USD 66.95 billion) in 2021, an increase of 68.5% from the previous year. Oil accounted for approx. 90% of total exports. Major export partners respectively are UAE, KSA, China, India, Iraq, Pakistan and Qatar. Non-oil exports increased by 25.8% year on year in 2021, and re-Exports increased by 26.4% in 2021.

##### Imports:

As agriculture is virtually non-existent and with a very modest manufacturing industry, Kuwait relies heavily on imports to meet domestic demand for a very wide range of products, from foodstuffs and consumer goods to equipment, vehicles, and industrial technologies.

Imports, excluding military procurements, were estimated at KWD 9.6 billion (USD 31.6 billion) in 2021, an increase of 13% year on year. Spending on capital goods imports, which were mainly sourced from Asia (60%), Europe (24%), and North America (9.2%).

Imports, excluding military procurements, were estimated at KWD 8.5 billion (USD 27.9 billion) in 2020, a decrease of 16% year on year. Spending on capital goods imports which were mainly sourced from Asia (60%), Europe (24%), and North America (9.2%).

The main sources of import are China (17.9% of total imports), UAE (11.89 %), USA (7.99 %), Japan (5.76%), KSA (5.29%), India (5.2%), Germany (4.4%), Italy (3.8%), UK (2.38%), Turkey (2.37) and Switzerland (2.24%). Kuwait's main imports are road vehicles (12.3 %), mechanical appliances, electrical equipment and electronics (14% of total imports), medicinal and pharmaceutical products (5.2%), telecommunication and sound recording (5.1%), apparel and clothing accessories (5%), Iron and steel (4%), and vegetables (3.3%) live animal and animal products (5%). (CSB Dec. 2021).

## 4.2 Bilateral trade

### 4.2.1 Trade in goods

The trade balance has always been overwhelmingly in favor of Switzerland, since Switzerland does not import oil products directly from Kuwait. The very modest Kuwaiti exports to Switzerland are, in fact, re-exports of Swiss merchandise goods (mostly watches and jewelry), which enter Kuwait temporarily for exhibition purposes and are then "exported" back home. Swiss imports of plastic and rubber registered an increase of 21% while vehicles and airplanes imports increased by 160.5% during 2022. Swiss merchandise exports to Kuwait increased by 9.6% in 2022, reaching 524.98 million CHF.

Kuwait is an attractive market in particular for pharmaceutical products, which account for (31.3%) of exports, watches (31.7%), agricultural products (13.6 %), whereas jewelry and precious metals, representing (8.4%) of exports, have registered an increase of 83.3%.

A sudden sharp rise in Swiss exports in any given year is often linked to large supplies of machinery and equipment for one major project.

According to the Kuwait Chamber of Commerce & Industry KCCI, Switzerland exports to Kuwait in 2021 amounted for a value of approx. 764 million USD, while importing from Kuwait for a value of approx. 33 million USD. The KCCI explained to our Embassy that these figures are based on the latest data of the Central Statistical Bureau and more up-to-date than those currently available to the public (cf. Annex 3). Based on these figures, Switzerland is Kuwait's 9th largest trading partner.

Swiss gold ingots, Swiss watches, immunological products and medicaments topped the list of imports. Luxury products are highly valued by the rich Kuwaiti society. The Swiss industry with its advanced technology has always been a center of attraction for Kuwaiti companies.

During the COVID-19 pandemic, the retail sector and the private sector faced manifold challenges and a drop of 50% due to severe measures and travel restrictions in addition to regional instability.

### 4.2.2 Trade in services

There are indications that Swiss banks and wealth management firms, as well as a Swiss forwarding company and an insurance firm, are doing business in Kuwait (although without a permanent physical

presence), while there is also a noticeable demand for Swiss consultancy services (engineering, management, and training).

## 5 DIRECT INVESTMENTS

### 5.1 Developments and general outlook

In the **Kuwait Vision 2035**, the government aims to boost FDI considerably by the end of the plan's term. One channel of FDI into Kuwait is regulated by the **Kuwait Direct Investment Promotion Authority (KDIPA)**, which was established by Law No. 116 of 2013. This law marked a significant change in the framework for promoting FDI and grants KDIPA a broad remit. The institution's responsibilities include processing applications for new investments, promoting Kuwait at international forums, supporting the development of domestic capabilities to attract FDIs, and ensuring progress in terms of technology transfer and job creation for citizens and acquire hi-tech training and developed techniques. As a result of the authorities' efforts, more than 40 foreign companies have invested in Kuwait in areas, such as ICT, health, renewable energy, education, and entertainment.

Kuwait Foreign Direct Investment (FDI) increased by 372.4 million USD in September 2022, compared with an increase of 7.5 million USD in the previous quarter (CEIC Data, 2023). The Kuwait Direct Investment Promotion Authority intelligence unit pointed out that incoming flows have tended to decline since 2016. However, it expects these inflows to rise to a still modest annual average of about 600 million USD in 2022-2026, as the gradual privatization of state assets provides opportunities for foreign investors, and projects are being launched. Public-private partnerships go beyond the utilities sector and infrastructure projects as part of the New Kuwait Vision 2035 development plan (Kuwait Direct Investment Promotion Authority, 2022).

Due to its impact on global supply chains, the pandemic provided Kuwait with an opportunity to strengthen its international ties. Kuwait has moved to strengthen its medical supplies and its food security through increased international cooperation with China, the USA, Egypt, India, Pakistan, Turkey, and Europe in addition to that it has engaged to increase its investments in agriculture technology.

### 5.2 Bilateral investment

**a) Swiss investment in Kuwait: Swiss investment in Kuwait is practically negligible in the absence of joint ventures or Swiss acquisitions.** Only a handful of Swiss firms have small non-manufacturing branches/subsidiaries. The majority of Swiss firms operating in this market are doing so through local agents and could be considering shifting to a complete hundred percent ownership.

Swiss banks continue to operate from the outside (with regular visits to Kuwait, from Dubai or from Switzerland).

The Ministry of Commerce and Industry issued a new rule in December 2018, which allows foreign investors to own and trade in local banks' shares. The ownership of a foreign investor shall not exceed 5% in any Kuwaiti bank. The latest decision comes ahead of the index-compiler MSCI's anticipated move to upgrade Kuwait to emerging-market status.

In November 2020, Roche Diagnostics Middle East got its license to operate and expand its local diagnostic operations in the country; after establishing a new company in Kuwait supported by Kuwait Direct Investment Promotion Authority KDIPA. The new offices were inaugurated in November 2022.

Sika Kuwait was incorporated in Kuwait in 2016, dealing in construction chemicals like admixtures, waterproofing, flooring, silicones, refurbishment, etc. Since then, according to its growth strategy, Sika was able to expand through acquisitions.

**b) Kuwait Investment in Switzerland: The steady accumulation of wealth over the 15 years of high petrol prices, the political and security uncertainties of the region, and the highly speculative nature of the local stock market have driven many savvy Kuwaiti investors onto global markets, including Switzerland.**

The Swiss Financial Center remains very attractive to Kuwaiti institutional and individual investors, who mostly favor indirect investment through managed funds and stock portfolios. Although Kuwait Investment Authority (KIA), the Government's financial arm, is rather secretive about the size and allocations of its investments, **knowledgeable sources estimate that Kuwaiti investments in Switzerland have reached USD 15 billion (2022)**. Kuwaiti individual investors are also believed to weigh in as heavily, having a variety of business interests in Swiss banks, hotels, watch industry, real estate, and financial institutions. No figures are available, however.

The National Bank of Kuwait - Kuwait's largest commercial bank - has a branch in Geneva and one of Kuwait's largest corporations listed on the stock market - Agility Logistics Co. - has moved its international headquarters to Zurich and the management of its European operations to Basel.



More than 20 years ago, a group of influential Kuwaiti investors established a company — Helarb — in Lausanne for investing in the capital stock of industrial and manufacturing projects in Switzerland. In 2014, it acquired an industrial plant that manufactures parts and accessories for watches for CHF 30 million.

Kuwait Investment Authority (KIA) is a major shareholder of the hotel chain Victoria-Jungfrau-Collection in Switzerland.

China and Chinese technology have been particularly lucrative for the KIA, both in contrast to the US and other emerging markets. KIA has a visible presence in Europe and is still known today for early investments in companies like Daimler-Benz. (FT)

The Arab-Swiss Chamber of Commerce and Industry (CASCI) was created in 1974, established to promote the economic and cultural relations between Switzerland and Arab Countries members of the League of Arab States.

## 6 ECONOMIC AND TOURISM PROMOTION

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### 6.1 Swiss foreign economic promotion instruments

Switzerland Global Enterprise (S-GE) is the official Swiss organization for export and investment promotion with offices throughout Switzerland and in 31 countries. The Swiss Business Hub Middle East (SBH ME) based in Dubai, is the representative of the official trade and investment promotion agency S-GE. The SBH ME is the central point of contact for Swiss and Liechtenstein small and medium-sized enterprises (SMEs) seeking export opportunities and support in the Middle East.

The main activities of the Hub are business partner search, legal clarification and general support in business development. Since its inception, the SBH ME has been organizing yearly country consulting events (Länderberatung) in the GCC States. The Hub is also organizing Swiss participation in international fairs held in GCC countries (Dubai Expo 2021), as well as sectorial events in Switzerland (food, health, construction) to support Swiss companies wishing to export to the GCC region. Greater emphasis will now be laid on the promotion of Switzerland as a business location, while the Hub also helps GCC importers find the appropriate Swiss suppliers and business partners.

Switzerland Tourism (ST) organizes annual GCC Road Shows, which are tours of the GCC countries for representatives of ST cantonal offices. Successful events were organized in 2022 and 2023, with the involvement of the Swiss ambassador. The GCC travelers played an important role in tourism thanks to their spending power and lifestyle (spending in average 10'000 USD per family on their trips).

A successful Fact-Finding Economic Mission was organized by the Embassy and the SBHME in May 2023, with some 30 Swiss companies represented. The mission offered a privileged framework for B2B meetings, to explore potential opportunities to boost bilateral trade and investments. Various sectors were represented: finances, cleantech, construction, IT & digital, education, food etc. The interest was strong on both sides.

In the framework of the successful events of May 2023, the Embassy announced **the launch of a Swiss-Kuwaiti Business Platform (SKBP)**, to promote networking and advocacy in the relevant communities. The SKBP will connect businesspeople on both sides and is expected to become operational from the autumn 2023. It is also to be mentioned that the German Business Council in Kuwait (GBCK) also comprises representatives from Swiss companies, together with German and Austrian.

Individual company events are also organized from time to time, often associated with the official launch of a Swiss product, mostly consumer goods, like food items, cosmetics, and watches. In the first months of 2023, specific events were organized by Swiss companies and hosted at the residence of the Swiss ambassador (Piaget for the watches, Greenlife for the aeroponic agriculture and Barclays for the bank sector). The watch market remains particularly active and prominent, we can for instance mention the opening of a new Tudor boutique in 2022.

The Kuwaiti business community is always welcoming new business projects. Swiss companies interested in the Kuwaiti market may conclude business deals directly with local agents, proceed through their own business network or through S-GE. They are always welcome also to contact the Swiss embassy in Kuwait.

### 6.2 The host country's interest in Switzerland

Switzerland continues to be a preferred destination for Kuwaiti tourists. To many prominent Kuwaitis, Switzerland is a kind of second home. Traditionally, Geneva and the Arc Lemanique are attracting most Kuwaiti tourists, with many of them owning property there - or people having assets invested in Switzerland. We observe a growing interest also in other parts of Switzerland, notably the Canton of Ticino, which attract Kuwaitis who spent a couple of weeks in the North of Italy (Milano) and decide

to spend some hours or a couple of day in Lugano. The improved railways connections to Lugano from both the center of Milano and the Malpensa Airport are contributing to this trend, according to our conversations with several Kuwaiti tourists. Swiss ski resorts are also popular among Kuwaitis.

Health tourism for treatment and well-being (spas, rejuvenation, and plastic surgery) has always attracted rich Kuwaitis (see point 2.7.).

The visa issue remains important. Thanks to additional efforts, it was possible to increase the human resources available in the Regional Consular Center in Doha in order to double the slots for visa appointments since May 2023, but the demand remains clearly higher, especially during the summer season. We can therefore say that there is an unexploited potential in this field. Pending the Schengen visa waiver for Kuwait, the best solution is to adopt the “cascade system” which allow to issue 5-year multiple visa (this step is currently under consideration among the Schengen countries).

Concerning education, Swiss summer school camps are of particular interest to Kuwaitis and affluent foreigners living in Kuwait. Representatives of Swiss private schools, some of them based in Dubai, are frequent visitors to Kuwait. In February 2019 the embassy sponsored a successful event for the Swiss International Scientific School in Dubai. University studies are by far less popular given the language barrier. A memorandum of understanding (MoU) was signed between the Hochschule St. Gallen and the University of Kuwait for cooperation in the field of economics and trade studies, and a similar agreement linking the UNIK and the Université de Genève since 2014 should pave the way to an exchange of students. In 2022, a research institution from Kuwait, “Dasman Diabetes Institute”, was awarded a “Research partnership grant” from the Leading House MENA.

## ANNEX 1 – Economic structure

**Economic structure of the host country**

	<b>Year 2015</b>	<b>Year 2020</b>
<b>Distribution of GDP</b>		
Primary sector (crude oil & Gas, agro+ extraction of crude )	<b>57.78%</b>	<b>54.33%</b>
Manufacturing sector (excluding oil refining and nuclear fuel)	<b>3.37%</b>	<b>5.52%</b>
Services	<b>41.05%</b>	<b>40.15%</b>
- of which public services	<b>16.37%</b>	<b>20.38%</b>

<b>Distribution of employment</b>	<b>2017</b>	<b>2022</b>
Primary sector	<b>2.2%</b>	<b>2.5</b>
Manufacturing sector	<b>5.4%</b>	<b>5%</b>
Services	<b>71.5%</b>	<b>76.1%</b>
- of which public services	<b>21.7%</b>	<b>22.3%</b>

Source(s):

- Central Statistical Bureau (last update is for 2020)
- Public Authority for Civil Information (\*release 31/12/2020)

\*Kuwait is a welfare state where major services (electricity, water, transport & communications) are in the hands of the Government.

## ANNEX 2 – Main economic data

## Host country's main economic data

	2022-1	2022-0	2022+1
<b>GDP (USD bn)*</b>	<b>135</b>	<b>163</b>	<b>161</b>
<b>GDP per capita (USD)*</b>	<b>27,927.2</b>	<b>28,821.6</b>	<b>33,650</b>
<b>Growth rate (% of GDP)*</b>	<b>1.3</b>	<b>8.2</b>	<b>2.6</b>
<b>Inflation rate (%)*</b>	<b>3.4</b>	<b>4.4</b>	<b>2.3</b>
<b>Unemployment rate (%)*</b> Unemployment rate Kuwaiti nationals (% of labor force)	- <b>6.0</b>	<b>2.5</b>	<b>1.3</b>
<b>Fiscal balance (% of GDP)*</b> (Overall)	<b>3.8</b>	<b>16.1</b>	<b>13.5</b>
<b>Current account balance (% of GDP)*</b>	<b>16.1</b>	<b>22.9</b>	<b>19.6</b>
<b>Total external debt (% of GDP)**</b> (gross- calendar year)	<b>8.8</b>	<b>13.2</b>	<b>13.6</b>
<b>Debt-service ratio (% of exports)**</b> External Debt USD Bn.	- <b>57.2</b>	- <b>62.8</b>	<b>n.a</b>
<b>Reserves (months of imports)**</b>	<b>9.0</b>	<b>9.6</b>	<b>9.9</b>

\* Source: IMF, World Economic Outlook (Oct. 2021)  
 ▪ [www.imf.org/external/pubs/ft/weo](http://www.imf.org/external/pubs/ft/weo)

\*\* Source: IMF, Article IV Consultation (Kuwait 2021) – (March 2022)  
 ▪ [www.imf.org/external/country/index.htm](http://www.imf.org/external/country/index.htm)

## ANNEX 3 – Trade partners

## Trade partners of the host country Year: 2021

Rank	Country	Exports from the host country (USD million)	Share	Change <sup>1</sup>	Rank	Country	Imports to the host country (USD million)	Share	Change <sup>10</sup>
1	UAE	799,667	1.18%	48.5%	1	China	5,683,998	17.97%	9.7%
2	Saudi Arabia	722,655	1.07%	10%	2	UAE	3,762,697	11.89%	59.9%
3	China	707,426	1.04%	22.7%	3	USA	2,529,030	7.99%	5.3%
4	India	696,560	1.03%	38.6%	4	Japan	1,822,729	5.76%	8.4%
5	Iraq	501,120	0.74%	35.2%	5	KSA	1,673,900	5.29%	0.8%
6	Pakistan	308,809	0.46%	86.4%	6	India	1,647,050	5.21%	20.0%
7	Qatar	277,462	0.41%	-2.0%	7	Germany	1,395,332	4.41%	6.8%
8	Oman	144,819	0.21%	-15.9%	8	Italy	1,208,371	3.82%	14.1%
9	Jordan	128,557	0.19%	34.0%	9	United Kingdom	752,515	2.38%	22.2%
10	Singapore	83,948	0.12%	219.3%	10	Turkey	749,304	2.37%	18.6%
33	Switzerland	12,940	0.02%	-7.0%	12	Switzerland	708,284	2.24%	14.9%
	European Union	214,982	0.32%	57.4%		EU	5,915,703	18.7%	10.4%
	<b>Total</b>	<b>67,774,921</b>	<b>100%</b>	<b>68.5%</b>		<b>Total</b>	<b>31,637,486</b>	<b>100%</b>	<b>13.0%</b>

Source(s): Kuwait Central Statistical Bureau 2021

**Important note:** According to the Kuwait Chamber of Commerce & Industry KCCI, Switzerland exports to Kuwait in 2021 amounted for a value of approx. 764 million USD, while importing from Kuwait for a value of approx. 13 million USD. The KCCI explained to our Embassy that these figures are more up-to-date than those in the table above currently available to the public.

<sup>1</sup> Change from the previous year in %  
@3.29 IMF

## ANNEX 4 – Bilateral trade

## Bilateral trade between Switzerland and the host country

	<b>Export</b> (CHF million)	<i>Change (%)</i>	<b>Import</b> (CHF million)	<i>Change (%)</i>	<b>Balance</b> (in million)	<b>Volume</b> (in million)
2017	465.46	2.4	73.72	8.6	391.74	539.18
2018	464.22	-0.3	54.04	-26.7	410.18	518.26
2019	482.82	4.0	38.82	-28.2	444.01	521.64
2020	401.86	-16.8	6.74	-82.6	395.13	408.60
2021	479.15	19.2	13.42	99.3	465.54	492.57
<b>2022</b>	<b>524.98</b>	<b>9.6</b>	<b>12.68</b>	<b>-5.5</b>	<b>512.3</b>	<b>537.66</b>
<i>(Total 1)*</i>	524.46	9.6	12.62	-6	511.84	537.08
<b>2023</b> (I-III)**	<b>204.10</b>	<b>73</b>	<b>1.78</b>	<b>262.2</b>	<b>202.37</b>	<b>205.93</b>

\*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

\*\* ) Change (%) from the previous year (Jan-Nov.)

<b>Exports</b>	<b>2021**</b> (% of total)	<b>2022**</b> (% of total)
1. Pharmaceutical	35.0	31.3
2. Watches	31.5	31.7
3. Agricultural products	14.1	13.6
4. Jewellery & precious metals	5.1	8.4

<b>Imports</b>	<b>2021</b> (% of total)	<b>2022</b> (% of total)
1. Jewellery & precious metals	62.3	16.5
2. Watches	29.5	50.9
3. Plastic rubber	3.1	7.1
4. Vehicles and airplanes	1.6	7.3

Source: Swiss Federal Office for Customs and Border Security

## ANNEX 5 – Main investing countries

## Main investing countries in the host country

Year: 2021

Rank	Country	Direct investment (USD, stock)	Share	Variation (stock)	Inflows over past year (USD)
1	Qatar	3,902	24.15%	18.67%	3,288
2	KSA	961	5.95%	5.84%	908
3	Bahrain	821	5.08%	10.05%	746
4	UAE	768	4.75%	-9.43%	848
5	Oman	468	2.90%	6.36%	440
6	USA	59	0.37%	-3.28%	61
7	France	55	0.34%	-1.79%	56
8	China	55	0.34%	0%	55
9	Cayman Islands	28	0.17%	100%	14
10	Rep. Korea	2	0.01%	0%	2
...	EU	NA	%		....
...	<i>Switzerland</i>	NA	..%	%	3
	Other not specified	9,037	55.94%	10.92%	8,147
	Total	16,156	100%	10.92%	14,565

Source(s): IMF

Kuwait Foreign Direct Investment (FDI) increased by 372.4 million USD in September 2022, compared with an increase of 7.5 million USD in the previous quarter (CEIC Data, 2023). The Kuwait Direct Investment Promotion Authority intelligence unit pointed out that incoming flows have tended to decline since 2016. However, it expects these inflows to rise to a still modest annual average of about \$600 million in 2022-2026, as the gradual privatization of state assets provides opportunities for foreign investors, and projects are being launched. Public-private partnerships go beyond the utilities sector and infrastructure projects as part of the New Kuwait Vision 2035 development plan (Kuwait Direct Investment Promotion Authority, 2022).