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UNION OF INVESTMENT COMPANIES

**The New Silk Road
(Its nature, importance, and economic feasibility globally and locally)**

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“The role of Culture in Building Economic Belt for the Land & Marine Silk
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❖ Introduction:

Kuwait is seeking to transform into a financial and commercial world center, and through this desire adopted by His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, many governmental, commercial and touristic projects have been put forward during the past few years, and the largest in such projects was "Silk City" project, which is supposed to serve Kuwait and the Middle East in the economic and trade fields. Thus, establishing the Silk City in the northern coastal area is consistent and coherent with the new Silk Road.

In this regard, we will discuss the following points:

1. What is the new Silk Road? Why is it called in this name?
2. The economic and political importance of the project.
3. The economic feasibility of the project on global & local (Kuwait) levels.
- 4-SWOT Analysis of the project.

1. What is the new Silk Road? Why is it called in this name?⁽¹⁾

- The road extends for nearly 11 thousand kilometers (8,000 miles) starting from Shanghai in China and ends at the German capital Berlin, however, the project plan was changed to extend the route to reach the Iberian Peninsula in Spain. The Chinese President, "Chi Jean Ping" has announced the idea of reviving this road in early 2013, followed by announcing the launch of the World Bank for infrastructure Asian (AIIB) in 2014 initiative with the participation of about 58 countries, including 12 member state of the North Atlantic Treaty Organization (NATO), to provide the initial funding for the project amounted to an initial contribution of Chinese-US \$ 47 billion.
- The economic belt of the Silk Road is lined in three main lines: **the first line** linking China and Europe through Central and Russia, Asia, **the second line** extending from China to the Gulf and the Mediterranean area through the Central and Western Asia, Asia, and **the third line** starts from China and passes south-east Asia and South Asia and the Indian Ocean.
- Regarding the name (Silk Road)⁽²⁾, the same name was lunched on the land and sea rad network that was linking East Asia represented in China with the country's Eastern Arab countries, and from there to Europe and Africa. The origin of the name goes back to the woven silk in China, which has been able to develop its industry in terms of weaving, embroidery with all types of high-end arts in about the third millennium BC. That made it a needed commodity in the rest of the world and in the highest prices. The commercial goods were not the only transmitted through

⁽¹⁾ Wall Street Journal, Aug 5, 2015.

⁽²⁾ Dr. Ghanem Elwan AlJameeli, "Rebuilding The Silk Road", Arab News, 17 March 2014.



the Silk Road, but also ideas, arts, science and other crafts were being transferred and exchanged through direct interaction with the merchants.

2. The economic and political importance of the project:⁽¹⁾

- The project includes about 65 countries. The importance of its main objectives lies in promoting political relations, infrastructure, and increasing the flow of goods, the matters that lead to increase income and encourage interaction between the peoples.
- The importance of the project in terms of land transport: connecting all the ports of the Gulf states and their neighbors through network of highways and railways for transporting goods and people, as well as laying oil and gas pipelines between the sea ports, especially from the Gulf ports to the Arabian Sea via Amman to reduce the movement of ships in the Gulf and to mitigate their destructive effects on the environment.
- The importance of the project in terms of marine transport: developing ports on the Gulf and establishing a transport and communications network using the latest financial and logistical services.
- The importance of the project in terms of air transport: the link between the big cities in the region with Asia and Europe.

3. The economic feasibility of the project on global & local (Kuwait) levels:⁽²⁾

- **At the global level:**
 - ✓ Activating huge investments in more than 60 countries relying on the railway, as well as Chinese investments along the railway line.
 - ✓ Recovery of tepid economic growth coupled with the urgent desire of Europe to face the economic recession.
 - ✓ Running many resources particularly the human resources, which will show a positive impact on the economies and the growth of economic welfare of people.
 - ✓ Recovery of the giant mining and iron companies which are suffering due to the economic recession, by building about 8,000 miles of railway, which leads to a significant boom in this sector.
 - ✓ The global trade safety against maritime transport risk is an important promotion for this project, as it is considered a fertile ground for the work of insurance companies against risks as well as investment banks.
- **At the local level (Kuwait):**
 - ✓ **Following the course of events on the economic level in the State of Kuwait, we can find a link between the project of the Silk Road city and the city of silk in**

⁽¹⁾ Annhar (Kuwait Newspaper), 19 April 2015.

⁽²⁾ <http://www.danakw.com>



Kuwait. In our perception, we have a strategic vision for the state extends to 2035, which passes through a five-year implementation plans carries mega-projects, including the Silk City group. The place of this strategic project of the city of silk has been chosen carefully, as it connects both of Mubarak Harbour and the new airport, which would make it crossing for a number of countries in the Gulf region, Iran, and Central Asian countries point. This will be enough for finding a city that helps neighborhoods of historic Silk Road, which restores Kuwait's role as a center of global financial and commercial and will make it a crossroads linking East and West.

- ✓ The project "Silk City" is not just an investment project. This vital and strategic project is accompanied by the establishment of a number of projects on all levels including trade, tourism, investment projects and business development. It has already been designed as a free zone, which will provide through better facilities to companies and regional businesses to open centers have its location in Kuwait, which is located in the business hub of the Arabian Gulf and Central Asia.
- ✓ The Municipal Council approved the overall perception of the project.
- ✓ As the General Investment Authority in Kuwait announced that it has completed the study of the legal side and put the necessary recommendations, it is studying the economic aspects of the project and the economic feasibility of the project to pave the way for issuing Ministerial Decree for implementing the project.

Here we recall some of the legal considerations to establish and manage Silk City:

• **Objectives of the project from a legal point:**

- ✓ Creating an integrated legal system (law project) that determines the concerned institutions and agencies which have the necessary powers to create and manage the project and achieve its objectives and goals.
- ✓ Giving a role to the government sector, originator of the project, observer of performance and supporter for a number of services and the investigator of the objectives of development in the State passing bureaucratic obstacles.
- ✓ Expanding the role of the Kuwaiti private sector in supporting the creation and management of the project.
- ✓ Expanding the role of foreign investors and foreign expertise in the creation and management of the project.
- ✓ Applying the international standards in achieving, creating, managing and implementing the project.
- ✓ Providing great opportunities for supporting national employment sector in terms of employment and qualitative performance in the project.
- ✓ Achieving transparency in all phases of the project.
- ✓ Legal sight of the proposed project: establishing a wholly-owned government corporation of the State (Silk City project company) its power and role lie in the following points:



- ✓ Prepare a draft law to regulate the establishment and implementation of Silk City by including all the powers necessary to achieve the objectives of the project and privileges law.
 - Preparing a law project for establishing and implementing the Silk City project with regard to the necessary powers and rights to achieve the aims of the project.
 - Putting and approving the necessary plans for establishing and managing the Silk City project.
 - Dividing the Silk City on stages that include parts of the economic, commercial and residential projects.
 - Establishing public joint stock companies where state and the private sector have shares through public bidding or initiatives system, and a large portion of the Company's share should be presented for public subscription for Kuwaitis. These companies will be responsible for implementing all phases of the project.
 - Providing different key government services, and providing the necessary privileges to encourage foreign investors and support the local private sector. The Minister of Public Works said that the ministry is ready with its heavy capabilities to implement the project of Silk City and supervision as soon as the decree is approved.
- ✓ The new Silk City project will include several projects inside Kuwait, such as: Resort and protected Desert (comprising over 200 hectares), Sheikh Jaber Al-Ahmad Bridge (linking the city of silk with Kuwait City), Silk Road, Free Zone (commercial area will be connected by railway line, roads, and aviation), Business City (financial and trade business center for the Arab Gulf business and a gateway to Asia), forums & exhibitions, Sports & Academic City (on the east side of the city of silk), cultural city, tourist centers, Hotels and Resorts, eco-city (Center for Science and Environmental Research), Media City (to support the media in Kuwait), City of films (to create a new film production industry for the Arab world), the industrial city (for developing light industries on the western side of the city of silk), Education City, Health City (provides services not only for the people of Kuwait, but other countries), public parks, communities in Silk City (every community of the 28 communities will include special residential-style including sports centers and centers for entertainment and comfort, mosques and centers of information, and media and education), Mubarak al-Kabir Tower (More than 200 stairs height, it was designed using the latest architectural techniques contains 7 segments for housing, business and the business is located in the middle of the city).

4- SWOT Analysis of the project:

- **Points of Strength:**

- The railway will decrease risks of transport.



- The new road will reduce transportation cost significantly.
 - A chance to diversify sources of income in Kuwait.
 - The new Silk Road opens the gate to a series of Chinese investments in more than 60 countries that exceed \$160 billion.
 - boosting trade between China and Africa effectively, and between China and Arab countries, as China seeks to double its trade with the Arab countries from about \$ 240 billion last year to about \$ 600 billion over the coming years.
 - The project of Silk City shares in GDP of Kuwait with about 4 billion dinars in 2030 through the reduction of dependence on the oil sector, and the creation of new jobs, and create new investment opportunities, with the work of a strategic partnership between the public and private sector.
 - China aims at raising its total non-financial investment in the Arab countries from \$ 10 billion to more than \$ 60 billion over the next ten years.
 - This project is beneficial for countries such as Germany and China, and locally (Kuwait). Kuwait will reap many economic and strategic gains if it formally joins the trade union of economic belt of the Silk Road, because the Silk Road contributes effectively to expand trade. The volume of the Chinese trade with Middle East countries was nearly \$ 257 billion during 2013 and it is expected to reach about \$ 500 billion in 2020, and about \$ 192 billion with African countries, so Kuwait's accession to this route will stimulate domestic and foreign trade with EU members by countries Maritime Silk.
 - Strengthening political relations, infrastructure, and increasing the flow of goods between peoples, leading to increased income.
- **Points of Weakness:**
- The Silk City is a rapid and unrivalled at the Gulf region, and it is inevitable to have some effects on the environmental aspects.
 - Kuwait Bay is a sensitive environment, and important for the fisheries and aquatic birds, which is already suffering from environmental problems.
 - Kuwait currently on the rank of 138 among 146 countries on the international index of environmental sustainability, what will be the position after activation of the new project?
 - There are several complexities of the coastal region in Kuwait: In terms of the physical environment, biological environment, and the human usage of environment
 - It may result in increasing request on foreign workers to Kuwait as it requires additional manpower.
 - There is no scientific plan for how to maximize Kuwait's advantage of the Silk Road.
 - The state may require to spend an additional investment, especially at this time where state revenues are clearly less.



• **The most important challenges:**

- Kuwait will adopt goals that are beyond the international standards of excellence and aspire to more than just the application of best practices.
- Need to take advantage of the past and plan for the future when implementing the project otherwise Kuwait will fall into the mistakes of the past, such as the disappearance of the roads in some cities, and the lack of parking in other places ... etc.
- The need to preserve the environment and heritage as a commitment to environmental and social responsibility of the State.
- The volume of investment in this project is about 25 billion dinars, so it is essential to get that amount of funds without increasing the state budget deficit and with achieving cooperation between the public and private sectors (where Kuwait suffer from limited investment opportunities to the private sector and foreign direct investment, despite the presence of a large Kuwaiti investments outside Kuwait, which requires motivation to attract this money to Kuwait in support of the project).

• **The most important opportunities:**

- The new Silk Road includes many countries, the fact that ensures benefit from the different cultures of those countries.
- Expectations for the growth of Kuwait's construction sector by doing these huge projects.
- Kuwait can take the necessary steps to accommodate the expected number of steps to reach a population of more than 5 million people in 2030 through the establishment of a world-class city and doing the best use of Kuwaiti scientists and experts with providing them with the latest necessary techniques for the completion work.
- Kuwait can take advantage of the Kuwait Institute for Scientific Research and the Environmental Protection Agency to determine how to mitigate environmental impacts resulting from the project measures.
- The contribution of economic activities of the Silk City project will affect the overall economic climate of the state in terms of reducing the state's dependence on the oil sector as a basis, thus diversifies the sources of national income.
- Creating new job opportunities for about 430,000 local labor which contributes to the reduction of the unemployment rate and raising the living individual level in Kuwait.
- Big construction renaissance which solves the problem of overpopulation in the current cities.
- Finally, the project will restore Kuwait to its role as a financial center and global trade and will make it a crossroads linking East and West.



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The philosophy and the vision of the project "Silk City" and its future prospects came to mimic the philosophy of linking investment and culture, this is evidence that there is a contact point between the past, present and future in the "Silk City" project, which will restore the spirit of the Silk Road in the communication and dissemination of culture.