



مركز الملك فيصل للبحوث والدراسات الإسلامية
King Faisal Center for Research and Islamic Studies



“Chinese” Developmental Zones in the Gulf: The Case of Kuwait’s North Economic Zone (Silk City)

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Special Report

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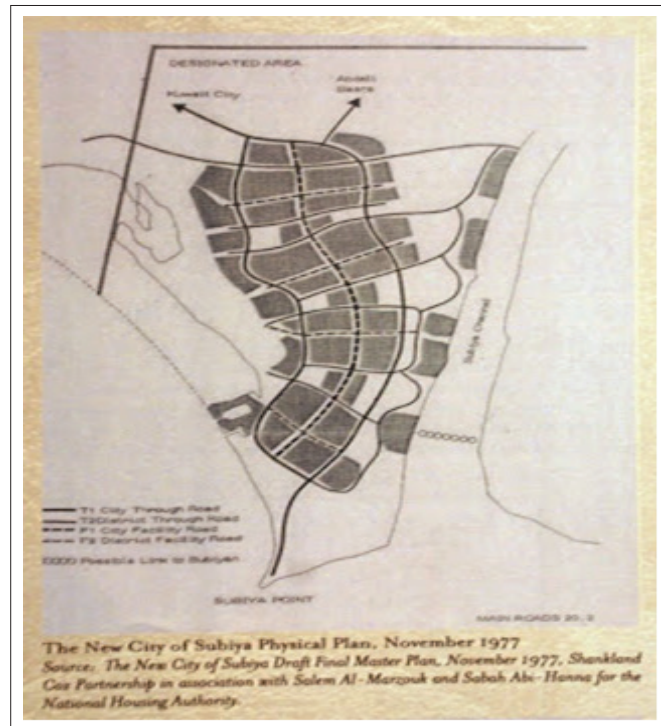
Over the past two decades, China's economic footprint in the member states of the Gulf Cooperation Council (GCC) has expanded considerably. One manifestation of this footprint has been the proliferation of park-port complexes linked to the Belt and Road Initiative (*yidaiyilu changyi* 一带一路倡议 [BRI]).⁽¹⁾ One notable example of these park-port complexes is Kuwait's North Economic Zone, also known as "Silk City" (*Madinat al-Hareer* مدينة الحرير). This report, the first in a series that will look at several China-linked park-port complexes in the GCC, investigates the historical origins, developmental trajectory, and current challenges facing Silk City, gauging moreover the extent to which Chinese actors – the state and economic entities - have been actually involved in this project. In examining these park-port complexes up-close, the series hopes to bring into focus a more sober assessment of China's presence in the GCC, and one that takes into account the complexities of local politics in shaping how the BRI is either realized or impeded on the ground.

Historical Origins of Silk City: From the 1980s to the 2010s

Silk City descends from older projects dating back almost half a century ago, and in particular, the "al-Subiya" (الصبيبة) residential zone project of the mid-1980s, which sought to address Kuwait's persistent housing crisis.⁽²⁾ The early iterations of the zone (which was proposed in 1983–1984) were aimed at establishing a model residential zone with the capacity to accommodate 100,000 people by 2000. This zone was to be divided into thirteen residential subzones, each 4 square kilometers in size, with their own municipal buildings, schools, businesses, and seaside promenades. A port was to be built in al-Subiya at the cost of USD 800 million, with possible locations identified in the northern part of the proposed residential zone or even in Boubyan island (جزيرة بويان), in proximity to the Iraqi border. In addition, a bridge was to be constructed to connect al-Subiya to Kuwait City. Many of these early proposals, including the port and bridge, failed to materialize because of geopolitical developments (the Iran-Iraq War) as well as a series of pessimistic feasibility studies, all of which converged to weaken political support for the project at the time.

(1) Jonathan Fulton, "China's Gulf Investments Reveal Regional Strategy," *AGSIW*, July 29, 2010, <https://agsiw.org/chinas-gulf-investments-reveal-regional-strategy/>.

(2) «الصبيبة ماضي عريق تعود من جديد كمشروع اسكاني»، وكالة الأنباء الكويتية (كونا)، 9 أكتوبر 2001، <https://www.kuna.net.kw/ArticleDetails.aspx?id=1197632&language=ar>.



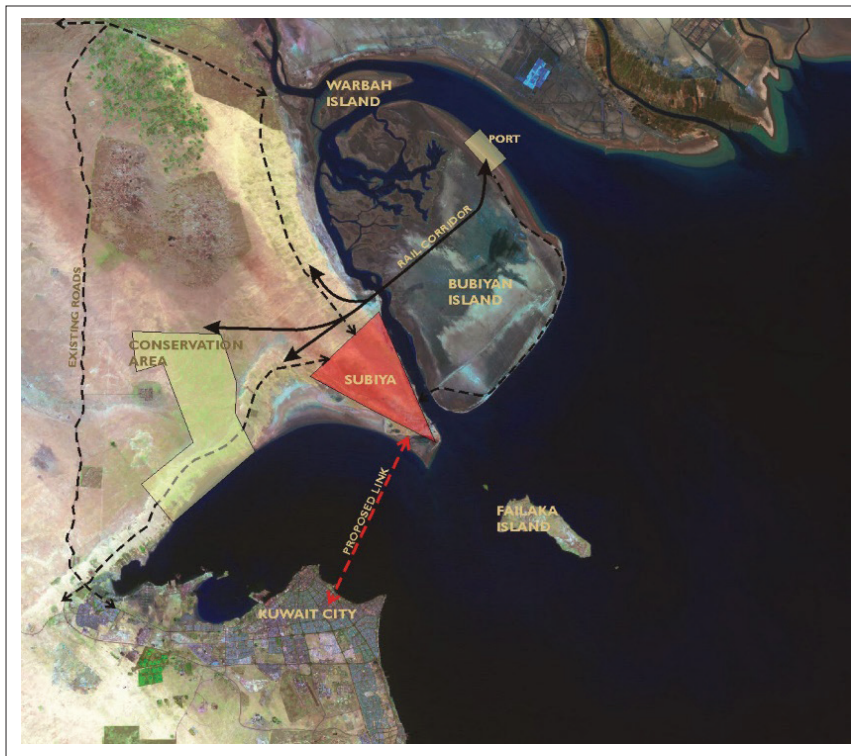
Conceptualization of the al-Subiya Residential Project (1977)⁽³⁾

The second iteration of the al-Subiya residential zone re-emerged in 1990–1994 as the Kuwaiti government reviewed the older blueprints of the project and solicited new recommendations and proposed updates to it. It was not until 2001, however, that the plan was formally revived with a budgetary allocation of USD 930 million, which was set aside to develop the area (now with a reduced target of 25,000 housing units by 2015) and to construct a bridge (now known as the Sheikh Jaber Causeway) to connect al-Subiya to Kuwait City.⁽⁴⁾ In 2004, the Kuwait municipality, with input from the private sector and various consultancies, reimagined the plan for the al-Subiya residential zone into a more expansive and comprehensive project to be named Silk City. This new project, which would include not only al-Subiya but also Boubyan and other, smaller islands (comprising a total area of 250 square kilometers), was not only to host residential housing, but also an industrial zone, health and educational centers, and environmental reserves designed for tourism.

(3) “Subiya New Town,” Shair & Partners, Dar Al-Handasah Consultants and Kuwaiti Engineering Group, 1983.

(4) «الصبيبة ماضي عريق تعود من جديد كمشروع اسكاني.»

The realization of Silk City was bogged down, however, by differences between the Kuwait municipality and the private sector over the specific details surrounding the project, the key contractors to be solicited, as well as the legal and environmental standards to be used. There was also confusion over the division of roles for administering Silk City. In 2006, control of the project was transferred from the Kuwait municipality to the Kuwait Investment Authority (KIA) and the nation’s Supreme Council for Planning and Development (SCPD). Although Subiha Abdulqader al-Jassem, then deputy secretary-general of the SCPD, noted in a May 2006 article for *Alqabas* that the KIA might be entrusted with the early implementation of Silk City through the management of a state-owned enterprise created to oversee the project, SCPD would be the primary planner.⁽⁵⁾ It was unclear how such an arrangement would work. For the following decade moreover, the project failed to take-off as the private sector, which had been involved in the earlier iterations of the project, was not sufficiently consulted during this round.



Conceptualization of the Overall “North Economic Zone” Project by Gulf Consultancy (2012)⁽⁶⁾

(5) «لأعلى للتخطيط» يدرس الخطوات التنفيذية ل مدينة الحرير، « جريدة القيس، 23 مايو 2006،

<https://alqabas.com/article/204914-الأعلى-للتخطيط-يدرس-الخطوات-التنفيذية>

(6) “Physical Development Plan of the Northern Sub-Regional Area, Gulf Consultancy,” Gulf Consult, n.d., http://www.gckuwait.com/portfolio_page/physical-development-plan-of-the-northern-sub-regional-area/.

Seeking to break this gridlock, the Kuwaiti government decided to carry out a large-scale restructuring of the project. In 2012, it decreed the establishment of the al-Subiya and Boubyan Development Agency (ABDA), which was to be entrusted with conducting further research and laying down the legal framework necessary for the project's viability (240/2012).⁽⁷⁾ The law granted the agency considerable power under the supervisory management of the SCPD, with the agency's chief executive enjoying the status of a full minister. \ABDA was given responsibility not only for Silk City, but also for the controversial yet potentially strategic Port Mubarak al-Kabeer (which was previously under the control of the Ministry of Public Works). In 2014, the Kuwaiti government passed another decree, which created a "council of trustees" (*majlis al-umana* مجلس الأمناء) that would be appointed by the SCPD to oversee ABDA as a means of ensuring a speedy implementation of the project (154/2014). The chief executive of ABDA would be a member of this council of trustees. These structural changes allowed for a more centralized decision-making process and the incorporation of Port Mubarak al-Kabeer enhanced the political importance of the project.

Coinciding “National Visions”: Kuwait 2035 Vision and the BRI

The first serious attempts to solicit Chinese participation in the Silk City project were a by-product of growing domestic support (and eventual endorsement) for the “Kuwait 2035 Vision” and the unveiling of China's BRI in 2013, all of which took place against the backdrop of strengthening Sino-Kuwaiti economic relations. As with other GCC states, such as Saudi Arabia and Oman, the launching of the 2035 Vision in 2017 was catalyzed by the recognition that the rentierist, oil-based economy of the country was unsustainable and that new sources for employment, growth and wealth generation would have to be developed. According to the secretary-general of the SCPD, Khalid Mahdi, the 2035 Vision aims to “transform Kuwait into a financial and trade hub, attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling

(7) « بشأن إنشاء جهاز تطوير مدينة الحرير (الصبية) وجزيرة بويان, » شبكة قوانين الشرق, 14 أكتوبر 2012, <https://site.eastlaws.com/GeneralSearch/Home/ArticlesTDetails?MasterID=1711105&related>.

government institutions, which accentuate values, safeguard social identity, and achieve human resource development as well as balanced development, providing adequate infrastructure, advanced legislation and an inspiring business environment.”⁽⁸⁾ All ongoing infrastructural and development projects were consequently placed under the umbrella of the 2035 Vision, including Silk City.

The lead-up discussions surrounding the 2035 Vision within Kuwait coincided with China’s unveiling of the BRI in 2013. That initiative, consisting of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, seeks to develop infrastructural networks between Asia, Europe, and Africa. Such integration promises to expand trade opportunities and sources of growth for all involved, leading to what Chinese officials like to call a “win-win” (*gongying* 共赢) outcome. Given that the end goal of the 2035 Vision is to transform Kuwait into a logistical and trade hub, the BRI’s emphasis on networks created considerable room for synergy, which was immediately recognized by elites on both sides. The emir of Kuwait, Sheikh Sabah al-Ahmad al-Jaber al-Sabah, noted the compatibility of these two projects.⁽⁹⁾ Chinese officials, including the director of the Central Foreign Affairs Commission (*zhongyang waishi gongzuo weiyuanhui* 中央外事工作委员会) of the Communist Party, Yang Jiechi (杨洁篪, b. 1950), have done the same.⁽¹⁰⁾ Unsurprisingly then, Kuwait became one of the first GCC countries to not only sign a cooperation agreement with Beijing on the initiative, but to also join the Asian Infrastructure Development Bank, which is linked with the BRI.⁽¹¹⁾

Kuwaiti enthusiasm for this synergy was grounded upon the positive trajectory that Sino-Kuwaiti economic relations have taken over the past two decades. Chinese imports from Kuwait, which largely consist of crude oil, rose from USD 450 million in 2001 to over USD 15 billion in 2018.⁽¹²⁾ In 2015, this growth enabled China to become Kuwait’s largest trading partner, and Kuwait itself has gained added importance for China as a source of energy (rising from 2.5

(8) Sherouq Sadeqi, “WB, Kuwait’s GSSCPD, Host New Kuwait Vision 2035 Presentation,” *Kuwait News Agency*, October 18, 2019, <https://www.kuna.net.kw/ArticleDetails.aspx?id=2825023&language=en#>.

(9) “Kuwait, China Boost Economic Ties; Amir Meets China Officials,” *Kuwait Times*, July 8, 2018, <https://news.kuwaittimes.net/website/kuwait-china-boost-economic-ties-amir-meets-china-officials/>.

(10) “China, Kuwait Pledge to Deepen Cooperation, Seek Common Development,” *Xinhua*, April 30, 2019, http://www.xinhuanet.com/english/2018-04/30/c_137146017.htm.

(11) “Interview: China-Kuwait Cooperation Enters Fast Tracks under BRI: Chinese Envoy,” *Xinhua*, April 25, 2019, http://www.xinhuanet.com/english/2019-04/25/c_138006314.htm.

(12) “Kuwait,” *Chinamed*, n.d., <https://www.chinamed.it/chinamed-data/middle-east/kuwait>.

percent in 2001 to 4.6 percent in 2018). Chinese direct investments have also increased, from USD 3 million in 2001 to nearly USD 1 billion in 2018. According to data provided by the Kuwait Economic Society and Al-Markaaz Financial Center, Chinese investment reached USD 450 million USD in the first quarter of 2018 alone.⁽¹³⁾ The same source indicates that Chinese investments have been mainly focused on real estate, energy, education, and transportation. Chinese construction firms also have a presence in Kuwait, with nearly USD 2.4 billion worth of contracts awarded to them in 2018.

Drawing China into the City of Silk

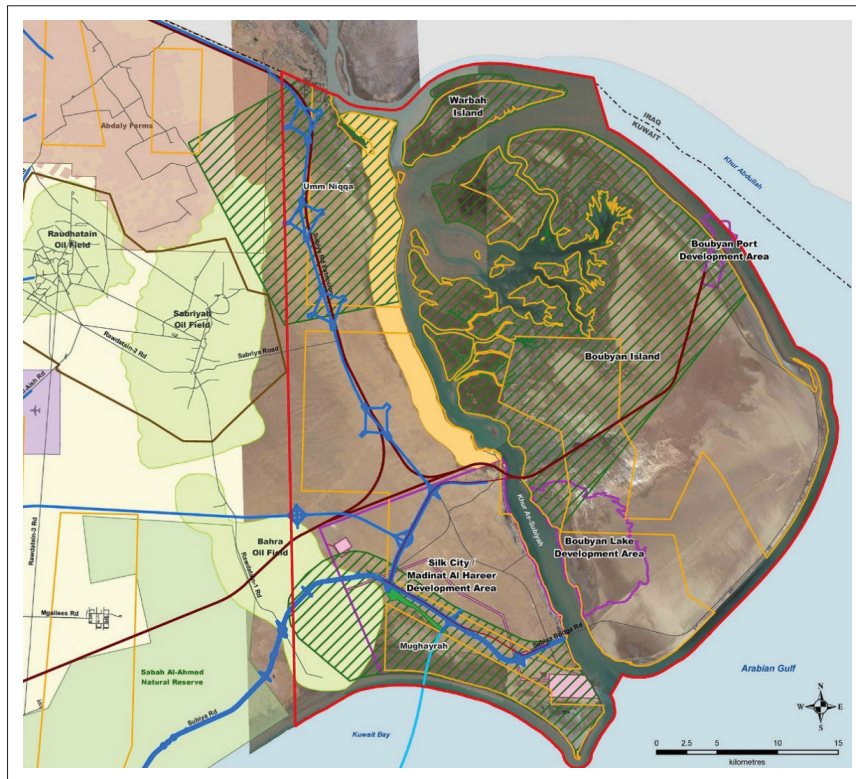
In June 2018, on the eve of the Kuwaiti emir's state visit to China to attend the China-Arab States Cooperation Forum, marking the elevation of Sino-Kuwaiti ties to the level of a "strategic partnership" (*zhanlve huoban* 战略伙伴), the ABDA dispatched a delegation to Beijing that was hosted by the National Development and Reform Commission (*guojia fazhan yu gaige weiyuanhui* 国家发展与改革委员会 [NDRC]), the counterpart to Kuwait's SCPD.⁽¹⁴⁾ The main objective of the visit was to solicit Chinese views on the development of Silk City and the northern five islands (the development of the islands was added to the project in 2018), as well as to investigate the logistical capacities and willingness of Chinese state-owned and private enterprises to get involved. During this visit, the delegation met with the NDRC, the Ministry of Commerce, the China Development Bank (CDB), Chinese Gezhouba Group Company (CGGC), the Chinese Construction and Communications Company (CCCC), Alibaba, Huawei, Nansha, China Merchant Group, and representatives from provincial governments.⁽¹⁵⁾ Several memorandums of understanding (MoUs) on investment, e-commerce, and other digital technologies resulted from these meetings, including a subsequent "framework of cooperation" MoU signed between the ABDA and the NDRC in November 2018.⁽¹⁶⁾

(13) "Kuwait," *Chinamed*.

(14) "Kuwait, China Discuss Investment on Kuwaiti Islands," *Kuwait News Agency*, June 7, 2018, <https://www.kuna.net.kw/ArticleDetails.aspx?id=2731713&language=en>.

(15) «رئيس جهاز تطوير مدينة الحرير يجتمع مع مسؤولين صينيين»، أخبار شبيطة الصين، 8 يونيو 2018، http://m.china.org.cn/orgdoc/doc_1_73888_796715.html.

(16) "Kuwait, China Sign MoU on Finding Mechanism for Silk City, 5 Islands," *Kuwait News Agency*, November 18, 2018, <https://www.kuna.net.kw/ArticleDetails.aspx?id=2760010&language=en>.



Conceptualization of Silk City by Gulf Consultancy (2012)⁽¹⁷⁾

In February 2019, an NDRC-led delegation, headed by vice chairmen Ning Jizhe (宁吉喆, b. 1956), arrived in Kuwait in fulfilment of the ABDA-NDRC MoU of June 2018.⁽¹⁸⁾ The delegation included members from the CDB, CCCC, Alibaba, Huawei, Shanghai Ports Corporation, and Peking University, among others. In the course of its visit, and indicative of its political significance, the delegation met with the emir; the Speaker of the National Assembly, Marzuq al-Ghanim; and first deputy prime minister and defense minister Sheikh Nasser Sabah al-Ahmad al-Jaber al-Sabah. The most important meetings were those that took place between the delegation and the ABDA chief executive, Faisal al-Medlej; members of the council of trustees; and the secretary-general of the SCDP, Khalid Mahdi. During these meetings, which reviewed the current state of the project, tentative commitments were made to enhance

(17) “Physical Development Plan of the Northern Sub-Regional Area, Gulf Consultancy,” Gulf Consult, n.d., http://www.gckuwait.com/portfolio_page/physical-development-plan-of-the-northern-sub-regional-area/.

(18) “Top Chinese Delegation Concludes Visit to Kuwait,” *Kuwait News Agency*, February 18, 2019, <https://www.kuna.net.kw/ArticleDetails.aspx?id=2778297&language=en#>.

bilateral cooperation and explore ways to activate already signed MoUs related to Silk City. A substantive move was made to entrust CCCC with data collection and the formulation of a work program for raising capital and the operationalization of phase one of Port Mubarak al-Kabeer, either through long-term leasing or public-private partnerships. In the context of this visit, al-Medlej took the delegation on a helicopter tour to Boubyan, Warba, and Failka Islands and flew over a part of al-Subiya in order to offer a bird's-eye view of the locations of Silk City and Port Mubarak al-Kabeer.

Political Upheaval and (Brief) Centralized Control

A further round of meetings between the ABDA and the NDRC was supposed to take place on the side-lines of the second Belt and Road International Cooperation Summit, which was held in Beijing in April 2019. However, significant political opposition to the project was developing within the Kuwaiti parliament. This opposition ranged from concerns over the project's extraterritorial (and hence unconstitutional) aspects and extrajudicial (permitting the consumption of alcohol) character to reservations about deepening cooperation with China at a time in which Muslim minorities were facing escalating persecution.⁽¹⁹⁾ The core issue, however, was the perceived exclusion of local businesses and construction firms—which had traditionally been beneficiaries of public projects—from participation in the Silk City complex. At this critical juncture, Sheikh Nasser al-Sabah, a major advocate of Silk City (and the emir's oldest son), decided to intervene.⁽²⁰⁾ After dismissing the ABDA chief executive Faisal al-Medlej (in May 2019) as well as the board of trustees, he assumed, in his capacity as chairman of the SCPD, direct control over the project, and instructed the Kuwaiti embassy (represented by ambassador Samih Hayat), as opposed to the ABDA, to meet with various parties, including the NDRC and CDB, during the summit in Beijing.

(19) «مشروع «مدينة الحرير» في الكويت يواجه عقبات سياسية» رويترز، 1 مايو 2019،

<https://ara.reuters.com/article/businessNews/idARAKCN1S74GO>.

Sebastian Castelier, "Can Kuwait's Silk City Project Overcome Islamist Opposition in Parliament?" *Al-Monitor*, June 5, 2019, <https://www.al-monitor.com/pulse/originals/2019/06/kuwait-silk-city-bump-unanticipated-obstacles.html#ixzz6FWZT4Ezg>.

(20) Kristin Smith Diwan, "Kuwait's MbS: The Reform Agenda of Nasser Sabah al-Ahmed al-Sabah," *AGSIW*, April 16, 2018, <https://agsiw.org/kuwait-sabah-reform-agenda-nasser-sabah-al-ahmed-al-sabah/>.

With no attempt to revive the ABDA's role in relation to Silk City, the SCDP (under the guidance of Sheikh Nasser al-Sabah) empowered the Ministry of Public Works to oversee the execution of critical aspects of the project, including completion of Port Mubarak al-Kabeer. The minister of state for municipal affairs, Waleed al-Jassim, was made responsible, under the overall supervision of the SCDP, for overcoming the domestic deadlock and promoting the project. Sheikh Nasser has also been personally active in cultivating cross-ministerial support for Silk City.⁽²¹⁾ In addition, through specially created task-force teams, the SCDP has sought, in close cooperation with the parliamentary financial committee, to create an acceptable legal and economic framework for the project that could garner parliamentary approval and overcome resistance to the project. The SCDP also intensified its public outreach in a bid to increase domestic support for Silk City. In early November 2019 for example, a forum was held to clarify misconceptions about the project's legal and constitutional status, as well as highlight the benefits that would arise from it for Kuwait.⁽²²⁾

The Elusive Dream of Silk City?

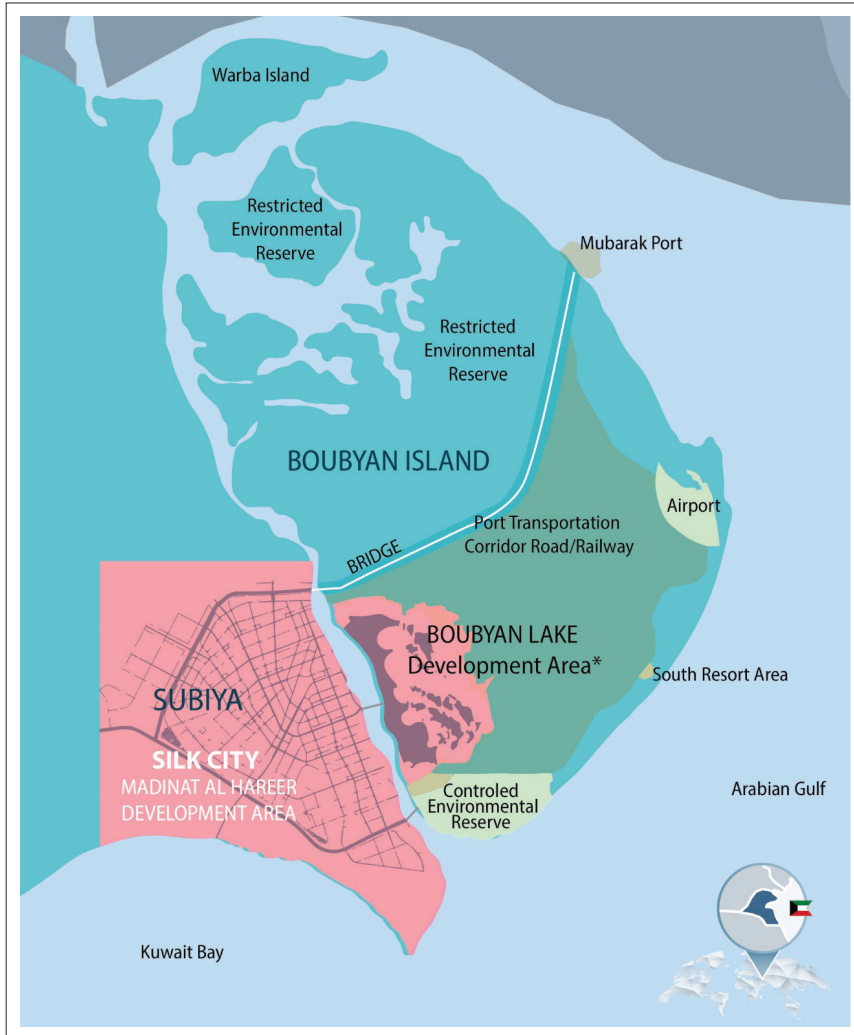
Unfortunately, the momentum created by the SCDP—driven primarily by the person of Sheikh Nasser al-Sabah—was given a major blow by the latter's departure from office in November 2019.⁽²³⁾ The successor government headed by the new prime minister, Sheikh Sabah al-Khalid, has not yet expressed interest in Silk City, nor has parliament shown any interest in ratifying a law—proposed by SCDP-led internal negotiations—for establishing a new, independent authority in charge of the execution of the Silk City. All this suggests that the project, now bereft of one of its key supporters, will continue to face serious bureaucratic and political challenges in getting off the ground. While touted as a BRI-linked project, Silk City is a legacy of a complicated political economy, drawn-out institutional infighting, and obscurantism geared toward protecting well-entrenched interests: not even the allure of Chinese capital has

(21) "Defense Minister Reviews Structural Framework of North Economic Zone," *Kuwait Times*, July 18, 2019, <https://news.kuwaittimes.net/website/defense-minister-reviews-structural-framework-of-north-economic-zone/>.

(22) «ندوة مشروع قانون إنشاء المنطقة الاقتصادية الشمالية»، يوتوب, 5 نوفمبر 2019, <https://www.youtube.com/watch?v=jAECvy3ICEA&feature=youtu.be>

(23) "Kuwait Appoints New Cabinet after Parliament Tension," *Reuters*, December 17, 2019, <https://www.reuters.com/article/us-kuwait-government/kuwait-announces-new-government-kuna-idUSKBN1YL0NS>.

been able to overcome this legacy. Consequently, Kuwait's emergence as a central hub for the BRI remains an unlikely prospect at best. The global shutdown caused by COVID-19 only diminishes these prospects even further.



Conceptualization of the Latest Iteration of the Silk City Project by Authors



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