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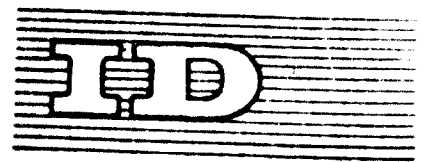
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**INDUSTRIAL AREAS AND SMALL INDUSTRIES
IN THE STATE OF KUWAIT^{1/}**

proposed by

**the Ministry of Commerce and Industry of Kuwait,
Department of Industrial Affairs**

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Introduction

Kuwait's progress during the last ten years was felt in all sectors of the economy. The socio-economic impact of this progress created an overall change in the Kuwait structure. The industrial sector, however, had a minor role in shaping the economy, as most of the efforts were channelled towards safe and quick profits.

Commercial activities, on the other hand, had accounted for the lion's share of the economy thus bringing about a rapid expansion in the commercial sector, which in return, created a pressing need for certain vocational and/or service workshops such as maintenance, repairs and the construction of buildings.

It was all but natural for these activities to be located near by the harbour area being the centre of commercial activities. The first "industrial area" was, therefore, set up in Shuweikh, adjacent to the harbour area.

The commercial sector and the supplementing vocational and service activities could no more meet the marked expansion in the economy, entrepreneurs had to look to the new and more challenging ventures offered by the industrial field. As a result individuals grouped themselves together in companies, started investigating the possibility of establishing certain industrial undertakings to meet the highly increasing consumption on furniture, doors, windows and other metallic products, construction materials cement and metallic pipes, food products, etc.

In support of these activities, and in compliance with the principles of economic development, the Government allocated more land to the existing industrial area, and founded new ones on scientific basis to be mostly utilized for the purpose of co-ordinated industrial development.

In the light of the preceding paragraphs this report on industrial areas and of small industries in the State of Kuwait will be divided into three chapters:

- Chapter I Historical background;
- Chapter II Existing conditions; and
- Chapter III The future of industrial areas.

Chapter I. Historical background

With the discovery of the oil reserves in Kuwait and the estimation of their expected returns, the people concerned started to put down the organizational basis and rules for a planned expansion of the city of Kuwait in such a way as to engulf the new activities that oil production might accordingly create.

The first city planning chart was completed in 1957 showing the residential, port hospital and industrial areas.

The industrial areas were so called without their having the characteristics of what is today called in Kuwait industrial areas. The first of them was founded near the port area in Shuweikh where the activities related to the importation and storage of imported goods were supposed to take place. Near the warehouses and in the industrial area maintenance repair and like service - workshops were established to supplement the commercial activities located in that area.

Originally the Shuweikh industrial area did not exceed four square kilometers which is considered very small on the basis of the definition of the development concept of industrial areas. All indicators then showed no expectations of industrial expansion and the responsible officials had to encourage the foundation of any kind of activity, giving unconditional permits to all applicants to start business in that area.

What is worth mentioning, though, is the inclusion of different necessary utilities in the plans of the Shuweikh industrial area. Such utilities were roads, electricity, water supply, sewage system, telephone communications, infirmaries and police stations.

Chapter II. Existing conditions

The speed which accompanied the construction and economic sectors in the State of Kuwait far exceeded the most optimistic prophecies of planners. It was thought that the commercial sector will for a long period of time dominate the economic life of Kuwait. But the commercial expansion, having surpassed the limits of Kuwait's national economy, turned the attention of investors towards new fields.

In the beginning investments were directed towards industries of local concern and high profits, like construction material, wood products and carpentry and steel constructions, in addition to the expansion in service activities, i.e., car and engine repair workshops, car tyre repairs and car service stations etc.

The afore-mentioned developments necessitated more allocations of land to the Shuweikh industrial area to an overall area of twenty square kilometers, quadrupling its area when it was originally founded. Still, though, the demand for plots within the expanded industrial area by far exceeded the new allocations. While the present utilization of the Shuweikh industrial area is by no standard confined to purely industrial activities, there do exist, however, certain rules and conditions with respect to the utilization of the area's plots in general. Should the plot be requested for storage purposes, the area of the plot would be determined on the basis of the applicant's commercial activities, their extent and type. If on the other hand, the request for a plot was to promote an industrial purpose, granting the plot would depend upon the following measures:

1. The objective of utilizing the plot should be industrial;
2. The applicant should have secured an industrial licence through the Ministry of Commerce and Industry;
3. The Ministry of Commerce and Industry should have approved, in principle, on the allocation of a plot for the applicant in question consistent with the needs of his licensed project;
4. The applicant should take positive steps in the setting-up of his industrial project within a period not exceeding six months from the date of granting the licence. Failure to do that, would make the applicant liable to loose his licence and consequently the industrial plot.

Moreover, in an attempt to avoid any violation in the use of the plot, strict and continuous supervision was imposed by the municipality officials to ascertain that the plot is being used by the owner of the industrial plot in person and for the purpose on whose basis the plot was originally granted.

As for the procedure followed with regard to the lease of the plot, a nominal fee is only imposed as rent and is agreed upon by virtue of a standard contract signed by the competent department in the Government on the one hand and the lessee on the other. The most important provisions of this contract are:

1. The period of lease is 50 years beginning from the date of concluding the contract and could be extended, upon the request of the lessor, for a cumulative period of another 50 years;
2. The lessor shall use the plot for the setting-up of a factory;
3. The lease would therefore be terminated if:
 - (a) The lease-period of 50 years expired and the lessor failed to renew the contract;
 - (b) At the end of the second year from the date of concluding the contract whereupon no construction of site has begun, unless the Government has given its approval, in writing, for extension of the maximum two-year period.
 - (c) In the event where the lessor failed to pay the annual rent.

The nominal annual rent, however, varies from 4 to 5 fils per square meter.

Chapter III. The future of industrial areas

It is of utmost importance to have industrial areas in the real development scientific meaning of the word. All signs indicate the developing industrial sector in Kuwait and especially the continuous increase in the number of small industries.

The private sector, on the one hand, directs all its efforts to establish industrial companies and as a prerequisite, necessary studies are conducted by individuals before setting up small, medium or large size industries. On the other hand the Government pays its full attention to the industrial development and does its best to encourage the private sector to invest its capital in industrial projects. The Government, therefore adopted a modern industrial law in order to encourage industrial ventures in the country and has included in this law all the necessary organizational provisions as well as provisions pertaining to the industrial development and has protected both the interests of the producer and the consumer. Besides the above-mentioned legislation, the department of Industrial Affairs was given wide industrial specialities to serve and organize industry in Kuwait. Furthermore the department has provided the appropriate and encouraging atmosphere to channel investments in the industrial sector. Also, it was necessary on the part of the department to think of industrial areas, necessary for setting up new industries, as a very efficient and important economic tool for the development of small industries and for the improvement of their position and increase in production level.

In planning for the future the position of industrial areas was considered and in all respects industrial areas had a well defined developing and scientific measuring. Therefore, industrial areas were only specified for industrial concerns and everything else, not related to industry was not accepted. The new industrial areas, even though their boundaries have not been defined yet, have some kind of agreement as to the conditions and basis for selecting them. The most important of these conditions are:

1. Industrial areas should be in a place which will help revive the small industries and in the light of the constituents upon which depends the success of such industries;
2. Industrial areas should be located near the raw material regions when found and especially if transport costs have a great effect on total production costs;
3. Industrial areas should provide for public utilities and services which will encourage the setting up of small industries and which will reduce their production costs;

4. The principle of specialization should be followed so as to have in every industrial area complete industrial units which will economize effort, minimize costs and help in applying up-to-date technological principles.

These are the developing stages in the industrial areas in Kuwait. They show an evidence of the important role played by the Government and the attention it has given to industrial areas in developing small industries.

We hope that this conference will offer us the opportunity to be acquainted with the accomplishments of our sister Arab countries in the field of setting up industrial areas in order to benefit from their experience and to achieve our aims in co-ordinated industrial development.

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