

Asia looks enticing to Gulf investors

KCIC seeks to profit from spending boom

Kuwaiti firm is one of many eyeing assets likely to play a role in growth of China and India

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The Kuwait China Investment Company (KCIC) is one of a number of firms in the Gulf seeking to build commercial and financial bonds between the Middle East and Asia, preparing to profit from a rise in consumer spending there as global economies recover.

"We're very much a domestic consumption story philosophy," said Ahmad al Hamad, KCIC's managing director. "We look at Asia for when Asia becomes a consumer of its own goods and services, and not Asia for when it has an export-driven economy. So we've decided to focus on sectors that will drive that story forward."

KCIC joins a range of investors in the UAE and across the Gulf, including sovereign wealth funds and a range of private firms, that are targeting assets expected to play a pivotal role in the development of China and India into global economic powerhouses.

KCIC, for its part, was looking to invest in a variety of sectors across Asia, including in farmland, infrastructure, property, energy and financial services, all of which Mr al Hamad said would play major roles in the new Asian economy.

The firm has already bought a US\$20 million (Dh73.4m) stake in

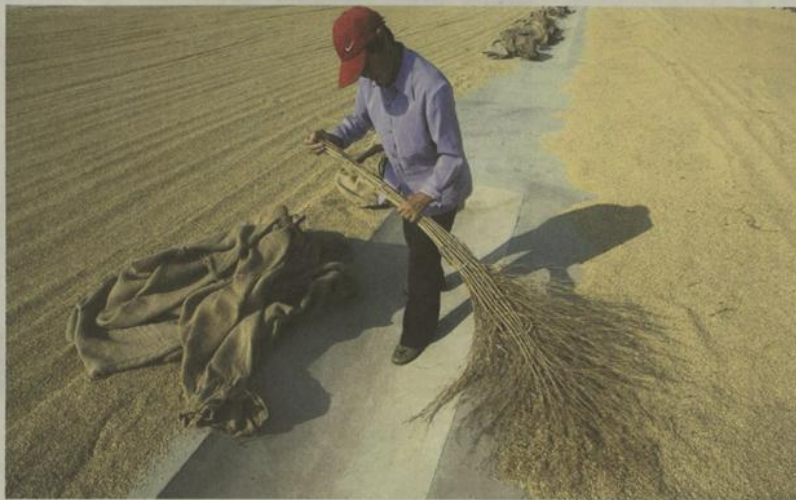
an Indian property firm that builds middle-class housing in areas outside the country's major cities, aiming to profit from growing wealth in middle-income households. Through its stock funds, KCIC has also been buying shares in companies focused on property and infrastructure development.

The Chinese privatisation trend is another phenomenon KCIC is watching closely, anticipating buying government companies either on its own or through a private-equity vehicle.

"We feel that there is a tremendous opportunity in private equity, specifically in China, because as the government starts to privatise state-owned enterprises, they need to go through a cycle of private equity before they go out to the capital markets [and list on stock exchanges]," Mr al Hamad said.

KCIC, which is part-owned by Kuwait's sovereign wealth fund and plans to list its shares on the Kuwaiti exchange next month, is also eyeing investments in Asian agribusiness at a time when many governments and private companies from the Gulf have been buying foreign farmland in an effort to secure food sources for their import-reliant economies.

But while food security may be the aim of land acquisitions for



A farmer spreads rice in China. Agriculture is one sector in which KCIC is looking to invest. Sherwin / EPA

many Gulf investors, KCIC sees Asian agribusiness purely from a commercial standpoint. As tastes change with rising incomes, Mr al Hamad said, Asian consumers would demand food in greater quantities and of higher quality.

"We think there are opportunities for investing into Asia's agribusiness, and this goes outside just land to include food processing, development and so on," he said. "We think capital should be encouraged in Asia to help develop that sector, be-

cause we firmly believe that India, Vietnam and other parts of Asia can easily become the breadbasket for the rest of the world."

As Asian economies grow, Mr al Hamad said, he expected economic ties between the continent and the Gulf to grow stronger. China already imports much of its oil from Saudi Arabia, but as it took a bigger share of the global economic pie, Mr al Hamad said opportunities might emerge to attract Chinese capital to the Middle East.

That trend of capital flows from China may mean financing local projects with Chinese money. It could also mean investments by China's sovereign wealth funds in the Middle East.

"We think there is tremendous opportunity for financing from Asia to finance projects here in the Middle East," Mr al Hamad said. "We think certain banks in China are already positioning themselves to do so."