

Introduction to the Kuwaiti Markets

First: General Information

Location:

The state of Kuwait is located in the Middle East, in the Northern part of the Arab Peninsula (between latitudes 28^o.30' and 30^o.06' North to the equator and between longitudes 46^o. 30' and 48^o.30' East to Greenwich. It is bordered in the East by the Arabian Gulf, in the South and South-West by the Kingdom of Saudi Arabia, and in the North and North-West by Iraq.. Kuwait has several islands, the biggest of which is Bobyan, and the smallest is Failaka, which is distinguished with its ancient monuments, and is relatively inhabited.

Population:

The total number of population as per 2003 census was (2.48) million.

Area:

The total area of the State of Kuwait is 17,818 square kilometers, with a population density of about (139) per square meter.

Weather:

The weather of the State of Kuwait is tropical due to its location in the desert geographical region. The weather is distinguished with a long dry hot summer with temperature reaching sometimes up to 50^oC in shadow areas and some and a short warm winter, mostly rainy.

Historical Background:

Since ancient ages, Kuwait was never void of inhabitants. Buried monuments revealed from time to time provide us with material proves of the same. The name “Kuwait” was known when Mohamed Bin Uraier (Emir of Bani Khaled Tribe) ordered one of his assistants to build a “Kuot” (an edifice) before about three hundred and fifty years, to use it as a store for weapons, ammuniton and provisions whenever he wishes to invade the tribes of Iraq or stay in the area of Kuwait. When bin Uraier saw the building was smaller than he wanted, he reprimanded his assistant saying: (I

told you to build a “Kuot” (edifice) and not a “Kuwait¹” (small edifice)”. There from came the name.

The first to rule Kuwait form Al-Sabah Family, who are basically “Otoob”, dating back in origin to “Enza” troop, originally situated in “Najd”, is Sabah Bin Jaber or Sabah the First, who took over the rule in the middle of the eighteenth century.

The common feature among immigrants to Kuwait is their longing for freedom. They established their new society based on this concept, which indeed rooted freedom as a concept, and even made it one of the Kuwaiti characteristics.

Kuwait has a rough desert weather, which is not valid for agriculture, except for some little scattered oasis. Therefore, Kuwaitis aimed at the sea for living, where their ships sailed, and where they themselves dived for pearls till they became of its major traders. They traveled with their ships brimful of dates, rice, vegetables, grains, wood, dresses, and utensils, to East Africa, where they used to sell their staff and come back with different items. Ports of Basra, Aden, India, and East Coasts of Africa had known the Kuwaiti ships, which were considered as their window to the external world.

Due to its distinguished location, Kuwait formed a point of commercial exchange among countries, where goods used to be received from Iraq and Syria, and be re-exported to countries of the East, and East African Coasts.

This was a spot light on the political, historical and commercial background of the State of Kuwait, which we believe we should highlight to stress the fact that Kuwait’s glory dates back in history, and was made by sincere men, who introduced their sweat and blood to write its pages.

Oil was firstly discovered in 1938, and the first shipment was exported in 1946. Oil discovery was not the first brick in Kuwait economy. However, it came to complete and assist the long course of Kuwaiti people since their country was associated before about two hundred years, i.e. the flow of petrol did not change in the Kuwaiti style of life but as much as required by the natural graduation of change of time.

¹ Diminutive form of Arabic “Kuot”.

In view of this interlaced commercial past and present of the state of Kuwait, it was necessary to have rules and regulations to specify the basic systems for commercial business to run in conformity with the public interest of merchants and to regulate both their businesses and commercial relations. Such rules should also aim at serving the society through the development of its economic organizations and production activities. Further it should compile legislative and organizational texts related to commerce and its categorization. Such organization is what is known as the chamber of commerce, which is tantamount to a union for business owners that takes over organizing their mutual interests, represents and defends them.

The establishment of Kuwait Chamber of Commerce and Industry was in pace with the world wide principle in this regard. The first chamber of commerce as per the current concept was established in France in the City of Marce in 1599, and the oldest chamber of commerce in the United States of America was situated in New York city, and was established in the year 1768. In the same year, the first chamber of commerce in Britain was established in the city of Jersey.

Commercial markets in the old Arab history knew some sort of commercial gatherings lead by persons widely known for their honesty and righteousness. These were known as Sheikhs of the market or Chief of the merchants (Shahbander) as they were used to be called at the time of the Ottoman rule. The British established the first Arabic Chamber of Commerce in Aden, during their occupation of Yemen. They also established a chamber of commerce in Alexandria. The chamber of Halab city was established as per the Turkish commercial law. Another chamber was also established in Basra, then in Jeddah and Bahrain. In Kuwait, the Chamber of Commerce was established in 1959 to be the third Chamber of Commerce in the GCC countries.

However, the nucleus of Kuwait Chamber of Commerce and Industry dates back to the year 1920, when the commercial committee was formed. This committee shouldered the settlement of commercial disputes, and their members were appointed by H.H. the Emir. Members of this committee were known as “Ahl Al-Salfa”, which means people capable of reasoning, i.e. arbitrators to settle disputes by reasoning to similar previous incidents.

In 1952, the municipal council investigated the issue of establishing a chamber of commerce. The tenth issue of the official gazette “Al-Kuwait Al-Yom” (Kuwait Today) stated that the Higher Executive Committee had, in its meeting of 12/2/1955 resolved under No. 77-51 the establishment of a chamber for commerce and industry through an Emir Decree by Law. The said decree by law was issued and was published in the official gazette “Kuwait Today” on 28/6/1959. The Chamber is considered as a Private Foundation of Public Interest, members of which are selected via election and finances itself from its own resources. On the first of May 1959, The Mubarakiya school witnessed the election of the first board of directors of the Chamber, with the attendance of 390 merchants out of the total number of 481, who paid the subscription fees.

Kuwait Chamber of Commerce is a private foundation of public interest that plays a guiding role, i.e. it does not possess an executive mechanism for imposing its decisions. If the executive body did not adopt the resolutions of the Chamber, they shall remain to be only mere consultative effort. This might satisfy the questions raised regarding the role of the chamber toward a lot of the economic problems and crises that took place in the past.

The sea shaped the past of Kuwait, and oil is shaping its present, but above that past and this present there was one master, who managed to subdue the waves of the sea in the past, and the power of the oil in the present, free as ever been and as will always be, lightening the future with hope; it is the Kuwaiti national himself.

Ruling System:

The regime is Emiri Democratic, where Kuwait is a state of sovereignty and has its own institution, under the presidency of His Highness the Emir of the country. Laws of the State of Kuwait are legislated by the State Council known as “National Assembly” composed of fifty members elected via democratic elections by the Kuwaiti people every four years.

Chief of the State:

His Highness Sheikh Jaber Al-Ahmed Al-Sabah (Emir of the State of Kuwait) since 31 December 1977.

Crown Prince:

His Highness Sheikh Saad Al-Abdullah Al-Sabah, since 8th of February 1978. His Highness was presiding over the government till 12th of July 2003.

Head of the Government:

His Highness Sheikh Sabah Al-Ahmed Al-Sabah (Head of the Council of Ministers), since 13th of July 2003. He was the First Deputy of the Head of Council of Ministers till July 12th of July 2003 and a Minister of Foreign Affairs since 1961 till 12th of July 2003.

Independence:

19th of June 1961 upon the cancellation of the protectorate treaty with the United Kingdom.

National Day:

25th of February 1950, anniversary of inauguration of the late Sheikh Abdullah Al-Salem Al-Sabah after the late sheikh Ahmed Al-Jaber Al-Sabah.

Liberation Day:

26th February 1991, when Kuwait was liberated from the invasion of the extinct Iraqi regime.

Judicial System:

Civil Law.

Religion:

Islam is the official religion of the State. However, Christian nationals and expatriates enjoy full freedom of practicing their religious rites.

Language:

Arabic is the official language. English is widely spoken among most inhabitants. There is also few minorities speaking Indian, French and German.

Governorates:

Kuwait is administratively divided into six governorates; “The Capital, Hawally, Mubarak Al-Kabeer, Al-Ahmadi, Al-Farwaniya and Al-Jahraa”.

Natural Resources:

Oil, natural gas, fish and shrimp.

Education:

Education represents the main core of integrated development. The government is keen to provide a seat for each individual in different educational phases. It also provides medical clinics for students. The number of students in the school year 2002/2003 was about (500,000), while the number of teachers was about (42,000).

Number of students registered in Kuwaiti University and Colleges of Applied Education in the year 2002/2003 was about (42,000), while the number of professors was about (2,000).

Health:

The government provides free integrated and advanced health services for nationals, and against fair charges for residents. The government constructed several hospitals and health care units furnished with physicians and specialists in different medical fields. The number of hospitals and health care units in 2002 was (97) hospitals and units, while the number of physicians was (4,000) and the number of beds (5,000).

Social Services:

The State of Kuwait is keen to render developed social care services in all fields, to provide better standard of living and deepen the feeling of social solidarity as well as shielding its citizens against instability, and hindering their positive reaction for serving themselves and their society. In the year 2002, governmental social aids for beneficiaries outreached K.D. 44 millions.

The government is also keen to provide care for people with special needs (handicapped), where it provides them with special schools, rehabilitating hospitals, and even residence for those in need of care round the clock. On the other hand, the government provides residence for those who lost their sustainer. The government is particularly interested in providing suitable housing for its citizens, where it provides housing units or plots with loans for building to its citizens.

International Organizations:

Kuwait is a member of the following international organizations:

ABEDA, AFDB, AFESD, AL, AMF, BDEAC, CAEU, CCC, ESCWA, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IDB, IFAD, IFC, IFRCs, ILO, IMF, IMO, INTERPOL, IOC, ISO, ITU, NAM, OAEC, OIC,

OPCW, OPEC, UN, UNCTAD, UNESCO, UNIDO, UNITAR, UPU, WFIU, WHO, WIPO, WMO, WTRO.

Second: Kuwait Economy

A- Economic Indicators:

Gross Domestic Product (2003): at current prices amounted to K.D.(12.44) billion (equivalent to US\$ (41.06) billion.)

Gross National Production (2003): at current prices amounted to K.D. (13.43) billion.

National Disposable Income: (2003): at current prices amounted to K.D. (10.464) billion.

Inflation: (2001): (1.7%)

Labor Force: (2003): total labor force is about (1.419) million labors, (1.058) thousand males and (361) thousand females.

Dealt Currency (2002): amounted to K.D. (442.2) million.

Kuwaiti Dinar's Exchange Price (2003):

Till the first of January 2003, the exchange price of the Kuwaiti Dinar was bound to a currency basket. In the said date, and for considerations relevant to organizing with the other GCC countries, in pavement for achieving their monetary unity, the Kuwaiti Dinar is bound to American Dollar. In general, it can be said that K.D. 1/- , as a general average, is equivalent to US\$3.33.

Governmental Revenues and Expenses (2002/2003):

Revenues amounted to K.D. (6.22) billions, while expenses amounted to K.D. (4.93) billions.

Commercial Balance (2001):

Achieved a surplus of about K.D. (2.254) billions.

b- Economic Sectors:

Agriculture and Animal Wealth Sector:

Economically speaking, the agricultural sector in Kuwait is still limited. This is due to many reasons, most important of which is the lack of fertile soil, rarity of water valid for irrigation purposes, and severity of the weather. Despite of this, the government is keen to develop the agricultural sector and to encourage farmers by providing agricultural subsidy and services for development of the sector to guarantee a reasonable limit of food security to the country.

Crop Production as per Area, Quantity and Value (2002/2003):

Type of Crop	Cultivated Area in thousand square meters	Quantity in Ton	Value in K.D Million
Winter crops	44,544	136,589	10.13
Summer crops	15,729	31,854	2.95
Semi-permanent crops	31,967	257,454	6.58
Green house crops	15,072	103,716	14.82
Total	107,312	529,613	34.48

Most Important Crops: Vegetables, and some kinds of fruits:

Animal Wealth in Agricultural Possesses (2000/2001):

Type	Quantity
Cows	31,829
Cheep	488,905
Goats	196,048
Poultry	30,317,696
Camels	5,644

Fish & Insect Production: 2002/2003

Item	Quantity in Kilogram
Consumable local fish	4,514
Planted fish	739
Exported fish	1,384
Honey and wax	71

Industrial Sector:

The government encourages the industrial sector via the establishment of many industrial companies and sharing in the same. It also grants easy loans and necessary facilities, and works on providing basic structures and protecting emerging industries. The government issued the new Industry law No. 56 in 1996.

Products and Sales of Transformational Industries (2002):

Most Important Industries	Production	Sales
Flour (in thousand tons)	178.2	176.1
Macaroni (in thousand tons)	8.2	3.6
Bread (in thousand tons)	84.6	84.6
Bran (in thousand tons)	46.9	47.0
Biscuits (in thousand tons)	2.0	1.9
Oils and fats (in thousand tons)	20.1	16.8
Chlorine gas (in thousand tons)	19.1	14.4
Caustic soda (in thousand tons)	56.6	9.6
Uria (in thousand tons)	555.0	3.3
Tiles of all types (in million square meters)	0.9	1.0
Limy and light brick (in thousand square meters)	338.0	287.6
Ready made concrete (in thousand square meters)	247.0	247.0
Cement pipes (thousand linear meter)	90.8	86.1

- Remark: some sales are shown to be in greater amount than production of 2002. The reason is attributed to the sale of some stock from the production of 2001 as well.

Power Sector:

Oil and natural gas represent the natural wealth of the country and the basic source of national income. In 1938, oil was discovered for the first time in Burgan field. The first shipment of oil was exported in 1946. In 1949, Al-Ahmadi port (southern platform) was founded in addition to a refinery with

the production power o 25,000 bpd, and a plant for electricity generation and seawater desalination. In 1955, oil was discovered in (Al-Rawdatin) in the north part of Kuwait. In August 1991, the first shipment of crude oil was resumed after a long cease due to the fires and destruction caused b the Iraqi invasion. In the year 2001, a new center was opened for compiling the oil, with the capacity of (210) thousand bpd.

Production of Crude Oil and Natural Gas/ Exports of Crude Oil and Refined Products: (2003):

<i>Production of crude oil (in thousand barrel</i>	<i>Production of natural gas (million square feet)</i>	<i>Exports</i>	
		Crude oil (thousand barrels)	Refined Products (thousand barrels)
686.497	359.724	234.094	132.346

Production and Consumption of Water (Million Gallons) and Electricity (Million Kilo Watts Per Hour) (2002):

<i>Details</i>	<i>Production</i>	<i>Consumption</i>
Fresh water	90,895	91,055
Brackish water	30,742	23,703
Electricity	36,363	31,056 “allocated for consumption”

Financial Sector:

The number of operating banks in the State of Kuwait in 2003, including Kuwait Finance House is about (8) banks, in which (5,414) employees are working. Branches of these banks amount to (185) in Kuwait and (6) abroad. There are also (13) insurance companies operating in Kuwait.

Assets and Liabilities of Local Banks (2001):

<i>Assets</i>	<i>In Million K.D.</i>
Cash	81.6
Claims on government	3,248.4
Claims on private sector	7,824.1
Foreign assets	2,441.0
Exchanged deposits in a particular market among local banks	1,825.0
Fixed deposit with the Central Bank	1,193.0
Other assets	388.6
Total assets	17,063.8
Liabilities	In Million Kuwait Dinars
Deposits of private sector	9,204.1
Deposits of government	299.4
Foreign deposits	2,031.7
Shareholders' Equity	1,770.3
Exchanged deposits in a particular market among local banks	2,218.0
Other liabilities	1,540.1
Total liabilities	17,063.6

Trade Sector:

Total Imports (2003):

Amounted to about K.D. 3.274 Billions.

Most Important Imports (2003):

Salon cars (K.D. 286 millions), tourism cars (K.D. 107 millions) Jeep cars (K.D. 107 millions), tractors (K.D. 52 millions), human medicines (K.D. 47 millions), jewelry of gold (K.D. 44 millions), mobile phones (K.D. 39 millions), Pick-ups (KD. 36 millions), Parts for computers (KD. 34 millions).

Most Important Exporting Countries (2003):

America (K.D. 381 millions), Germany (K.D. 336 millions), Japan (K.D. 322 million), Saudi Arabia (K.D. 222 millions), Peoples Republic of China (K.D. 187 millions), Italy (K.D. 168 millions), United Kingdom (K.D. 146 millions), India (K.D. 123 millions), United Arab Emirates (K.D. 122 millions), Australia (K.D. 108 millions).

Total Exports (2003):

Amounted to K.D. 6.151 billion

- Exports of oil and oil basic derivatives (amounted to K.D. 5.652 billions).
- Other goods of national origin: (amounted to K.D. 379 million)
- Re-exported goods: (amounted to K.D. 130 millions).

National Origin Goods:(2002):

Petrol oils and mineral oils (K.D. 3,432 millions), Diesel (K.D. 784 millions), partially refined oils (K.D. 580 millions), Kerosene (K.D. 381 millions), Propane (K.D. 165 millions), fuel oil (K.D. 146 millions), high density Poly Ethylene (K.D. 100 millions), Low density Poly Ethylene (K.D. 89 millions), butanes (K.D. 86 millions), other petrol oils (K.D. 41 millions), Urea (K.D. 32 millions), partially worked bars of iron or steel, not elsewhere classified (KD. 19 millions), Propylene polymers or other olefins in primary forms (KD. 19 millions), petroleum coke (K.D. 15 millions).

Re-Exported Goods: (2003):

Salon cars, (K.D. 26 millions), pick-ups (KD. 7 millions), tourist cars (KD. 4 millions), parts of cars and vehicles (K.D. 4 millions), dresses and other second hand items (K.D. 3 millions), Jeep cars (K.D. 3 millions), boring and sinking machinery for oil (KD. 3 millions), furniture & bedrooms (K.D. 3 millions), Tower cranes (KD. 2 millions), blankets and traveling rugs (KD. 2 millions).

Most Important Importing Countries:

Kingdom of Saudi Arabia (K.D. 68 millions), Iraq (KD. 54 millions), United Arab Emirates (K.D. 50 millions), Indonesia (K.D. 37 millions), India (K.D. 29 millions), U.S.A (KD. 28 millions) People's Republic of China (K.D. 25 millions), Pakistan (K.D. 24 millions), Hong Kong (K.D. 18 millions), Bahrain (KD. 12 millions), Egypt (K.D. 12 millions), Jordan (KD. 12 millions), Syria (KD. 11 millions), Qatar (K.D. 10 millions).

For more information related to Kuwait economy and statistics, please refer to:

Ministry of Planning – P.O. Box (15) Safat, 13001

Tel: 2428200, ext: 1898 – 1958

Fax: 2340470

E-mail: webmaster@mop.gov.kw

Website: www.mop.gov.kw

Third: Characteristics of the Kuwaiti Market

a- A Brief About Kuwaiti Markets:

The state of Kuwait adopts a free policy in the light of a free economic system. Kuwaiti markets are considered as an oasis for free trade. In the light of the Unified Customs Law of the GCC countries, custom duties do not pass 5% on most of the goods imported from outside the custom union. Tobacco and Cigarettes are subject to (100%) customs, while there are about (400) type of goods exempted from customs, most of which are foodstuff. There are no quantitative or typical restrictions on imports as long as they are identical with Kuwaiti standards. Further, imported items are not subject to shares system.

Kuwaiti markets are also distinguished with the freedom of currency and transfer, and openness to all the countries of the world, except Israel, where Kuwait maintains commercial relations with most countries of the world, regardless of their geographical location or political system. The relation between price and quality is the decisive factor in the success of marketing goods of such countries in the Kuwaiti markets. Kuwait is also an establishing member in World Trade Organization.

As the State of Kuwait is considered a free trading center, the local importer is not obliged to obtain a separate importing license for every item of goods he wishes to import to the country. On the contrary, it is enough to obtain an annual importing license from the Ministry of Trading and Industry, which enables him to import any quantity of any type of goods from anywhere in the world, except for the industrial equipment and machines, which need a special license.

The law has restricted the import of some specific goods, and subjected some other items to a special importing license. (for more detailed information please review the custom lists). You can also refer to the

following address, which is the address of the entity through which you can obtain details about the goods exempted from custom taxes in accordance with the Gulf Customs Union, and the percentage of taxes in details:

General Department of Customs
P.O. Box (16) Safat 13001
Tel: 4818940 – 4845419
Fax: 4845780

You can also obtain a list of the exempted goods and the percentage of custom taxes by accessing the website of the General Secretariat of GCC countries, address of which shall be mentioned herein below in page (17).

b- Instructions for Exporters of Goods to the State of Kuwait:

First, the organizing code should be placed in both the invoices and the certificates of origin for each imported item. The same applies to the exported items.

Electrical Appliances:

Exporters of electric appliances should assure that the electrical current required for their operation is (220/240) volt, with more or less tolerance limits of 6%, and with a frequency of (50) cycles. Such appliances could be accompanied with small transformers for the purpose of electric modification. All tools, engines and electric appliances should be verified concerning their conformity with technical specifications required in the State of Kuwait (for more detailed information, please refer to the Public Authority for Industry, address of which will be mentioned herein after).

Food Stuff:

Health department in Kuwait Municipality imposes severe monitoring and inspection on foodstuff capable of fermentation or decay due to high temperature in the summer. Therefore, special care should be exerted for such staff to guarantee their validity and quality. It should be also taken into consideration that some types of fungus quickly get damaged in the hot weather in Kuwait. All foodstuffs should be valid for human use as it will be subject to a neat laboratory test in municipality. Foodstuff consignments sent to the State of Kuwait should be accompanied with an invoice, a certificate of origin, and weight statement. In case the consignment is proved to be non-valid or not in conformity, the importer is given one of two choices; either to destroy the shipment or re-export it within a maximum period of six months.

All cans, bottles and boxes etc.. containing foods should have a sticker showing in Arabic the name of the product, the contents, the net and the gross weight, the country of origin, date of production and date of expiry.

It is worthy mentioning that the health department in Kuwait municipality prohibits the entrance of any imported foods, production date of which is before six months according to the date of production registered thereon, if the total validity of the item is only one year.

An exception of this rule is the classified food items, which has a seasonal nature. However, this is only prohibited if the production date is before eight months.

If the validity period of the food stuff item is one year or less, it shall be prohibited to enter the State of Kuwait if more than half of its validity period or the period of three months, whichever less, has lapsed.

Food items of a validity period less than two months are exempted from the above.

*** Importing Meat and Meat Products:**

Municipality announcement No. (197/65) concerning importing meat and meat production conditions that these items are accompanied with a certificate showing the following details:

- 1- Country of origin – number of packs – weight – type and name of meat producer – date of inspection – source of export.
- 2- Name of importer and destination.
- 3- Veterinary health certificate proving that the cattle were subject to inspection prior to and post slaughter, and that they are void of all infectious diseases.
- 4- A certificate from the producer showing the type, and percentage of each of components of production.

*** Importing Fish:**

- 1- Consignments of foodstuff sent to the country should be accompanied with the following documents (Invoice – certificate of origin – weight statement).
- 2- Imported fish are conditioned to be in conformity with the standards approved. A copy of such standards can be obtained from the Public Authority for Industry – department of specifications and standards (address of which shall be mentioned herein after).
- 3- Imported fish are also conditioned to be valid for human use, void of harmful microbes or heavy metals. Random samples of fish consignments are inspected in the arrival inlet to assure its validity for human usage and its conformity with the standards.
- 4- In case the consignment is proved to be invalid or non-conformant with the standards, the importer is given the choice either to destroy the consignment or re-export the same within a maximum period of six months.

Cattle:

The following conditions should be considered:

- 1- Cattle should be vaccinated against anthrax, cattle plague, diseases of mouth and feet, and toxemia.
- 2- Cattle should be proved to be free from tuberculosis and infectious feet diseases by inspection before shipment.
- 3- Cattle should be imported from places void of pneumonia of the cattle.
- 4- Cattle should be rubbed with anti-parasite solution shortly before shipment.
- 5- Cattle imported to the country should be accompanied with a certificate issued from the veterinary department of the importing country.
- 6- A permission of import should be obtained from the Public Authority for Agricultural Affairs and Fish Resources in Kuwait.

Medicine:

Imported medicines and drugs should be verified to have been manufactured in the proper way, as it shall be subject to a neat laboratory test by the concerned authorities in the Ministry of Public Health. For more information please refer to:

Ministry of Health – Alimentary and Medicinal Monitoring Affairs
P.O. Box (5) Safat 13001 State of Kuwait
Tel: 4830130 – Fax: 4811267

Flammable Materials:

Ports and custom authorities should be informed in advance with the expectation of the arrival of flammable or explosive materials imported from abroad to take the necessary precautions, in conformity with the law of customs of 1959 concerning loading and unloading, transportation and storage. (for more information please refer to the General Department of Customs, address of which is mentioned herein above.

Goods Details:

Details of goods should be registered in Arabic. English is considered the second language with which such details could be written as other languages are not known to most of the inhabitants in the State of Kuwait. Each item should have its bar code registered there upon.

Measurements:

Exporters should use the metric system in weights and measures upon shipment of the goods to Kuwait, and to place a sticker on goods showing the metric weights and measurements. For liquids, liter is approved as a measurement.

Conformity Certificate:

Exporters should verify the conformity of their products to the Kuwaiti standards and specifications by referring to the Public Authority for Industry, which recently necessitated that the exporter should attach with the sent consignment a certificate of conformity by consulting with one of the international companies concerned with conformity issues and obtaining a conformity certificate there from, to be attached with the other documents of the consignments sent to the State of Kuwait. This is conditioned for the release of the consignments into the State of Kuwait. In this concern, the Public Authority of Industry approved lists of some types of goods on which this system is applicable. The same system shall apply on industrial goods in the future. For more information, please refer to the following:

Public Authority for Industry
P.O.box (4960) Safat 13047 State of Kuwait
Tel: 4318240 – Fax: 4318721
E-mail: www.pai-uccp.com
Websites: kar@pai.gov.kw
industry@pai.gov.kw

Goods of Arabic Origin:

Based on the Treaty for Facilitating and Development of Commercial Exchange among Arab and free countries of 1981, in the concern of which law No. 21 of 1983 was issued, and based on the resolution No. 1317 dated 19/2/1997, issued by the economic and social council of the Arab League in its fifty ninth session concerning the announcement of the great Arab commercial free zone within ten yeas as of 1/1/1998, the General Department of Customs in the State of Kuwait issued its custom instructions memo No. 53/97 dated 31/12/1997, which stated that the scaling down of the applicable custom tax on all goods of Arabic origin imported to the country in the percentage of 10% commencing from 1/1/1998 through 2007. The Council of the Arab League resolved in its Amman summit of 2001 to enhance the steps taken in favor of finalizing the transitional phase of establishing the great Arab commercial free zone in the beginning of January 2005. In this date, all goods shall be free of custom taxes provided such consignments are:

- 1- Accompanied with a certificate of origin issued from the concerned authorities of the country of production on a specific form.
- 2- That the added value resulting from its production in the Arabic country sharing in the agreement be shown therein, provided such value is not less than 40% of its final value when its production is finalized.
- 3- That the added value resulting from the production of Arab Assembling Industry is not less than 20% as a minimum limit, and that this is shown in the certificate of origin accompanying the goods.
- 4- The certificate of origin should be issued from the producing entity, and be duly authenticated from the concerned authority of issuance in Arabic country of origin.

Goods of GCC country Origin:

Goods imported to the State of Kuwait, with origin being one of the GCC countries are allowed to enter the country as per its local invoices and the unified custom statement for statistical purposes. An exempted custom manifest shall be authenticated for such items after assuring the origin as shown on the items.

For information about the Gulf Custom Union, and the percentage of custom tax, please refer to:

General Secretariat of the Council of Cooperation of the Arab Gulf
Countries

P.O.Box (7153) Riyadh 11462

Kingdom of Saudi Arabia

Tel: 4827777 – Fax: 4829089

Website: www.gcc-sg.org

Fourth: Trade Channels in Kuwait

a- Foreign Trading Companies can Export their Goods to Kuwait

through the following:

- 1- A Kuwaiti agent to import the goods from the exporting company in accordance with agency agreement contract signed between the two parties.
- 2- A Kuwaiti businessman who imports via a documentary credit.
- 3- A Kuwaiti intermediate, whether an importer or a commission agent.

The great competition in the Kuwaiti market increases the importance of and the role played by price in marketing any type of goods. Therefore, a lot of foreign companies prefer to appoint an agent for its products in the State of Kuwait due to the agent's experience role in marketing. Further, the Kuwaiti merchant always prefers to deal directly with the foreign producing company, or at least with its general approved agent in exporting.

It is worthy mentioning that the laws of the State of Kuwait expressly state that agencies are only for Kuwaiti persons, whether natural or artificial. Laws do not restrict the appointment of sub-agents in the State of Kuwait by the sole agent of the company in the area, provided that the latter do not practice distribution in Kuwait.

b- Methods of Receiving Exported Goods:

Exporters to Kuwait can obtain the prices of their exports via all means of payment and credits known worldwide.

In general, it is advised to follow the style of payment through documentary credits. Bank transactions can be performed in any free and acceptable foreign currency.

c- Documents and Papers Needed for Goods Clearance:

- 1- Official delivery order issued from the vessels agent or any other authorized entity, showing the number of parcels, their contents and their description as stated in the manifest.
- 2- Invoices of three copies, mentioning the type of goods in details, unit price, total price, net and gross weight, full name and address of the producer and the exporter, goods origin and exporting entity, approved means of shipment, name of shipping port, type of packing and folding of the goods, trade marks and approved numbers shown on the parcels of the shipment as reflected in the manifest, and authentication of the invoices from the concerned entities (embassy of the State of Kuwait or Kuwaiti Consulate in the exporting country. In case there is no representation of the State of Kuwait on the diplomatic or the consular level, authentication can be obtained from any of the embassies or the consulates of the GCC countries. If not available, from Arab embassies and consulates members of the Arab League found in the exporting country.
- 3- List of contents (packing) showing the type and method of packing (in boxes, cartoons, bale, parcel, container, etc.), contents of every parcel with its gross and net weight and its value, in addition to the harmonized code of each item. Originals of such list should be authenticated.

It should be verified that on each parcel, box or bale of the exported items bear the name of the country of origin is shown in a fixed manner that can not be damaged, provided that it conforms with the name mentioned in the letter of credit, and all documents relevant to this shipment, and that the commercial trademark is clearly printed on all parcels, and is identical to the trademark mentioned in the manifest.

- 4- A certificate of origin issued from the producing or the exporting company, authenticated from one of the Arab-Foreign Chambers of Commerce, or the local Chamber of Commerce (in case of the non-existence of the Arab-Foreign Chamber of Commerce), or the Union of Exporters or the Union of Industries in the exporting country stating that the exported goods are of Origin, and that the materials it is made from are, exported from....., and that the producing and manufacturing company is..... In addition to the above, the said certificate should include the name of the factory or the origin, where the goods were manufactured, the name of the producing company. Moreover, the certificate of origin should state the original source of the goods, the net and gross weight, the trade mark mentioned in the Manifest, the total value, the type of packing and folding, and the means of transportation. Originals of the certificate of origin should be duly authenticated.

D- Important Instructions:

- 1- Assuring that the opened letter of credit upon request of the goods contain every possible detail and specification, particularly those related to measurement, number, colors, packing, folding and method of shipment.
- 2- Assuring that the importer has received all the documents and shipment papers prior to the arrival of the goods to Kuwaiti ports. Items cannot be custom cleared without such documents.
- 3- Assuring that materials used in packing and folding are fully suitable to the type of goods exported, will stand the voyage, loading, and unloading processes.
- 4- It is preferred that shipping be direct to the country of destination, and in one shipment (non-segregated) for each order separately.

- 5- Procedures of receiving frozen items should be immediately taken upon arrival of the items to the destination port. The same applies to other types of items to avoid accumulation of goods in the stores of the port.
- 6- Assuring that exported items are not prohibited, and that an importing license for items requiring special importing license, was obtained prior to the date of shipment.
- 7- Exporters to Kuwait, and importers therein, should be fully aware of the laws, systems and instructions concerning goods as issued from official authorities and as published in the official gazette “Al-Kuwait Al-Youm” (Kuwait Today).
- 8- It should be taken into consideration that in view of the establishment of the customs union as of the first of January 2003, any land or sea custom point of the GCC Arab Countries that has connection to the outside world shall be considered as a point of entrance to the foreign goods of any member country. The first custom point shall perform the inspection and viewing of the goods coming from member countries, assure their conformity with the required documents, its being free from prohibited items and shall collect custom charges due thereon.
- 9- The commercial reputation and financial status of any company or establishment in the State of Kuwait can be obtained from Kuwait Chamber of Commerce and Industry and local banks.
- 10- Import and export is only allowed for members registered with Kuwait Chamber of Commerce and Industry.
- 11- All information relevant to commercial laws and legislations and names of dealers in any type of products and services can be obtained from:

Kuwait Chamber of Commerce and Industry – Business Center
P.O. Box (775) Safat 13008 - State of Kuwait
Tel: 805580 extensions (556 – 557 – 558 – 559)
Fax: 24041110 / 2433858

E-mail: bc@kcci.org.kw
Website: www.kcci.org.kw

E- Tenders:

Tenders invited for by Ministries and Governmental Entities as well as Oil and other Companies are open for all Kuwaiti Contracting Companies Registered with Kuwait Chamber of Commerce and Industry.

Tenders have a committee affiliated to the Council of Ministers called (Central Tenders Committee). It is concerned with receiving bids submitted in general tenders, deciding about the same and awarding the tender to the best bidder as per the procedures set b law No. (37) of 1964 concerning tenders.

For more information, please view to the above said law by referring to:

Central Tenders Committee
P.O.Box (1070) Safat 13011 Kuwait
Tel: 2401200 – Fax: 2416574

Fifth: Investment Rules

A- Foreign Investor's Law: most important advantages of which are:

- Establishing Kuwaiti companies wherein the share of foreign capital can reach up to 100%.
- The foreign project cannot be confiscated or nationalized but against a compensation equal to its market value. Rights and privileges obtained by the foreign investor cannot be cancelled but against a fair compensation.
- The foreign investor can transfer the ownership of his investment to another foreign or national investor.
- The foreign investor has the right to transfer his profits and capital abroad.
- The foreign investor can enjoy the following privileges:
 - Exemption from income tax or any other type of tax for a period up to ten years.
 - Full or partial exemption from custom charges on imports needed for the project.

- Allocation of the land required by the project.
- To bring forward and employ foreign labor needed for the project.
- Any dispute that arises between the foreign investor and any other party can be referred to local or international arbitration. “Other party” as used herein includes governmental authorities.

For further information, please review the above mentioned law or refer to the following address:

Office of Investment of Foreign Capital
P.O.Box (3690) Safat 13037
Tel: 2240700 - 2240724
Fax: 2240694 – 2240713
E-mail: info@kfib.com
Website: www.kfib.com

* This law was followed by the Council of Ministers resolution No (1/1006) of 2003 regarding economic activities and enterprises which foreign investors are allowed to undertake in the State of Kuwait. Herein below is the text of the resolution:

A license is issued by an order of the Minister of Commerce and Industry upon the Investment Committee recommendation and following the approval of the competent in accordance with procedure, conditions, and rules stipulated in article 3 of the said law No. 8/2001, a foreign investor may carry out economic activities and enterprises in the following fields:

- 1- Industries except for enterprises related to Oil or Gas exploration or production.
- 2- Construction, operation and management of infrastructure enterprises in the fields of water, power, drainage and communications.
- 3- Banks, investment corporations and foreign exchange companies which the Central Bank of Kuwait agrees to consider incorporation thereof.
- 4- Insurance companies which Ministry of Commerce & Industry agrees to incorporate.
- 5- Information Technology and Software Development.
- 6- Hospital and Medicines manufacturing.
- 7- Land, sea, and air transport.
- 8- Tourism, hotels and entertainment.
- 9- Culture, information and marketing except for issuance of newspapers and magazines and opening publishing houses.

- 10- Integrated housing projects and zones development except for real estates speculation.
- 11-Real estate investment though foreign investor subscription to Kuwaiti shareholding companies as per the provisions of law No. 20/2002

b- Owning Shares:

Non-Kuwaitis can own shares in Kuwaiti Shareholding Companies in accordance with the law No. 20 of 2000.

For more information, please peruse the above-mentioned law or refer to the following address:

Kuwait Stock Exchange Market
P.O.Box (22235) Safat 13083 State of Kuwait
Tel: 2423130/3 – 2422630
Fax: 2420779 – 2421365
E-mail: webmasters@kuwaitse.com
Website: www.kuwaitse.com

C- Participating in Companies:

Among the most important privileges of Kuwaiti Business Market:

- Comprehensive infra structure.
- Availability of means of communications.
- Strategic geographic location.
- Neighboring high density populated countries, which makes Kuwaiti a gateway to these countries.
- Availability of modern ports.
- Existence of a free trade zone on the Kuwaiti-Iraqi borders, with large warehouses.
- Low custom tax (approximately limited to 5% on most goods)

* Participation in companies is done pursuant to the provisions of the Law of Companies No. (15) of 1960”, which states that establishing companies in Kuwait, or sharing in companies existing in Kuwait in a percentage not exceeding (49%), provided the remaining percentage (not less than 51%) be for the Kuwaiti partner. Herein below is a review of the types of companies in Kuwaiti law:

1- Partnership Company:

Established among two or more persons, under a specific name and title to practice commercial business. Partners are jointly liable, in all their monies, for company obligations.

2- Limited Liability Company:

Composed of a limited number of persons, not more than thirty. The liability of each member falls within the limits of the capital paid by him (i.e. his share of the of the capital). This type of company is not allowed to issue tradable shares and is not subject to public offering.

3-Limited Partnership Company:

Established among two or more persons, wherein partners are divided into two categories:

- a) Joint Partner: who has the right to manage the company, and is jointly liable to all the obligations of the company with his own monies.
- b) Silent Partner: his role is limited to his monetary share in the company and is not liable to its obligations but within the limit of his share.

4- Joint Stock Company:

Wherein partners are either of two categories: **Joint partners**; shouldering management and liability, or **Silent partners**; not liable for debts and obligations of the company.

5- Particular Partnership Company:

A commercial company that is established among two or more persons and is confined to the relationship between the partners, i.e. is not applicable to others, and does not have a legal personality.

6- Shareholding Companies; are divided into:

A- General Shareholding Company:

Composed of a number of persons underwriting in tradable shares via public underwriting, and are not liable for the obligations of the company but within the nominal value of their shares in it. (a decree is issued with its establishment).

B- Closes Shareholding Company:

Composed of a number of persons underwriting in non-tradable shares, where establishing members pay the capital. This sort of company is not entitled for public offering, and its establishment should be licensed by the Ministry.

7- Holding Companies:

A company with the objective of obtaining Kuwaiti and foreign shareholding companies, as well as shares or stocks of Kuwaiti or foreign limited liability companies, or to share in the establishment of the above two types of companies, providing them with loans, and sponsoring them before other parties.

D- Incorporation of Kuwaiti Companies Where Foreigners Possess 100% of their capital:

The Council of Ministers issued its resolution No. 1006/2 year 2003 regarding the incorporation of Kuwaiti companies where foreigners possess 100% of their capital. Herein below is the text of the resolution:

By virtue of Minister of Commerce & Industry order upon the recommendation of Investment Committee, a license is issued to incorporate Kuwaiti Shareholding Closed Companies, where the share of the foreigners therein shall be 100% of their capital in accordance with the following conditions and terms:

- 1- The company's capital shall be sufficient to achieve its objectives and shall be fully subscribed to be the founders.
- 2- In corporation thereof shall fulfill the procedures, rules and conditions contained in law No. 15/1960 regarding these companies.
- 3- A company shall proceed with its activity or enterprises shown in the Council of Minister's resolution No. 1006/1 of the year 2003 referred thereto, subject to the fact that a company incorporation would result in the achievement of one of more of the following objectives:
 - A- A transfer of modern technology and administration and practical, technical and marketing expertise.
 - B- Expansion and activation of the role of Kuwait private sector.
 - C- Creation of job opportunities for national labors and contribution to training thereof.
 - D- Support of national products exports.

E- Free Zone:

The free commercial zone is considered as an independent leading project managed by the private sector, with the full support of the government of the State of Kuwait. Provisions of the free zone law were set after the best international legislative texts as represented in Kyoto International Treaty concerning custom tariff procedures. The content of the Kuwaiti law is elevated to the level of the laws of the best free zones in the world. The said law exempted the following from taxes and custom duties:

- Projects incepted in the free zones and profits achieved from practicing their activities within such zones.
- Goods imported to the free zones or exported there from.
- Tools and supplies of whatever type required for working inside the free zones.
- The free trade zone avails complete freedom in transferring capitals and profits, without any restrictions on the price of foreign exchange.
- Shwaikh port is the closest port ever to an international airport, and to a capital city.
- It is as well the closest port to Iran.
- It is under the administration of the private sector.
- Trustworthy commercial traditions.
- Availability of water and electricity supplies.
- Modern communications and technologies.
- Excellent land and marine transport systems.
- No minimum limit of Investment/capital.

Kuwait free trade zone avails four different types of licenses that cover all the needs of the investors, for the purpose of which the administration of Kuwait free trade zone issues the necessary documents. Herein below is a brief about these types of licenses:

- Commercial license, which satisfies the needs of those involved in commercial activities, like import and export, distribution and storage. The cost of this license is K.D. 750/-.
- Industrial license, which enables the investor to work in the industrial field, assembly, folding and refolding. The cost of this license is K.D. 1000/-.
- Services license, needed by the investor who works in the field of rendering services like financial, administrative, legal,

engineering and auditing services. The cost of this license is K.D. 500/-.

It is worthy mentioning that there is possibility for altering activity within the limits of the above mentioned licenses. Such amendment should be based on the request of the investor, and the cost is the same as for issuing a new license.

In case of amending the details of the license that are not related to activity, the cost shall be only K.D. 100/-.

The term of the license is one year as of issuance date, renewable to similar periods, provided the investment contract in Kuwait free trade zone is valid, and that all dues are paid.

For more information, please review the law No. 26 of 1990 concerning free zones or refer to the following address:

Free Commercial Zone - Kuwait
P.O. Box (64585), Shwaikh B, Postal Code 70456
Tel: (965)802808
Fax: (965) 4822067
E-mail: info@nrec.com.kw
Website: www.kuwaitfreezone.com

Sixth: Important Addresses

- Kuwait Chamber of Commerce and Industry

P.O. Box (775) Safat 13008 State of Kuwait
Tel: 805580 extensions (556 – 557 – 558 – 559)
Fax: 2404110 / 2433858
E-mail: bc@kcci.org.kw
Website: www.kcci.org.kw

- Central Bank of Kuwait

P.O. Box (526) Safat 13006 State of Kuwait
Tel: 2403257
Fax: 2440887
E-mail: cbk@cbk.gov.kw

Website: www.cbk.gov.kw

- Kuwait Union for Food Stuff Traders and Manufacturers

P.O. Box (26752) Safat, 13128

Tel: 2422478

Fax: 2422476

- Kuwait Banks Union

P.O. Box (1080) Safat 13011 State of Kuwait

Tel: 2463308

Fax: 2462072

E-mail: masarif@anenet.net

- Kuwait Industries Union

P.O. box (27517) Safat 13136 State of Kuwait

Tel: 2403561

Fax: 2403568

- Union of Drug Importers and Pharmacy Owners

P.O. Box (20002), Safat 13061 State of Kuwait

Tel: 2421417

Fax: 2421417