KUWAIT

I. PROFILE

| Location | Kuwait is a small country to the north east of Saudi Arabia. It is an Arab country situated at the northwestern tip of the Arabian Gulf. Its territorial waters include nine islands and a coastline that is 290km long. The country is bordered on the north and west by Iraq, on the south by Saudi Arabia and on the east by the Arabian Gulf. |
| Official Name | The State of Kuwait |
| Area | 17,818 sq km |
| Population | 2 million inhabitants in 1999 |
| Capital | Kuwait City |
| Major cities | Jarha, Hawalli, All Ahmadi and Farawania |
| Language | Arabic; English widely used in business |
| Currency | Kuwaiti dinar (KD) 1US $ = 0.306 KD |
| Climate | Although summers are long, hot, and mostly dry, with daily temperatures between 43º and 47ºC (110º and 120ºF) and high humidity in August. The fall and spring are pleasant and mild; winters are short and relatively cool. Sandstorms in June and July; some rain, mainly in winter and spring. |
| Main holidays | January 1st, February 25th, February 26th, Islamic New Year*, Leilat al Mi’raj*, Aid Al Fitr*, Aid Al Adha*, and Aid El Mouloud*. |
| Weekly day off | Thursday-Friday |
| Local time | GMT + 3 |
| Working hours | Banks: 9 H to 11 H 30 and 16 H 30 to 18 H from Saturday to Wednesday. Public sector: From Saturday to Thursday from 8 H to 14 H. |
| Principle Growth Sectors | Oil, Public Sector, Manufacturing, Real Estate |

(*) Variable dates

II. ECONOMIC SECTORS

The country's economy re-established itself following the Gulf war, and now the major focus for the government of Kuwait is privatisation.
Kuwait has a young population, insuring a trainable workforce for the future. Approximately 70% are under age 24, and 40% are under 14. As a result of the comprehensive welfare program, Kuwaitis have among the highest literacy and life expectancy rates in the region.

The economic system in Kuwait fits within the genre of the socialist welfare state. Kuwait has one of the most comprehensive domestic social aid and extensive overseas financial aid programs in the world. A publication co-authored by the Kuwaiti Ministry of Planning and the Center for Research and Studies on Kuwait indicates that Kuwait is committed to creating a broad, educated social base, promoting the values of labour and production and developing a skilled scientific and socially responsible community. For this reason, Kuwait follows the policy of making education available to everyone. It is free and compulsory in the basic stage.
Educational materials are free of charge as are school meals and uniforms. The government subsidizes social services, education, and medical care.

II.1 AGRICULTURE

In Kuwait only about 1% of the land is suitable for agriculture and most of this is at Wafra or Jahra where there is a natural water supply. Vegetables, fruit trees and timber production comprise the majority of the agriculture sector.

Cereals, tomatoes, melons, radishes and cucumbers are grown. In addition, there are successful dairy and poultry farms.

Fishing has historically been of great importance to both the diet and the trade of Kuwait. Fresh fish is a popular food in the country and care is taken to conserve the resources of the sea.

II.2 OIL AND GAS INDUSTRY

The oil sector is run under an umbrella organization monitored by the Kuwait Petroleum Corporation (KPC). KPC oversees the Kuwait Oil Company (KOC), the Kuwait National Petroleum Company (KNPC), the Petrochemical Industries Company (PIC), and the Kuwait Oil Tanker Company (KOTC). KOC is responsible for oil and gas production outside the Neutral Zone. KNPC is responsible for refining, gas processing and product marketing. PIC manages petrochemical and fertilizer production and KOTC handles the transportation of crude oil and liquefied gas.

KPC also monitors the Kuwait Foreign Petroleum Exploration Company (Kufpec), which undertakes exploration activities in overseas concessions.

II.3 INDUSTRY AND MANUFACTURING

The manufacturing sector has been improving rapidly, significantly outpacing the construction, transportation, and finance sectors.

The oil refineries produce the principle products of the manufacturing sector. The Petrochemical Industries Company produces ammonia, urea, ammonium sulphate, and sulfuric acid plants. The company exports mostly sodium hypochlorite, sulfuric acid, and caustic soda.

III. INFRASTRUCTURES

III.1 ROADS NETWORK

Kuwait gives special attention to road infrastructure. Kuwait has an advanced motorway system, consisting of seven ring roads intersected by a further series of roads radiating from the heart of Kuwait City.

As matter of fact, the road network plays a quasi-exclusive role in the field of goods transports between the main cities of the country: Kuwait, Jarha, Hawalli, All Ahmadi and Farawania.

III.2 AIR TRANSPORT
As concerns air transport, the major part of air traffic is ensured by Kuwait International airport.

**III.3 MARITIME TRANSPORT**

In the area of maritime transport, Kuwait is provided with three large trading ports which play a pivotal role in foreign trade operation, these are: Shuwaikh, Shuaiba and Doha. Kuwait is also provided with a relatively important merchant fleet: 88 ships, 50 of which are national. In addition to oil ships, Kuwait is also endowed with numerous container ships.

**III.4 TELECOMMUNICATIONS**

Kuwait is provided with a performing and modern communications network: automatic telephone, telex, mobile telecommunications etc...
At international level Kuwait has direct links with its trading partners of Europe, Africa, Asia and America.

**IV. FOREIGN TRADE REGULATIONS:**

**IV.1. THE LEGAL FRAMEWORK OF TRADE RELATIONS:**

- Kuwait is notably Member of the following international and regional organisations:
  - The World Trade Organisation (WTO);
  - The United Nations Organisation and its main specialized institutions (World Bank, IMF, etc...);
  - The Organisation of the Islamic Conference (OIC);
  - The Gulf Cooperation Council (G.C.C);
  - and the Arab League.

Kuwait has also signed numerous economic and commercial or technical cooperation agreements with most of its trading partners of Europe, Asia, Africa and America.

**IV.2. TRADE STRUCTURE :**

**IV.2.1. The main exported products :**

- Crude oil;
- Refined oil products;
- And natural gas.

**IV.2.2. The main imported products :**

- miscellaneous food products;
- Building materials;
- Textiles;
- and miscellaneous capital goods.
IV.2.3. Trading partners:

<table>
<thead>
<tr>
<th>Main suppliers</th>
<th>Main customers</th>
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<tbody>
<tr>
<td>- Japan</td>
<td>- United States of America</td>
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<td>- India</td>
<td>- Germany</td>
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<td>- United States</td>
<td>- Saudi Arabia</td>
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<td>- Singapore</td>
<td>- United Kingdom</td>
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IV.3. FOREIGN TRADE CONTROL:

Generally speaking, Kuwait practises a relatively liberal trade policy; its market is open and foreign trade policies are flexible.

IV.3.1. Imports regulations:

Kuwait practically imposes no quantitative restrictions in the field of international trade; a few products only are prohibited for imports on health, security and moral grounds.

To be allowed to undertake international trade exchanges, importers must:

- On the one hand, have a Kuwaiti nationality, in other words, 51% at least of the capital of the importing company must be held by individuals of Kuwaiti nationality;
- and to have themselves registered at the importers register.

- Only Kuwaiti merchants who are registered members of the Chamber of Commerce may import goods; Hence, an exporter to Kuwait must draw up a contract with a member as detailed in the foregoing.

- The usual method of payment is the standard letter of credit paid at the moment the goods are sent. However, bank guarantees from both sides can be requested. These take the form of Bid Bonds or Performance Bonds. There are companies in Kuwait which specialize in the inspection of damaged goods.

- In order to clear goods from customs, you will need invoices showing the manufacturer's name, the carrier, the price and the net weight. Also needed is a Certificate of Origin signed by the Chamber of Commerce. This must state the name of the manufacturer and the freight forwarder, a declaration that the goods did not originate in Israel and do not contain anything made in Israel as well as details regarding the means of shipping the items to Kuwait.
IV.3.2. Exports regulations:
Taking account of the products concerned exports are not submitted to any particular restriction. Only a few items being exported from Kuwait require export licenses, and generally there are no export restrictions on Kuwaiti products. No duties are levied on goods exported from Kuwait. Foreign contractors, however, need a letter of clearance from the Director of Income Taxes, Ministry of Finance, to be able to export equipment from Kuwait for use outside Kuwait.

IV.3.3. Other formalities and documents:
- Some food products imports are submitted to very strict provisions concerning, sales time limit and the marketing conditions in general;
- In this event, a sanitary certificate is often required for customs clearance.
- It is necessary to have a licence to initiate and operate a business in Kuwait.
- Licences are only issued to Kuwaiti nationals and are obtained from the Ministry of Commerce. Industrial approval is required for industrial development and is given by a Ministry of Finance Committee.
- If you have a licence, you may be eligible for a loan from the Industrial Bank of Kuwait:
- Kuwait prohibits the importation of pork, pork products, alcoholic beverages, products containing alcoholic beverages, gambling machines, and obscene materials.

IV.4. FINANCIAL REGULATIONS OF FOREIGN TRADE OPERATION:

IV.4.1. Banking system:
The Kuwaiti Banking System is relatively of very large dimension comparatively with the country's area and the local population number. As a matter of fact owing especially financial resources yielded by oil, Kuwait owns a dozen commercial banks and a central bank entrusted with implementing the monetary policy of the country.

IV.4.2. Exchange system:
The exchange regulations of Kuwait do not impose any particular restriction. At international level, provisions in this field allow both a free convertibility and a total transferability.
IV.4.3. Methods and means for international payment:

Broadly speaking, Kuwaiti foreign trade operators are solvent and rarely have any disputes with their foreign partners.

The payment means that are most used in Kuwait is the irrevocable and confirmed documentary credit. The other payment means, such as documentary remittance or international transfer (Swift) are utilised only in the event of trustworthy relationships between seller and buyer.

IV.5. CUSTOMS TAXATION:

After its adhesion to the GATT and the inception of the Gulf Cooperation Council, Kuwait has considerably reduced its tariff barriers with the member Countries of these two organisations. For perishable items arriving via air, land, or sea, customs clearance is prompt and takes about three hours. To complete clearance, the importer presents its import license and quality test certificate. Customs' evaluation of duty on the imported goods is usually based on the value on the commercial invoice. However, if the customs officials believe the declared value is not realistic, they may make their own assessment.

IV.5.1. Customs tariff:

Kuwait does not implement any customs duties on food, agricultural items, or essential consumer goods, or on imports of some machinery, most spare parts, and all raw materials. The General Administration of Customs collects a 4 percent general tariff on most imports, which includes the cost, insurance, and freight value of the goods. The Ministry of Commerce and Industry may impose higher protective tariffs, up to around 25 percent, on imports that compete with goods manufactured in smaller local industries.

IV.5.2. Special provisions:

Within the framework of the policy aiming at promoting the domestic market investments and supplies in raw materials and staple commodities, some equipments, spare arts, food products and raw materials are exempted from customs duties.

A special import license is required to import certain kinds of goods, such as firearms, explosives, drugs, and wild animals.

V. FOREIGN INVESTMENT

V.1 OPENNESS TO FOREIGN INVESTMENT

Foreign ownership in joint ventures with Kuwaiti firms is now limited to 49 percent. Foreign firms may not invest in the upstream petroleum sector, but are allowed to invest in joint venture petrochemical projects. Foreign firms may own up to 40 percent of banks.
Foreign investment in real estate is limited to nationals of the other GCC-member states. Foreigners (with the exception of GCC nationals and Egyptians) are not permitted to invest in stocks directly through the Kuwait Stock Exchange, but they may do so through mutual funds. Other sectors such as telecommunications, health care and airlines are still government-run, but may become more accessible to foreign investment if the government implements a privatisation program.

Kuwait's economy has been dominated by the state and the nationalized oil industry since the early 1970's. The government also acquired major holdings in private Kuwaiti firms following stock market crashes in 1979 and 1982.

After 1992, the government purchased from the banks outstanding debts emanating from the stock market crashes and put through a debt settlement law. This increased the government involvement in the economy, but the government has begun a successful effort to divest its equity holdings in private firms and has sold its holdings in about sixteen firms as of mid-1997. Implementation of a difficult debts law has been positive and has contributed to increased confidence in Kuwait's financial markets.

Progress in privatisation of government entities has been slower. Under the guidance and encouragement of the World Bank, privatisation has been progressing rapidly in Kuwait. The Kuwait Investment Authority is now following through a government dictate to sell $2.7 billion in government shares of 62 companies by 1999.

The Kuwait Telecommunications Company represents one example of this process, and the sewage, water and power sectors will soon follow. Pressure on the free health-care establishments has influenced the privatisation of the health sector. Some private hospitals are under construction, and the private management of government-owned hospitals should increase. Kuwait has developed a free-trade zone in the western sector of Shuwaikh port.

The zone will be competing with similar zones in Dubai and the lower Gulf region. The zone will sell finished products to Iran and other neighbouring countries.

Foreign finance, particularly officially supported export credits, is a required element in large sales or projects here. Foreign owned firms and the foreign owned portions of joint ventures are subject to corporate income tax as high as 55 percent. The government of Kuwait has announced plans to submit legislation that would reduce the maximum corporate income tax rate to 30 percent, and in some instances, reduce USD corporate taxes of the foreign partner to zero. Kuwaiti firms are not subject to the corporate income tax, but are required to contribute 5 percent of their national earnings to the Kuwait Fund for the Advancement of Science (KFAS). Kuwait levies no personal income tax.

V.2 INCENTIVES OFFERED TO FOREIGN INVESTORS

Investment incentives (e.g. grants, tax deferrals, special access to credit, import quota exceptions, etc.) available to foreign investors and favoured treatment given to foreign investors: at the moment, incentives -- in the form of exemptions from import duties and corporate income taxes for periods of up to ten years -- are officially available only for industrial undertakings approved by the Council of Ministers.
There is a movement underway to expand the investment incentives available to foreign investors. A special committee was appointed in March of 1997 to review existing obstacles to foreign investment and to propose legislative changes to improve Kuwait's attractiveness to foreign investment.

Before 1990, the Kuwaiti government controlled the prices of many commodities as part of a subsidy program. However, as subsidies wane and service charges are imposed, this system will soon become part of the past. Although there is no personal income tax in Kuwait, gross corporate profits earned in Kuwait may be subject to taxes of up to 55%. Foreign companies are encouraged to develop small oil reservoirs in Kuwait.

Other incentives for investment in Kuwait include soft loans and inexpensive land and utilities. Joint ventures with Kuwaiti investors enjoy limited liability, relief from Kuwait corporate taxes, and management control options.

Intellectual property rights protection has made progress in Kuwait, so the production of computer software, movies and video/audio cassettes may soon be competitive with Western markets.

Kuwait has recently been admitted to the World Trade Organization and is making steady steps toward joining the World Intellectual Property Organization.

VI. CONVERSION AND TRANSFER POLICIES

The Kuwaiti dinar is freely convertible at an exchange rate calculated daily on the basis of a basket of currencies, which is weighted to reflect Kuwait's trade and capital flows. In practice, the Kuwaiti dinar has closely followed the exchange rate fluctuations of the U.S. dollar. There are no restrictions on current or capital account transactions in Kuwait, beyond a requirement that all foreign exchange purchases be made through a bank or licensed foreign exchange dealer. Equity, loan capital, interest, dividends, profits, royalties, fees and personal savings can all be transferred in or out of Kuwait without hindrance, or shift the activities in directions not solely determined by economic criteria.

VII. FINANCIAL AND BANKING SYSTEM

Monitored by the Central Bank of Kuwait, the banking sector is made up of:

- Seven commercial banks;
- Four specialized credit institutions;
- Seventeen investment companies;
- And a large informal sector consisting of merchants, moneylenders and moneychangers.

The commercial banks provide traditional banking services. Three specialized government banks help provide medium and long-term financing. Kuwaiti banks have full correspondent relationships with major U.S. banks. Due to the broad and sophisticated nature of operations at Kuwaiti banks, there are expectations that foreign correspondent banks should be able to respond to a full range of banking needs.
Kuwaiti banks have a global perspective and expect their foreign correspondents to work with them at that level. The stock market reopened in 1992 and was revitalized with the divestiture of state assets. As of 1995, fifty companies were listed on the market with a total capitalization of approximately $890 million. The companies traded on the Kuwait market engage in numerous commercial activities, ranging from the agriculture sector to the banking industry. Another significant source of income comes from Kuwaiti investments abroad. The Kuwait Petroleum Corporation (KPC) owns the U.S.-based exploration firm, Santa Fe International; KPC also owns many gas stations in Europe. The Kuwait Investment Office owns a significant portion of British Petroleum.

VIII. INVESTMENT AGREEMENTS

VIII.1 BILATERAL INVESTMENT AGREEMENTS

Kuwait has signed or initiated bilateral investment agreements with 24 countries. These include agreements with Germany, France, Italy, Russia, China, Romania, Poland, Hungary, Turkey, Malaysia and Malta. It has initiated agreements on bilateral investment with Denmark and Switzerland.

VIII.2 OTHER INVESTMENT INSURANCE PROGRAMMS

In 1989, Kuwait concluded an agreement with the United States on investment guaranty programs, which facilitated the extension of programs from the Overseas Private Investment Corporation (OPIC) to Kuwait. Activity under the OPIC program has increased noticeably as Kuwait's recovery has gained momentum and foreign investment has resumed. Kuwait is a member of the Multilateral Investment Guarantee Agency (MIGA).

IX. USEFUL ADDRESSES

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<th>Public establishment &amp; organisations</th>
<th>ADDRESS</th>
<th>Phone / Fax/Telex/E-mail/ Website</th>
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<tr>
<td>Ministry of Foreign Affairs</td>
<td>Post Office Box 3 13001 Safat</td>
<td>Telephone: + 965 242 5141 Facsimile: + 965 245 7476 Website: <a href="http://www.mofa.org">www.mofa.org</a></td>
</tr>
<tr>
<td>Ministry of economy and Finances</td>
<td>P.O. Box 9 - Safat - 130001 Kuwait</td>
<td>Tel: (965) 2463600 Fax: 2434862 - Tlx: 246203 <a href="http://www.mof.gov.kw">www.mof.gov.kw</a></td>
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<tr>
<td>Ministry of Information</td>
<td>P.O. Box 193 - Safat - 13002 Kuwait</td>
<td>Tel: 2431682 Fax: 2464460 - Tlx: 46151 <a href="http://www.moinfo.gov.kw">www.moinfo.gov.kw</a></td>
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<tr>
<td>Ministry of Commerce &amp; Industry</td>
<td>P.O. Box 2944 - Safat - 13030 Kuwait</td>
<td>Tel: 2415563 Fax: 2420207 Tlx: 22682</td>
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<tr>
<td>Kuwait Investment Authority</td>
<td>P.O.Box. 64, 13001 Safat</td>
<td><a href="http://www.kia.gov.kw">www.kia.gov.kw</a></td>
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<tr>
<td>Central Bank of Kuwait</td>
<td>P.O. Box 526 - Safat - 13006 Kuwait</td>
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<thead>
<tr>
<th>Kuwait Chamber of Commerce &amp; Industry</th>
<th>Ali Salem Street P.O.Box. 775 Safat 13008 Kuwait</th>
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<tr>
<td></td>
<td>Tel : 2433854/5</td>
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<tr>
<td></td>
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