

OPPORTUNITIES FOR SRI LANKAN VALUE ADDED RICE BASED PRODUCTS IN KUWAIT



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February 2017

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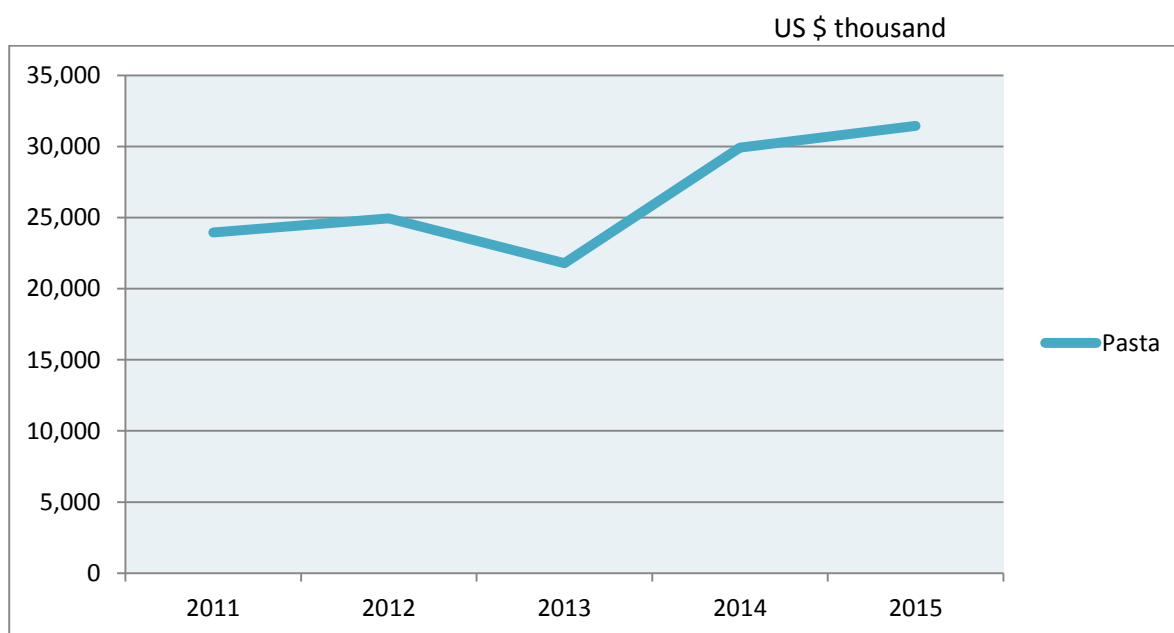
1. SUMMARY

Kuwait has imported value added rice based products worth USD 328,984,000 in 2015. Imports of Pasta products have increased from USD 23,955,000 in 2011 to USD 31,448,000 in 2015. There is widespread consumption of pasta products in Kuwait.

2. MARKET POSITION

The main exporters of Pasta products to Kuwait are Saudi Arabia, France, Italy, UAE, Malaysia and the USA. Saudi Arabia has dominated the market with exports valued USD 10,068,000 in 2015. Sri Lanka has exported Pasta products worth USD 27,000 to Kuwait in 2015

Figure: Import Trend of Pasta (HS 1902) By Kuwait



Source: Trade Map

Standards

The government of Kuwait eliminated pre-shipment standards inspection under the International Conformity Certification Program (ICCP). They are currently working with the GCC Standards Organization in Riyadh to develop a region-wide standards regime to replace ICCP. The Standards and Metrology Department of the Public Authority for Industry –PAI governs standards in Kuwait. Approximately 300 standards are currently applied, with standards derived from U.S., EU, ISO, and GCC Standards.

The PAI provided the GCC Standardization Organization (GSO) with feedback in 2010, regarding the initiatives introduced by Japan, Switzerland, and the United States regarding liberalizing trade in remanufactured goods. PAI affirmed no tariff barriers are being introduced.

Import Tariffs

Kuwait has officially approved a Single Customs Tariff on April 1, 2003, thereby setting a 5% import duty (CIF) on most goods with the exemption of certain basic foodstuffs and medicines or medical items, which are duty free. Duties are to be paid in Kuwait dinars (KD).

Trade Barriers

There are several steps to legalize shipping documents. It could become a trade barrier if it is not done properly.

There are numerous bureaucratic hurdles and approvals pertaining to most aspects of business in Kuwait. The process of selling to the government is lengthy.

Import Requirements and Documentation

A. Licenses

Importers apply for import licenses to the Ministry of Commerce and Industry. They also have to be registered with the Kuwait Chamber of Commerce and Industry -KCCI. Licenses are valid for one year, renewable and multiple shipments are allowed. Various ministries and agencies also issue licenses for different products, including firearms, explosives, pharmaceuticals, and wild or exotic animals. Only a local agent is authorized to clear items at Kuwait Customs by showing an official letter of representation and a letter by the end-user.

B. Documentation

Kuwait documentation procedures require a commercial invoice, certificate of origin, packing list, and a bill of lading or airway bill to accompany all commercial shipments. Certain products may require additional licenses or certificates.

C. Commercial Invoice

The original and two copies are required with the certificate of origin. The invoice must contain an accurate description of the goods, marks and numbers, net and gross weights in metric measure, quantity, units, total value, country of origin and port and shipping information ie.name of the vessel and transportation means. The invoice should be certified by a local chamber of Commerce.

D. Certificate of Origin

Original and two copies are required. The certificate of origin should be certified by a local chamber of Commerce.

E. Packing List

The packing list should provide detailed information on each item contained in any package and has to be stamped with the company seal or the stamp of the exporter or freight forwarder.

F. Bill of Lading

Three copies of the bill of lading are required. The bill of lading must show the name of the shipper, name and address of the consignee, port of final destination, description of the goods, listing of freight and other charges, number of bills of lading in the complete set, and a signature acknowledging that the carrier has confirmed receipt on board the goods to be shipped. The import license holder's name must appear on the bill of lading, and has to be a national of Kuwait.

G. Special Documents

Cosmetics, pharmaceuticals, and foodstuffs may require a certificate of free sale stating that the commodities in question are in free circulation in the country of export. The Food and Drug Administration can issue these certificates. Exporters should consult the departments of health or commerce to determine whether the state or the local municipality can issue Certificates of Free Sale.

H. Foodstuffs Certificate

The producing company has to provide certification in triplicate that the imported foodstuffs do not contain any form of cyclamate compounds. Certificates are sent to the Ministry of Health. Dairy products require a declaration that the product is free from harmful bacteria and other pathogens.

Labeling/Marking Requirements

A. Labeling

Labels stating the country of origin need to be shown on all imported goods in a manner that cannot be removed or altered. Information appearing on the label must conform to the information listed in the shipping documentation stated above.

B. Special Labels

Pharmaceuticals: Pharmaceutical products must be labeled with the batch or the lot number, production date, expiration date, content description, storage information, usage information, indications and contra indications for use, and reference to the pharmacopoeia standards used.

C. Marking

The outside marking on each package or container should identify the name of the shipper, the name and address of the consignee, the weight of the package, the number of the package if shipped as a part of a bulk shipment, and the country of origin.

Customs Regulations

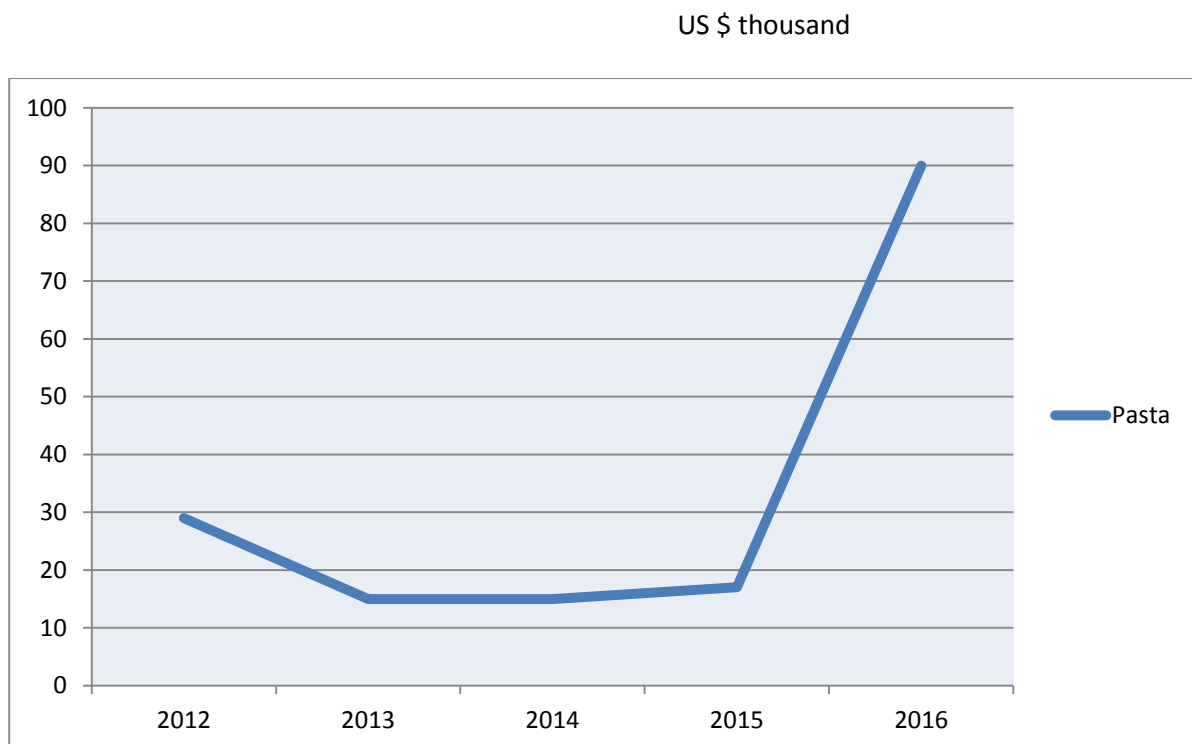
A. Valuation

Kuwait applies five methods for determining customs valuation as per WTO Customs Valuation Agreement in Article VII of the General Agreements on Tariffs and Trade. The first criterion is based on transaction value which is the price actually paid or payable with costs and expenses. For transaction value to be applied, the parties must be unrelated. If Kuwait Customs rejects this valuation method, other valuation methods can be employed such as the transaction value of identical or similar goods, valuation on FOB, or CIF values.

3. POSITION OF SRI LANKAN GOODS

Sri Lanka has no significant presence in the market in this sector. Some Sri Lankan products in small scale have recently been introduced to the market.

Figure: Rice Based Value Added Products (Pasta) Exports from Sri Lanka to Kuwait



Source: Sri Lanka Export Development Board

4. COMPETITIVE POSITION

Saudi Arabia, France, Italy, UAE, Malaysia and USA are leading exporters to the market. France and UAE have dramatically increased their market share during the past few years.

Table: Top 10 Pasta (HS 1902) Exporters to Kuwait

US\$ thousand

Exporters	2011	2012	2013	2014	2015
Saudi Arabia	8,537	8,083	6,500	9,455	10,068
France	511	429	833	4,340	5,714
Italy	4,483	4,246	4,847	5,614	4,759
United Arab Emirates	993	496	808	1,456	3,069
Malaysia	1,446	1,698	2,024	2,109	1,702
United States of America	1,093	1,487	1,630	1,127	1,096
Philippines	1,025	1,202	1,009	1,016	966
Turkey	640	1,623	908	888	646
Thailand	406	341	369	422	431
Egypt	635	342	273	432	403

Source: Trade Map

5. CONCLUSIONS AND RECOMMENDATIONS

- Complex business environment in Kuwait requires flexibility, patience, and persistence.
- Many exporters and investors face challenges such as inconsistent, contradictory policies, lack of transparency in decision-making, reversal of tenders after awarding, and a judiciary heavily favors the local population.
- Careful planning and personal relations are crucial for success in Kuwait.
- Selecting an appropriate agent to work for the Sri Lankan company is the single most important step an exporter should consider.
- Knowing regulations and the general business framework is a difficult task without the support of a competent local agent or a business partner.
- A good opportunity exists for the Sri Lankan exporters of value added rice based products.
- Sri Lankan companies should seek business relationships and understand that the best representatives are those who have already cultivated contacts and are active in a particular sector. Getting a competent local legal counsel to draft an agreement to protect the company from future liability is also a key factor to consider.

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