

OPPORTUNITIES IN KUWAIT FOR SRI LANKAN AUTOMOBILE COMPONENTS



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1. SUMMARY

Automobile sector is the largest import market in Kuwait at present with the value of USD 4,757,931 in 2015. It shows continuous growth from 2010 with little drop down in 2015 and 2016. Main imports to Kuwait remain Sri Lanka has no considerable business relations with Kuwait in this sector.

2. MARKET DESCRIPTION

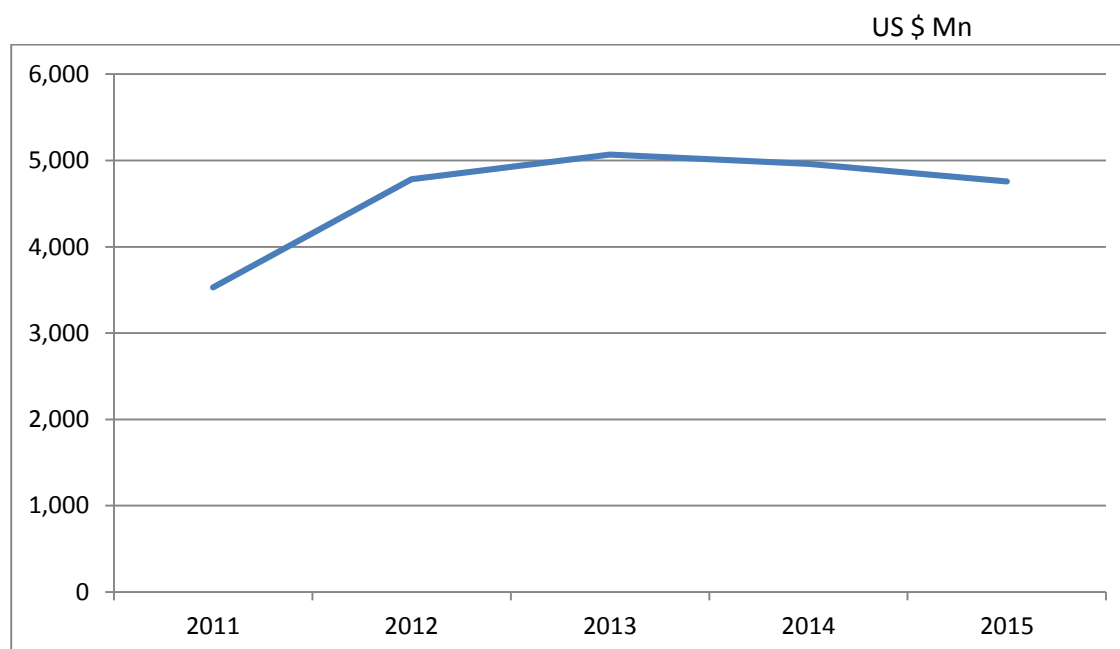
The main exporters of automobile to Kuwait are Japan, USA, Germany, Korea, UK, Australia, Thailand, China, Canada, Taipei, Mexico, Slovakia, Indonesia, Italy, India, Austria, South Africa, UAE etc. Japan has dominated the market with USD 1,485,868 exported value in 2015.

2.1 Standards

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

In 2010, Public Authority of Industry (PAI) provided the GCC Standardization Organization (GSO) with feedback pertaining to the initiative introduced by Japan, Switzerland, and the United States regarding liberalizing trade in remanufactured goods. PAI affirmed no tariff barriers are being introduced.

Figure: Automobile Components (HS 87) Imports from Kuwait



Source: Trade map

2.2 Import Tariffs

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

2.3 Trade Barriers

There are several steps to legalize shipping documents, which if not done correctly could become a trade barrier. There are numerous bureaucratic hurdles and approvals needed to do most aspects of business in Kuwait. The process to sell to the government is very lengthy.

2.4 Import Requirements and Documentation

2.4.1 Licenses

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

2.4.2 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.

2.4.3 Commercial Invoice

One original and two copies are required, plus 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, and country of origin, and port and shipping information (name of vessel and transportation means). The invoice should be legalized by a local chamber of Commerce.

2.4.4 Certificate of Origin

One original and two copies are required. The certificate of origin should be legalized by a local chamber of Commerce.

2.4.5 Packing List

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

2.4.6 Bill of Lading

Three copies of the bill of lading are required. The bill of lading must show the name of the shipper, the 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 the acknowledgement signature that the carrier has confirmed receipt on board of the goods to be shipped. The import license holder's name must appear on the bill of lading, and he/she must be a Kuwaiti national.

2.5 Labeling/Marking Requirements

2.5.1 Labeling

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

2.5.2 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.

2.6 Customs Regulations

2.6.1 Valuation

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

3. POSITION OF SRI LANKAN GOODS

Sri Lanka has exported USD 32 value of bicycles and other cycles including delivery tricycles not motorized to Kuwait in 2015 which is a decreasing from the value of USD 129 in 2014 and USD 76 in 2013. Other than that USD 6 value of parts and accessories for tractors, motor vehicles for the transport of persons, motor cars and other motor vehicles has been exported to Kuwait in 2015.

Table: Sri Lanka exports of automobile component (HS 87) to Kuwait

		US \$ thousand					
Code	Description	2011	2012	2013	2014	2015	2016
H.87163910	Trailers and semi-trailers	1,694					767
H.87120090	Bicycles and other cycles, not motorized			50	91		
H.871690	Trailers and semi-trailers; other vehicles, not mechanically propelled			4			
H.87087090	Road wheels and parts			1			
		1,694		55	91		767

Source: Sri Lanka Export development Board

4. ACTIVITIES OF COMPETITION

As Sri Lanka's presence in the market Sri Lanka should compete with existing exporters to find a market share in this sector.

Table: Top 10 Exporters of Automobile Component to Kuwait

Exporters	US \$ mn				
	2011	2012	2013	2014	2015
Japan	988	1,507	1,494	1,600	1,486
United States of America	818	996	1,060	788	807
Germany	544	595	714	704	506
Korea, Republic of	227	322	331	364	322
United Kingdom	111	185	214	243	302
Australia	133	174	179	166	216
Thailand	133	211	196	278	212
China	59	57	119	100	121
Canada	149	160	188	129	112
Taipei, Chinese	66	70	116	108	103

Source: Trade map

5. CONCLUSIONS AND RECOMMENDATIONS

- Kuwait's complex business environment 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 once awarded, and a judiciary that heavily favors the local population.
- Careful planning and personal relations are crucial for success in Kuwait.
- Selecting the appropriate agent who will work for Sri Lankan company is the single most important step an exporter can take in Kuwait.
- Knowing regulations and the general business framework is a difficult task without the support of a competent local agent or business partner.
- Sri Lankan companies should seek business relationship and understand that the best representatives are those who are already active in their particular sector with cultivated contacts.
- Getting competent local legal counsel to craft an agreement that protects company from future liability is also a key.

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