

OPPORTUNITIES FOR SRI LANKAN COCONUT BASED VALUE ADDED PRODUCTS IN KUWAIT



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1. SUMMARY

Kuwait imports most of its consumer goods. Given the presence of a large number of South Asian community in the Kuwait market provides considerable potential for Coconut Based Value Added Products such as coconut oil and milk. Sri Lanka has no any significant presence in the market at present. However, some Sri Lankan manufactures have introduced their products to the market in recent times. In terms of beverages, Kuwait spent USD 156,418 to import beverages and spirits to Kuwait in 2015. As the market widely consumes beverages, Coconut water as a Value Added Product would be successful in the market.

2. MARKET DESCRIPTION

Main exporters of coconut oil and related products to Kuwait are Malaysia, India, Thailand and Indonesia. Malaysia dominated the market holding \$ 9426 worth by 2015 whilst India, the second largest exporter marks \$ 1181. Leading exporters of beverages to Kuwait are Ireland, Austria, Saudi Arabia, Netherlands, France, UAE, & Egypt.

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 that no tariff barriers would be introduced.

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 an 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 tedious.

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, and 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.

2.4.7 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 with the departments of health or commerce to determine whether that state (or the local municipality) can issue Certificates of Free Sale.

2.4.8 Foodstuffs Certificate

The producing company must 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.

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 Special Labels

Pharmaceuticals: Pharmaceutical products must be labeled with the batch or 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.

2.5.3 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

In terms of beverages Sri Lanka exported water, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages (excluding fruit or vegetable juices and milk) value of USD 24,000 in 2015. Further Sri Lanka has exported Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled with the value of USD 588,000 in 2015 which is a decrease from USD 632,000 in 2014.

Table: Coconut Based Value Added Products Export From Sri Lanka to Kuwait

Code	Description	US \$ thousand				
		2012	2013	2014	2015	2016
S.030102	Desiccated Coconut	906	1,250	3,038	849	2,840
S.030105	Coconut Milk Powder	917	1,035	1,222	1,082	1,027
S.030106	Coconut Cream					137
S.030205	Coco Peat & Fiber Pith	70	7	8	24	69
S.030107	Liquid Coconut Milk	35	55	24	15	58
S.030101	Coconut Oil					26
S.030109	Defatted Coconut	67	65	318	21	19
S.030202	Mattress Fiber			4		15
S.030208	Coconut Husk Chips			17		9
S.030203	Mixed Coir Fiber					2
S.030206	Brooms & Brushes	21	6	27	21	
S.030301	Activated Carbon	54		54		
S.030304	Coconut Shell Charcoal			49		
S.030201	Bristle Fiber			12		
S.030210	Coir Twine & Ropes		14			
	Total :	2,070	2,432	4,773	2,012	4,202

Source: Sri Lanka Export Development Board

4. ACTIVITIES OF COMPETITION

In terms of beverages Sri Lanka's share in the market is insignificant. It is observed that in relation to some countries that were less or equal to the market share of Sri Lanka in 2010, Sri Lanka's market share in 2011 has reached considerable heights. With regard to coconut oil Malaysia, India, Thailand, Indonesia, USA and Viet Nam are the main competitors.

Table: Top 10 Coconut Oil exporters to Kuwait

Exporters	US \$ Thousand				
	2011	2012	2013	2014	2015
Malaysia	5,393	1,576	2,915	6,335	9,426
India	506	954	567	639	1,181
Thailand	0	0	64	31	310
Indonesia	0	502	0	0	143
United States of America	18	92	145	91	54
Viet Nam	0	0	0	0	33
Sri Lanka	0	0	0	5	12
Dominican Republic	0	0	2	3	5
Philippines	1	1	0	31	5
United Kingdom	0	0	0	0	1

*Source: Trade map***Table: Top 10 Desiccated Coconut Exporters to Kuwait**

Exporters	US \$ Thousand				
	2011	2012	2013	2014	2015
Viet Nam	592	398	194	428	755
Sri Lanka	243	374	111	146	264
India	529	908	411	348	252
Philippines	79	139	97	36	202
Indonesia	63	58	29	95	134
France	6	12	58	2	40
Portugal	0	0	0	0	10
Thailand	8	9	0	0	8
United States of America	15	17	4	7	5
United Kingdom	0	0	0	1	2

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 a 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 relationships 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 draft an agreement that protects company from future liability is also a key.

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