KUWAIT

TRADE SUMMARY

The U.S. goods trade deficit with Kuwait was $5.1 billion in 2011, up $2.5 billion from 2010. U.S. goods exports in 2011 were $2.7 billion, down 1.7 percent from the previous year. Corresponding U.S. imports from Kuwait were $7.8 billion, up 45.1 percent. Kuwait is currently the 57th largest export market for U.S. goods.

The stock of U.S. foreign direct investment in Kuwait was $1.5 billion in 2010 (latest data available), up from $1.4 billion in 2009.

IMPORT POLICIES

Tariffs

As a member of the Gulf Cooperation Council (GCC), Kuwait applies the GCC common external tariff of five percent for most products. Tobacco products are subject to a 100 percent tariff.

Import Prohibitions and Licensing

Kuwait prohibits the importation of alcohol and pork products, and requires a special import license for firearms. Used medical equipment and used automobiles over five years old generally cannot be imported. The import of books, periodicals, or movies that insult religion and public morals, and all materials that promote political ideology is prohibited.

All imported beef and poultry products must have a health certificate issued by the country of export and a *halal* food certificate issued by an approved Islamic center in that country. Kuwait plans to adopt a new law requiring for the Halal Food Certificate, which was ratified by the GCC Standardization Organization (GSO) in its meeting in August 2010. The new certificate requires detailed information on the imported *halal* products, including the name and identification number of the accreditation body, country of origin, sample details, health certificate number, *halal* certificate number, and producing plant. Kuwait will begin enforcing the new requirements after the new law has been ratified by Parliament. A workshop for importers to discuss implementation of the new certification was held in November 2011, but no updates have been released.

Acting on outdated information, in 2004, Kuwaiti Customs prohibited all types of live fowl, one day old layer and broiler chicks, and hatching eggs, from Missouri and Minnesota, based on a recommendation from the Public Authority for Agriculture and Fish Resources. In 2007, Kuwait lifted the import ban on pet birds only. In September 2011, the ban on live poultry and derivatives from Missouri was lifted. In December 2011, Kuwait published the decree lifting the ban on live birds, hatching eggs, and day old chicks from Minnesota.

In June 2011, Kuwait placed a ban on all frozen and chilled poultry from the United States in response to the incidence of low pathogenic Avian Influenza in certain regions of the United States. On January 10, 2012, the official decree lifting the ban on frozen or chilled poultry was published.

Since 2003, Kuwaiti Customs banned imports of ruminant animals, including domestic cattle, bison, buffaloes, camels, llamas, giraffes, deer, pronghorns, antelopes, sheep, and goats. Specifically, live cattle from Alabama have been banned since 2006.

Customs

The import clearance process in Kuwait has historically been time-consuming, requiring extensive paperwork and involving numerous redundancies. In 2010, the Ministry of Commerce and Industry formed a separate committee to focus on trade facilitation and streamlining required paperwork. In September 2011, this committee submitted a proposal to the Kuwaiti Cabinet Council to establish a one-stop shop that would facilitate the issuance of commercial licenses and streamline required documentation. The proposal is pending review by the council and no timeline has been established for its completion.

GOVERNMENT PROCUREMENT

Kuwait's government procurement policies require the purchase of local products, where available, and prescribe a 10 percent price advantage for local firms in government procurement.

Procurement by the Kuwaiti government and its agencies is regulated by Law No. 37 of 1964 concerning Public Tenders, in which any procurement made by the Kuwait government with a value in excess of KD5,000 (approximately $18,000) must be conducted through the Central Tenders Committee.

Kuwait is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Kuwait was listed on the Watch List in the 2011 Special 301 Report. The United States welcomes continued progress on enforcement against copyright piracy and trademark counterfeiting. However, there are areas of intellectual property rights (IPR) protection and enforcement that continue to represent barriers to U.S. exports and investment. Key issues cited in the report include the lack of deterrent criminal penalties and excessive delays in the enactment of key pieces of IPR-related legislation, which have been pending for years. The draft law is currently under review. The United States provided comments on the most recent version of the draft law in September 2011 and continues to encourage Kuwait to pass the necessary IPR-related legislation and improve its enforcement efforts.

The six Member States of the GCC are working to harmonize their IP regimes. In connection with that effort, the GCC recently approved a common trademark law. Each Member State is expected to adopt that law. The United States has established a dialogue with GCC technical experts to discuss this law and other Customs Union efforts regarding IPR.

SERVICES BARRIERS

Banking

Foreign banks are restricted to opening only one branch, offering investment banking services only, and are prohibited from competing in the retail banking sector. Furthermore, foreign banks are subject to a maximum credit concentration equivalent of less than half the limit of the largest local bank and are expressly prohibited from directing clients to borrow from external branches of their bank or taking any other measures to facilitate such borrowing.

INVESTMENT BARRIERS

Major barriers to foreign investment in Kuwait include regulations that limit the foreign participation in the petroleum and real estate sectors; long bureaucratic delays associated with starting new enterprises; and obstacles created by a business culture heavily influenced by clan and family relationships.

OTHER BARRIERS

Corporate Tax Policies

Arbitrary tax assessments are a continuing complaint of foreign companies operating in Kuwait. In 2005, a number of foreign corporations with local distributors received income tax bills from Kuwaiti tax authorities, even though these companies had no direct commercial presence in Kuwait. Some of these companies have challenged the tax bills in court, and others are working with the U.S. and Kuwaiti governments to seek a legislative or regulatory solution.