



# Doing Business in Kuwait

**The Gulf region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) has experienced high economic growth in recent decades, due largely to their vast oil and gas reserves. Trade between the Netherlands and the Gulf States has increased remarkably and Dutch businesses have built up an excellent reputation. In 2016, the export of goods from the Netherlands to the Gulf reached €6.4 billion. Diversification efforts in the Gulf countries – aimed at reducing dependence on oil and gas and increasing the share of the private sector in the economy – offer new opportunities for Dutch companies in the areas of agriculture and horticulture, (renewable) energy, transport and logistics, aviation and health care.**

Kuwait is a small and rich desert country with the world's sixth largest reserves. Petroleum accounts for nearly half of the GDP, almost all of Kuwait's export revenues and the vast majority of government income. Since the discovery of oil in Kuwait in the 1930's, Kuwait's economy has seen unprecedented growth being the sixth richest country in the world based on its GDP per capita. Like other countries in the GCC region, Kuwait is looking for opportunities to diversify its economy.

Trade is key to Kuwait's economy. The economy benefits from high levels of openness to global commerce and monetary stability. The Kuwaiti dinar is the highest-valued currency unit in the world, and there is no taxation on personal income.

In order to do business in Kuwait, it is important to have strong and sustainable relations build on trust. Therefore, face to face meetings are required. It is rather a challenge to cut the red tape in this business environment, but Kuwait has a lot to offer as

well. Altogether, Kuwait ranks 102th on the World Bank's Ease of Doing Business ranking.

## Priority Sectors

### Oil and Gas

The Kuwait oil and gas sector is the most important sector for the OPEC country. Oil comprises around 95% of the exports in Kuwait, accounts for nearly half of its gross domestic product, and comprises approximately 90% of the government revenue.

Although Kuwait does not allow private investments in this sector, there are still many opportunities including, but not limited to, consulting services, Engineering Procurement and Construction (EPC) services, refining technologies, and environmental advise and control. The demand for external

knowledge is expected to rise, since Kuwait will increase its oil and gas production capacity over the next ten years.

### Water

In general, Kuwait has a low availability of natural fresh water and there is a great need to preserve fresh water reserves. There is a high need to shift to modern techniques of irrigation and water conservation. Dutch technology and expertise can offer solutions to Kuwait's water challenges through innovative research and integrated water solutions.

Like most of its GCC neighbours, Kuwait has seen a dramatic increase in water consumption over the last few years and the country needs to address this issue to meet its economic growth and the rapid growth of urbanization and industrialization.

In order to meet the country's potable water demand, Kuwait relies on the capacity of its numerous seawater desalination units located on the Arabian Gulf coast and on fresh water importation.

Main challenges:

- Meeting the ever increasing development needs;
- Modernization of desalination industry;
- Improving water utilization efficiency;
- Securing a water strategic reserve;
- Environmental challenges.



### Health Care

Kuwait's health care sector is a 'booming business'. The Kuwaiti government is currently investing €9,8 billion in health care projects. The government aims to broaden public-private partnerships, reduce medical tourism abroad, counter the large numbers of obesity and the challenges caused by the demographic expansion. The healthcare sector is expected to grow rapidly (the private healthcare market alone is estimated to grow by 15-20% in the coming years), providing opportunities for private and foreign investors.

### Agriculture

Kuwait has a challenging agricultural sector. Due to the dry and hot climate combined with a severe lack of arable land (less than 1% of its surface) and water resources, only limited agriculture is possible in the small Gulf state. Because of these challenges there is a high need in Kuwait to shift to modern and appropriate agricultural techniques to develop its landscape. As the Dutch are leaders in agricultural innovation, interesting opportunities for Dutch companies could arise in this context.

## Do's and don'ts in Kuwait

### Agencies

Only Kuwaiti individuals or firms may act as commercial agents in Kuwait. Foreign individuals or firms, except for GCC nationals, are not allowed to carry on commercial activities in the country without a commercial agent. The only entity that can be registered in Kuwait is a Kuwaiti company acting as agent or sponsor through the medium of an agency agreement. Therefore it is important to:

- Invest in close, personal relations.
- Stay in close contact with your agent, especially if you want to visit the country.
- Stick to your agent once you have set up documentation of registration. Your agent is exclusive within the Ministry of Interior and his name is on the file.
- Request your agent to set up meetings with the individual departments you wish to deal with.
- Inform your agent of any changes to your product or contractual details.
- Ensure that your agent is kept fully aware of delivery details; send him all copies of the Airway Bills (AWB) and Bills of Lading.
- Be prepared to extend your visits since appointments are often changed.

## Challenges

Kuwait has a lot to offer, but the business environment is complex. Good preparations and a well understanding of the main challenges will definitely contribute to doing business successfully.

Be aware of the following challenges:

- To set up a business in Kuwait requires some efforts (see commercial agency law).
- Do not include invoices with the delivered goods.
- Be aware of the bureaucracy.
- Be aware of a certain hierarchy in the system.
- Extreme temperatures up to >50 degrees.

## How can we support your business?

### Commercial Agency Law

Kuwait's Commercial Agency Law is used in practice to regulate **commercial agents, distributors and service agents or sponsors**. First, **commercial agents** are the representatives of a foreign business in Kuwait. The commercial agent negotiates on behalf of, possibly concludes deals, and carries them out. Second, **distributors** promote, import, and distribute products of foreign companies on their own. Finally, foreign companies are required to appoint **service agents or sponsors** in case they wish to carry out government contracts (Article 24 Law of Commerce, No. 68 of 1980). The agency or sponsorship agreement between the Kuwaiti and the foreign company must be registered with the Ministry of Commerce and Industry. All new agencies or sponsorship agreements are published weekly in the Government's official Gazette Al Yawn, an Arabic publication widely translated in English and available commercially. Registration of an agency should not take more than two weeks from the time the documents are prepared in Arabic. An agreement will normally contain a description of what the responsibilities of either party are: the activities to be undertaken, the scope of the agent's authority, the remuneration, and the duration of the agency (if limited). The reliability of an agent is often based on legal advice. Similar legal advice is required on the extent to which a principal is legally bound. It is important to redefine the responsibilities and obligations of both parties even though those obligations are already included in Commercial Law. The remuneration of the agent is a matter of agreement between him and his principal. Often, the agent is paid either a fixed fee or a commission. If an agency agreement is terminated by the principal, it may become necessary to compensate the agent. To terminate an agency or distributor agreement can be a costly matter.

## Embassy & RVO

### General Information

The Netherlands embassy is the official representation of the Kingdom in the Netherlands abroad. As embassy, we are pleased to assist Dutch companies in their businesses in Kuwait. The Netherlands embassy is there to provide information, answer questions, look for opportunities, and local diplomatic support.

Netherlands Enterprise Agency (RVO.nl) encourages entrepreneurs in sustainable, agrarian, innovative and international business. It helps with grants, finding business partners, know-how and compliance with laws and regulations.

### Market Business Scans

The Netherlands embassy and RVO together collect information about the Kuwaiti market, which they present in a so called business partner scan for Dutch companies that are interested in doing business in Kuwait.

Business scans include information about the Kuwaiti market, trends, potential importers, and distributors. The senior economic policy officer of the Netherlands embassy collects this information through meetings with experts working in the particular sector.



## Relevant Contacts

Netherlands Embassy in Kuwait:

[www.netherlandsworldwide.nl/countries/kuwait](http://www.netherlandsworldwide.nl/countries/kuwait)

Kuwait Embassy in The Hague: [www.rijksoverheid.nl](http://www.rijksoverheid.nl)

Netherlands Enterprise Agency (RVO): [www.rvo.nl](http://www.rvo.nl)

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|-------------------------------------|---|
| <b>Official name</b>                | State of Kuwait   |
| <b>Government type</b>              | Constitutional Emirate  |
| <b>Population</b>                   | 4.1 million, 30.9% Kuwaiti, 20.8% other Arab, 48% Asian, other 1% (2015 est.) |
| <b>Area</b>                         | West-Asia   |
| <b>Time difference</b>              | GMT +3  |
| <b>Currency</b>                     | Kuwaiti Dinar<br>1 EUR = 0,36 KWD   |
| <b>GDP growth rate</b>              | 2,4%  |
| <b>GDP per capita</b>               | \$114,041 billion (WB, 2015)  |
| <b>Trade volume</b>                 | Imp. \$33.3 bln. Exp. \$52,3 bln.   |
| <b>Inflation</b>                    | 1,3%  |
| <b>Income level</b>                 | High income   |
| <b>Global Competitiveness Index</b> | 38 (out of 138)   |
| <b>Ease of Doing Business</b>       | 102 (out of 190)  |
| <b>Global Corruption Index</b>      | 75 (out of 176)   |
| <b>Main trading partners</b>        | Exp. KOR, CHN, JPN<br>Imp. CHN, UAE, US                                       |
| <b>Major exports</b>                | Petroleum   |
| <b>Major imports</b>                | Cars  |
| <b>Netherlands FDI in Kuwait</b>    | EUR 84137.00  |
| <b>Netherlands – Kuwait trade</b>   | EUR 561.686.000   |

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