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**Macro-level Market Analysis of Kuwait**

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**ABSTRACT**

<b>CENTRAL OSTROBOTHNIA UNIVERSITY OF APPLIED SCIENCES</b>	<b>Date</b>  January 2013	<b>Author</b>  Dmitry Doronin
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<p>The author has conducted analysis of Kuwaiti market conditions for the potential market entry of the associated company Cannus oy. The analysis was based on macro-level overlook on Kuwaiti political issues, its economy, social structure, technological and geographical features, and legislative environment.</p> <p>The information was gathered from local and international media sources, related documents produced by international organizations, such as World Health Organization, International Monetary Fund, Central Intelligence Agency and World Bank, as well as from academic researchers.</p> <p>The outcome can be used for further strategic and tactical planning of market penetration in certain industries.</p>		
<b>Key Words</b>  ECONOMY, LEGISLATION, KUWAIT, MARKET, STATISTICS		

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## INTRODUCTION

The structure of the document is based on PESTEL analysis. The research tool was developed in the late 60's in order to simplify and systemize investigation of business-environment for strategic planning. PESTEL is an acronym, which refers to the 6 sides of the analysis – political, economic, social, technological, environmental, and legislative.

In this document, political factors cover the issues about governmental structure, trends in inner and foreign policy that can affect business activities. There is also information about health care and judicial systems. Economic side refers to monetary and fiscal policies and conditions of the country. The section exposes the level of the country's inflation, its Gross Domestic Product (GDP), diversification of industries, and future plans of the governmental regarding economic policy. The part about society refers to demographics and social structure of the population. Moreover, there are details related to ethics and business culture, attitudes towards work and leisure time activities. The part about technological factors revives such issues as development level of transportation and telecommunication industries. And the part about environment is about climate and weather conditions in Kuwait. Finally, there is a section regarding legislative factors having influence on businesses.

In the final section there is a conclusion underlining opportunities of Kuwait market and the difficulties one can meet while entering the business environment in the country.

## 1 OVERVIEW OF KUWAITI GOVERNMENT AND POLITICS

This chapter contains information about Kuwaiti system of government, short description of powers affecting the country's life and relationships with other nations on the globe. The overview is based on the current state and mid-term forecasted trends. A new market entry supposes detailed analysis of how politics affect business in a country. Is there high risk of nationalization or raider seizure? What kinds of international laws and organizations are accepted and have influence? What are possible trends that will have an effect on businesses?

### 1.1 Kuwaiti government system

Kuwait is a constitutional monarchy, whose head is Emir. The status of Emir is given by heritage from the previous one, and the current dynasty had started its rule from 1752. Although Kuwait claims itself as a democracy, it is not totally true - Prime Minister and the most of cabinet ministers are appointed by the Emir, and, in the most cases, originate from the ruling family. Often, Prime Minister is a crown prince, who is to be selected by the royal family from direct descendants of the Emir.

Then, there is a National Assembly – an elected body, which consists of 50 members to be elected from 5 districts (10 from each). Participation in election is allowed to the native (or naturalized for more than 20 years) Kuwaiti, both man and woman, from 21 years old. The function of the Assembly is to create laws to be approved by the Emir. In fact, the size of the Assembly is bigger since cabinet ministers, maximum in the number of 16, are also attending to the meetings. The lifetime of the National Assembly is four years, however, the Emir has a constitutional right to dissolve it. Moreover, the Assembly has a right to reject choice of the royal family in the matter of crown prince, and in exchange offer three other candidates from the direct descendants of the Emir.

Kuwaiti government doesn't recognize political parties and most of the members of parliament are pro-government independents, but de facto there are several political parties:

1. Islamic Salafi Alliance. The strongest political bloc representing Sunni Islamists. The main aim is to enforce Sharia law within the country and stop further woman empowerment. 10 seats.
2. The Islamic Constitutional Movement. Sunni Islamists having 4 seats. They have basically the same aim as Salafi.
3. National Islamic Alliance. Shia Islamists having only 2 seats. Kuwaiti population consists of 30% of Shia Muslims, but ruling Sunni government is heavily repressing them. For example, in the beginning of summer 2012 a Shia man was imprisoned for 10 years for mocking Sunni in Tweeter. (Ibtimes.com, international business media portal)
4. Popular Action Bloc. 5-seats bloc working on pushing populist laws for housing, salary rise, and so on.
5. National Democratic Alliance (NDA). Right-centric bloc having 2 seats. NDA has its own TV channels and newspaper Al-Jarida.
6. Justice and Peace Alliance. A moderate Shia bloc having only 1 seat. Being Shia, they are still against Iran and radical Shia's Hezbollah.

Kuwait officially recognizes civil law (code law), but influence of Sharia is big in personal matters. Each administrative district has a summary court, composed of one or more divisions, dealing with civil and commercial matters. Then, there is a tribunal of the first instance taking care of personal status issues, criminal, commercial, except those of religious nature and issues over 1000 KD ( ~2800 EUR). The high court of appeals is divided into two chambers – one is dealing with criminal and commercial cases, and the second one is to solve civil and personal status problems. Religious courts decide family matters, however, there is no Shia court of appeal, and so unsatisfied ones should appeal to Sunni court of appeal.

The Emir is the one who assigns judges to courts with the help of Ministry of Justice. Moreover, he has a constitutional right to pardon or commute sentences. Kuwait doesn't accept International Court of Justice jurisdiction.

## 1.2 Recent and actual trends and issues in inner politics of Kuwait

Being the most liberal and moderate society in the region, Kuwait is still seen as conservative from the Western point of view. And thus, the most of contradictions arise in relation to these matters.

In the begging of May 2012 National Assembly has shown 31 votes in favor of Sharia law introduction “as the only source” of legislation within the country. The actual article 79 of Kuwaiti constitution reads Sharia as just a “major” source of legislation. Nevertheless, any change of constitution requires the Emir’s approve, so the idea was [rejected](#). (Reuters.com)

As it was written above, 30% of Kuwait population are discriminated on the basis of religion. Sunni government is making lots of obstacles for Shia people. Extra checking at an airport, freedom of speech towards Sunni, absence of Shia court of appeal, restriction of Shia propaganda – that is just incomplete list of those. And the level of penalty differs from stripping of Kuwaiti citizenship till death sentence.

Kuwaiti parliament is appearing to be the strongest in the region until there is a contradiction with the royal family. And so for the last six years National Assembly was dissolved 5 times, and last one was on the 20<sup>th</sup> of June 2012. Every new parliament is questioning the members of royal family for [corruption](#), but since Al Sabah family is strong enough, the outcome is obvious. (The Economist). But situation is not that clear, because there is internal conflict in the ruling family, as experts believe, and rising dissatisfaction among people, influenced by the Arab Spring. There is an [opinion](#) that Kuwait cannot keep status quo for any longer and that there are two ways the situation can go – absolute monarchy with lots of repressions and democratic (e.i. islamistic, since islamist are getting more and more votes) society shaped and shackled by reforms. (kuwaittimes.net, local media portal)

Another issue provoking activity of the opposition is the number of electoral districts – in 2006, the National Assembly had decided to decrease the number till 5 from 25. So before there were only two members of parliament from each of 25 districts what was showing better diversification and was fairer in opinion of some opposition activists.



### 1.3 Recent and actual issues in foreign affairs

Kuwaiti Ministry of Foreign Affairs (MoFA) set priority of Kuwaiti international relations in three steps:

1. Gulf Cooperation Council. MoFA of Kuwait is to contribute the most of its efforts to build strong economic and political ties with the neighboring Gulf countries.
2. Middle East. Cooperation with other Arab countries in order to resolve Israeli-Palestinian conflict and to establish sovereign Palestinian state and to free the region from weapon of mass destruction.
3. Internationally. Support international community in the ultimate aim to achieve safety and wellbeing of the mankind.

Kuwait has outstanding relations with almost all Middle East nations except Iran and Israel. Shia Iranian government has an aim to kick Al Sabah family off, and the problem with Israel is common for a Muslim country – Palestine. 20 years after the Gulf War, the Emirate was able to build good relations with former enemies, such as Jordan and Yemen.

Internationally, Kuwait has good ties with almost all countries, except only Denmark, due to the story with Mohammad cartoon. The best relations are with the USA as military supporter and excellent trade partner. Apart of GCC, Kuwaiti main trade and political partner in the Middle East is Turkey (by the way, Kuwait was a part of Ottoman Empire in the past). And to be mentioned, China and India are the main oil importers of Kuwait, so the political bonds are tight.

Kuwait is a member of Gulf Cooperation Council (GCC), established in 1981. At the moment GCC is a common market and custom and border union. The current plan is to create a confederation, which is strongly backed by Saudi Arabia, since the total population of the GCC is 42 million, and Saudi Arabia is counted for nearly 75% of it. However, the plan is [vital](#), because of the political unrest in the region due to Arab Spring and Iran empowerment. Moreover, there are three potential new members of GCC – Jordan, Yemen, and Morocco. (arabtimes.com, Arab media portal)

The Council is planning quite a long time to implement a common currency – the first planned date was the 30<sup>th</sup> of March 2010, but because of Oman and UAE inability to meet proposed monetary and fiscal criteria, the plan postponed. Deeper overview of the GCC monetary union will be presented in the economic analysis.

#### 1.4 Health Care System in Kuwait

All the Kuwaiti citizens are granted with free health care services in public clinics and hospitals. Currently, Kuwait is investing a relatively low amount of money into healthcare in comparison to other Gulf countries – around 1.7% (2010) of Gross Domestic Product (GDP), while United Arab Emirates (UAE) have 2.7% and Saudi Arabia 3.4%. However, the lack of investment is not so dramatic, since Kuwaiti people are relatively young (average age is 28.5 years) and don't need the same amount of medical services as people in Europe or Japan.

Nevertheless, the Kuwaiti government is to introduce a privately-owned medical [insurance](#) company, which will take care about approaching gap between public services supply and population demand. Non-citizens will be also allowed to purchase such insurance. In this move Kuwait is seen as transforming its healthcare system based on welfare into a “healthcare business”. Moreover, introduction of such a body will increase overall quality of medical services, which are said to be below desired level due to usual mismanagement in a public entity. (globalinsurance.com, international media portal regarding insurance news)

The public healthcare sector is covering about 80% of total medical services in the country, but it is lacking preventive measures for obesity, which is becoming an increasingly huge problem for the Kuwaiti population. But there are several private bariatric surgeons performing stomach-stapling procedures and amount of patients is extremely high. For instance, in year 2011 there were about 5000 operations performed in Kuwait, comparing with 3000 in Canada, which has 30 times bigger population.

## 2 OVERVIEW OF KUWAITI ECONOMY

Kuwait has a small, wealthy, and relatively open economy, which is experiencing nearly constant growth since the Gulf War. The main source of Kuwaiti income is crude oil, which composes about 95% of the country export and government income. That fact imposes high risk of economy vulnerability in a case of low oil prices, but the trend is seen quite stable, since main Kuwaiti oil importers are booming [economies](#) of China, South Korea, and India. Geographically small country of Kuwait has 9% of total world oil deposits and holds the 5<sup>th</sup> place in Organization for Petrol Exporting Countries (OPEC) in amount of oil production after Saudi Arabia, Iraq, Iran, and UAE. (cia.gov, portal of Central Intelligence Agency)

### 2.1 GDP of Kuwait

[Kuwaiti GDP](#) for 2010 was over \$200bn, and with adjustment to Purchasing Power Parity (PPP) around 166bn of international dollars. During the last decade the real growth was constant, with exception of 2008, and in 2011 it was accounted at 8,2%. International Monetary Fund (IMF) gives forecast for 2012 at the level of 6,6%. Kuwait has one of the highest GDP rate per capita (PPP) – 43,775 of international dollars for [2010](#). (World Economic Outlook 2012, International Monetary Fund)

A bit less than half of [Kuwaiti GDP](#) is composed by oil sector (55%) and other significant contributors to the country's non-oil economy are private sector (34,8%), public sector (32,4%), transportation and communication (15,2%), financial sector (25,5), and manufacturing (9,7%). Non-oil GDP was growing by 14% between 2004 and 2008 and by 5,7% in 2009 due to the governmental efforts in reduction of dependency on oil, and since the policy of diversification is still on, the trend seems to be stable for several years ahead. (Kuwait Economic Outlook 2011, Kuwait Projects Group KIPCO)

## 2.2 Industries and Diversification

Apart of oil extracting industry, there are oil refinery and distillation industries along with highly developed construction, shipbuilding and chemical ones. Kuwait has done a lot to build reliable supply of potable water in desert conditions – desalination plants are producing 75% of total water demand and are able to cope up with its growth. However, Kuwaiti economy is little diversified and the wealth of the country highly depends on oil prices. In the end of 80s GCC set a goal to build and develop more non-oil industries within the region, and such countries as Saudi Arabia, Qatar, UAE were able to [expand](#) tourism, banking, transportation, and finance sectors, but Kuwait is far behind from its counterparts. The country is experiencing inner political conflicts and that is why important for the nation projects are on the background. (gulfnews.com, Gulf countries news portal)

Nevertheless, in 2010 Kuwaiti government took [two initiatives](#) towards higher diversification of the economy. One of those was a bill that allows selling government property to private investors. And the second one is a monetary package of \$130bn to be spent over five years to boost foreign direct investments and private sector participation in the economy.

## 2.3 International Trade

Kuwait is highly depended on international trade, since local production capacities of consumer goods are too far to meet the demand and there are so big oil deposits to be commodificated. As it was mentioned above, the main articles of Kuwaiti export are crude oil and hydrocarbon products accounting for 95% of total Kuwaiti export. Due to high oil prices the country is constantly experiencing positive balance of trade. The biggest importers of Kuwaiti oil are mainly located in Asia – South Korea (18,3%), Japan (14,2%), India (13,4%), China (9,9%), and in USA with 8,7% share ([2011](#)). The total volume of Kuwaiti [export in 2011](#) was close to \$95bn in comparison to \$67bn in 2010 – the consequence of global economy recovery and increase of oil price. The rest 5% share of

Kuwaiti export is basically re-export of machinery and transportation equipment. (cia.gov, portal of Central Intelligence Agency)

Kuwait imports mainly from US (11.9%), India (10%), China (9.3%), Saudi Arabia (8%), South Korea (6.3%), Japan (5.9%), Germany (4.8%), and UAE (4.1%) (2011). The top priority products the country has to buy abroad are food and beverages, construction materials, clothing, and products of automotive industries. The [total volume](#) of Kuwaiti export in 2011 was close to \$22bn in comparison to \$20bn in 2010. Kuwait has the [highest](#) per capita import rate among other countries due to large government project undertakings and high private consumption demand. (cia.gov, portal of Central Intelligence Agency; globaltrade.net, provider of services related to international shipping and trading)

## 2.4 Kuwaiti Outflow and Inflow of Capital

***Foreign Direct Investment (FDI)** - Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy (“direct investor”) in an entity resident in an economy other than that of the investor (“direct investment enterprise”). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated. (Organization of Economic Co-operation and Development, 1999)*

Most of the time, Kuwait has [positive inflow](#) of (FDI), as recorded last time in 2009. Among other GCC countries, Kuwait is far behind in terms of foreign capital inflow – in 2008 Kuwait has attracted just [\\$81ml of FDI](#), while Saudi Arabia and Qatar attracted \$28bn and \$5.5bn respectively. Majorly, Kuwait is investing capital in GCC partners, and getting most of the investments from there as well. Kuwait has done not much to lead the economy from oil-sector incomes, and since oil extracting is a publicly owned business

(with some exceptions), there is not so much capital inflow seen. (globalarabnetwork.com, Arab news portal)

## 2.5 Monetary Condition of Kuwait

**Public debt** - Subject to data availability, debt refers to general government consolidated gross financial liabilities as a percentage of GDP, based on the 1993 System of National Accounts (SNA) or on the 1995 European System of Accounts (ESA). The general government sector consists of central, state and local government units together with social security funds controlled by those units. In principle, debts within and between different levels of government are consolidated. In other terms, a loan from one level of government to another represents both an asset for the first level and a liability for the second, and they cancel out for the general government sector as a whole (i.e. are “consolidated”). The SNA/ESA definition differs from the definition of debt applied under the Maastricht Treaty. First, gross debt according to the Maastricht definition excludes trade credits and advances, as well as shares and insurance technical reserves. Second, government debt according to the Maastricht definition is valued at face (i.e. at issue prices) rather than market value as required by the SNA93. The United States and Canada also value government bonds at their face value. (OECD factbook 2011-2012)

**Government (Sovereign) Bond** - A debt security issued by a national government within a given country and denominated in a foreign currency. The foreign currency used will most likely be a hard currency, and may represent significantly more risk to the bondholder. (Investopedia.com, online portal of economic definitions)

After the Gulf War Kuwait had huge public debt almost equal to double government GDP, but after 20 years of positive balance of payment the country has public debt equal to 6,8% of GDP (2011). Currently Kuwait has owed a bit more than \$10bn what can be distributed by \$2,600 among whole country’s population. On the 6<sup>th</sup> of March 2012 Kuwaiti Treasure has decreased the [yield of its one-year bonds](#) till 1,25% per annum, what is considered to be relatively low rate. Credit rating agency Fitch has [approved](#) Kuwaiti rating for

government bonds at the level “AA” in the beginning of August 2012. Other credit agencies such as S&P and Moody’s keep their outlook at nearly same level. (cia.gov, portal of Central Intelligence Agency; Reuters.com, international news portal; arabianbusiness.com, news portal for Arab business)

Fitch has also found out total foreign assets kept by Kuwait - \$320bn, what is nearly equal to double country GDP. And [according](#) to the World Bank, the country’s net foreign assets are equal to over \$11bn. Foreign assets do also include foreign exchange reserves which are equal to \$26bn for [Kuwait](#). (cia.gov, portal of Central Intelligence Agency)

Prior to the Great Recession Kuwaiti [central bank](#) had a discount rate up to 6,25%, but the crisis has pushed Central Bank (CB) to decrease it, so at the moment Kuwaiti CB has the discount rate equal to 2,5%. All the currencies in the Gulf region are tied to US dollar, except Kuwaiti dinar, which is pegged to undisclosed basket of currencies, what results by different indicators of inflation. For an instance, there was 5,6% [inflation](#) in 2011 mainly driven by increase in food consumer purchase index, which is the second biggest in Kuwaiti consumer basket having 18% share. During the crisis all GCC countries used to have double digits inflation growth, but comprehensive monetary and fiscal policies allowed nations to diminish price rocketing. (cia.gov, portal of Central Intelligence Agency; gecodia.com, web-portal of economic data)

Kuwaiti dinar is the most valued currency in the world – the average price of it during 2012 was above 3,5 USD and around 2,8 EUR.

## 2.6 GCC Monetary Union

***Seigniorage** - The difference between the value of money and the cost to produce it - in other words, the economic cost of producing a currency within a given economy or country. If the seigniorage is positive, then the government will make an economic profit; a negative seigniorage will result in an economic loss.* (investopedia.com, online portal of economic definitions)

One of the main aims of GCC creation in early 80s was the introduction of a common currency and the unification of fiscal and monetary policies between the countries. For 30 years the plan wasn't implemented because of different external and internal obstacles the Council has faced, but still the plan is alive and getting even more in demand. The [research paper](#) made by Arab Center for Research & Policy Studies extensively shows the importance of the monetary union adopting and potential costs of not implementing. For instance, some reasons are:

- a. GCC countries are pegging their currencies to US dollar (Kuwait is pegging to a basket of currencies dominated by US dollar), and since USA are losing their strong position in the world economy (USA had around 50% of world GDP in 1945 and only nearly 20% prior to the Great Recession), the link is seemed to be less and less suitable. But the problem is that nowadays there is not defined alternative for American dollar, so the Gulf countries should make their currencies totally convertible. But at the moment, the economies are not strong enough to do the step, so the only way is to unite their fiscal and monetary institutions.
- b. With the implementation of common currency, the Gulf countries will get a stronger tool to fight with inflation, so the prices will be more stable.
- c. United economies will have bigger weight in global arena of politics and economy, so bigger benefits can be achieved by stronger bargain power.
- d. And according to the theory of optimal currency area (OCA) such benefits of common currency are to be gotten – boom in internal trade, more business within the area (less risk of currency fluctuations), higher level of tourism between the countries.
- e. By implementing monetary union GCC countries can transform its common currency into hard reserve currency for other nations. That will give extra income from seigniorage.

However, there is still a long way to go, but Gulf economists got a big luck to learn a lot from European Monetary Union and the problems what can happen to a common currency. (Alkhater, 2012)



### 3 SOCIAL ANALYSIS OF KUWAIT

Social factors are the most crucial issues of any market research, since they do describe people who form the market. The chapter includes an overview of Kuwaiti demographics, social structure, religion and related issues over it, people's lifestyle, and attitudes towards working life. The overlook should give a frame for understanding of conditions an entering company will have to work in.

#### 3.1 Demographics

There are 2.7ml people living in the country, including 1.3ml of non-Kuwaiti citizens and additional [900 thousands temporary](#) workers, including those with incorrect visas. After the exploration of oil, the population of Kuwait increased dramatically – through the 20<sup>th</sup> century population [doubled](#) almost 50 times, and native population doubled 35 times. The country is highly attractive for immigrants because of welfare economy and high salaries. Most of the immigrants are coming from South-East Asia and India, for an instance, there are more than half million Indians living Kuwait (21% of total population), 144 thousand Filipinos, 40 thousand Nepalese. Immigrants are mainly working in private sector, while native Kuwaitis are occupied in public sector. (telegraph.co.uk, UK media portal; looklex.com, Norway-based media portal about MENA region)

There is some statistics on Kuwaiti demographics from [CIA fact book](#) (temporary workers are not included in the statistics):

TABLE 1. Demographical statistic of Kuwait (Central Intelligence Agency, Fact Book)

Religion	85% are Muslims (70% Sunni and 30% Shia), the rest 15% are Hindu, Christian, Parsi, and so on
Language	Arabic is main language, but English is widely used. Then, there are Kurdish, Hindi, and Filipino.
Literacy rate (2005)	One of the highest in Middle East and North Africa (MENA) region – 93,3%. 91% for female and 94,4% for male
Average age (2012)	One of the highest in MENA region – 28,5 years. 26,4 for female and 29,9 for male.
Age structure (2011)	0-14: 25,8% (348,816 male and 321,565 female) 14-64: 72,2% (1,153,433 male and 720,392 female) Over 64: 2% (25,443 male and 25,979 female)
Population growth rate (2012)	1,883%
Death rate (2012)	2,13 people for 1000 people
Urbanization (2010)	98% (mainly Kuwait-city)
Life expectancy at birth (2012)	76,09 for male and 78,51 for female
Birth rate (2012)	20,96 children per 1000 people

### 3.2 Social Stratification

Kuwait has a drastic [social structure](#) based on wealth and heredity. On the top of the social scale there is the ruling family Al Sabah. Then there are old Kuwaiti merchant families, followed by former desert Bedouins and Arabs from other countries. At the bottom of the hierarchy there are foreigners. The sharp contrast of the classes can be easily exposed from comparison of wealthy native Kuwaiti and extraordinary poor immigrants with limited rights. Moreover, social mobility is much inactive because of the cultural heritage, clannishness, and government initiatives. However, it is still possible to go upward by marriage, for example. (everyculture.com, web-portal regarding world cultures)

### 3.3 The Woman in Kuwait

Of course, it is not possible to say that women in Kuwait are enjoying the same level of freedom as ones in West, but still, they are not so much powerless as women in some radically islamistic countries, such as Saudi Arabia. Women in Kuwait have right to work, to own property, to have passport without permission of their male guards, to drive car, to move within the country and abroad, to vote, and to be elected – basically everything what is allowed to males.

But still, there is strong glass ceiling towards females in Kuwait. There are 40% of woman are employed mostly in social services, clerical positions, and health care – very few keep managerial positions and hold own businesses. However, each election to the [National Assembly](#) few women are often to be elected. And, as anywhere else, globalization applies certain influence – younger ladies more often wear western style clothing instead of traditional black hijabs.

One of the main problems of Kuwaiti women is violence in family – there is no governmental or non-governmental body recording all the issues, and very few wives report to police about inappropriate behavior of their husbands, out of fear of shame. In the case of a marriage, a woman has to get permission from her family to engage with a man, however in Shia families the restriction is up only till the age of 25. Moreover, Kuwaiti woman can have only one husband, while a man can have up to four wives. An interesting fact is that a traditional Kuwaiti house is arranged in such a way, that the woman has a special passage, which allows her not to be seen by a man. (everyculture.com, web-portal regarding world cultures)

A noteworthy data is that 70% of Kuwaiti students are [actually female](#).

### 3.4 Leisure Time

As Kuwait is an Islamic country, there is total ban for selling and consumption of alcohol, so there is no night clubs and bars in the country. People are proud that they can enjoy their

free-time without alcohol. For centuries Kuwaiti population was living in the desert and just past 50 years after exploration of oil people got urbanized, but still they like to [go camping to desert](#), hunt there, smoke shisha, ride buggies, and so on. Presence of warm Persian Gulf allows people to enjoy beautiful beaches by fishing, swimming, and water skiing. Two most widely played sports are soccer and golf. (Britannica.com, online version of the encyclopedia)

Food is a very important part of Kuwaiti culture. [Usually](#), lunch time is around 3pm and dinner is at 10pm. The most popular traditional dish is specially spiced rice covered with shrimps, beef, or chicken, but it is possible to find any kind of restaurants in the city ranging from extra luxurious till affordable for poor immigrants. An interesting fact, that all the restaurants, even fast-food chains such as “Burger King” offer [home-delivery](#). Every dinner is gathering all family members, so it is also a way of socialization. (expatwomen.com, online portal for expat women in Gulf region)

One more way of socialization in Kuwait is so called [diwaniyahs](#) – men gathering in a special part of a house for talking about daily-life, culture, and politics while taking famous Arabic coffee or tea. That kind of meetings are not so common in the Middle East, since expressing opinion about actual government is forbidden in many countries. So it shows Kuwaiti success in implementation of democracy.

### 3.5 Obesity Factor

During the Gulf War thousands of American troops were stationed in Kuwait spreading influence of fast-food culture. Kuwaitis did like it so much that after American withdrawal from Kuwait, big fast-food restaurants chains still stayed in the country to serve the local demand. Local climate has its own impact – 8 months a year the weather is too hot for any outside activity – that can be seen from number of Mosques, which is so high to not make people walk too far. The result is shocking – for twenty years Kuwaitis became the second fattest nation in world after Americans. For an instance, only 12% of Kuwaitis have Body-Mass Index below 25 (ideal is from 18,5 to 25).

However, it is not outstanding to be fat in Kuwait, many people fight with obesity with help of stomach stapling surgery – operations, that just decrease stomach size to don't make people want to eat too much. Moreover, obesity averting businesses are being activated in Kuwait as well – special low-calories restaurant and food-delivery chains, gyms and fitness clubs, health boarding houses, and so on are now to attract their clients. (businessweek.com, business media source)

### 3.6 Facebook Statistics

The info is gathered from [Socialbakers.com](http://socialbakers.com) and [Allfacebookstats.com](http://allfacebookstats.com).

TABLE 2. Facebook statistics. (socialbakers.com, web-service for social networks analytics; allfacebookstats.com, web-portal for Facebook statistics)

Total active Facebook users	806,800
Penetration of population	28,93%
Penetration of online population	73,35%
Male\female ratio	51% male and 49% female
Age structure	13-17: 34,860 male and 31,640 female 18-24: 95,720 male and 64,880 female 25-34: 238,500 male and 115,300 female 35-44: 102,880 male and 44,420 female 45-55: 34,280 male and 13,420 female Over 55: 14,800 male and 6,820 female

### 3.7 Etiquette and Business Culture in Kuwait

#### *Greetings*

- A men meeting is usually starts with handshake or kiss on each cheek.
- That is also true for women meetings.
- But when a man meets a woman the style of greeting depends on level of religiousness and ranges from one's nod to other direction to a kiss on each cheek.
- Greetings can often include a small talk about family, health, mutual friends, and so on.

#### *Communication*

- Many of Kuwaitis were studying in the USA or in Europe, so they are familiar with Western style.
- Often people will avoid saying “no” directly.
- Touching and small private place while talking is common in Kuwait, unless it is about business or intersex communication.
- Eye contact is acceptable, however there are some limits in a case of intersexual conversation, so it is better to follow your counterpart.
- It is not clever to say anything bad about the host country
- Knowing and using couple of phrases in Arabic is a plus

### *Titling*

- Most people have some titles and it is polite to use those
- It is not polite to use only first name, until it is officially invited to drop the titles.
- It is common to use “mister” or “miss/missis” and “sheikh” for old men.

### *Dress*

- For men it is important to wear conservative, light weight, good quality suits at least for the first meeting.
- Women should take care about moral norms that require wearing that cover knees, elbows, and fasten on neck.
- It is better to avoid overly expensive accessories.

### *Gifting*

- Gifts are not opened when received, and later thank (for example by e-mail) is expected
- Alcohol presents are not possible
- If one is invited to a home, he/she should bring some small presents, such as chocolate.
- It is common to gift people in exchange of their help
- If a man makes present to a woman he should say that it is from his mother\wife\sister.
- 10%-15% tips in restaurants are common

### *Taboos*

- It is rude to show bottoms of your shoes or to move anything with your feet.
- During Ramadan it is necessary to don't drink, eat, or smoke on public.
- It can be considered disrespectful to give or to accept something by left hand.
- Strong affection between genders on public is offensive
- Hostile looking and fast arm movements can be considered inappropriate.
- AOK sign means “devil eye”, so better not to show it.
- Pointing at someone by index finger is disrespectful

### *Meetings*

- Although time is flexible in Kuwait, local counterparts will expect Western partners to be exactly on time.

- Drastic social structure applies certain norms, so the most important person, “the boss” should be greeted the first.
- If it is not certain who is chairman, everyone should get equal amount of respect by greeting
- Schedules and programs are rarely followed
- Meetings can be interrupted for praying.
- Meetings are usual come to an end when the most important person stands up.

#### *Business negotiations*

- Business starts only when close enough relationships has been established
- Cards exchange is a must and one side should be printed in Arabic
- Decisions come slowly and it can be offensive to push them
- Repeating main points will indicate truth
- Proposals and contracts should be simple
- Often contracts are only in Arabic
- Many companies are family owned, so decisions are coming from the top with respect of other stakeholders.
- Answer “perhaps” is common and often means “no”
- Patience is important
- Kuwaitis judge on appearance, so it is better to look good enough
- They respect education, so if a person has a good one he\she will probably build good relationship faster.

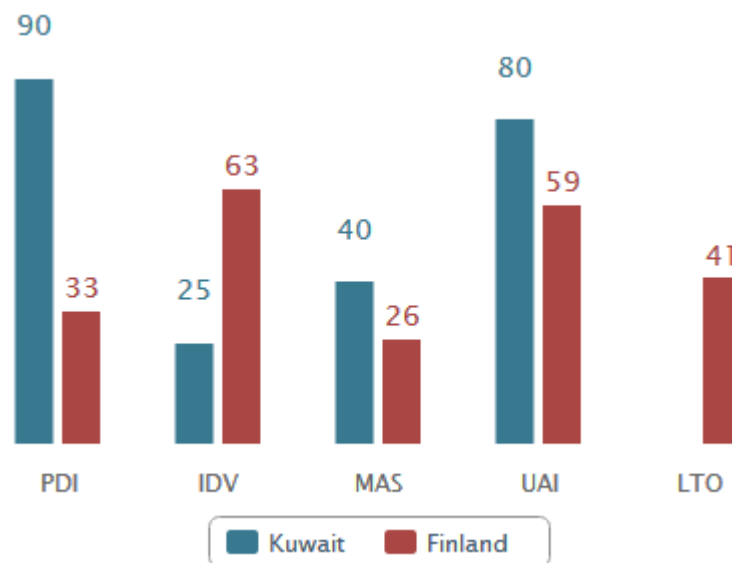
#### *Dining*

- Having a meal is the most common way of socializing in the country.
- Sometimes, men and women having a dinner separately
- It is not polite to reject offered drinks or food.
- Evening is usually over after meal is finished
- Wearing shoes is optional and it is better to do as a host does.
- Eat only by a right hand
- Honored guests are usually offered the tastiest parts.
- Leaving some food on your plate will indicate that you are full.

### **3.8 Hofstede Dimensions**

Professors [Geert Hofstede](#) has conducted a research describing cultural features effecting on workplace values. The research is based on surveys conducted in IBM in late 60’s and early 70’s, where the professor was analyzing how cultures of more than 50 nations differ from each other. Hofstede has found out the possibility to systemize the information on the basis of four dimensions, which are explained below. Since that time the research was

updated and extended. So here is combined chart showing five dimensions of culture for Finland and Kuwait.



GRAPH 1. Hofstede dimensions for Kuwait and Finland. (geert-hofstede.com)

#### *Power Distance (PDI)*

*Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.* Kuwait has very high number for that parameter, so it means that Kuwaitis prefer centralized organizational structure and their ideal boss is autocrat.

#### *Individualism (IDV)*

*The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We".* The parameter is quite low what tells that Kuwait is a collectivistic society, where personal, in-group relations are sometimes more important than law. At the same time employee and employer relations are considered in moral terms, and such things as promotions and hiring are also highly affected by personal connections.

#### *Masculinity versus Femininity (MAS)*

*The fundamental issue here is what motivates people, wanting to be the best (masculine – high score) or liking what you do (feminine – low score).* Kuwait's score is more low than



high, so it means that the society is relatively feminine. That will be seen from focus on well-being, conflict resolution by compromises and negotiations.

#### *Uncertainty Avoidance (UAI)*

*The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is defined by that score.* Kuwait has a high score on that parameter, and, according to the Hofstede characteristic, the culture is full of emotional need for rules which would maintain certain order of things and events. People main motivator for work is security and innovations may be resisted.

#### *Long Term Orientation*

*The extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view.* There is no data for Kuwait.

## 4 A TECHNOLOGICAL ANALYSIS OF KUWAIT

In the current chapter I will present two tables from CIA Factbook describing development level of transportation and communication technologies in Kuwait.

### 4.1 Transport

TABLE 4. Statistic of Kuwaiti transport infrastructure. (Central Intelligence Agency, Fact Book)

Amount of airports (2012)	7
Amount of heliports (2012)	4
Paved roadways (2004)	4,887 km
Amount of ports and terminals (2010)	5

Also, Kuwaiti government is on its way to implement a metro system with 69 stations across the country.

### 4.2 Communication

TABLE 5. Statistic of Kuwaiti communication infrastructure. (Central Intelligence Agency, Fact Book)

Telephones – main lines in use (2009)	566,300
Telephones – mobile cellular (2009)	4,4 million
Country telephone code	965
Internet country code	.kw
Internet hosts (2010)	2,730
Internet users (2009)	1,1 million

Moreover, in Kuwait there are 4 state-owned broadcasters and one satellite channel. Apart of those, in the country several private channels operate as well. Private satellite pan-Arab

broadcasters are especially popular. Also, there are several governmental radio stations in Arabic and English and one private radio channel.

Kuwait almost doesn't produce any high-technological solutions and there are no renewable energy sources in use, although some movement towards high technology development is seen.

## 5 ENVIRONMENTAL ANALYSIS OF KUWAIT

### 5.1 Climate

Kuwait has desert climate famous for its dryness and hotness, however, it is still possible to distinguish four seasons in the country:

- a. Summer is extremely hot – temperature exceeds 50 degrees. The first part of summer season lasting from the beginning of June till middle of August is extremely hot and dusty, and the second part lasting from middle of August till middle of September has very high levels of humidity – over 90%, but a bit lower temperature – above 40.
- b. Autumn. Synoptic find two months in a year to be an autumn season – October and November. Temperature is around 30 degrees and there are often thunderstorms, which make the air cooler.
- c. Winter. Winter in Kuwait is relatively cool – average temperature ranges from 10 to 20 degrees, but sometimes can fall till 0 during night time. Sky is often cloudy and there 320 mm rainfall in average. Also, fogs are usual thing for winter.
- d. Spring. Temperature ranges from 20 to 30 degrees and thunderstorms are quite common during that time. Weather changes pretty fast – in the morning it can be hot and sunny and in the evening there is heavy rain with cool winds.

## 6 LEGISLATIVE ANALYSIS OF KUWAIT

The chapter describes legislative environment of the Emirate of Kuwait from the importer point of view. The information will help to define market enter strategy and possible difficulties and opportunities which are to be met in the country while dealing business activity.

### 6.1 Market Entry Strategy

#### *Agent*

***Agent** - A person authorized to act for and under the direction of another person when dealing with third parties. The person who appoints an agent is called the principal. An agent can enter into binding agreements on the principal's behalf and may even create liability for the principal if the agent causes harm while carrying out his or her duties. Also called an attorney-in-fact. (Hill, 2009, 18)*

According to Kuwaiti Commercial Law 68 of 1980 no foreign company cannot establish a branch or do any commercial activity in the country, if not doing it a through local agent or distributor. Agents promote products or services of a principal, negotiate, and conclude on behalf of a principal in the limits of the actual contractual agreement. A distributor promotes, stocks, imports, and distributes products or services of a principal.

The contract should exactly describe products and services to be managed, defined structure of payment and contract termination, responsibilities of both parties, certain cases of compensation and terms of partnership. It is important that contract is built in accordance to Kuwaiti laws as well as to laws of the principle's country.

### *Joint Venture*

**Joint Venture** - *An activity joined into by two or more people, with common interest and level of control. The enterprise may be for profit or not. (Hill, 2009, 233)*

Joint-venture business structure is often limited in Kuwait. In most cases, Kuwaiti national, who is obligatory one side of a partnership, should have not less than 51% of total capital, and more than 60% for banks, investment and insurance companies. However, such industries as oil and gas exploration are not available for foreigners (there are few exceptions). It is necessary to apply to the Ministry of Commerce and Industry, and the documents should be complete in Arabic.

## **6.2 Import Tariffs**

**Cost, Insurance, and Freight (CIF)** - *An international trade term of sale in which, for the quoted price, the seller\exporter\manufacturer clears the goods for export and is responsible for the delivering the goods past the ship's rail at the port of shipment (not destination). (Hinkelman, 2005, 47)*

**Free on Board (FOB)** - *An international trade term of sale in which, for the quoted price, the seller\exporter\manufacturer clears the goods for export and is responsible for the cost and risks of delivering the goods past the ship's rail at the named port of shipment. FOB term is used only for ocean or inland waterway transport. (Hinkelman, 2005, 84)*

GCC countries have implemented flat 5% (CIF) tariff for most of imports, but still the nations keep right to specify import policy. For instance, Kuwait has a duty free condition for some foodstuffs, medicine, and medical equipment, while applies 100% tariff on tobacco products. The duties are to be paid in Kuwaiti Dinar (1 KWD ~ 2,8EUR).

Kuwait recognizes WTO Customs Valuation Agreement, which determines valuation methods for imported goods. The first priority way is applying of transactional value – the price that was actually paid when exported. If Kuwaiti customs don't agree with the

method, then transactional value of identical or similar goods, FOB, or CIF values can be applied.

Kuwait is a member of GCC custom union, so all the goods produced in those countries move freely across borders. The custom union accepts those goods as produced in GCC, if 40% of product value were added in these countries, and if 51% of the company capital is owned by GCC citizens.

Samples and advertising materials are duty-free for import into Kuwait, however, if the quantity is not reasonable, the normal custom duty can be charged. Exhibition materials are duty-free too. A temporary import entering into Kuwait should be exchanged for a custom bond, which will be remitted to the importer when the product leaves Kuwait – the operation is known as re-export or demonstration.

Moreover, Kuwait has a free-trade zone located in Shuwaikh Port, where exporters are free to trade, and offer services free of any duty charge.

### **6.3 Non-tariff Import Barriers**

Kuwaiti legislation requires presence of local agent, distributor or partner for any commercial activity for a foreign company within the country. Then, it is necessary to acquire license for import from Ministry of Commerce and Industry, which are valid for one year, are renewable, and allows multiply shipments. Only the local agent is able to get goods at the custom by presenting letter of representation.

Kuwaiti customs require following documentation:

- a. Commercial invoice. One original and two copies, which should contain exact description of the goods, marks and numbers, net and gross weights in metric measures, quantity, units, and information about country of origin, port, and shipping (vessel and transportation means)
- b. Certificate of origin. One original and two copies, which tells country of origin, and in the case of compound item – percentage for every country.
- c. Packing list. The document tells about every item existing in every package and should have exporter or freight forwarder stamp.

- d. Bill of landing. Three copies, containing information about name of the shipper, name and address of consignee, port of final destination, description of the goods, listing of freight and other charges, number of bill of landing in the complete set, and the acknowledgement signature that the carrier has confirmed receipt on board of the goods to be shipped. Moreover, it should have name of the importer who is obligatory Kuwaiti national.
- e. There are some special licenses and import permissions for live animals, plants, fresh and frozen meat, poultry, clothing, foodstuffs, cosmetics, pharmaceuticals, health products. Generally, those documents approve that the products are safe for use, don't contain any infections, and not toxic.

It is not allowed to import narcotics, pork, alcohol, gambling machines, and pornography into Kuwait. Explosives and firearms require special permissions.

#### **6.4 Intellectual Property (IP) Rights**

Kuwait has one of highest rates on piracy in the region, since there is no tight IP legislation in the country, and punishments are light in comparison to the West. Moreover, there is no international copyright protection, but most of countries have accepted certain international treaties about that. Kuwait is more or less aside of those. All the copyrights should be registered once more when a foreign company is making business in Kuwait, and moreover, the registration is linked to the local agent, so a company has to register once more when changing the agent.

One more challenge is the grey market. Kuwaiti prices are higher by 10%-40% than average in GCC countries, so some traders import into Kuwait without proper licenses, so licensed products are not sold at the expected level.

It is crucially important to register all the copyrights before entering onto Kuwaiti market, since local legislation cannot help exporter anyhow, if this basic step is not taken. There are several organizations for small and medium enterprises to support efforts of protecting IP rights in the country, like International Intellectual Property Alliance or International Trademark Association.



It is also essential to have trustworthy partner for IP registration. Some agents do register IP on themselves, so when the relationships are over, there is a risk to lose your IP rights. Non-disclosure agreements and solid contracts, which includes non-compete clauses should be signed.

## **6.5 Government Tenders**

To take a part in a Kuwaiti government tender it is obligatory to have a local agent and to get in “pre-approved” list of companies – some kind of quality check. Often, Central Tenders Committee (CTC) chooses a bidder with lowest price, while all the technical requirements are met. However, there is a rule that determines a local bidder to be the winner, if its price is not higher by 10% than an offer of foreign company with the lowest price.

Moreover, if a bidder is selected to complete a project, but then refuses to work on it, a Ministry concerned has a right to issue 5%-10% of project value compensation bill.

## **6.6 Government Initiatives to Promote FDI**

In 2001 Kuwaiti government has decide to boost FDI inflow by creating warm legislative climate through the following measures:

- a. Tax holidays up to 10 years
- b. Land grants and duty-free import of equipment
- c. Ease of expatriate labor entry
- d. Right to repatriate profit
- e. Ensures compensation in a case of expropriation
- f. Protects confidentiality of property information and investment application

However, there are some conditions for acquiring these rights, and the main is high percentage of local Kuwaitis employed. Then, the law requires keeping public order and morals, environmental safety, following instructions regarding security and health.

## 6.7 Problem Resolutions

Kuwaiti laws enforce dispute settlement according to local legislation, however, if both parties agree, a problem can be resolved by arbitration or foreign judgments. Usually, the body for arbitration is Kuwaiti Ministry Commerce and Industry. Kuwait recognizes and accepts jurisdiction of International Center for the Settlement of Investment Disputes (Washington Convention) and 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Generally, time for bringing civil claims is 15 years, but for commercial issues it is 10 years, and for tax disputes just 5 years. Disputed parties are not able to effect on process timetable, and often it takes a long time (up to 5 years) to resolve a civil claim. Means of enforcement are impositions of fines, attachments of assets, sales of assets by auction, travel restrictions, and imprisonment.

Kuwait has a long trading history, so the country is familiar with international commercial laws, and moreover it is a member of WTO since January 1995.

## 6.8 Property Ownership

There are several restrictions for foreign towards property ownership. For an instance, it is not possible to own land for non-GCC citizens and certain industries are closed or restricted for foreign investments. Nevertheless, for an Arab holding any Arab country citizenship it is permitted to own one estate. [Positive points](#), that there is no estate taxation in Kuwait, and property information is not obliged for disclosure as a matter of public record. (Al-Ayoub, 2008)

In the context of governmental efforts to diversify state income, there are [talks](#) about permitting expatriates to own estate up to 1000 square meters, with no right for resale, and Prime Ministry approval. Some versions of this proposal even suggest a Kuwaiti national to be a co-owner of a property. (globalpropertyguide.com, international media portal regarding real estate)

Concerning collateral to which creditors may have recourse, there are certain types of them in Kuwait. For example, banks cannot foreclose on residential real estate and personal possessions, but often banks link their credits to future severance benefits.

## 6.9 Taxation in Kuwait

*Zakat* - A term used in Islamic finance to refer to the obligation that an individual has to donate a certain proportion of wealth each year to charitable causes. Zakat is a mandatory process for Muslims in order to physically and spiritually purify their yearly earnings that are over and above what is required to provide the essential needs of a person or family. (investopedia.com, online portal of economic definitions)

Kuwait has extremely warm tax environment for doing business. Corporate income tax is applied only on foreign entities carrying on a trade or business. Tax rate of 15% is applied on the following incomes – net profit (revenue less allowable expenses) earned from making business in Kuwait, royalties, franchise, license, patent, trademark, and copyright fees received by foreign entities from Kuwait. Dividends and capital gains are subjected to 15% tax as well. There is no surtax, payroll, real estate, capital duty, stamp duty, transfer, and alternative minimum taxes in the country. However, employer has to pay 11% of employee salary. Companies operating in Kuwait are also obliged to pay following taxes:

- a. Kuwaiti shareholding companies (KSC) (listed and non-listed) have to pay 1% of their profits to the Kuwait Foundation for the Advancement of Science in order to support scientific progress.
- b. Listed KSC have to pay 2,5% of annual profit to support employment in non-governmental agencies.
- c. KSC, listed and non-listed, except public-owned have to pay 1% of net profits for zakat or to government budget.

Regarding individuals, there are no any taxes (income, property, residence, filling status, capital gains, residence, inheritance, and stamp and capital duty) applied except 7% of salary tax.

For failure of paying tax there is a fee applied each 30 days equal to 1% of non-paid amount. Taxable period is normally one year and ends on the 31<sup>st</sup> of December, however, with permission of Director of Income Tax Department it is possible to arrange other dates, for example, in accordance to financial year of parent company's country. Taxes should be paid each quarter on the 15<sup>th</sup> day of every 3<sup>rd</sup> month.

Kuwait has entered a treaty with several countries to avoid double taxation, among them are most of EU countries, Russia, Canada, China, and some other. Finland is not on the list, but it might be coming [soon](#). (kfib.com, Kuwait Foreign Investment Bureau)

### 6.10 Labor Legislation

Statistically, 85% of Kuwaiti employees are actually non-Kuwaiti, however, they are discriminated by labor laws. For an instance, a non-Kuwaiti worker can join trade union only after 5 years of work in the related industry, and only to a non-voting position. Moreover, minimum salaries for Kuwaitis and non-Kuwaitis are different so much - \$210 and \$875 per month respectively. But still, there are so many job seekers from the Middle East and East Asia, that Kuwaiti government makes a lot of obstacles for foreign labor importing.

Anybody who reached age of 15 is eligible to enter a [work contract](#). A specific term contract shall be less than for one year and more than for five years. Either party cannot terminate a contract without a notice; if a contract is terminated by an employer, the employee is supposed to get the same benefits as he would be still working (except when an employee broke terms of contract). The normal period of termination notification is 3 months. (hg.com, global portal of legislative services)

The [normal working](#) hours of an adult is 8 hours per day and 48 hours per week. Also, there should be at least one-hour break, which is not included in those 8 hours. Moreover, an employee is supposed to have one day off per week, which is traditionally Friday. An employee is also entitled for 14 days leave per year, whose dates are usually fixed by the employer. (kuwatiah.net, information portal about Kuwait)

Women have the same arrangement, but they cannot work at night from 7pm to 6 am, except at such jobs as clinics, hospitals, airlines, theatres, and hotels. And an employer has to organize a transport to home for women working at night. In addition, it is not allowed for a woman to work in hazardous or arduous works, and such jobs, that can exploit her femininity or violate morals.

### **6.11 Visa Requirements for Exhibitors**

Citizens of GCC countries don't need any permission to cross Kuwaiti border. Citizens of the following countries will acquire entry visa upon arrival: Andorra, Australia, Austria, Belgium, Brunei, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Monaco, New Zealand, Norway, Portugal, San Marino, Singapore, South Korea, Spain, Sweden, Switzerland, The Netherlands, The Vatican, UK, and USA.

The rest should apply for business visa at least 6 weeks prior to arrival and submit a copy of passport with the following information: Date of birth, place of birth, passport number, passport issuance date, place of passport issuance, passport expiry date, nationality, religion, and profession. The cost is around \$45. ([www.e.gov.kw](http://www.e.gov.kw), Internet portal of Kuwaiti government)

## 7 CONCLUSION

To conclude the market research, there is a SWOT-analysis showing factors that might positively and negatively affect proposed business activities in Kuwait. But firstly, there is an explanation and a little bit of history of SWOT-analysis technique.

SWOT-analysis was introduced in late 60's by Albert S. Humphrey as strategic planning tool for businesses. Although, the methodology is very simple, the information what can be exposed by using SWOT-matrix is wide and useful.

SWOT-matrix consist of a 2 by 2 table and lists four type of factors:

- **Strength** – actual abilities of a team, business, or projects that give advantages over others.
- **Weaknesses** – actual characteristics that bring disadvantages in comparison to others.
- **Opportunities** – potential success factors
- **Threats** – potential dangers of business environments

Moreover, those types of factors can be combined into two groups – internal for S and W, and external for O and T. So, thus internal factors originate from project or organization, and, vice versa, external come from environment. (Humphrey, 2005)

So, the matrix presented here defines and systemizes the information collected from the core planning technique – PESTEL analysis. The explanation of each point listed can be found in the text above.

TABLE 6. SWOT-analysis.

<p><b>Strength</b></p> <p>Most democratic in the region, see p. 6          Good relationship with neighbors (GCC), see p. 9          Young (active) population, see p. 18          Huge amount of oil deposits, see p. 11          High amount of reserves, see p. 14          Good credit rating, see p.14          Common Use of English, see p. 18          Developed trade infrastructure, see p. 26          Warm tax environment, see p. 35</p>	<p><b>Opportunities</b></p> <p>Monetary union with GCC – strong currency, see p. 15          Government financial boost (\$120bn) to promote business activity, see p. 12          Population growth, see p. 18          Government will and action towards attraction of FDI, see p. 33</p>
<p><b>Weaknesses</b></p> <p>Kuwait doesn't accept International Court of Justice jurisdiction, see p. 7          High dependency on oil and low industry diversification, see p 11          Dependency on import, see p. 11-12          Moderately high inflation, see p. 14          Drastic social stratification, see p. 18          Glass ceiling for woman, see p. 19          Need of local agent, see p. 29          Inability to own land for a foreigner, see p. 37</p>	<p><b>Threats</b></p> <p>Islamist empowerment (Arab spring), see p. 7          Inner conflict between Shia and Sunni, see p. 7          Iran alert, see p. 8          Corruption, see p.8          Weak IP rights legislation, see p. 30          Grey market competition, see p. 33</p>

In spite of the drastic differences between Arab and Western cultures, trade and business were essential parts of intercultural development and multinational cooperation of those two civilizations for centuries. With recent development of transportation and informational infrastructure along with giant steps of world globalization the tendency is definitely strong and shows great promises for businessmen in both domiciles. The conclusion of the given research will expose and underline general flows of Kuwaiti environment for potential exporters from Europe.

The main strength of Kuwait regarding investment climate is stable political condition defined by excellent foreign relations with surrounding neighbors as well as with global

powers such as China and USA. The relatively steady state in comparison to the regional counterparts is also supplemented by huge wealth in the form of oil and constantly growing economy based on highly developed trade ties and infrastructure.

Nevertheless, the country is still fighting for higher FDI inflow and doesn't seem to be the ideal place for investors around the world to keep their assets, due to the fact that Kuwait is experiencing some dramatic occurrences in political, economic, and social matters. For an instance, there is real danger of Strait of Hormuz capture by Iran that will lead to the total blocking of Kuwaiti trade and supply. Such set of events will destroy non-diversified economy of the Emirate having overwhelming dependency on international supply of first-need products, such as food, for example.

However, the scenario has not the same level of influence on business decision-makers as their awareness of cultural and legislative obstacles towards establishing a commercial activity in the country. Kuwait has high level of corruption and its culture supposes good personal relationships for any business activity. How to build up proved connections in a country where foreigners are treated as the lowest floor of social pyramid? How to find local agent who will not steal your business idea, what is actually possible by the law in Kuwait? Those are real challenges.

But good point of going to Kuwait to make business is governmental initiatives to promote foreigners to diversify Kuwaiti economy and bring fresh views for the West and Far East. These desires have basement in form of warm tax environment and monetary boost targeted on infrastructure development by international companies.

In the last conclusion, I would like to say that there is no such country in the world that would be totally closed for international business people having their concerns even in Somalia and North Korea, but the question is about project profitability. And the answer of this question is only in deeper market research on micro-level.



## **LIST OF ABBREVIATIONS**

CIA - Central Intelligence Agency

CIF – Cost, Insurance, Freight

CTC – Central Tenders Committee

EU – European Union

EUR - Euro

FDI – Foreign Direct Investment

FOB – Free on Board

GCC – Gulf Countries Council

GDP – Gross Domestic Product

IMF – International Monetary Fund

IP – Intellectual Property

KD – Kuwaiti Dinar

KSC – Kuwaiti Shareholding Company

MENA – Middle East and North Africa

MoFA – Ministry of Foreign Affairs

PESTEL – Political, Economic, Social, Technological, Environmental, Legislative

PPP – Purchasing Power Parity

OCA – Optimal Currency Area

OECD – Organization for Economic Cooperation and Development

OPEC – Organization of Petroleum Exporting Countries

SWOT – Strengths, Weaknesses, Opportunities, Threats

WTO – World Trade Organization

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