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This single chapter is excerpted from the FY 2004 Country Commercial Guide for Kuwait, describing leading sectors for U.S. exports in the country. The full text of the report is also available on this website.

## **CHAPTER 5**

### **LEADING SECTORS FOR U.S. EXPORT AND INVESTMENTS**

#### **BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES**

(U.S. \$ Millions, unless otherwise noted. All estimates are unofficial.)

*Estimated U.S. Market Share(US \$ Millions)*

<b>Best Prospect Sector (In Ranked Order)</b>		<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Est.</b>	<b>% Growth Est.</b>
<b>POL</b>	Pollution Control Equipment	24	32	50	33
<b>OGS</b>	Oil & Gas Exploration & Production Services	575	600	660	10
<b>EDU</b>	Training Service	10.5	11	12.5	10
<b>IT</b>	Information Technology	110	121	133	10
<b>MED</b>	Medical Equipment	79.8	83.8	88	5
<b>ACR</b>	Air Conditioning & Refrigeration Equipment	162.7	168.2	174.9	4

#### **POLLUTION CONTROL EQUIPMENT (POL)**

Main Kuwaiti public corporations are aware of the significance of environmental and pollution issues. As a result, the three major oil and petrochemical companies allocated substantial funds to carry out environmental projects to reduce environmental hazards. Ministries of Electricity and Water and Public Works carry out projects that are environmentally friendly. All developmental and construction projects cannot be approved in their final forms without the approval of the Public Authority of Environment. The following three major projects contain environmental studies and surveys: the development of Boubyan Island, the development of Failaka Island, and the construction of the Subbiya Bridge which will link Subbiya (marshland) with the main land. The Government will offer these projects to the private sector. The Ministry of Health will shortly build an incineration unit to dispose of hazardous medical waste through the autoclave technology. In brief, this sector is expecting major growth potential. The high demand is on environmental consultants. American products are well-received in the market but there is strong Canadian and European competition to American equipment and services.

<b>U.S. \$ Millions *</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Estimated)</b>
Total Market Size	24	32	50
Total Local Production	00	6	6
Total Exports	00	00	00
Total Imports	24	26	44
Total Imports from U.S.	7	12	20

*\* Figures above do not include annual costs for municipal waste collection in the amount of U.S. \$150 million paid by Kuwait Municipality These services are conducted by local companies.*

Source: Trade Sources

### **OIL & GAS SUPPLIES, EQUIPMENT, AND SERVICES (OGS)**

Kuwait is a major oil producer and has about 10 percent of the world's oil reserves. It currently produces about 2.4 million barrels of crude oil per day. The Government has undertaken an ambitious plan to increase production to 3.5 million barrel per day by 2010, which will require the development of the "Northern Oil Fields" through foreign participation.

Best prospects in the oil sector include: consulting services, engineering, procurement and contracting (EPC) services for various major projects, refining technologies, environmental consultants, and control and instrumentation systems. Very shortly, offshore drilling will be on demand. A new oil export facility (US \$800 million), a new refinery, a new gathering center, and a major piping network will be announced for contracts, both local and international.

American supplies, equipment, services and technology are well received by the Kuwait oil sector, which employs a large number of U.S.-educated Kuwaiti engineers. The oil sector's contracts are highly competitive, nevertheless American companies take the lead in contract management, engineering of major projects and as major suppliers of material and equipment.

American companies that manufacture or supply oil and gas related materials, equipment and services and which are interested in the Kuwaiti market should know that the Embassy Commercial Section recruits and leads a large delegation (both private and governmental) to the annual Offshore Technology Conference (OTC) held in Houston, Texas the first week of May every year.

<b>U.S. \$ Million</b>	<b>2002 (Actual)</b>	<b>2003 (Actual)</b>	<b>2004 (Estimate)</b>
Total Market Size	600	630	650
Total Local Production	25	30	30
Total Exports	00	000	000
Total Imports	575	600	620
Imports from U.S.A.	230	240	264

*\*Figures above reflect allocations for projects that may sometimes take up to three years to finish.*

*\*\*Figures also include imports and services from U.S. companies overseas.*

### **TRAINING SERVICES (EDU)**

The Government of Kuwait (GOK) is the main employer of Kuwaitis. Ninety-three percent of Kuwait's labor force works with the government as civil servants. Civil servants come from various educational backgrounds but most of them lack professional training. Therefore, various ministries and the Civil Service Commission hold various training courses and programs to upgrade their employees' performance capabilities or skills. A large number of private institutes offer training courses of various types, with special emphasis on computer skills, foreign languages, communications skills, and information technologies.

The Kuwait Chamber of Commerce and Industry (KCCI) has a training center that provides various types of training programs (one to two weeks long) for the private sector workers. The Oil Sector's Training Center also regularly seeks reputable training institutes to work with and to have specialists lecture on all various aspects of the oil industry. The Ministry of Defense contracts with a foreign language institute to provide teachers of English for its personnel.

The following figures show the expenditures for training in both the public and private sectors:

<b>U.S. \$ Millions</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Estimated)</b>
Total Market Size	10.5	11	12.5
Public Sector	6	7.5	7.5
Private Sector	4.5	3.5	5
U.S. Market Share	2.5	3	4

Sources: Civil Service Commission, Kuwait University, Public Authority for Applied Education & Training, Oil Sector, New Horizon, InfoCenter, and private institutes.

### **INFORMATION TECHNOLOGY (IT)**

Kuwait, with a population of 2.4 million, is the third largest information technologies (IT) market in the Gulf Region, after Saudi Arabia and the UAE. The total market for IT hardware and software in Kuwait was estimated at US \$120 million for 2002, with software programs representing 40 percent of sales. There are 100,000 Internet subscribers in Kuwait. However, this relatively low figure is deceptive, as multiple users for these subscriber accounts boost the

overall Internet usage to over 250,000 individuals. The number of subscribers and users is projected to increase at a rate of 8 to 12 percent per year.

Because of the relatively high penetration rates of IT and Internet services in Kuwait, e-commerce has not made significant inroads, and traditional patterns of retailing, wholesaling and government services persist. However, major private and public e-commerce initiatives currently being implemented in Kuwait could lead to revolutionary changes in the way Kuwaitis do business and receive government services. Reflecting this change, e-commerce transactions are expected to exceed US \$15 million by 2003. The Kuwait market for e-commerce-related hardware, software and services for 2002 was estimated at US \$17 million, and is expected to grow at 20 percent per year. This anticipated growth should lead to exceptional opportunities in Kuwait for American suppliers of virtually all types of IT hardware/software and e-commerce services, especially those related to: Internet Service Provider (ISP) Services; Transaction Security Systems/Services; Networking & Communications Systems/Services; Outsourcing; and B2C/B2B/G2C Services.

To improve Internet and telecommunication infrastructure, the Ministry of Communications will build a fiber optic network, which will cost about US \$170 million.

Market acceptance of American IT and e-commerce products and services in Kuwait is very strong. Kuwaitis are very well-informed IT consumers and view American products as superior technology. However, European and Asian IT competitors are also active, making Kuwait a very competitive and price sensitive market.

<b>US \$ Millions</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Estimated)</b>
Total Market Size	110	121	133
Total Local Production	000	000	000
Total Exports	000	000	000
Total Imports	110	121	133
Total Imports from U.S.	25	36.3 *	000

*\* Due to the constant construction of new residential units and the huge commercial complexes, Post anticipates a significant growth in American exports for this sector.*

*Sources: Trade Sources*

### **MEDICAL EQUIPMENT (MED)**

The Ministry of Health recently (MOH) issued 14 licenses for the construction of new private hospitals, leading to a significant increase in demand for medical

supplies and equipment. In addition, a national plan to upgrade medical equipment in local health facilities is expected to be implemented in the near future. Following are some main projects outlined in the MOH plan:

- Construction of a new facility for imaging and laboratories.
- Supply of sterilization equipment as reflect of spreading some diseases such as SARS.
- Purchase of new imaging equipment for cancer treatment.
- Expansion of emergency care units in four existing hospitals.
- Increase the number of medical centers throughout Kuwait.

The budget for medical equipment for this year is US \$40.5 million. Budget estimates for the procurement of medical equipment in the next fiscal year total US \$45 million.

<b>US \$ Millions</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Estimated)</b>
Total Market Size	79.8	83.8	88
Total Local Production	00	00	00
Total Exports	00.0	00.0	00.0
Total Imports	79.8	83.8	88
Total Imports from U.S.	23.9	25.1	26.4

*Sources: Ministry of Health and Trade Sources*

#### **AIR CONDITIONING AND REFRIGERATION EQUIPMENT (ACR)**

Extremely high temperatures, excessive seasonal humidity, and frequent summer dust storms make life in Kuwait almost impossible without air conditioning and refrigeration equipment and services. Construction activity, both in the residential and commercial sectors, is booming. Huge and numerous commercial complexes, high-rise buildings and thousands of housing units are being built everywhere in the country. Plans are still being considered to build new cities, both in the north and in the south. This activity will ensure a high demand for quality, environmentally safe air conditioning and cooling systems that conserve energy during periods of peak demand. Refrigeration is also on high demand to preserve imports of meat, foodstuff, and fruit for long periods before distribution. American products perform well and have a high reputation in this market.

<b>U.S. \$ Millions</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Estimated)</b>
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Total Market Size	162.7	168.2	185
Total Local Production	5.4	6.2	6.8
Total Exports	00.0	00.0	00.0
Total Imports	157.3	162.0	178.2
Imports from U.S.	21.0	25.0	27.5

### **BEST PROSPECTS FOR AGRICULTURAL GOODS AND SERVICES**

In Kuwait high-value U.S. food products with strong market potential include: processed fruits and vegetables, snack foods, fresh carrots and lettuce, frozen beef and chicken parts; cheeses, almonds, fresh apples and pears, breakfast cereals, fruit and vegetable juices; preserved meat products; and miscellaneous food products, particularly hot sauces, salad dressings, catsup, mayonnaise, vinegar, iodized salt, ice cream, frozen dough mixes, Tex-Mex foods and coffee creams. Growth in the local food processing industry is driving demand for semi-processed products such as vegetable oils, including corn, soybean and sunflower-seed oils, beverage bases, dried pulses and a variety of food ingredients, particularly for the snack food and bakery industries. Finally, demand for U.S. forestry products, particularly hardwood, as well as U.S. planting seeds, is on the increase.

#### ***Corn Oil (FOD)***

Corn oil is the preferred cooking oil in Kuwait and other Gulf countries. Since 1992, KFMBC, a local firm, has imported U.S. corn oil in bulk and repacked for retail. Consumption of corn oil, and consequently imports from the U.S., is increasing steadily as the locally packed oil is competitively priced. Singapore, the United Arab Emirates, Saudi Arabia and Oman, frequently using repackaged U.S. corn oil, are other principal suppliers of corn oil to the Kuwaiti market. U.S. and allied forces present in Kuwait and Iraq, aid and other commercial shipments to Iraq should generate increasing demand from all sources, including the U.S., in 2003.

<b>Thousand Metric Tons</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Total Consumption	23	24	26
Total Local Production	0	0	0
Total Exports	2	2	3
Total Imports	25	26	29
Total Imports from U.S.	11	14	16

*Source: ATO-Dubai estimates*

#### ***Poultry Meat (FOD)***

U.S. poultry meat, particularly chicken parts, and to a lesser degree whole chicken and turkey, are well known for their high quality. This past year witnessed a large influx of branded chicken parts at very competitive prices. Brazil, France, Saudi Arabia and Denmark dominate the market for frozen whole chickens. Brazil and the U.S. dominate the market for chicken parts. Whole chickens represent 90 percent of total chicken meat imports. The preferred size for whole chicken ranges from 1.9 - 2.6 pounds per bird. Chicken parts are imported in two-pound trays. U.S. and allied forces present in Kuwait and Iraq, aid and other commercial shipments to Iraq should generate increasing demand from all sources, including the U.S., in 2003.

<b>Thousand Metric Tons</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Total Consumption	87	88	90
Total Local Production	28	28	28
Total Exports	1	1	2
Total Imports	59	60	64
Total Imports from U.S.	3	4	6

*Source: ATO-Dubai estimates*

#### **Beef (FOD)**

U.S. beef, particularly frozen beef, and to a lesser degree of chilled beef, is well known for its high quality, and is sought after by the high-end hotels and restaurants. Rapid expansion of the American fast food/quick service restaurants in Kuwait has resulted in a marked increase in import of U.S. beef. India and Australia are the principal suppliers of frozen beef in the market, while imports from Europe, specifically from Ireland, France and the Netherlands have been curtailed due to the BSE problem in that region. U.S. and allied forces present in Kuwait and Iraq, aid and other commercial shipments to Iraq, should generate increasing demand from all sources, including the U.S., in 2003.

<b>Thousand Metric Tons</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Total Consumption	13	14	16
Total Local Production	1	1	1
Total Exports	0	0	1
Total Imports	12	13	16
Total Imports from U.S.	1.2	1.4	2.0

*Source: ATO-Dubai estimates*