



Country: Kuwait's Automotive Sector

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Summary

The state of Kuwait is a significant importer of new and used American automobiles. The low-cost of fuel and existing consumer preferences account for a strong automotive market demand. A country of 3.4 million, Kuwaitis purchase between 50,000 and 70,000 cars per year. Of those, approximately 1,500 are GM full-size Sports Utility Vehicles (SUVs). In addition to SUVs, Kuwait is an excellent market for high-end luxury automobiles. U.S. automobile exports are valued at approximately \$450 million per year. According to Kuwaiti importers, the expected growth in the sector is about 35 percent in the next two to three years. The penetration of U.S. vehicles is higher in Kuwait than in other Gulf Cooperation Council (CCG) countries.

Market Demand

Kuwait is a country of 3.4 million people purchasing between 50,000 and 70,000 cars per year. Kuwait's demand for automotive parts, services, and accessories offers diverse opportunity for U.S. manufacturers and exporters.

Market Data

Over 2.3 billion dollars per year are spent in Kuwait on all things related to cars. Over 25 percent of all imports to Kuwait are related to this market. With U.S. exports valued at \$540 million, this is the single largest niche for U.S. exporters in the Kuwait consumer market. According to automobile importers, the expected growth for the next two-three years is about 35 percent.

Best Prospects

Kuwaitis drive Hummers, Mercedes, custom made Rolls Royce's and Porsches, just to name a few brands. Aftermarket products such as custom wheels, tires, rear back-up cameras, GPS, air fresheners, seat covers and floor mats are very popular. When looking to buy a car, people are not concerned about fuel efficiency; it is not an issue in Kuwait. Consumers care about the resale value as many sell their cars after only one year of use.

Another important consideration for buyers is the reputation of the local agent (family name). Consumers are well informed and discriminating when it comes to customer service, availability of spare parts, and maintenance.

In 2007, CS Kuwait took a delegation of buyers to the Aftermarket Automotive Industry Week/Special Equipment Market Association (AAIW/SEMA) show in Las Vegas, NE, USA. There were many sales as a result of the exposure and market contacts that Kuwaiti delegates

acquired at the show. U.S. companies interested in meeting the Kuwaiti delegation should contact CS Kuwait's automotive sector specialist Xavier Muthu at E-mail: xavier.muthu@mail.doc.gov. or go to our website www.buyusa.gov/kuwait.

Market Entry

The GCC has a 5 percent flat rate tax on imports. In the past, Kuwait corporate income taxes ranged from 15 – 55 percent. The taxes were recently set at 15 percent.

Knowing regulations and the general business framework in Kuwait is a difficult task without the support of a competent local agent and/or business partner. U.S. companies are encouraged to seek this type of business relationship and understand that the best representatives are those who are already active in their particular sector and have cultivated contacts.

Commercial Service Kuwait has a number of programs and services to assist U.S. companies in establishing a presence in this rapidly growing market. It is not advisable to enter the Kuwaiti market without the assistance of competent legal counsel and a Kuwaiti-based accounting firm. To that end, the Commercial Service in Kuwait employs experienced Commercial Specialist to tailor your business approach to the right audience and guide your company through the maze of bureaucratic procedures common in this part of the world.

Market issues and obstacles

The State of Kuwait is a complex market that requires flexibility, patience, and persistence. Many U.S. exporters and investors face the same challenges that exist in other GCC countries, e.g., as inconsistent or contradictory policies, lack of transparency, reversal of tenders once awarded, and a judiciary that favors Kuwaiti Nationals. Careful planning and personal relations are crucial for success in Kuwait.

Trade Events

AAIW/SEWE show in Las Vegas, November 2008.

For More Information

The U.S. Commercial Service in Kuwait City, Kuwait can be contacted via e-mail at: donna.mccowan@doc.doc.gov; Phone: 265-259-1011; Fax: 265-1271; or visit our website: www.buyusa.gov/kuwait

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