WORLD TRADE ORGANIZATION

RESTRICTED

WT/TPR/G/256
14 December 2011

(11-6340)

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

Report by

THE KINGDOM OF SAUDI ARABIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Kingdom of Saudi Arabia is attached.

CONTENTS

I. INTRODUCTION

1. This is Saudi Arabia's first Trade Policy Review; it covers the period 2005-11. Saudi Arabia is considered one of the recent acceded countries to the WTO and is an active member in the "recently-acceded members" (RAMs) Group.[1] Saudi Arabia is participating in the Doha Development Agenda (DDA) negotiations and strongly supports all efforts made to bring the negotiations to a successful conclusion as soon as possible.

2. Saudi Arabia has adopted a development strategy that has resulted in a positive economic performance in the past few years in terms of GDP growth, moderate inflation, and surpluses in both its overall fiscal position and external current account. Furthermore, Saudi Arabia responded with a countercyclical policy to the global economic crisis mainly through a sizeable fiscal stimulus that limited the impact of the world financial crisis, and contributed to reviving world demand. In addition, Saudi Arabia, a member of the G20, has exercised restraint over the imposition of new trade restrictions despite the global economic downturn.

3. The promotion of private sector investment from Saudi and foreign companies is an important part of Saudi Arabia's economic program. Saudi Arabia has become the eighth highest recipient of foreign direct investment (FDI) in the world; this achievement has been resulted from the positive developments in the national economy and steps taken by Saudi Arabia to improve its investment climate, including the opening of certain key economic activities (e.g. mining, petrochemicals, telecommunications) to foreign investment.

4. The long-term vision of the Kingdom includes improving the standard of living, developing human resources, diversifying the economic base, and increasing the productivity of the economy. In the pursuit of these objectives under current and expected global conditions, Saudi Arabia's Ninth Development Plan, which covers the period 2010-14 adopts the following set of key macroeconomic objectives:

- Increasing economic growth rates.
- Combating inflation and stabilizing prices.
- Maintaining stability of the exchange rate of the Saudi Riyal.
- Achieving balanced development in all regions of the Kingdom.
- Diversifying the structure of the national economy.
- Increasing the contribution of the private sector to economic development.
- Increasing the employment rates of Saudi labour.
- Raising the efficiency of markets, particularly the Saudi stock market.
- Improving balance of payments.
- Caring for needy social groups.
- Strengthening economic integration with the Member States of the Gulf Cooperation Council (GCC) in particular, with Arab states in general, and with friendly countries.

II. ECONOMIC DEVELOPMENT

(1) ECONOMIC GROWTH

5. The economy of Saudi Arabia continued improving during the period from 2005-09 (Eighth Development Plan Period). The GDP at constant 1999 prices increased from about SR722.2 billion in 2005 to approximately SR855.8 billion in 2009.

[1] Saudi Arabia became a Member of the WTO on 11 December 2005.

6. Growth of real GDP was attributable to the high level of investment, which enhanced productivity in many sectors. The annual growth rate for investments during 2005-09 amounted to about 11.2%, which led the average ratio of investment to real GDP to rise to about 28.1% in 2009, compared to 21.1% in 2005.

7. Preparation of Saudi Arabia's Ninth Development Plan (2010-14) coincided with the global financial and economic crisis and was formulated with the future vision of the Saudi economy up to 2024.

8. The International Monetary Fund lowered its forecast for global economic growth in 2009 to about 0.8%. Thereafter, demand for energy declined, and oil prices dropped from about $147 a barrel in August 2008 to below $40 in December. The decline of oil prices had a significant impact on the balance of payments and budget revenues of oil exporting countries.

9. Estimates for the economic growth rate between 2010-14 were made with due regard to domestic and international variables, especially the expected increases in investments by both the private and public sectors and a resulting expansion of production capacities, in addition to the expected impact of Government measures aimed at raising efficiency and improving productivity in all sectors. Likewise, the growth rates take into account the diversification of the production base and national income sources that will enhance the technical and knowledge capabilities of the economy.

10. Accordingly, during the period from 2010 to 2014, Saudi Arabia aims to increase real GDP from about SR855.8 billion in 2010 to about SR1101.2 billion in 2014, i.e. at an average annual growth rate of about 5.2% at constant 1999 prices, which will result in an increase in per capita income at constant 1999 prices from SR46.2 thousand in 2009 to about SR53.2 thousand in 2014.

11. Saudi Arabia expects the GDP of the private sector to grow at an average annual rate of about 6.6% during 2010-14, compared with 5.5% during the 2005-09 period, which will lead to an increase of its contribution to GDP from about 57.4% at the end of 2009 to about 61.5% by the end of 2014.

(2) DIVERSIFICATION OF THE ECONOMY

12. Diversification of the economic base has been a key objective for Saudi Arabia's economic and social development ever since the development planning system was initiated some forty years ago. Saudi Arabia realizes the importance of diversifying its economy based on its abundant hydrocarbon resources.

13. Development plans have, therefore, consistently focused on developing and enhancing the role of non-hydrocarbon sectors in the national economy. As a result, the contribution of non-hydrocarbon sectors has grown in value at an average annual rate of 5.5%, with its share in GDP growing from 51% in 1970 to 73.5% in 2009.

14. Nevertheless, increasing production activities, high-value-added services and the contribution to exports by the non-hydrocarbon sector remains a key challenge to development. The strength and size of this sector and its ability to grow will, in the long run, determine the progress and growth prospects of the national economy.

(3) PRIVATIZATION STRATEGY

15. The Council of Ministers Resolution 219 of 11/11/2002 lists the facilities and activities to be privatized. Privatization efforts continued during the 2005-09 period.

16. In 2006, studies on the privatization of the Saline Water Conversion Corporation were completed and implementation of the transitional phase started: a plan for implementing the requisite organizational structure and administrative, financial and legal procedures was drawn, and a timetable for implementation was set. The private sector was also allowed to contribute to electricity generation and transmission services, under the authority of the Saudi Electricity Company, which has attracted investments in important power generation projects, such as Rabigh on the Red Sea coast, and the eleventh generation plant in Riyadh.

17. In 2007, privatization contracts for a number of port facilities were completed, such as the general cargo and the bulk grain terminals at King Fahd Industrial Port, and the container terminal and cargo berths at Jubail Commercial Port. In addition, the northern and southern support terminals at Jeddah port and the cargo terminal at Yanbu Commercial Port were leased. Likewise, the Saudi Industrial Property Authority began implementing the privatization of industrial cities by allowing the private sector to implement projects to develop and expand these cities as well as by privatizing the related support services.

18. In 2008, as part of the privatization of the water and wastewater sector, the National Water Company (NWC) has been established as a Saudi joint stock company fully owned by the government (namely the Public Investment Fund) to provide water and wastewater services in accordance with the latest international standards by the concerted efforts of national cadres working together with certain international operators through foreign Public Private Partnership (PPP).

19. Currently, privatization plans for Saudi Arabian Airlines are being finalized. In addition, the telecommunications sector has been opened for competition and the Saudi Telecommunications Company and all competitive facilities based providers are operating as joint-stock companies, while conversion of the railways to Saudi joint-stock company is underway.

(4) INVESTMENT REGIME

20. Saudi Arabia has pursued an open and liberal investment policy by welcoming and encouraging both domestic and foreign investment. The objective of Saudi Arabia's policy is to achieve diversification by gradually reducing dependence on one source of income. To achieve rapid and sustainable economic growth in Saudi Arabia, the Kingdom is capitalizing on its competitive strengths as the global capital of energy, and as a major hub between East and West. The Foreign Investment Law provided the legal structure necessary to attract additional investment.

21. In 2006, under the patronage of His Majesty King Abdullah, the Government inaugurated the 10x10 Initiative with two main goals: to enact reforms and investments aimed at developing the Kingdom's private sector and to position Saudi Arabia among the world’s top competitive economies. Since then, far-reaching reforms to simplify business regulations and develop institutions have been implemented under the auspices of the 10x10 program, dramatically improving the Kingdom's international competitiveness.[2]

22. Saudi Arabia's overall ranking in the World Bank/IFC's Doing Business Report advanced from 16th in 2008 to 13th in 2009 and to 11th in 2010. For the past four years, the Kingdom has been the top-ranked country in the Middle East and North Africa.

[2] The government has implemented far-reaching reforms under the auspices of the 10x10 program, an initiative announced by His Excellency the Governor of SAGIA in 2006 to make Saudi Arabia one of the world's Top 10 most competitive nations by 2010.

23. The Saudi Arabian General Investment Authority (SAGIA) imposes no other requirements or criteria for new investments or foreign investments, other than those in the Foreign Investment Law of 2000 and its Implementing Regulations. Therefore, foreign investors are no longer required to take local partners.

24. Under the Foreign Investment Law, foreign investment may take one of the two following forms:

(i) An enterprise owned by foreign and national investors, i.e., joint ventures, but with no minimum share requirement for national investors; or
(ii) An enterprise wholly-owned by foreign investors, i.e., 100 per cent foreign shareholders' equity.

25. A project, whether wholly-owned by foreign investors or a joint-venture, licensed in accordance with the Law, enjoys all benefits, incentives and guarantees available to a national project.

26. According to the Foreign Investment Law, a foreign investor may apply for multiple licenses permitting different activities, provided that the foreign investor is not the owner of /or a shareholder in a project which is or has in financial default.

27. The Foreign Investment Law and its implementing regulations provide that foreign investment ventures have the right to own real estate to the extent necessary to carry out their licensed activities and to accommodate their employees, in accordance with regulations on property ownership for non-Saudis.

28. SAGIA, through its One-Stop-Shop (OSS), will be the only communications channel between investors, residents, and the Government, which include the seven ministries and entities that participate in OSS.

III. TRADE POLICY DEVELOPMENTS

(1) TARIFFS, OTHER MEASURES AFFECTING IMPORTS

29. Saudi Arabia has bound import tariffs on all agricultural and non-agricultural products, without any exceptions. Thus, 100% of its duties are bound with more than 95% of the applied duties are Ad- valorem tariffs.

30. The implementation of Saudi Arabia tariff commitments is composed of six phases, the first phase was implemented on 11/12/2005 and the final phase will be implemented on 2015.

31. When Saudi Arabia requested accession to GATT/WTO in 1993, approximately 75% of Saudi customs tariff lines were subject to a 12% customs duty, and 189 tariff lines were duty free. Upon the accession of Saudi Arabia to the WTO in 2005, more than 80% of the tariff line items were rendered subject to a 5% of customs duty, and the number of duty free goods increased to 763, constituting 23% of the total value of imports based on 2010 import data.

32. In 2008, the weighted average customs duty reached 3.5%. In 2009, the weighted average customs duty reached 3.7%. The decreased duty rate on imports had a substantial and direct impact on the flow of imports into Saudi Arabia. In 2003, the value of imports into Saudi Arabia was 42 billion US Dollars. In 2010, imports reached 107 billion US Dollars.

33. During the financial crisis, a voluntary decrease as well as exemption in the customs duty on 180 goods was applied on 01/04/2008 from 25%, 20%, 15% 12% down to 5% and zero was applied for three years and extended for additional three years.

34. Although the bound tariff commitments of the GCC Member States towards the WTO are different, however all the GCC Member States have harmonized its applied tariffs in order to create unified external customs tariff.

35. Saudi Arabia has completed the incorporation of the Harmonized System (2012 Edition), which will be effective in January 2012.

(i) Customs Procedures

36. The customs procedures for importation, exportation and transit in Saudi Arabia conform to the norms prescribed by international economic and trade organizations. Saudi Arabia has been a member of the World Customs Organization since 1973 and a contracting party to the Harmonized System Convention since 1 January 1991.

37. Saudi Customs Authority applies a procedure for pre-arrival document verification called Direct Clearance System for numerous items, (e.g., new vehicles, pipes, timber and building materials). In addition, technology is utilized in all customs procedures specifically in the containers inspections process through using X-Ray systems.

38. Within the framework of the GCC Customs Union, the customs port of any GCC Member State that performs the customs formalities of an imported consignment according to the aforementioned procedures is considered the first point of entry. The consignment is cleared for its final destination and the collected customs duty is electronically transferred to the final destination country from the first point of entry.

(ii) Transit Procedures

39. The GCC Member States in the Customs Union are considered one economic block. The transit status of the goods imported to a GCC Member State ceases at the first port of entry to which the consignment arrives. Likewise, transit transportation of exported or re-exported goods from a GCC Member State starts at the last port of exit.

40. With respect to goods which are barred from transit across Saudi territory, the transit of those goods and the means of transport thereof are not subject to any duty or tax. However, a charge at a rate of 0.004% of the goods in transit is collected against the service rendered.

(iii) Rules of Origin

(a) Rules of Origin for Non-Preferential Trade

41. No rules of origin for non-preferential trade exist in Saudi Arabia. Rather, GCC Common Customs Law (CCL) Article 25 applies rules of origin in accordance with the WTO Agreement on Rules of Origin.

(b) Rules of Origin for Preferential Trade

42. Within the framework of the GCC Customs Union established on 01 January 2003, Saudi Arabia grants preferential customs treatment to products of national origin from the GCC member states.

43. In addition, Saudi Arabia grants preferential customs treatment to products of national origin from a number of Arab countries under GAFTA.

(iv) Customs Valuation Procedures

44. Saudi Arabia is committed to apply the WTO Customs Valuation Agreement starting from the effective date of its accession to the WTO. Furthermore, Saudi Arabia launched during the accession negotiations an action plan to provide training and pre-education to the customs staff and brokers in order to familiarize them with the principles of the WTO Customs Valuation Agreement.

(v) Quarantine Regulations

45. Certain ports of entry are specifically designated for the importation of items with plant and animal sources and live animals from outside the GCC Member States. The quarantine formalities at all such ports are standardized.

46. The agricultural and veterinary quarantines procedures at designated ports of entry are completed and equipped for the examination of items upon arriving at these ports.

(vi) Exports and Free Zones

47. No free zones exist in the territory of Saudi Arabia. The goods imported to Saudi Arabia from free zones and duty-free shops are liable to the applicable Customs Tariff at the time of their exit in accordance with Articles 15; 85 and 88 of the CCL.

(2) TAXATION

48. The Kingdom of Saudi Arabia has undertaken major tax reforms in the last decade. These reforms include the tax law and the administration and computerization of tax work.

49. Saudi Arabia has concluded tax treaties with many countries. In the last five years, the Kingdom has signed 23 tax treaties. Moreover, there are approximately 16 treaties awaiting signature, and another 14 treaties under negotiation. These treaties are in line with world trends and in accordance with rules set by relevant organizations concerned about reforming tax.

(3) TRADE REMEDY LAWS (ANTI-DUMPING, COUNTERVAILING, AND SAFEGUARD MEASURES)

50. As a Member of the GCC, Saudi Arabia is committed to using trade remedy instruments under the WTO Agreements (Anti-dumping, Subsidy and Countervailing Measures, Safeguards) only if statutory requirements are satisfied, particularly injury (i.e. the GCC industry is suffering injury).

51. Within the framework of the GCC Customs Union, the GCC Member States adopted the GCC Common Law on Anti-dumping, Countervailing and Safeguards Measures (the "GCC Common Law") on 1 January 2004. On 10 March 2008, a Technical Committee was established to review and amend the GCC Common Law and its Rules of Implementation.

52. Further to the review, the GCC Supreme Council adopted and amended the GCC Common Law on Anti-dumping, Countervailing and Safeguard Measures in December 2010. Saudi Arabia is in the process of adopting the amended GCC Common Law and will notify the relevant WTO committees of the adoption of the GCC Common Law and Rules of Implementation after their publication in the Official Gazette.

53. As of the date of this report, the GCC Member States have not imposed any trade remedy measures.

(4) GOVERNMENT PROCUREMENT

54. Government procurement is regulated under government tenders and the procurement law which was enacted by Royal Decree No. M/58 of 4.9.1427 H (September 2006) which aims at:

(i) Regulating procedures of tenders and procurements carried out by government authorities and ensuring they are not influenced by personal interest in order to protect the public funds;
(ii) Achieving maximum degree of economic efficiency in government procurements and carrying out government projects at fair competitive prices;
(iii) Promoting honesty and competition and ensuring fair treatment of suppliers and contractors in accordance with the principle of equal opportunities;
(iv) Guaranteeing transparency at all stages of government tender and procurement procedures.

55. Saudi Arabia requested and was granted an observer status to the WTO Committee on Government Procurement in order to become acquainted with the ongoing work of the renegotiation of the revised WTO agreement on government procurement.

56. The Government of Saudi Arabia recognizes its commitment and this issue is under detailed and careful examination by all concerned agencies of the Government of Saudi Arabia. However, the Kingdom's examination has been adversely affected and thus delayed because of the following factors:

(i) The revised Agreement on Government Procurement has not yet been finalized;
(ii) The Draft Decisions are yet to be agreed upon and finalized;
(iii) A successful conclusion of the negotiations among party Members on the revised text has not been reach yet. Such a conclusion would give all concerned Government agencies the opportunity to set the stage for the next steps.

(5) TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS (TRIPS)

57. During its WTO accession negotiations, Saudi Arabia committed itself to full implementation of the TRIPS Agreement without a transitional period. Saudi intellectual property legislation was reviewed by the WTO TRIPS Council in February 2007.

58. Saudi Arabia has joined the following conventions and treaties regarding intellectual property rights: Convention Establishing the World Intellectual Property Organization (WIPO) (22 May 1982); Berne Convention for the Protection of Literary and Artistic Works (11 March 2004); Paris Convention for the Protection of Industrial Property (11 March 2004); Universal Copyright Convention (13 April 1994); Arab Regional Copyright and Related Rights Agreement (22 December 1985); and GCC amended Patent Law (29 August 2001). Saudi Arabia is also in the process of joining the Patent Cooperation Treaty and the Patent Law Treaty.

59. In addition to legislation and conventions, Saudi Arabia established many committees and applied a set of procedures to enforce the protection of Intellectual Property Rights. The Custom Authority established a unit for combating commercial counterfeiting and protecting Intellectual Property rights with the purpose of fighting intellectual property violations. During the last year, this unit has succeeded in seizing 423,332 counterfeited items.

60. For the protection of patents and industrial designs, the Committee for Examining Patents on Invention Lawsuits has been established.[3] Since its establishment, 435 cases have been filed and 410 cases have been resolved.

61. The Ministry of Culture and Information has established the Violation Review Committee (VRC) on Copyrights which work with the General Directorate of Copyright to review cases related to the violation of copyright laws. During 2010, the Directorate reviewed 483 cases. Total judgments amounted to 3,254,600 SR in fines, 836,500 SR in compensation to the intellectual property right holders, 407,622 articles confiscated, and 1320 total closure days for infringing shops.

62. In 2009, in recognition of Saudi Arabia's progress on IPR protection and enforcement, the United States Trade Representative (USTR) removed Saudi Arabia from its special 301 Watch List.

IV. SECTORAL DEVELOPMENTS

(1) AGRICULTURE

63. The agricultural sector is a significant sector for the Kingdom of Saudi Arabia. The Government has introduced plans, programs and projects for increasing the area, production and productivity of agricultural products and ensuring the sustainable development of the sector. In 2009, the cultivable area in the Kingdom was about 48.9 million hectare accounting for 21.7% of the total area of Saudi Arabia. The total holding area (farms) in 2009 was about 4.3 million hectare of which less than one million hectare was under cultivation representing only 0.44% of the total area and 2.0% of the cultivable area.

64. The agricultural crop production includes cereal crops, vegetables, fruits, and fodders. According to recent statistics by the Ministry of Agriculture, the area for all crops reached 835 thousand hectares in 2009. Vegetable production increased from 2.6 million tons in 2005 to 2.7 million tons in 2009, whereas fruit production increased from 1.5 million tons in 2005 to 1.6 million in 2009. Dates are an important crop in Saudi Arabia; production, which was about 970 thousand tons in 2005 increased to 990 thousand tons in 2009. Fodder production increased from 2.5 million tons in 2005 to 3 million tons in 2009.

65. Saudi Arabia has reached a high "self sufficiency" rate for some crops such as potatoes (161%), eggplants (102%), cucumbers (101%), watermelons (115%), table eggs (112%), fresh milk (105%) and dates (105%). The Kingdom has also achieved good rates for other crops such as okra (99%), carrots (79%), tomatoes (72%), and grapes (83%). It has also achieved low rates for other animal products such as red meat (38%) and poultry meat and fish products (48%).

66. Local production of poultry meat from specialized projects increased to 494 thousand tons in 2009. Egg production increased from 145 thousand tons in 2005 to 191 thousand tons in 2009. Red meat increased slightly from 167 thousand tons in 2005 to 171 thousand tons in 2009.

[3] Council of Ministers Decision No. 49 dated 14/2/1430 H (9/2/2009).

67. In light of the scarcity of water resources in Saudi Arabia, the Government realizes the need to create new agricultural policies for restructuring the agricultural sector to emphasize the rational utilization and conservation of natural resources to upgrade the economic efficiency of the sector, increase local production of vegetables in greenhouses and adopt modern cultivation and watering techniques. Accordingly the Government issued Resolution No. 335 of 19 November 2007, which among other things, aims to phase out local wheat production within 8 years and import all wheat from abroad by 2016.

68. King Abdulla's Initiative for Agricultural Investment Abroad emerged to achieve food security on national and international levels by building integrated partnerships with countries that have the potential to develop and manage agricultural investments to ensure sufficient quantities and stable prices for important crops. King Abdullah’s Initiative is meant to provide mutual benefits to Saudi Arabia and the country which receives Saudi's investment.

(2) FISHERIES AND AQUACULTURE

69. Fisheries is a relatively small sector in the Kingdom of Saudi Arabia, However, fish production has been increasing in the last few years. Total fish and shrimp production increased from 65.2 thousand tons in 2001 to 95.5 thousand tons in 2009; approximately 22.3 thousand tons came from fish farms.

70. Saudi Arabia is developing the fisheries sector by exploring ways to increase fish catch and aquaculture production, and encourage more private investments in these sectors for job creation and the development of rural coastal areas.

71. The Government has continued to develop and protect the environmental aspect of the fisheries sector through the optimal management of coastal areas to enrich the fish stock.

72. The Ministry of Agriculture is exerting considerable effort to fully developing aquaculture in suitable coastal and interior areas in order to augment food security and self-sufficiency, produce high-value seafood products for export, and achieve development goals.

73. The Ministry has been actively involved in helping fish farmers and aquaculture investors especially with respect to research and development, technology transfer, manpower training, and marketing support.

(3) HYDROCARBON AND MINING SECTORS

74. Saudi Arabia's hydrocarbon sector has contributed to the economic development, growth and prosperity of Saudi Arabia. The Kingdom has applied diversification policies broadly throughout the hydrocarbon sector to develop downstream refining, processing and converting industries.

75. The contribution of the sector's activity to GDP (at current prices) amounted to 48.1% during 2009. The sector recorded a growth of 25% in 2010. In real prices, the sector grew by 2.1% in 2010. However, its contribution to the economy decreased to 23.1% of real GDP as measured by 1999 prices.

(i) Hydrocarbon Sector

(a) Oil

76. Saudi Arabian Oil Company (Saudi Aramco) is a state-owned company established by Royal Decree in 1988. Saudi Aramco's oil operations encompass the Kingdom of Saudi Arabia, including territorial waters in the Arabian Gulf and the Red Sea, totalling more than 1.5 million square kilometres.

77. Most production comes from fields in the coastal plains of the Eastern Province in an area extending 300 kilometres. According to estimates by OPEC, in 2009 Saudi Arabia held 264.59 billion barrels of crude oil in proven reserves (approximately 25% of proven OPEC member reserves). In 2010, Saudi Arabia's production reached 2.98 billion barrels of crude oil. In 2010, Saudi Arabia completed a multi-year, multi-project program and raised its maximum sustainable crude oil production capacity to 12.5 million barrels per day.

(b) Natural Gas

78. In the 1970s, plans to capture the energy value of gas were developed and the Master Gas System (MGS) was born. The MGS enables Saudi Aramco to use nearly all the gas produced with oil production (known as associated gas) and gas produced from deep natural gas reservoirs (known as non-associated gas).

79. The MGS adds the equivalent of more than a million barrels of oil a day to the world energy supply and provides fuel and feedstock for Saudi Arabia's rapidly growing industries. In 2010, the production capacity of the MGS was 7.5 billion cubic feet per day. In the company's overall gas operations, natural gas is processed for various production purposes.

80. The total (i.e. associated) reserves of natural gas in Saudi Arabia in 2010 were estimated to constitute 284 trillion cubic feet (tcf). In 2009, Saudi Aramco completed a multi-year, multi-project program that included significant increases to gas production and processing capacities.

81. Saudi Aramco entered into four joint ventures with a variety of international partners to explore for and produce non-associated gas for the domestic market. These joint ventures operate in various parts of the Rub' al-Khali (Empty Quarter). The joint ventures are:

- (i) EniRepSa Gas - With a consortium of Italian oil company ENI and Spanish-Argentinean oil company Repsol YPF to find and develop gas reservoirs in the Kingdom's Rub' al-Khali Basin.
- (ii) Sino Saudi Gas – With Chinese oil and petrochemical company Sinopec to find and develop gas reservoirs.
- (iii) South Rub' al-Khali Company - With Shell, which covers non-associated gas exploration activities, as well as the evaluation, development and production of natural gas, natural gas liquids and field condensates in two promising areas in the southern and eastern Rub' al-Khali.
- (iv) Luksar Energy – With Russian oil company Lukoil to find and develop gas reservoirs in the Kingdom's Rub' al-Khali Basin.

(c) Downstream

82. Saudi Arabia has followed a general policy of diversifying from hydrocarbons by adopting measures that have broad downstream application throughout the economy.

83. Independent of the Government's diversification initiatives, Saudi Aramco has pursued a commercially based corporate policy of diversifying its operations downstream by increasing production of refined products, such as gasoline, kerosene, and long residue (bunker). This output of refined products increased with the recent expansion of the Petro Rabigh complex.

84. Future plans for downstream expansion include a refinery and chemical complex in Jubail, a refinery in Yanbu, and another refinery and terminal in Jazan. Recently, Saudi Aramco signed a memorandum of understanding with Sinopec to join as an investor in the "ongoing" development of the Red Sea Refining Company.

85. In addition, Saudi Aramco has agreed with Dow Chemicals to establish an integrated chemical complex joint venture in Jubail. The company is also looking to expand its transportation and delivery network with several projects to add new bulk plants and pipeline network.

(ii) Minerals Sector

86. Ma'aden was formed as a Saudi joint stock company on 14/11/1417H (corresponding to 23/3/1997G) for the purpose of facilitating the development of Saudi Arabia's mineral resources. The company's objective is to become a world class diversified mining and minerals group, and to enhance overall value for its shareholders.

87. Ma'aden is a company that performs all of its actions with the utmost concern for human resources, health, safety, environmental and social issues. It is committed to protecting the health and safety of its employees and the environment and implements the legal regulations necessary to do so.

88. Ma'aden currently has four key business areas:

(i) Gold and Base Metals;
(ii) The Phosphate Project - with joint venture partner SABIC;
(iii) The Aluminium Project - with joint venture partner Alcoa; and
(iv) Other Projects - including magnesite, kaolin, low grade bauxite, garnet, chlor vinyl.

89. In addition to its projects, Ma'aden conducts extensive exploration programs in Saudi Arabia. The following is a timeline of the evolution of Ma'aden:

1997 - Established
2006 - North-South Railway approved by Council of Ministers
2007 - Phosphate Joint Venture with SABIC
2008 - Partial privatization (50% State ownership)
2009 - Aluminium Joint Venture with ALCOA and ECA with SWCC
Today - Publicly traded company (Capital SR.9,25 Billion with aspiration for massive growth)

(4) MANUFACTURING

90. The contribution of manufacturing to GDP in Saudi Arabia is about 12.7% and it is expected to increase to about 14% by 2014. The manufacturing sector's largest contributors are in the petrochemical and mining sectors. Saudi Arabia current industrial production also includes ceramics, plastics, chemicals, steel, aluminium, building materials, textiles and foodstuffs.

91. Over the next three years, the value added of the petrochemicals industry is expected to grow at an average annual rate of about 5.7%, compared with 9.7% in 2009, to reach a share in GDP of about 1.7% in 2014.

92. The value added of other manufacturing industries is expected to grow at an average annual rate of 7.6%, compared with 6.8% in 2009. Hence, the Ninth Development Plan forecasts a contribution by these industries to GDP of about 9.2% in 2014. Investment and employment in these industries is expected to grow during the next three years at average annual rates of approximately 15.3% and 0.3% respectively, compared with 6.3% and 0.8% respectively in 2009.

(5) SERVICES

93. The services sector is very important to Saudi Arabia's economy. It contributes 50.6% to real GDP and employs about three quarters of the workforce. Saudi Arabia encourages the services sector by providing market access and national treatment to foreign service suppliers. This is reflected by the number of services sub-sectors commitments undertaken by Saudi Arabia during its accession; the Kingdom undertook commitments on 120 Services sub-sectors out of 160.

(i) Financial Services

(a) Banking Sector

94. Since the accession of Saudi Arabia to the WTO, the Saudi banking industry has expanded substantially. Twenty-one banks are now operating in the Kingdom compared to 13 banks in 2005. Out of these banks, there are 9 foreign bank branches and 6 joint-venture banks. There are also two licensed foreign bank branches which have yet to begin operating; they are State Bank of India and T.C. Ziraat Bankasi. This shows that the foreign presence in the Saudi banking sector is significantly high since it represents about 74% of the total number of operating and approved licensed banks in Saudi Arabia.

95. The banking sector has enjoyed steady growth and stability in recent years as evidenced by a number of key banking indicators. At the end of May 2011, total bank assets grew by 6.0% compared to the end of 2010, reaching SR 1.5 trillion. The branch network grew by 1.6%, reaching 1617 branches. Moreover, bank deposits increased by 7.6% during the same period to reach SR 1.06 trillion. This supported credit to the private sector, which increased by 4.4% to SR 775.5 billion. Banks are well capitalized; their capital adequacy ratio is currently at 17.1%, which is more than double the international standard of 8%. Stress tests conducted recently also demonstrate that Saudi banks are sound and well-equipped to withstand any shocks.

(b) Cooperative Insurance

96. The Saudi Cooperative insurance sector has been witnessing a rapid growth after the accession of Saudi Arabia to the WTO, and this growth is expected to remain steady and solid in the coming years. In this respect, gross written premiums (GWP) achieved a compounded annual growth rate of 27% over a 5-year period reaching SR 16.4 billion in 2010. Insurance penetration (i.e. GWP divided by GDP) increased from 0.44% in 2005 to 1% in 2010 and insurance density (i.e. GWP per capita) increased from SR 223 in 2005 to SR 604 in 2010.

97. The Saudi insurance market structure promotes competitiveness. Currently, there are 31 licensed insurance and reinsurance companies. Thirty of these were licensed after the accession of Saudi Arabia to the WTO and more than 91% of those companies have foreign participation. There are 4 other insurance companies in the final stages of the licensing process. In addition, there are 58 insurance brokers, 31 insurance agencies, 9 loss adjusters, 8 third party administrators (TPA's), 6 insurance consultants, and 2 actuarial services firms in Saudi Arabia.

(c) Payment System

98. Saudi Arabia has developed an advanced payment system which is secure and efficient. The Saudi Arabian Monetary Agency (SAMA) has built an electronic payment infrastructure that is integrated, secure, cost efficient and expandable. The National Bill Presentment and Payment System (SADAD) facilitates and streamlines bill payment transactions for end consumers through all the banking channels in Saudi Arabia. SADAD has become one of the world's most reputable systems and gained the title of the United Nations Public Service Winner for 2008.

(d) Regulatory and Supervisory Developments

99. SAMA made it mandatory at the start of 2008 for banks to implement the Basel II framework to properly account for all forms of risk, and promote risk management and transparency for increased market discipline. In addition, plans are well underway for the implementation of Basel III.

100. SAMA has also adopted several other regulatory frameworks for banks to ensure financial stability. Furthermore, many new regulatory and supervisory initiatives are underway in the light of international financial regulatory reforms being finalized by the Basel Committee in Banking Supervision (BCBS) and the Financial Stability Board (FSB).

101. In the cooperative insurance sector, SAMA has issued a number of sub-regulations to build a comprehensive regulatory framework and to address key market issues (e.g. risk management, market code of conduct, anti-money laundering and terrorism financing, insurance fraud, and reinsurance). Other sub-regulations are currently being developed (e.g. outsourcing, intermediaries, online activities, actuarial services).

102. In other areas of the financial sector, there are currently five laws under development: (i) the Financial Leasing Law; (ii) the Finance Companies Control Law; (iii) the Real Estate Financing Law; (iv) the Real Estate Mortgage Law; and (v) the Enforcement Law. The implementation of these laws is expected to boost credit expansion as well as create more market opportunities for cooperative insurance providers.

(e) Capital Market

103. The Saudi Capital Market Authority (CMA) has adopted various Implementing Regulations to implement the provisions of the Capital Market Law (CML). A notice-and-comment period preceded the adoption of these regulations during which the CMA sought comments and feedback on the proposed regulations.

104. Since 2005, the following Implementing Regulations were among the regulations that have been issued or amended: (i) Anti-Money Laundering and Counter-Terrorist Financing Rules; (ii) Corporate Governance Regulations; (iii) Merger and Acquisition Regulations; (iv) Investment Funds Regulations; (v) Real Estate Investment Funds Regulations; and (vi) Resolution of Securities Disputes Proceedings Regulations. In addition, the CMA has issued a Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.

105. As part of CMA's effort to allow foreign investment in the Saudi capital market, it permits all resident foreigners to directly trade in the Saudi stock exchange, while providing non-resident foreigners with indirect access to the market through investment funds, exchange-traded funds (ETFs) and swap agreements.

106. In 2010, the CMA was admitted to the International Organization of Securities Commissions (IOSCO) as an ordinary member and subsequently became a full signatory to the IOSCO Multilateral MOU.

(ii) Telecom

107. Competition in the mobile telecommunications market started in 2005, with the issuance of a 2nd mobile license to Mobily (Etihad Etisalat) and 2 fixed data services licenses to Bayanat and the Integrated Telecommunications Company, and has resulted in major improvements in terms of service offerings, quality of service, customer care, reduced prices, and subscriber growth.

108. The licensing process for the issuance of a third mobile license and Fixed Services licenses started in 2006. For the mobile license nine applicants were technically qualified for opening of their financial bids. Zain Saudi Arabia (MTC, Kuwait) had the highest bid and was issued the third mobile license in 2008. In addition three fixed services applicants were technically qualified and selected, and a license issued to Etihad Atheeb Telecom (Batelco - Bahrain) in 2009.

109. Fixed telephone lines stood at 4.13 million at the end of 2010, of which around 3 million, or 72% were residential lines. This represents a household teledensity of around 67%, or 67 residential lines for every 100 households. The population teledensity is around 15 % or 15 telephone lines for every 100 inhabitants.

110. Broadband subscriptions have grown 68-fold over the last 5 years, from 64,000 in 2005 to over 4.4 million at the end of 2010. The broadband penetration rate stood at around 16 % of population at the end of 2010, or 16 broadband connections for every 100 inhabitants.

111. Broadband household penetration is a more relevant indicator as a single broadband connection in a house can provide high speed data access to all members of a household. At the end of 2010, household broadband penetration stood at around 42%.

112. Despite the high growth rates over the last few years, there is still potential for more growth in broadband services. The broadband market is significantly underserved in many suburban and rural areas. With the opening of the fixed telecommunications market to competition, the intense competition in mobile broadband offerings, and the increased consumer demand for fast internet connections, the broadband market is expected to continue to grow at a fast pace, as mobile and fixed service providers continue to roll out their broadband networks with competitors fulfilling the growing demand.

113. The number of internet users grew from around 1 million in 2001 to 11.4 million at the end of 2010, more than a ten-fold increase in 9 years. Internet penetration increased to 41% of the population by the end of 2010 or 41 Internet users for every 100 inhabitants. This internet penetration rate is lower than that of developed countries (64%), but is well above the world average (26%).

114. The Communication and Information Technology Commission (CITC) has launched a study to assess the feasibility of issuing unified licenses as well as expanding resale in major ICT markets. Unified licensing, if implemented would allow a transition from the current technology neutral and service specific regime to a both technology and service neutral regime. This study is expected to be completed in 2012.

(iii) Transportation

115. During the last five years, the transport sector in Saudi Arabia has witnessed noticeable development as land transportation and roads linking cities have increased almost 12% to reach a total length of 58,036 km to improve mobility, trade, and tourism.

116. Moreover, the study of public transportation strategies and policies has established a national vision for Saudi Arabia to establish safe and effective inter-city and intra-city public transportation services by the year 2025. From the legislative perspective, implementing regulations for land transportation have been updated to ensure fair competition among investors.

117. Several bilateral agreements with other countries to regulate the transportation of passengers and goods on roads, have been signed or have entered into force. Multimodal transport agreements have also been signed to regulate freight transportation among Arab states.

118. With respect to rail transport, studies and construction projects related to railways in Saudi Arabia include the following:

(i) (The north-south line project, which is 2400 kilometres long and under construction, connects the north-west border of Saudi Arabia (Saudi/Jordan border) with Riyadh to transport minerals from several places to a new port being built on the Arabian Gulf;

(ii) The land bridge project, which is 950 kilometres long is awaiting fund allocation and will connects Jeddah Islamic Port on the Red Sea with the existing railway that links Riyadh with King Abdul Aziz port on Dammam. This project will serve the Riyadh dry port and Al-Jubail Port;

(iii) The Haramain high speed rail project, which is 450 kilometres long and under construction, will connect Madinah with Makkah through Jeddah and Rabigh on the Red Sea;

(iv) To accommodate the extreme crowds during Haj, Saudi Arabia established the Al Mashaaer Al Muqadassah Train Project also known as Makkah Metro, which connects the Holy Sites in Makkah (Arafat - Muzdalifah - Mina) with each other and will be connected to the Haramain rail network at a later stage. It is expected to operate at full capacity this year and can transport up to 72,000 pilgrims in an hour;

(v) Taif - Khamis Mushayt -Abha Line, Jeddah - Jizan Line and Yanbu Jeddah Line are all under consideration to connect the southern area with other areas in Saudi Arabia. Moreover, the feasibility study for the GCC railway had been adopted, and currently each country is working on the design of its share in the network.

119. The maritime trade law, which regulates the maritime transport sector in Saudi Arabia, is under development. The participation of the private sector has increased, especially with respect to the provision of port services in Saudi Arabia.

(iv) Health and Social Services

120. The Government of the Kingdom of Saudi Arabia encourages investment in large health institutions to promote the transfer of technology, which leads to strengthening the quality of health services, creating an economic impact and increasing employment opportunities for the citizens of the Kingdom.

V. FREE TRADE AGREEMENTS

(1) GCC CUSTOMS UNION

121. Saudi Arabia believes that regional trade agreements can be a useful complement to the multilateral system, by deepening the integration of markets, reinforcing the role of trade in economic growth, promoting gains of scale for domestic firms and providing an expanded base to face global competition.

122. Saudi Arabia was one of the six founding States of the GCC in 1981. The basic objectives of the GCC are to effect coordination, integration and inter-connection between member states in all fields, strengthen ties between their peoples, formulate similar regulations in various fields such as economics, finance, trade, customs, tourism, legislation, administration, as well as foster scientific and technical progress in industry, mining, agriculture, water and animal resources, establish scientific research centres, set up joint ventures, and encourage the cooperation of the private sector.

123. The GCC Common Customs Law was promulgated on January 2003. Since then, the GCC states have operated on the basis of the common external tariff (CET). On 1 January 2008 the members of the GCC also formed a common market, allowing the free movement of services between the members.

(2) PAN ARAB FREE-TRADE AREA (PAFTA)

124. Saudi Arabia is one of the members of the Pan Arab Free-Trade Area (PAFTA) Treaty[4] which entered into force on 1 January 1998. Under the PAFTA, almost all trade barriers among its members were eliminated as of 1 January 2005, with some products excluded from liberalization.

125. The treaty also provides for rules of origin requiring the value added not be less than 40% of ex-factory cost. Recently, efforts have been made to include trade in services. The principal entity responsible for implementing the programme is the Economic and Social Council of the League of Arab States. According to the latest available figures, trade among PAFTA members increased from US$12.9 billion in 1998 to US$60.9 billion in 2007.[5] The PAFTA was notified to the WTO by Saudi Arabia in 2006.

VI. FUTURE DIRECTION OF SAUDI ARABIA'S TRADE POLICY

(1) SAUDI ARABIA AND THE G20

126. Saudi Arabia has undertaken a number of measures to implement the plan agreed upon by the leaders of the G20 in Washington on November 15, 2008 in an attempt to reduce the effect of the financial crisis and to ensure sustainable and balanced economic growth.

127. Saudi Arabia strongly supports the agreement by the G20 Leaders to renew their anti-protectionist pledge, which commits G20 Members to refrain from imposing protectionist measures on trade in goods and services until the end of 2013, and to maintain momentum on aid-for-trade initiatives to enable developing countries to fully share the benefits of trade liberalization.

[4] The PAFTA members are: the GCC countries plus Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Palestinian Authority, Sudan, Syria, Tunisia, and Yemen.

[5] Arab Monetary Fund.

128. In this regard, Saudi Arabia did not impose any trade restrictions during the economic crisis and despite the recent fall in oil prices and global demand, Saudi Arabia continued to provide development assistance, particularly to countries most affected by the financial crisis. For example, Saudi Arabia has announced the following development assistance:

(i) $500 million for World Food Program;
(ii) $500 million for the Energy for the Poor Initiative, adopted by Saudi Arabia during the Jeddah Energy Conference.

129. During the Seoul Summit in November 2010, Saudi Arabia welcomed and strongly supported the G20 Leaders' Commitment to bring the Doha Round to a successful, ambitious, comprehensive and balanced conclusion.

(2) SAUDI ARABIA AND NEW SOURCES OF ENERGY

130. In order to contribute to the future of sustainable energy, the Government of Saudi Arabia has established the King Abdullah City for Atomic and Renewable Energy (KACARE). It is contributing to a sustainable future for Saudi Arabia by developing complementary energy capacity that is substantial in size and supported by a world-class local industry. Shaped by science and research, and brought to life through technology development, deployment, dissemination and industry partnerships, Saudi Arabia is building a new generation of sustainable power production capabilities that harness renewable and atomic energy to create a reliable, long-term supply of electricity.

(3) COMPETITION

131. In order to create an efficient competitive environment in Saudi Arabia, the Competition Law and its implementing regulation was promulgated in 2004 and an independent competition council has been established to supervise the implementation and the enforcement of the law.

132. Competition law applies to all establishments in Saudi Arabia whether plants, companies, or associations carrying out commercial, agricultural, industrial or service works or buying and selling goods or services in Saudi Arabia. It addresses agreements between Saudi and foreign companies and agreements between foreign companies, even if the agreements are concluded outside Saudi Arabia.

133. It is worth mentioning that Islamic law also prohibits a number of anti-competitive practices under the general rule requiring fair dealing in all commercial exchanges.

ANNEX: TECHNICAL ASSISTANCE NEEDS OF SAUDI ARABIA

1. As a very recently acceded country, Saudi Arabia is interested to be provided with technical assistance in various WTO agreements to ensure effective participation in the multilateral trading system. Thus, Saudi Arabia welcomes the host of national Seminars and workshops organised by the WTO secretariat or in cooperation with other international organization. Technical assistance in the following fields are required:

- Agreement on Trade in Services (GATS).
- Agreement on Trade Related Aspects on Intellectual Property Rights (TRIPS).
- Agreement on Government Procurement.
- Agreement on Import Licensing.
- Trade Remedies (Anti Dumping – Subsidies - Safeguard measures).
- Trade Facilitation.
- TBT and SPS Agreements.
- RTA's.

2. Saudi Arabia is at the final stage of establishing a WTO Reference Center located at the Ministry of Trade and Industry. In this regard Saudi Arabia is looking forward to receive technical assistance from the WTO in addition to the assistance of WTO Members by sharing their experience with Saudi Arabia in this matter.

3. Within the Context of the University Programme of the ITTC, Saudi Arabia is looking forward for the WTO assistance to set up a cooperation program between the WTO and a selected Saudi Arabian University in order to meet the objectives determined for this program.