

SAUDI ARABIA

TRADE SUMMARY

The U.S. goods trade deficit with Saudi Arabia was \$37.5 billion in 2012, up \$3.9 billion from 2011. U.S. goods exports in 2012 were \$18.1 billion, up 31.0 percent from the previous year. Corresponding U.S. imports from Saudi Arabia were \$55.7 billion, up 17.3 percent. Saudi Arabia is currently the 20th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Saudi Arabia were \$5.3 billion in 2011 (latest data available), and U.S. imports were \$590 million. Sales of services in Saudi Arabia by majority U.S.-owned affiliates were \$2.1 billion in 2010, while sales of services in the United States by majority Saudi Arabia-owned firms were not available in 2010 (\$2.8 billion in 2007, latest data available).

The stock of U.S. foreign direct investment (FDI) in Saudi Arabia was \$8.7 billion in 2011 (latest data available), up from 7.9 billion in 2010. U.S. FDI in Saudi Arabia is concentrated mostly in the nonbank holding companies sector.

IMPORT POLICIES

Tariffs

As a member of the Gulf Cooperation Council (GCC), Saudi Arabia applies the GCC common external tariff of 5 percent, with a limited number of GCC-approved country-specific exceptions. Saudi Arabia's exceptions include duty-free treatment for 666 products; a 12 percent tariff on 294 products; a 15 percent tariff on confectionary products with cocoa and bulk cocoa products; a 15 percent tariff for tents, aluminum bars and rods, and furniture; a 20 percent tariff on plastic bags and matches; a 25 percent tariff applied during certain seasons on nine types of fresh or chilled vegetables; a 40 percent tariff on fresh, dried and processed dates; and a 100 percent tariff on cigarettes and other tobacco products. Saudi Arabia ties the level of import duties to the level of local production of similar products and continues to subsidize its agricultural sector with the stated goals of diversifying the country's economic development and achieving food security. As a general rule, Saudi Arabia applies a maximum tariff of 40 percent when local production of a food or agricultural product exceeds the level required for self-sufficiency.

Import Prohibitions and Licenses

In Saudi Arabia, the importation of certain articles is either prohibited or requires special approval from the appropriate authorities. Saudi Arabia prohibits the importation of alcohol, pork products, firearms, used clothing, and automobiles and automotive parts over five years old. Special approval is required for the importation of live animals, horticultural products, seeds for use in agriculture, products containing alcohol, chemicals and harmful materials, pharmaceutical products, wireless equipment, radio-controlled model airplanes, natural asphalt, archaeological artifacts, books, periodicals, audio or visual media, and religious materials that do not adhere to the state-sanctioned version of Islam or that relate to a religion other than Islam. The import of some media products is subject to censorship.

Documentation Requirements

For some products, most notably agricultural biotechnology products, Saudi Arabia requires a certificate attesting to the product's fitness for human consumption and to its sale in the country of origin to be authenticated by the local chamber of commerce in the country of origin in order to import the product into the country.

GOVERNMENT PROCUREMENT

Contractors must subcontract 30 percent of the value of any government procurement, including support services, to firms that are majority-owned by Saudi nationals. An exemption is granted when no Saudi-owned company can provide the goods or services necessary to fulfill the requirements of a tender. Foreign suppliers are also required to establish a training program for Saudi nationals. The Saudi government may favor joint venture companies with a Saudi partner and provide preferential treatment for companies that use Saudi goods and services. In addition, Saudi Arabia provides a 10 percent price preference for GCC goods for procurements in which foreign suppliers participate.

Foreign companies can provide services to the Saudi government directly without a local agent and can market their services to other public entities through an office that has been granted temporary registration from the Ministry of Commerce and Industry. Foreign companies solely providing services to the government, if not already registered to do business in Saudi Arabia, are required to obtain a temporary registration from the Ministry within 30 days of signing a contract.

In 2003, the Saudi Council of Ministers increased the transparency of government procurement, requiring public availability of procurement information, including the names of the parties, financial value, a brief description, duration, place of execution, and a point of contact.

Most defense procurement is not subject to the general procurement decrees and regulations; instead, tenders are negotiated on a case-by-case basis. For large military projects, there is frequently an offset requirement that is determined on a project-by-project basis.

In its accession to the WTO, Saudi Arabia committed to initiate negotiations for accession to the WTO Agreement on Government Procurement (GPA) once it became a WTO Member. Although Saudi Arabia became an observer to the WTO Committee on Government Procurement in December 2007, it has not begun GPA accession negotiations, stating that it would begin accession when the revised text of the GPA was adopted. With approval of the revised text in December 2011, Saudi Arabia has begun an Arabic translation and review of the text.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The United States removed Saudi Arabia from the Special 301 Watch List in February 2010 in recognition of the significant progress that Saudi Arabia has made in improving its intellectual property rights (IPR) regime. As noted in the announcement of that step, the United States continues to carefully monitor the adequacy and effectiveness of IPR protection and enforcement in Saudi Arabia, including the imposition of deterrent level penalties for violations of Saudi copyright law, action to increase the use of legal software within the Saudi government, and adequate protection for patented pharmaceutical products.

As the six Member States of the GCC explore further harmonization of their IPR regimes, the United States will continue to engage with GCC institutions and the Member States and provide technical cooperation on intellectual property policy and practice.

SERVICES BARRIERS

Insurance

The 2003 Control Law for Co-Operative Insurance Companies requires that all insurance companies in Saudi Arabia be locally incorporated joint-stock companies, with foreign equity limited to 60 percent and a requirement that the remaining 40 percent be sold in the Saudi stock market. The companies must operate on a cooperative or mutual basis, in effect requiring distribution of any the profits between policyholders and the insurance company.

Banking

Saudi Arabia limits foreign ownership in commercial banks to 40 percent of any individual bank operation. The 2004 Saudi Capital Markets Law provides for the creation of investment banks and brokerages in Saudi Arabia, with foreign equity limited to 60 percent.

INVESTMENT BARRIERS

Foreign investment is currently prohibited in 16 manufacturing and service sectors and subsectors, including oil exploration, drilling and production, and manufacturing and services related to military activity. All foreign investment in Saudi Arabia requires a license from the Saudi Arabian General Investment Authority (SAGIA), which must be renewed annually or biannually, depending on the sector. While SAGIA is required to grant or refuse an investment license within 30 days of receiving a complete application, bureaucratic impediments arising in other ministries sometimes delay the process. Companies can also experience bureaucratic delays after receiving their license, for example in obtaining a commercial registry or purchasing property. SAGIA has been working to develop an automated system to streamline the process and reduce delays.

Direct foreign participation in the Saudi stock market is prohibited, except for GCC citizens. Non-GCC investors are permitted to purchase shares in bank-operated investment funds, though total foreign participation in these funds is limited to 10 percent of the total value of the fund. Equity held by foreign partners in a joint venture business is limited to 60 percent.