SAUDI ARABIA

TRADE SUMMARY

U.S. goods exports in 2013 were $19.0 billion, up 5.7 percent from the previous year. Corresponding U.S. imports from Saudi Arabia were $51.8 billion, down 6.9 percent. The U.S. goods trade deficit with Saudi Arabia was $32.8 billion in 2013, down $4.9 billion from 2012. Saudi Arabia is currently the 19th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Saudi Arabia were $6.6 billion in 2012 (latest data available), and U.S. imports were $487 million. Sales of services in Saudi Arabia by majority U.S.-owned affiliates were $2.5 billion in 2011 (latest data available), while sales of services in the United States by majority Saudi Arabia-owned firms were $2.3 billion.

The stock of U.S. foreign direct investment (FDI) in Saudi Arabia was $9.7 billion in 2012 (latest data available), up from $8.3 billion in 2011. 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. In November 2012, Saudi Arabia endorsed the second phase of the GCC common external tariff. In doing so, Saudi Arabia agreed to abolish duty rates of 12 percent, 20 percent, and 40 percent for various food products, as well as the 25 percent seasonal duty imposed on imports of some fruits and vegetables. Saudi Arabia now imposes a 5 percent import duty on most imported agricultural and food products. The current GCC tariff schedule allows duty-free importation of 344 food and agricultural products.

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. Some media products that are imported are subject to censorship.

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 defense sales, U.S. contractors are subject to an offset rate of 40 percent of the total value of the contract and must ensure that at least half of all offsets be direct.

In 2012, the King Abdullah City for Atomic and Renewable Energy (KACARE) announced plans to install 41 gigawatts (GW) of solar technologies by 2032, including 16 GW from photovoltaic technologies and 25 GW from solar thermal. KACARE has announced that the initial procurement round for the solar investment will include voluntary local content requirements (LCRs), with bidders receiving more points for their bid depending on the level of agreed upon domestic content, and that subsequent rounds will include mandatory LCRs.

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 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. Saudi Arabia is in the process of restructuring its IPR regime by creating an IPR Commission to handle copyrights, patents, and trademarks under a single entity. Although the organizational structure and responsibilities of this commission are still unclear, many stakeholders in the private and public sectors have expressed optimism that this effort will increase governmental efficiency.

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 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 from SAGIA and other agencies sometimes delay the process. Companies can also experience bureaucratic delays after receiving their license, such as when 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 generally prohibited, except for GCC citizens. Non-GCC investors are permitted to purchase shares in bank-operated investment funds, though foreign participation in these funds is limited to 10 percent of the total value of the fund. Non-GCC investors can also participate through swap agreements. Equity held by foreign partners in a joint-venture business is limited to 60 percent.