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Questions and Replies

The Permanent Mission of the Kingdom of Saudi Arabia has submitted the replies reproduced hereunder to the questions submitted by delegations following the meeting of the Working Party on 2-3 May 1996. Replies to the additional questions submitted by Members will be circulated as soon as received.

Information on Domestic Support and Export Subsidies in agriculture in the format set out in document WT/ACC/4 is reproduced in Annex A. The Procedures and Guidelines of the International Conformity Certification Program will be reproduced in document WT/ACC/SAU/6/Add.1. The Unified Economic Agreement of the Cooperation Council for the Arab States of the Gulf will be reproduced in document WT/ACC/SAU/6/Add.2

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All paragraph references concern document L/7489. Reply references concern document L/7645/Add.1 unless otherwise indicated.

II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

(b) Current Economic Situation

Q 1. What was the total amount of tariff revenues collected from agricultural and non-agricultural products in 1995?

R 1. The total tariff revenue for 1995 was SR 7.659 billion. Tariff revenues collected from the imported agricultural products in 1994, according to the GATT classification, was SR 859 million.

2. Economic Policies

(a) Main Directions

Q 2 (a) In the response to question 20(c) in L/7645/Add.1, it is stated that, "One of the specific objectives of the Fifth Development Plan was to maximize the transformation of domestically produced raw materials and intermediate products, particularly petroleum derivatives and petrochemicals." In this regard, could Saudi Arabia indicate how it intends to proceed in maximizing "the domestic transformation of domestically produced raw products".

(b) Can Saudi Arabia state categorically that it will not use measures, such as local content restrictions, dual pricing of raw materials or other inputs, trade balancing, non-tariff import measures, export performance requirements or other import substitution and export promotion measures that either violate WTO provisions, or that are problematic for concessions granted in Market Access negotiations?

R 2. (a) The government of Saudi Arabia will encourage further processing of domestic raw materials by supporting commercially viable, cost competitive, projects through its generally available industrial support systems, i.e., the Saudi Industrial Development Fund and other programs listed in Reply 20b of L/7645/Add.1.

(b) Saudi Arabia does not maintain measures in most of the categories listed in the question. Without prejudice to its positions on whether particular measures currently maintained conflict with its potential WTO obligations, Saudi Arabia, as a WTO Member, will honor its WTO commitments.

Q 3. "The overall objective of the Fifth Development Plan (1990-1995) ... were to continue with real structural changes in the Kingdom's economy to establish a diversified economic base - with due emphasis on industry and agriculture." (Qu 11, L/7489). Which specific measures were enacted to promote the agriculture and food sectors? Could Saudi Arabia provide more details (budgets, sectors/commodities affected, etc.) on measures taken by the government to achieve this goal in the agricultural and industrial sectors?

R 3. Planning in Saudi Arabia is indicative whereby the plan sets the aims and the implementation is left to the working of the market forces.

Q 4. Is the Um Al-Qura the only periodical where trade laws and other measures are published prior to implementation ? If not please name the others.

R 4. The Um Al-Qura is the only official publication for the notification of laws, regulations and decrees.

(b) Monetary And Fiscal Policies

Q 5. As noted during the Working Party meeting, Saudi Arabia's corporate taxation system applies a different tax regime to businesses owned by citizens of Saudi Arabia and to foreign-owned or joint-venture businesses. As the Zakat is applied only to liquid assets and at a rate sharply below that applied to the income of non-Saudis, it would appear that non-Saudis bear a higher tax burden than Saudi citizens.

(a) Is it correct to state that citizens of Saudi Arabia never pay the income tax? If not, what is rate of income tax applied to the earnings of citizens of Saudi Arabia?

(b) Is it correct to state that foreign-owned firms that import goods are subject to a higher level of taxation on their earnings from this activity than importing or manufacturing firms owned by citizens of Saudi Arabia?

(c) Would Saudi Arabia please state for the record its position on the WTO consistency of this taxation system in light of Article III of the GATT 1994 and whether it believes that there are implications for national treatment and non-discrimination in the application of such a system?

R 5. (a) Saudi citizens are not subject to the income tax. However, they pay Zakat at an annual rate of 2.5% of the assessable amount. Unlike the income tax, which is payable on annual profits only, the Zakat is imposed on various components. The Zakat base for Saudi companies and the Saudi partner's share in joint ventures includes the following components:

- Capital
- Various kinds of reserves.
- Transferred profits.
- Revised annual profits.
- Balances of various provisions.
- Partner's creditor current accounts.
- Loans provided by partners.
- Long-term loans obtained from other sources for capital base expansion.

The following items are subtracted:

- Net fixed assets.
- Investments in other domestic companies.
- Projects under execution.
- Revised annual losses.
- Transferred losses.
- Book value of establishing fees.

Zakat Base for Saudi companies:

Zakat is payable at a flat rate of 2.5% annually. It is clear from the above that Saudi companies, in some cases, may pay in the form of Zakat more than the tax payable by the foreign partner.

(b) There are many cases where foreign partners would not pay a tax whereas Saudi partners are obliged to pay Zakat:

- (1) Companies in the process of being established. Saudi companies have to pay Zakat on their capital while the capital share of the foreign partner is not subject to any tax as long as the company is in the process of establishment and did not yet earn any taxable profits.
- (2) The foreign partner's share in a company incurring a loss is not taxable whereas the Saudi partner has to pay Zakat on the various components mentioned above.
- (3) Industrial and agricultural companies formed under the provisions of the "Foreign Capital Investment Law" are exempt from income tax for a period of ten years beginning from the date of production, and for a period of five years for other companies. The foreign partner's share is tax exempt during these periods, while the Saudi partner must pay Zakat on his share.

Though foreign companies are subject to a higher tax rate, this tax, however, is not necessarily bigger than Zakat payable by Saudi citizens. Only the share of the foreign partner of the annual profits is taxable, whereas the Saudi partner would pay Zakat on all his money in the company including net profit, which is only one of the aforementioned components.

(c) Non-Saudi business entities are subject to Income Tax while Saudi entities are subject to Zakat. The former is income-based while the latter is a wealth-based. Thus, there is no automatic preference given to domestic interests in the area of taxation.

Q 6. What is the level of the income tax?

R 6. The income tax rate is as follows:

<u>Net Income (Saudi Riyals)</u>	<u>Tax Rate</u>
0 - 100,000	25 percent
100,001 - 500,000	35 percent
500,001 - 1,000,000	40 percent
More than 1,000,000	45 percent

Q 7. What is the income tax payable on?

R 7. The income tax is payable on the foreigner's share of profits.

(c) Foreign Exchange And Payments System

Q 8. The last sentence of the reply to question 20 (WT/ACC/SAU/3) indicates that no exchange control requirements are imposed on capital receipts or payments by residents or non-residents. Please specify the term 'capital receipts or payments' in this context. Does this mean that any capital transactions are permitted under exchange legislation?

R 8. It seems that the reference is incorrect. However, the answer is as follows. There are no restrictions on financial transfer outside Saudi Arabia either by national persons or by another entities, except for fraud money (money laundering, etc..).

(d) Foreign And Domestic Investment Policies

Q 9. Para. 15: Reply 17 states that "Non-GCC investors are, for all practical purposes, prohibited from investing in the Saudi stock market". Please explain the reasons for this prohibition and indicate what plans there are to open up the stock market to foreign investors.

R 9. The Saudi stock market is small with only 89 Saudi companies listed. Shares dealing is limited to Saudi companies and Saudi citizens. There are exceptional cases where GCC investors are allowed to purchase specific amounts of such shares. Currently, there are no plans to open up the stock market to foreign investors. However, foreign dealing under specific rules might be studied.

Q 10. Please provide a complete list of sectors where no foreign participation is possible, and those sectors where foreign participation is limited to less than 50%.

R 10. Except for petroleum extraction, all other developmental projects such as industrial and agricultural projects are open to foreign participation without any limitations on the level of ownership.

Q 11. The reply to question 31 (WT/ACC/SAU/3) states that national treatment is granted for foreign investment within the context of the Investment of Foreign Capital Regulation. Are there any fields where national treatment is not granted to foreign investment?

R 11. In the context of the Investment of Foreign Capital Regulation, national treatment is granted for foreign investment with two exceptions: loans from the Saudi Industrial Development Fund and tax holiday. To be eligible for both, the foreign investment must be a joint venture with Saudi participation in its equity of 25% or more.

Q 12. Tax holidays and investment incentives are modulated according to the level of domestic participation. Please provide concise information on the above (e.g., we understand that to qualify for preferential loans and tax holidays a minimum 25% Saudi participation is requested).

R 12. (a) Licensed foreign investment projects are eligible for incentives available to national projects in the industrial field, with the following exceptions:

- foreign investment projects in industry and agriculture are eligible for tax holiday for a period of ten years.

Other foreign projects are eligible for tax holiday for a period of five years.

However, eligibility for tax holiday requires, in addition to above, that there be a national participation of no less than 25% of the project equity.

(b) Companies with foreign shareholders are eligible for loan up to 50% of the project cost if the Saudi participation is 50%. If this percentage is less than 50%, then financing is granted at a proportionately reduced level.

Q 13. In relation to the reply no. 73, please confirm that there are no ownership limitations to qualify for GCC certificates of origin which will permit goods to be imported duty free into other GCC countries (in a study on investment in the GCC produced by Clifford Chance it is said that GCC certificates of origin are limited to goods produced by companies with at least 51% GCC ownership).

R 13. To qualify for GCC tariff treatment, goods must be certified as having at least 40% GCC content and as being produced by firms with at least 51% GCC ownership.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import Regulations

Q 14. Please cite and describe laws and regulations currently in place that provide for tariff or nontariff protective measures for the specific protection of domestic output from import competition.

R 14. **Customs Tariff.** A competent technical committee at the Ministry of Finance & National Economy examines, whenever required, the pieces, kinds and quality of the goods imported to Saudi Arabia, in order to identify the following:

- effect of the Customs Tariff applicable in Saudi Arabia on the rates in the local markets.

Size of the competition between the goods domestically produced and those imported, as well as the effect of lower prices specified in the invoices of the items imported to Saudi Arabia, on the competition.

Size of the local production of the protected items and the imported items that have similar local production, and extent of its coverage to the local demand.

Prior to submission of its recommendations, the committee takes into account the following: Commercial aspects, Financial aspects, and Industrial aspects.

System of National Industry Protection and Encouragement. This system provided for formation of a competent committee that may assume examination of the requests submitted by the industrialists regarding protection of their productions from an unjust foreign competition due to the lower prices of the foreign products which are sold in Saudi Arabia as a result of the lower prices mentioned in the invoices.

The committee then considers possibility of providing the customs protection that reaches as maximum to 20% which is relatively reasonable in comparison to other countries.

In providing the customs protection, following aspects are taken into account:

- availability of the raw material required for production;
- size of the total production of same item by the existing factories, its match up to the local demand.

Further it is worth mentioning that the customs protection is not provided to all local products because there is a host of imported items that have identical local products, however a duty of only 12% is applicable.

Q 15. Please provide a list of a non-tariff measures maintained by the Kingdom of Saudi Arabia. This list should include the tariff heading to HS 6-digits, a product description, an indication of the type of restriction maintained, and the justification for the maintenance of the restriction.

R 15. Non-tariff import restrictions can be broken down into basically five groups as follows:

- There are the restrictions on dates (HS 08041010-08041090) and long-validity pasteurized milk in containers of more than one litre. There is no specific HS eight digit number for this product but it would fall into one of the line items HS 04011010-0429920. Explanation of the reasons for these restrictions are to be found in the reply to Questions 86, 87 and 88 in the original document.

- There are the specific items which are banned for reasons of health, security and public morality and which are presented in the Saudi Arabian harmonized code system at the eight digit level. They are presented in the Annex 7/D on non tariff requirements which include prohibited and restricted or licensed goods.

- There are items that are prohibited due to the intended illegal use of the product, and which cannot be distinguished at the eight digit level alone. These include the following:

Equipment intended to be used for distillation of liquors and substances solely used for liquor distillation. Such equipment and substances could be in any variety of eight-digit line items but primarily those in Chapters 39-40 (plastics/rubber), 44-46 (wood products), 70 (glass), 73-83 (metals), 84-85 (equipment), and 90 (instruments). The appropriate WTO justification is GATT 1994 Article XX(a).

Publicity material for all kinds of cigarettes. Such equipment and substances could be in any variety of eight-digit line items but primarily those in Chapters 47-49 (paper products). The appropriate WTO justification is GATT 1994 Article XX(b).

- Night binoculars which enable vision in the dark and binoculars which take photographs in the dark. These would be included in HS 90051000 - 90059000. The appropriate WTO justification is GATT 1994 Article XXI.

- Tools and machines designed for gambling excluding those for innocent amusement. These would be included in Chapter 95. The appropriate WTO justification is GATT 1994 Article XX(a).

Three-dimensional pictures which contradict Shariah and public morality imported for the purpose of sale in commercial quantities. These would also be included in Chapter 95. The appropriate WTO justification is GATT 1994 Article XX(a).

- Articles designed for floor covering or for wearing bearing the wording of Allah or Quranic verses or prophet's sayings. Such articles could be in any variety of eight-digit line items but primarily those in Chapters 50-63 (textiles and textile products), 64-67 (clothing accessories), and 68-70 (stone and glass products). The appropriate WTO justification is GATT 1994 Article XX(a).

- Cross and commodities bearing the cross and any pictures, inscriptions, drawings, quotations or expressions or publications of books and other printed matters, films and tapes violating the Islamic Shariah or Islamic morality or the printed matter regulation. Such articles could be in any variety of eight digit line items but primarily those in Chapters 47-49 (paper products). The appropriate WTO justification is GATT 1994 Article XX(a).

Items that fail to meet the appropriate Saudi standards are excluded in accordance with GATT Article XX (b).

There are items subject to licensing.

(b) Characteristics of national tariff

Q 16. Please provide comprehensive and up-to-date details of the (a) Customs Tariff and (b) import data in a WTO language and on diskette.

R 16. For (a), a copy of the customs tariff has been submitted to the WTO Secretariat. As for (b), please refer to the Kingdom of Saudi Arabia's Import Statistics which details the requested information. WTO Secretariat has the latest edition.

Q 17. Has Saudi Arabia moved to the HS 1996 system?

R 17. The Kingdom has not yet moved to the HS 96 system. However, we expect to move to the HS 96 system within two years.

Q 18. We are pleased to note that Saudi Arabia is prepared to bind its tariffs. However, we also note that tariff protection to assist domestic industries was instituted in 1988. Does Saudi

Arabia intend to provide further protection to domestic industries and, if so, which industries are to be affected and at what level of tariff?

R 18. As a developing country in its early stages of development, the Kingdom might find it necessary to institute further tariff protection of its infant industry consistent with its WTO obligations.

Q 19. In view of Saudi Arabia's preparedness to bind its tariffs, we would appreciate an indication of the level and extent to which Saudi Arabia will be prepared to bind its tariffs in key sectors. Are there any sectors where Saudi Arabia will not be prepared to bind tariffs?

R 19. This issue will be addressed during negotiations.

Q 20. We note that para. 42 of the Foreign Trade Memorandum (L/7489) states that "there are 6,252 items subject to a duty of 12 percent which could be revised upward depending on fiscal conditions." Have any such upward revisions taken place since the Memorandum was prepared? If so, we would appreciate details of the tariff lines which have been affected and the upward revision that has been applied? Will the possibility of upward revision affect the extent to which Saudi Arabia's tariffs becomes bound?

R 20. The only change has been the increase in tariff rates for tobacco and tobacco products. The tariff rate for these products rose from 30 percent to 50 percent. The possibility of revision for the purpose of increasing the Customs duties is not expected to affect the extent on which some tariffs of Saudi Arabia shall be bound.

Q 21. It would assist the process of evaluation and negotiation if Saudi Arabia could provide the ad valorem equivalent rate of duty corresponding to the specific duty applying to each tariff line in the most recent year.

R 21. There are only two subheadings on which a specific duty is collected:

25201010 -- gypsum	SR 21.00 per gross ton
25201020 -- anhydrite	SR 21.00 per gross ton

Regarding other headings, the specific duty is collected as a minimum Customs duty mentioned beside each heading.

Q 22. We note Saudi Arabia's 12 percent tariff on lupins has made that commodity uncompetitive with soybean fodder as a stock feed. Is it still the case? Has Saudi Arabia addressed the difference between its tariff on lupins and soybean fodder where both products are marketed as stock feeds?

R 22. The situation stands as is. The recommendation shall be submitted by an appropriate committee.

Q 23. (Qu. 47, 51, 53, and 54, L/7489). Are all of the tariff rates provided in the Tariff Rate Schedule 1994 still currently applied? If not, could Saudi Arabia provide an update version of its customs tariff schedule, with details on their general tariffs, protective rates and products subject to duty-free imports (update of Annex 7)? Please provide, for 1995, the average weighted tariff for both agricultural and industrial products.

R 23. The only change has been the increase in tariff rates for tobacco and tobacco products. The tariff rate for these products rose from 30 percent to 50 percent. The 1995 data are not available at the time of the preparation of this response.

Q 24. “Animals, agricultural products and natural resources are considered domestic products if they are produced locally.” (Qu. 73, 74, 75). Please provide a list by HS code (6-digit) of all items that are considered “Domestic Products” for the purposes of the GCC tariff treatment?

R 24. Almost all products which meet the conditions of 40 percent local value added and 51 percent GCC ownership are considered domestic products.

Q 25. “Preferential treatment covers Chapters 1, 2, 3, (....) provided that these commodity groups are in their primary form or have been modified to make them suitable for human consumption, excluding manufactured or semi-manufactured products”. Could Saudi Arabia provide comprehensive list (by HS code 6-digit) of agricultural and industrial products for which preferential treatment is in effect? What is meant by “Primary Form” and “Semi-manufactured”? Please explain.

R 25. (a) Article 2.1 of the Unified Economic Agreement of the GCC provides for full exemption from customs duties and relevant fees on all goods originating in the GCC countries; (b) for the Arab League preferences please see reply 74(b) of document no. L/7645/Add.1.

Q 26. “At the current time, officials of the six Gulf Cooperation Council States are working on the completion of a common tariff schedule.” Is it ready? If so, please provide a copy. Would this cause increases or decreases in the applied tariffs on agricultural?

R 26. Regarding the GCC’s common tariff schedule, it is still a draft under discussion, and limited only to a nomenclature for classification of the goods without proposing certain Customs duty rates.

Q 27. We welcome the statement in the Working Party that Saudi Arabia has eliminated the additional import fees and charges indicated in Articles 60 and 61 of the Customs Law (namely, the wharfage fee, municipal fee, special contribution to Al-Falah schools, duty on licensing and certification of cars, "Banderole" stamp duty on tobacco and tobacco-related products). Please indicate when these charges were abolished and provide a copy of the relevant legislation to the Working Party.

R 27. There is no banderole duty on unmanufactured tobacco or tobacco refuse. Regarding the tobacco products such as cigarettes, cigars and other items in packets for retail sale, a banderole duty stamp for 3 halalas is affixed on immediate packing.

The Minister of Finance & National Economy issued a decree under No. N/7524/4/1086 dated 12/6/1392 H which provided that the Customs Offices throughout the Kingdom should suspend using banderole stamps and collect the duty prescribed for such stamps in cash by adding it to the customs duty due for collection as per the customs import declaration. This shall come into effect on 10 Rajab 1395/96 H. However, the value of the banderole stamps that have already been purchased by the traders and being affixed until the quantity is exhausted, shall not be charged.

The duty on licensing and certification of automobiles was abrogated under the Royal Decree No. M/9 dated 6/4/1393 H. issued regarding implementation of the provisions of the new Customs Tariff the came into effect on 22/8/1395 H.

Q 28. We note the GATT Article XX justifications claimed by Saudi Arabia for import bans on long-validity pasteurized milk in containers of more than one litre and all dates except Squ’i dates from 22 November to 21 June.

What is the basis for the justifications under Article XX(b) and (d) for these import prohibitions?

Does Saudi Arabia accept Article XX justifications which may be offered in support of such bans properly relate to the nature of the goods in question and/or their use, and that such justifications would appear to be inconsistent with the conditions attached to the entry of banned goods into the domestic market, namely entry conditional on the amount of the product in the unit marketed and the time of the year?

Will Saudi Arabia unconditionally remove all of its import bans on long-validity pasteurized milk and dates?

R 28. The reason for prohibiting the importation of long-term milk in packages exceeding (1) litre is that some importers used to mix it with the locally produced milk and re-pack it in smaller packages and sell it in the local market as a national product which mislead the consumer and affect its validity for human consumption. As for dates, when the Kingdom prohibited importation of dates, the aim was to encourage local production. As previously explained, these restrictions will be replaced by negotiated tariff rates when Saudi Arabia accedes to the WTO.

Q 29. The import restrictions on dates and long-validity pasteurized milk are WTO incompatible (and not justifiable under Article XX) and we welcome Saudi Arabia's statement in reply 88 that they will be tariffed. Please indicate when this tariffication will take place.

R 29. These restrictions will be replaced by negotiated tariff rates when Saudi Arabia accedes to the WTO

Q 30. "Imports of long-validity pasteurized milk in containers of more than one litre are prohibited ... imports of dates are banned." (Qu. 86, 87, 88).

Could Saudi Arabia clarify this statement? If imports of dates are banned, please explain why HS 0804.10 does not appear in Annex 7D, which provides a list of products banned from being imported. What is the difference between "banned" goods and "prohibited"? If there is a difference, please provide a current list of agricultural products) 6-digit level) prohibited with a justification. If there is no difference between the two concepts, then long-life pasteurized milk should be added to Annex 7D.

R 30. Regarding long-validity pasteurized milk and dates, Saudi Arabia has already explained in replies 86, 87 and 88 (Doc. L/7645/Add.1) and reply 28 above that milk is banned if imported in packing of more than one litre. A particular type of the date is allowed to be imported for a specific period. No agricultural product other than date and milk in packing of more than one litre, is banned to be imported.

Regarding the Annex 7/D, it should be noted that it pertains to the items banned to be imported in view that they are prohibited in Islamic Law. (With reference to the query from a WTO member regarding the products banned to be imported due to religious reasons).

Yes, there is a difference between items banned and prohibited. A ban may be imposed due to religious reasons and such item may not be allowed to enter, while the importation of the prohibited item may be restricted to certain agencies.

(f) Import Licensing Procedures

Q 31. We appreciate the efforts by Saudi Arabia to respond to the request for information on its import licensing system with the provision of the information in Annex 16. The information provided in L/7645/Add.1 and Annex 16, unfortunately, is not complete and does not fully explain the purposes for which Saudi Arabia applies import licenses or the scope or nature of the system. We would very much appreciate review of Annex 16 with a view to expanding and revising it.

R 31. We would like to indicate that there are no import licenses which stipulate that a certain quantity or country must be specified. Instead, they are regulatory procedures which do not affect importation and ensure the quality of the imports and maintain certain items such as the Arabian breed horses. Also, kindly refer to paragraph 77 of Document WT/ACC/SAU/4.

In addition, the following are the import licensing requirements:

- cutting/seedlings and seeds (Chapter 6) - for quality reasons;
- medicaments, medical and alcoholic preparation (Chapter 30) - for health reasons;
- alcoholic preparation not to be used for non-medical purposes except as a solvent for concentrated flavors and perfumes (according to codex list):
(Chapters: 22 07 10, 22 07 20, 22 07 90);
- radioactive and chemicals (Chapters 28 and 29) - for protection of the environment from the wastes of these products and for security, and health reasons;
- explosives (Chapter 36 - 36 01 00, 36 02 00, 36 04 10, 36 04 90) - for safety reasons;
- petroleum and natural asphalt (Chapters 27 - 27 14 90, 27 13 20, 27 15 00) - for standards reasons because of the climate circumstances in Saudi Arabia;
- agricultural pesticides (Chapter 38 08) - for environmental and health reasons;
- agricultural equipment and machinery (Chapter 84 32, 84 33) because the government provides subsidies and one it is (re)exported, the exporter not to ask for subsidies to be paid back to the government;
- distilling plants (Chapter 84 19) - for moral reasons not to be used to produce or make alcoholic beverages;
- radio communication apparatus (Chapter 85 25 00 00) - for security reasons;
- computer screening equipment for fake dollars (Chapter 90 22 00) - for economic reasons to protect against piracy;
- all kinds of arms and ammunition (Chapter 93) - for security reasons;
- antiques (Chapter 97 06) - for international obligations and traditional items;
- live horses (Chapter 01 01) - for maintaining Arabian pure-bred species.

Q 32. Could Saudi Arabia please expand on the criteria for granting licenses for the products listed in para. 77 of the revised Foreign Trade Memorandum (WT/ACC/SAU/4)? If licensing is discretionary, when does Saudi Arabia plan to repeal this system?

R 32. The criterion for licensing import of the products mentioned in para. (77), such as horses, is to count the numbers and species of the horses imported into the country for maintaining the Arabian breed horses.

As regards the other items mentioned in para. 77, the release of such items requires the presentation of a sample thereof or examination by the agricultural quarantine for conformity to standards. Other items mentioned in this list such as horses, chemicals, pharmaceuticals and archaeological items, licensing and admission requirements thereof are mentioned in Annex No. 3 of WT/ACC/SAU/4.

Q 33. “Imports that require authorization or import licensing ... horses, livestock, sowings, foodstuffs...” (Qu 77, 78, 79). Could Saudi Arabia provide a comprehensive listing of agricultural products by HS Code 6 digit which fall in that category of products? Also, more details on the process of issuance of licenses would be appreciated. Are these import licenses provided automatically or are they used to limit or control imports? Are the Chapter numbers referred to in this response based on the Harmonized System or are they Saudi Arabia’s own classifications? If they are HS Codes, could Saudi Arabia clarify the inclusion of Chapters 6 and 2 under “antiques”?

R 33. Here is a list of the agricultural products which importation requires approval or permission from the competent authority:

H.S. No.	Commodity	Authority
10.01	Wheat	Grain Silos & Flour Mills Organization
01.01	Live horses	Chivalry Club
Chap. 6	Agricultural seeds	Ministry of Agriculture

The permission for importing agricultural products is automatically issued.

The Kingdom applied the Harmonized System since 1991, therefore all headings are conforming to the Harmonized System.

As regards antiques, these are included in Chapter 97 as indicated correctly in Annex No. 3 of the updated Memo on Foreign Trade Regime (WT/ACC/SAU/4) and was a misprint in reply to Q77 (L/7645/Add.1).

Q 34. (Qu 5). Can Saudi Arabia provide a translated copy of Decree No. 77 dated 28/1/1395 AH, and No. 50 dated 17/3/1410, issued by the Council of Ministers?

R 34. The two decrees are being translated into English and will submitted later.

Q 35. (Qu 7 a). Saudi Arabia replied that “the import license is obtained within a very short period.” How much is a “very short period”? How far in advance of importation must an application for a license be made?

R 35. Time frame is dependent upon product type.

Q 36. (Qu 8). Saudi Arabia replied that there are no circumstances where a license may be refused. Does this mean that application for import licenses are never refused? Are there any circumstances when import licenses are not issued? If so, please provide details.

R 36. If the product satisfy the standards and requirements, the import license (permission) will not be refused.

Q 37. (Qu 10). Saudi Arabia replied that “the information required from the importer are usual personal data, i.e. name, address, etc. There is no particular form for this purpose.” Can Saudi Arabia provide a complete list of the personal data required?

R 37. Required details are the following:

- name of the importer and address;
- commercial Registration No. (C.R.) and place of issue;
- license No., place of issue, and validity date;
- shipping country and shipping port;
- nationality and name of mode of transport.

Q 38. Would Saudi Arabia confirm that secondary and tertiary boycott of product originating in Israel or commercially associated with Israel have been removed.

R 38. The Cooperation Council of the Arab States of the Gulf (GCC) adopted two decisions on the subject, namely the decision of the Supreme Council (The Summit) at its 14th session held in December 1993 and the Ministerial Council at its 53rd (preparatory) session held in November 1994. These decisions were duly ratified by the Government of Saudi Arabia.

Q 39. Would Saudi Arabia provide the relevant legal instruments or documents removing the secondary and tertiary boycott mentioned above.

R 39. The relevant legal instrument is Council of Ministers decision No. 5 dated 14.1.1416 AH. In accordance with which Saudi Arabia agreed to implement the decision of the Supreme Council of the GCC adopted at its 14th session held in December 1993 and the decision of the Ministerial Council of the GCC adopted at its 53rd (preparatory) session held in November 1994 suspending the secondary and tertiary aspects of the Arab boycott of Israel.

Q 40. Paragraph 46. Please provide information on import restrictions and limitations which Saudi Arabia seeks to maintain on the basis of Article XXI of the GATT.

R 40. Saudi Arabia seeks to maintain restrictions on import of all banned products on the basis of Article XXI of GATT, for the following products:

- military badges of ranks; uniforms and insignia;
- arms of all types, and their parts and ammunition, including military gear except concerned governmental sectors and by an official letter from the importing sector defining the type and quantity of each consignment separately;
- night binoculars which enable vision in the dark, and binoculars which take photographs in the dark under heading: 90 13 10 00;
- chemicals of all types, including explosives, radioactive and detonating materials, shall not be cleared except after obtaining permission from the concerned authority in advance, except those chemicals in the name of concerned governmental departments. These items fall under the Chapters 28 and 29, and headings 36 01, 36 04 10 and 36 04 90;
- wireless equipment of all types (85.28, 19, 20, 30);
- preparations and charges of fire extinguishers; charged fire extinguishing grenades (38.13);
- cellulose nitrates (including collodions) (39 12 20);
- printing types and blocks (84 42 50);
- fire alarms (85 31 10);
- warships of all kinds and lifeboats (89 06 00 10);
- floating structures (89.07).

Q 41. Could Saudi Arabia please confirm that there is no domestic production of any of the goods which are subject to import restrictions on health and public morality grounds?

R 41. Yes, Saudi Arabia confirms that there is no domestic production of any of the goods on health and public morality ground which are subject to import restrictions.

Q 42. In reply to Q85 Saudi Arabia states that all commodities subject to restrictions can be released upon approval from authorities departments. Could Saudi Arabia please explain whether this applies to all grounds for restrictions and provide some details about the reasons accepted for release?

R 42. Yes, all commodities subject to restrictions can be released upon approval from the authorities of concerned departments. Such measures are applied for the reasons of security, health and standards.

Samples of the perishable goods are sent to the quality control labs or to the quarantine areas at the point of import. If lab results confirm the safety and suitability of such goods, they are cleared at once.

Q 43. If these goods are to any extent marketed on Saudi Arabian soil (e.g. in shops reserved to foreigners) what is the applicable regime, and, in particular, are there any special importing channels, or differentiation between sources of imports?

R 43. No goods are marketed exclusively to foreigners.

(h) Customs Valuation

Q 44. Would Saudi Arabia apply the provisions of the Customs Valuation Agreement on accession to the WTO, or does it want to make use of Article 20 and Annex III to defer such application?

R 44. Saudi Arabia upon accession to the WTO, can not implement immediately the Agreement on Implementation of Article VII of GATT, in view of the need for technical assistance in the initial phase of implementation of this Agreement. It also needs enactment of legal procedures and arrangement of technical/administrative preparations. Therefore, it requires postponement of the Agreement implementation in accordance with Article 20, paragraphs 1 and 2, and paragraphs 2, 4 of Annex 3 of the Valuation Agreement.

Q 45. Saudi Arabia states that in determining freight charges, when a freight invoice is not submitted a “list of freight charges similar to international freight charges” is used (reply 94 on page 36 of L/7645/Add.1). Is this list used for the estimation of actual freight charges or only the basis for determining the freight on the basis of FOB value, which would often not be representative of the actual freight charge?

R 45. There is no practice of calculating freight charges as a percentage of value. Freight charges are based on the amount stated in the bill of lading which is attached to the import declaration. Such freight charges are included in the value for customs purposes. Calculation of freight charges differs according to the nature of freight carrier, sea, air or land.

Air freight cargo: is calculated at SR 0.5 per gross kilos or fractions of kilos; actual freight charges are excluded because they are high compared to other freight charges;

Sea freight: freight charges as shown on the bill of lading;

Land freight: freight charges as shown on the bill of lading.

An example of how CIF value is calculated: FOB value + actual freight charged + 1% of FOB + Freight for insurance.

This method is used for all goods from all countries.

Q 46. Regarding the description of the method of calculating customs value in Saudi Arabia (replies 98(a) and 98(d) on page 37 of L/7645/Add.1), does the reference to “local markets” refer only to imported goods or could it also include the selling price of domestically produced goods in Saudi Arabia?

R 46. The reference of the price of similar and identical goods in the local market in case of suspicion by the Customs in the prices submitted in the invoices, covers only the sale price of the imported goods.

Q 47. Saudi Arabia has abolished many minimum prices, but has retained minimum prices for cars and yeast (reply 98 on page 37 of L/7645/Add.1). Since minimum customs values are not permitted under Article 7 of the Customs Valuation Agreement, would Saudi Arabia cease to use such an approach on accession?

Could Saudi Arabia please clarify the nature and purpose of the minimum prices which apply to yeast? Is it correct to say that such prices are reference prices for customs valuation purposes, and not prices applied to imports to afford protection to domestic agriculture in a manner that would be inconsistent with Article 4 of the Agriculture Agreement?

R 47. Upon accession to The WTO, Saudi Arabia would follow the provisions on the agreement on customs valuation, including its Annex 3.

Q 48. Please indicate when the minimum prices for calculating import value for used cars, some ceramic items, and yeast will be eliminated.

R 48. Kindly refer to reply 47.

Q 49. Please describe more fully the practice of calculating the freight charges on an import as a percentage of the FOB value of the goods. Could Saudi Arabia provide an example of how freight rates are accurately calculated? Does this apply to all types of goods imported from all countries? Or are there any exceptions?

R 49. Kindly refer to reply 45.

Q 50. (Qu. 98d). Besides yeast, what other products are subject to minimum prices in Saudi Arabia? Please provide detailed descriptions of all products affected providing HS codes.

R 50. Products affected are: yeast (2101), cars (7802), certain ceramic items (69).

(i) Rules Of Origin

Q 51. Is a certificate of origin compulsory for all import? If so, please explain how this is consistent with Article VIII of the GATT.

R 51. Yes a certificate of origin is required for all imports. This requirement is consistent with Article VIII as it is considered by Saudi Arabian authorities to be "indispensable". For partial shipments, Customs accepts the original certificate of origin for the first shipment which arrives and will accept copies for the remaining shipments.

Q 52. According to information received from our industries, it is nearly impossible to comply with the existing requirements on certification of origin. Does the Saudi Government plan to keep its regulation requiring the exporter to provide to Customs a certificate of the nationality of each single imported item?

R 52. Yes. However the Kingdom's customs procedures are flexible. For example, the importer may submit the certificate of origin or certificate of nationality after three months of the release of his goods. In certain cases a certificate of nationality is not required due to the low value of the goods or to the fact that the goods are imported in non-commercial quantities (e.g., postal parcels containing gifts or samples of a value not exceeding SR 1,000; human blood; commercial samples; personal effects; newspapers and magazines).

Q 53. In reply No. 102, Saudi Arabia states that it requires marks of origin on imported goods. In the past, the GCC authorities have issued provisions on marks of origin in which it explicitly required the country of origin to be marked rejecting marks of origin with the expression “European Community” or “European Union”. Please provide clarification on this point, since a recent letter from the Associate Secretary General for Economic Affairs of the GCC informs the Commission that a decision had been taken by the GCC authorities to mark “the EU products with the country of origin, and that at the same time it could be marked as an EU product”. Does this mean that the indications expression “European Community” or “European Union” are accepted only if accompanied by the indication of country of origin? Or are the marks “European Community” or “European Union” accepted as the sole mark of origin of products originating in the Community.

R 53. The Commercial Cooperation Committee at its 22nd meeting (October 1995) decided that the name of the country of origin be marked on the goods imported from the EU into the GCC countries. The term “EU” may be written next to the country of origin. Saudi Arabia, being a member of the GCC is bound by this decision and the name of the country of origin beside the marking “EU” is necessary. For statistical purposes, it is important to establish the specific country of origin.

(o) Safeguard Regime

Q 54. Saudi Arabia has stated that it has no legislation relating to trade remedies (regarding anti-dumping and countervailing duties, and emergency relief) (reply 68 on page 27 of L/7645/Add.1), but also has said that the Law for the Protection and Encouragement of National Industry contains a provision (Article 7) which empowers Ministers to take action to take safeguard action in accordance with the stipulations of that law and other laws (reply 262 on page 93 of L/7645/Add.1).

R 54. This is just a statement.

Q 55. Could Saudi Arabia please indicate whether the provisions for trade remedies in the Law for the Protection and Encouragement of National Industry and in other laws are in conformity with the provisions of the WTO relating to trade remedies? If so, in what respect do those provisions conform with the provisions of the WTO relating to trade remedies? If not, Could Saudi Arabia please indicate how it proposes to bring the existing provisions for trade remedies in its laws into full conformity with the WTO?

R 55. Saudi Arabia at present does not have any legislation/regulations specifically relating to anti-dumping countervailing or safeguard measures. The Law for the Protection and Encouragement of National Industry will be reviewed to insure its consistency with WTO commitment of Saudi Arabia.

Q 56. Could Saudi Arabia please provide details of the action taken to provide trade remedies for domestic producers under the Law for the Protection and Encouragement of National Industry and other laws?

R 56. Kindly refer to reply 55.

Q 57. Could Saudi Arabia please expand on Article 7 of the Law for the Protection and Encouragement of National Industry and on other provisions relating to safeguard measures? In particular, what are the standards and the procedures for imposing safeguard measures? (p. 16, para. 94, WT/ACC/SAU/4).

R 57. Kindly refer to reply 55.

2. Export Regulations

(b) Customs Tariff Nomenclature

Q 58. We refer to the export duty on untanned hides and skins designed to ensure that such raw materials are available for domestic processing (reply 127 on page 46 of L/7645/Add.1). Does Saudi Arabia have any plans to abolish the export duty on untanned hides and skins?

R 58. Reply 3 on page 3 of WT/ACC/SAU/3 states that “This export duty is presently under review”.

Q 59. (Qu. 127, 128, L/7489). Please provide, for each of the agricultural products (as defined in Annex 1 of the Agreement on Agriculture) currently subject to an export duty, the level of duty on an ad valorem basis.

R 59. There is no Customs duty on the exportation of agricultural products except untanned raw skins and hides (headings: 41.1, 41.2, and 41.3) which are subject to an export duty of SR 2000 per ton.

(c) Quantitative Export Restrictions

Q 60. Reply 132 does not answer the question: What criteria does the Ministry of Petroleum and the Saudi Agricultural Bank apply when approving export ?

R 60. The Ministry of Petroleum does not approve exports of crude oil and products. Exports are made through the companies concerned and is conducted along commercial considerations. Also, Saudi Agricultural Bank does not approve agricultural exports. However, it is required that subsidies on imported agricultural tools and equipment be re-paid prior to their (re)export.

Q 61. Reply 133 (L/7645/Add.1). Please provide the tariff headings to HS 8-digits of all goods subject to export restriction.

R 61. The following table lists these goods.

(a) Commodities whose exportation is prohibited:		
Serial	Heading No.	Description
1	01.06 - 01.02 - 01.03	Livestock, females
2	0101.11.10	Horses, females
3	1901.10.10	Baby milk of all kinds
4	Chapter 30	Medicines of all kinds
5	0602.20.10	Date palm saplings
6	10.03	Barley
7	10.05	Corn
8	10.05	Maize
9	23.04	Soya bean
(b) Commodities whose exportation is restricted:		
1	2302.30.00	All natural fauna, subject to the approval of Wildlife Protection Commission
2	27.10	Petroleum Products (except lubricating oils & asphalt), subject to approval of the Petroleum & Minerals Corporation (PETROMIN)

3	41.01 - 41.02 - 41.03	Untanned leather shall be charged at the rate of SR2,000 per ton
4	Chapter 84	Agricultural plant & machinery

Q 62. (Qu. 133, L/7645/add.1). Could Saudi Arabia provide a complete list (HS'96 6-digit level) of products prohibited from being exported, and the reasons for this policy?

R 62. Kindly refer to reply 61.

Q 63. Could Saudi Arabia please explain the criteria for granting export licenses, including on petroleum derivatives? If licensing is discretionary, could it please specify when it plans to bring its legislation into conformity with WTO? (p. 17, para. 94 of WT/ACC/SAU/4).

R 63. Saudi Arabia does not require export licenses for petroleum products. Some refineries are joint ventures with foreign partners and are allowed to export along commercial criteria. All producers for exporting petroleum derivatives are in conformity with WTO rules.

Q 64. Please provide a more precise breakdown of production and export to clarify the respective shares of primary (agriculture, mining) and industrial production and exports (including refined products). (p. 17, para. 94 of WT/ACC/SAU/4).

R 64. Kindly refer to Annex 6 of Memorandum on Foreign Trade Regime (WT/ACC/SAU/4) on the Information on State Trading. The most recent statistics on oil exports by value and volume are:

	CRUDE		PRODUCTS*		TOTAL	
	Value	Volume	Value	Volume	Value	Volume
	<u>\$ Bn</u>	<u>mbd</u>	<u>\$ Bn</u>	<u>mbd</u>	<u>\$ Bn</u>	<u>mbd</u>
1994	35.2	6.552	4.6	1.037	39.8	7.588
1995	38.3	6.482	6.2	1.090	44.5	7.572

* Including NGLs, Jet Fuel and Bunkers.

(f) Export Financing

Q 65. Would Saudi Arabia please provide an answer to the question as to whether domestic subsidies must be paid back if goods benefiting therefrom obtain an export authorization and are exported?

R 65. Agricultural firms must obtain a certificate from the Ministry of Finance confirming that they have repaid the amount of the subsidy contained in their exports. With respect to industrial exports, no subsidies are provided.

Q 66. Would Saudi Arabia please provide an answer to the question as to the amount of benefit for exported products of the export credit facilities described in paragraphs 67-70?

R 66. Saudi Arabia has no national export credit agency. However, there are regional and multi-lateral export credit facilities available to Saudi exporters.

3. Internal Policies Affecting Foreign Trade in Goods:

(a) Industrial Policy

Q 67. Could Saudi Arabia provide details of the support measures currently in place for basic petrochemical industries and downstream petrochemical industries and plans for the future? Will all such support be consistent with the binding of its tariffs in these and other related areas of its trade and WTO rules?

R 67. Petrochemical and downstream petrochemicals are not specifically supported. All means of support and incentives are generally available to all industries including petrochemical and downstream petrochemicals. All support provided will be consistent with Saudi Arabia's WTO commitments.

Q 68. Would Saudi Arabia please provide an answer to the question as to the intensity of domestic subsidies and to the relevant annual charge on the State budget?

R 68. Saudi Arabia does not have a specific and separate section on its government budget for domestic subsidies and annual charges, therefore there are no reliable records available.

Butane Pricing Policy (Para. 73, L/7489)

Q 69. Please provide a written version of the statement made at the first Working Party by the Deputy Minister of Petroleum and Mineral Resources for Petroleum Affairs on the issue for pricing for petroleum products.

R 69. The statement is contained in document, WT/ACC/SAU/3, pages 4-5.

Q 70. Reply - 144b raises a number of questions. Why are there necessary adjustments for domestic users for propane, butane, and naphtha? Why can domestic users not pay normal international prices? What are the "costs exclusively associated with gas exports to world markets"?

R 70. The costs associated with NGL exports to international markets include refrigerating, storage, mooring and marketing. This in addition to the costs associated with securing longer term demand commitment from domestic users rather being subject to world market volatility. These costs exclusively associated with gas exports to world markets are taken into account when making the price adjustment to domestic users (whether Saudi or non-Saudi) of NGL's.

Q 71. Please provide a copy of the 6 December 1992 Resolution in translation.

R 71. A translated version of the Council of Ministers' Resolution of December 6, 1992, is stated here:

[Decision No. 68, dated 29/5/1413 A.H. (23/11/1992).

The Council of Ministers,

Having reviewed the case file attached hereto, containing Cable No. 3/2395, dated 23 Rabi' I, 1413 (21 August 1992), of HE the Minister of Finance and National Economy, which states that pursuant to High Order No. 3/B/8949, dated 30 Jumada II, 1407 (28 February 1987), constituting a committee representing the Minister of Finance and National Economy, the Ministry of Petroleum and Mineral Resources, the Ministry of Planning, the Ministry of Industry and Electricity, and the Bureau of the Controller General, to study a number of subjects, including suggesting the sale price of petroleum products marketed inside the Kingdom,

The said Committee adopted the minutes attached to the cable of His Excellency which recommended fixing the price of liquified gases sold to national industries that use such liquified gases on the basis of granting them a 30% discount off the lowest international price obtained by the exporting agency in any quarter of a year from any external consumer.

DECIDES

Approval is hereby given to grant the national industry which uses liquified gases (butane, propane, natural gas) a discount amounting to 30% off the lowest international price obtained by the exporting agency in any quarter of a year from any external consumer.

Signed: President of the Council of Ministers.]

Q 72. What is the justification for special pricing of liquid gas, butane and propane for national industries ?

R 72. Kindly see paragraph 5 of the statement by Deputy Minister of Petroleum and Mineral Resources at the first Working Party contained in page 4 of WT/ACC/SAU/3.

Q 73. Would Saudi Arabia please provide an answer to the question as to whether foreign and domestic purchasers of liquid gases for production of MTBE are charged the same or different prices? Reply 144(e) (L/7645/Add.1) did not answer this question clearly.

R 73. All domestic purchasers of liquid gases whether for MTBE production or other uses are charged in accordance with the referred resolution of December 6, 1992.

Q 74. (a) Who sets the prices for raw materials used in the Saudi Arabian petrochemical industry and what pricing system is applied for Ethane, lpgs, naphtha, and gas oil?

(b) Are discounts granted for those products in certain cases ?

(c) Are the prices for the ethane, lpgs, etc., applied equally to all manufacturers operating in SA? Have the same prices been quoted to companies investing or intending to invest, in petrochemical manufacturing plants in Saudi Arabia?

R 74. (a) Prices of Ethane and Methane are set at \$0.5 per MBTU. Prices of butane, propane and natural gasoline are priced according to the Council of Ministers' resolution of December 6, 1992. All other products including naphtha are priced at parity to international prices.

(b) Kindly see paragraph 6 of the statement by the Deputy Minister of Petroleum and Mineral Resources at the first Working Party contained in page 4 of WT/ACC/SAU/3.

(c) As to the availability and prices of hydrocarbons, there is no discrimination between wholly owned or partly owned Saudi users or totally owned foreign enterprise. Once the project is licensed in Saudi Arabia it is entitled to the local treatment awarded to all users whatever the composition of ownership.

Q 75. Are companies manufacturing petrochemicals in Saudi Arabia able to negotiate for purchases of ethane, lpgs, etc. freely with the supplier of their choice, from either within or outside Saudi Arabia ? Are there any restrictions on the import of such products from sources outside Saudi Arabia?

R 75. All companies manufacturing petrochemicals and other manufactures have the freedom to negotiate the supplies of their choice. There are no restrictions to use any supply source from within or outside Saudi Arabia.

Q 76. Can companies operating petrochemical plants outside Saudi Arabia obtain ethane, lpgs, etc. at the same net prices and on the same terms as are offered to companies manufacturing within Saudi Arabia?

R 76. Companies operating outside Saudi Arabia whether Saudi owned or non-Saudi are not included in the Council of Minister' resolutions referred to above. Such companies whether in the petrochemical or other line of manufacturing can negotiate the pricing terms with the producing oil companies in Saudi Arabia.

Q 77. In Saudi Arabia, are foreign companies enabled to invest in, and to operate wholly owned petrochemical plants on the same conditions and terms as are applied either to 100% owned Saudi Arabian or to joint ventures operating in the Kingdom?

R 77. Yes, foreign companies, whether joint venture or 100% percent owned, are enable to invest in, and to operate wholly-owned petrochemical plants at the same conditions and terms as applied to 100% Saudi-owned or to joint ventures, with the exceptions of tax holiday and loans from Saudi Industrial Development Fund which requires a minimum of 25% Saudi participation in the project equity.

Q 78. Are foreign companies given equal access to raw material as granted to wholly owned Saudi Arabia or joint venture plants operating in the Kingdom ?

R 78. The same question was raised in the First Working Party Meeting and contained in WT/ACC/SAU/3 reply 5 page 3 which says "Yes, they have equal access to raw materials".

Q 79. Clarification on Feedstock Pricing (page 4-5, WT/ACC/SAU/3). In paragraph 5 of Clarification on feedstock pricing it is stated that "the rationale for pricing (domestically) lower than export price is to account for the costs associated with LPG exports to world markets". Can Saudi Arabia please confirm that the sale price net of these additional costs is than the domestic ones?

R 79. Kindly refer to the statement by the Deputy Minister of Petroleum and Mineral Resources at the first WTO Working Party Meeting and included in WT/ACC/SAU/3, pages 4-5.

(b) Technical Regulations And Standards

Q 80. Saudi Arabia is requested to complete the TBT questionnaire, which will form the basis of discussion on this issue.

R 80. Annex 5 (Information on Technical Barriers to Trade) of the Memorandum on Foreign Trade Regime (WT/ACC/SAU/4) contains the needed information.

Q 81. Saudi Arabia has stated that its standards regime is consistent with the WTO Agreement on Technical Barriers to Trade. We request that Saudi Arabia provide the information requested in the Statement of Implementation and Administration of the Agreement Notification Procedures, and Procedures for Information Exchange included in G/TBT/I/rev.2. This information, will assist the Working Party in its efforts to determine the consistency of Saudi Arabia's current regime with the Agreement.

R 81. Kindly refer to reply 80.

Q 82. The response to question 108 in L/7645/Add.1 states that there is a consultation period of 3 months for all new standards. In practice, the general period of comment for foreign countries seems to be between 45 and 90 days (usually towards the shorter end). When does Saudi Arabia intend to increase the consultation period?

R 82. The 90 day consultation period in place for new standards would seem to allow adequate time for comment.

Q 83. According to information received from our industries, authentication procedures can take up to two weeks (Chambers of Commerce - Consulate - Exporter) and their cost is to be added to the price of the exported item.

- (a) On what documents is authentication required ?
- (b) Do authentication procedures apply similarly to all countries ?
- (c) According to what criteria is the cost of those procedures fixed ?

R 83. (a) According to the Saudi Standards, some products (such as fresh meat, chilled or frozen meat) should be accompanied by:

- Halal Certificate.
- Health Certificate.
- Certificate of Origin.

All these certificates should be authenticated by the official departments in the country of origin and also legalized by the Saudi Embassy or its representative.

(b) Yes, authentication procedures apply similarly to all countries.

(c) The cost procedures are fixed according to the attestation and authentication standards in the country of origin.

Q 84. Saudi Arabia has recently implemented an “International Conformity Certification Program” (under contract with Inchcape Testing Services) for a list of “Regulated Products”. The WTO TBT requires national treatment for imported products. Does Saudi Arabia apply the same certification requirements for its locally manufactured products such as motor oil which is included in the list of Regulated Products?

R 84. In common with all pre-shipment certification arrangements, the ICCP does not apply to domestic suppliers. However, all imported and domestic products must comply with the same standards and requirements approved or developed by SASO.

Q 85. Are there any details available on the conformity assessment procedures such as what standards are being used to determine conformity? Can an exporter obtain copies of relevant standards prior to submitting its request for certification or prior to deciding to export to Saudi Arabia?

R 85. Details and copies of all standards used can be obtained from SASO’s head office in Riyadh or from the exporter’s national standards organization.

Q 86. Is there any provisions within the conformity assessment procedures for type testing as defined by ISO CASC Guide 28? Is the certification granted on a product type basis or only on a consignment?

R 86. Yes, there is a provision within the ICCP procedures, Guidelines Rev. 8, Clause 5, Certification Process, according to and may less mandatory than ISO/IEC Guide 28.

Certification is required for every consignment of a regulated product.

Q 87. Could Saudi Arabia please provide (in a WTO language) a copy of the current version of its International Conformity Certification Program (ICCP) and of its envisaged amendments, if any? Could it please confirm that there is a moratorium on its application?

R 87. The program has been legislated and implemented and any reference to a 'moratorium' is incorrect. The current version of the ICCP Operating Guidelines (version 8) is submitted to the WTO Secretariat.

Q 88. We have noted that contrary to the statements made at the first Working Party, the ICCP has not been suspended, and that a seventh revision of the system is about to be embarked on. Please comment.

R 88. Kindly refer to reply 87.

Q 89. Please provide a copy of the legislation or administrative notice introducing the moratorium on the ICCP.

R 89. Kindly refer to reply 87.

Q 90. We welcome the statement made in the first Working Party that Saudi Arabia has introduced a moratorium on the International Conformity Certification Programme. Nevertheless, Saudi Arabia is kindly requested to respond to the following technical questions regarding the moratorium, which will assist us in contributing in a constructive manner to the consultation exercise underway with a view to finding a suitable alternative to the ICCP.

R 90. Kindly refer to reply 87.

Q 91. Swiss manufacturers view the International Conformity Certificate Program (ICCP) as leading to increased costs and impeding trade, particularly in the following respect: It grants a single accreditation company (the Program Manager) a de facto monopoly in the certification of exports to the Kingdom, thus enabling the company to require fees that bear no justifiable relevance to the work that it performs. Instead these fees are ad valorem based on the FOB value of exports. What does the Saudi Government intend to do in order to improve this situation ?

R 91. For reasons of cost effectiveness, it was determined that a third party should assist the SASO in implementing the ICCP. The company in question was selected because it has a presence in all regions and has extensive experience in international standards work.

As for fees, the international practice and tradition for global pre-shipment inspection (PSI) services are such that fees are a percentage of the f.o.b. value of goods inspected. Traditionally, for many years, this fee rate has been approximately one percent of value such global PSI services and fees are currently implemented by over 30 countries who are WTO members. A World Bank Discussion Paper # 278 published in 1995 recognized the average PSI fee rate of (1%) of the f.o.b. value. Thus, for the global PSI services required under SASO, ICCP fee scales of (0.15% - 0.5%) of f.o.b. value is reasonable.

It is agreed that the international practice for laboratory testing is fixed prices. Under ICCP, when testing is applicable, fixed prices applies at standard competitive rates or lower. Thus, again, the ICCP fee system is rational.

Q 92. What is the purpose of the listing/registration requirement for manufactures under the proposed ICCP?

R 92. The registration/listing program has been created to help exporters worldwide insure the products imported into the Kingdom demonstrate continued compliance with the standards developed by or approved by SASO.

Q 93. Please provide full details of the legislation relating to product safety, especially:

- (a) details of the mandatory technical requirements applicable to each of the 76 product categories;**
- (b) list of the standards (international, European, Saudi, other) which are accepted as means of demonstrating compliance with the technical regulations;**
- (c) the types of conformity assessment procedure applicable.**

R 93. (a) Technical requirements are contained in SASO standards. SASO's Information Center will supply English language details of all its standards including the 76 covered by ICCP, on request, to importers and foreign governments, including their embassies; Requests should be forwarded to SASO Information Center at the following address: P.O. Box 3437, Riyadh 11471, Saudi Arabia.

(b) SASO Information Center prepares a comprehensive listing of approved standards (SASO Standards Catalogue) and distributes it to all ISO members and to any interested parties periodically depending on the need and the amendments.

(c) There are two related but separate conformity assessment procedures: Pre-Shipment compliance verification and product registration. Guidelines are available to all interested parties.

Q 94. Are the preshipment activities performed in the customs territory from which the goods are exported, or the customs territory in which the goods are manufactured?

R 94. Both territories are possible, as the inspection location is the decision of the exporter.

Q 95. Are inspections related only to the verification of quality, quantity and price? If not, please indicate what other specifications are considered in an inspection.

R 95. The scope of inspection for compliance verification includes quality and quantity compliance (including sampling and testing, if applicable) but excludes price verification.

Q 96. Are the procedures and criteria used in the conduct of the preshipment activities applied on an equal basis to all exporters affected by such activities and performed in a uniform manner by all the inspectors? Please detail any differences which may exist.

R 96. Yes, pre-shipment activities are applied on equal basis to all exporters.

Q 97. What are the additional functions and responsibilities which are performed by certain Programme Country Offices?

R 97. All standard pre-shipment inspections required under ICCP.

Q 98. Please explain the differences between the proposed ICCP procedures and the certification procedures applied to domestic products.

R 98. The domestic producers are monitored and controlled by different government agencies such as Ministry of Commerce, Ministry of Municipality, Ministry of Industry and Electricity, Ministry of Agriculture and Water, and SASO to insure compliance with SASO standards.

Q 99. Please provide details of which overseas certifications/tests are regarded as equivalent to Saudi requirements, allowing part or all of the conformity assessment procedures to be waived. Which overseas testing laboratories and certification bodies are recognized as competent to assess to Saudi Arabian requirements? What are the standards/criteria for these bodies to be so recognized?

R 99. Saudi Arabia recognizes international quality 'marks' on imported products accredited by relevant entities in other countries. This is reflected in the reduced level of testing that may be required under the Saudi standards in comparison to the greater level of testing required if the product does not have such international marks. SASO accreditation requirements are based on ISO regulations and guides such as ISO Guide 25. Recognition of testing laboratories and the certification is based on SASO assessment or accreditation by recognized body through mutual recognition or bilateral agreement. The criteria are SASO Quality Mark, Certificate of Conformity, and Accreditation of Services Regulation.

Q 100. What is the justification for charging a certification fee based on the value of a consignment rather than on the cost of the conformity assessment procedure?

R 100. Kindly refer to reply 91.

Q 101. In the light of TBT Agreement Article 2.2, what is the justification for imposing mandatory technical requirements and third party certification on products which are in most countries subject to far less burdensome requirements on account of the low/non-existent risks they pose. Examples: headwear (no need for mandatory requirements); processed foods (not normally subject to pre-market certification).

R 101. The ICCP was introduced to ensure proper enforcement of SASO's standards in accordance with ISO/IEC Guides.

Under the previous system of self-certification, many abuses occurred and the system failed to provide adequate protection of local consumers. It was determined that to ensure proper enforcement of standards for products found to be particularly susceptible to sub-standard imports, it would be necessary to obtain certification of standards compliance.

However, Saudi Arabia's domestic laboratory testing capacity was, and remains, inadequate to deal with this enhanced level of standards enforcement. Accordingly, it was decided to move, with respect to imports, to a system of pre-shipment certifications by SASO approved third party enterprises in country of export/manufacture.

Q 102. In the light of TBT Agreement Article 5.1.2., what is the justification for demanding that each consignment of a product be assessed for conformity? For most of the products covered by ICCP which are normally subject to pre-market certification, standard international practice is to demand only type approval of the product (or certification of the manufacturer's quality system), following which the relevant certificate of compliance is good for all shipments and all exporters/importers.

R 102. Kindly refer to replies 86 and 101.

(c) Sanitary and Phytosanitary Measures

Q 103. Does Saudi Arabia consider the provisions of the ICCP relating to the inspection of food and agricultural products to be a sanitary and phytosanitary measure? If so, on what scientific basis is this measure based, and what is the scientific evidence for its maintenance?

R 103. No, Saudi Arabia does not consider the provisions of the ICCP relating to the inspection of food and agricultural products to be a sanitary and phytosanitary measure.

Q 104. Does Saudi Arabia consider the provisions of the ICCP relating to the inspection of products other than food and agricultural products to be a technical barrier to trade? If so, what justification is there for such provisions in terms of the WTO Agreement on Technical Barriers to Trade?

R 104. The ICCP complies with WTO TBT Agreement. And therefore, is not a technical barrier to trade.

Q 105. Could Saudi Arabia please confirm that, under the ICCP, the Saudi Arabian Standards Organization (SASO) has engaged a company known as Inchcape Testing Services to carry out the inspection, certification and possibly testing of certain food product imports, and that fees will be charges for these services?

R 105. Yes, Inchcape Testing Services (ITS) is assigned to manage the program for SASO. ITS will carry out PSI services. Also, various SASO approved laboratories will be responsible for any required testing. Appropriate fee does apply.

Q 106. Could Saudi Arabia confirm that, under the ICCP:

- (a) the program would be mandatory**
- (b) there would be no exemptions for products already listed as regulated products; and**
- (c) the program would be eventually be extended to cover all imports?**

R 106. (a) Yes, ICCP is mandatory for all regulated products.
(b) No, there will be no exceptions. In the case of food products, they could be tested and certified at arrival in Saudi Arabia if PSI was not carried before shipment.
(c) Any such intention will be communicated to all concerned parties in advance.

Q 107. Could Saudi Arabia please provide details of the action it intends to take to bring its standards regime into full conformity with the WTO Agreement on Sanitary and Phytosanitary Measures and Technical Barriers to Trade?

R 107. Saudi Arabia will comply with relevant agreements according to its WTO commitments.

(d) Trade-related Investment Measures

Q 108. (Qu. 7, p. 3, WT/ACC/SAU/3). Could Saudi Arabia please confirm that the tax holidays and investment incentives for industrial projects, which are admittedly modulated according to the level of domestic participation, are not also modulated according to the use of products of domestic origin.

R 108. We can confirm that tax holidays and investment incentives are not modulated according to the use of products of domestic origin.

Q 109. Sales of wheat by the Grain Silos and Flour Mills Organization (GSFMO) and petroleum products by Saudi Aramco are conducted in conjunction with pricing policies which often ensure that domestic prices are lower than foreign prices (reply 224, page 80, L/7645/Add.1).

R 109. This is only a statement.

Q 110. Could Saudi Arabia please provide details of any plans it may have to improve the allocative efficiency of its economy in the following respects:

(a) by allowing domestic prices to more closely reflect international prices in relation to the products of its agricultural and oil and gas mining and refining sectors, and

(b) by allowing domestic prices paid by consumers to more closely reflect prices received by producers in relation to the products of those sectors?

R 110. No new plans have been taken in this respect.

Q 111. GSFMO would appear to be state-trading enterprise coming under Article XVII. Does Saudi Arabia intend to notify it as such?

R 111. As of now, GSFMO is a state-trading enterprise, although its basic by-laws allows it to be privatized.

Q 112. With reference to Saudi Arabia's reply to question 224 (L/7645/Add.1), could Saudi Arabia confirm that domestic prices are governmentally set and do not follow international quotations. Does this system of domestic pricing extend also to liquid gases?

R 112. Not all domestic prices are governmentally set. Methane and Ethane prices are set at \$0.5 MBTU while butane, propane and natural gasoline prices are set 30% off the export price according to the provisions of the Council of Ministers' resolution of December 6, 1992. All other energy products are priced at arms length.

Q 113. We thank you for the information on State-trading in Saudi Arabia, as contained in answers 213-223 in document L/7645/Add.1. In order to have a better picture of the activities of the State-trading enterprises in Saudi Arabia, please provide replies to the questionnaire on State-trading (document G/STR/N/1).

R 113. The Questionnaire is already done and contained in Annex 6 of the revised Foreign Trade Regime memorandum, WT/ACC/SAU/4.

Q 114. (Qu. 216, 219, 220, 221, L/7489). Saudi Arabia indicates that they will meet GATT Article XVII (STE's) notification requirements upon becoming a Member, yet it is stated that STE's in question do not maintain import statistics. What solution is envisaged to address this issue? Under the information requirements spelled out in Annex 6 of WT/ACC/1, would Saudi Arabia agree to complete the 1960 Questionnaire on State Trading Enterprises for the Working Party?

R 114. The Questionnaire is already done and contained in Annex 6 of the revised Foreign Trade Regime memorandum, WT/ACC/SAU/4.

(i) Government Procurement

Q 115. At the moment foreign suppliers are discriminated against under the present procurement legislation (Article 1(d) of the Government Purchase Law and Article 1(b) of the Implementing Regulations), under the stipulations of the Resolution No. 124 dated 29.5.1403 (March 14, 1983).

Does the Saudi Arabian government collect statistics on procurement? What is the overall value of public sector purchasing in Saudi Arabia? Could the Saudi Arabian government provide a breakdown of the public procurement market both by contracting entity and product type?

R115. No. Saudi Arabian government does not collect statistics on procurement.

Q116. How are bids evaluated by the Examination Committee? Is price the only criterion or are contracts also evaluated by reference to an "economically most advantageous offer" approach? If so, under what conditions are the different evaluation methods used?

R116. Bids are evaluated by the Bid Examination Committee in light of the following criteria:

(a) The extent of consistency of bids submitted with relevant conditions and specifications. This scrutiny requires ensuring the bidders have complied with the general conditions that are stipulated, in most cases, in the Law for Government Purchases. These obligations include a commercial register, membership in the Chamber of Commerce, registration with the Zakat and Income Tax Department, classification, or the Foreign Capital Investment Law in the case of foreign firms. Bidders are also required to comply with projects' specific conditions as stressed in Article 1G of the Law.

(b) Ensuring the bids' prices are moderate and do not exceed the prevailing prices. Article 1F and Article (5/D/1) of the Law.

(c) Ensuring that bids submitted are not accompanied with qualifications regarding conditions and specifications as these qualifications will make bids unacceptable. Article (5/D/2) of the Law.

Q117. Is there a central agency which controls the application of the legal system, supervises the decisions of the Committees and monitors infringement of public law?

R117. There is no central agency controlling the application of the legal system, or supervising the decisions of Committees or monitoring infringement of the public law. These functions are exercised by the competent minister or agency head in case a complaint is submitted by one of the bidders.

Q118. Can suppliers who dispute the award of a contract seek redress through national courts or a tribunal system? What remedies are available?

R118. Yes, suppliers who dispute the award of a contract may seek redress through national courts (Board of Grievances) to challenge the decision.

Q119. How often are offset arrangements negotiated on a case-by-case basis (referred to in reply 204 of (L/7645) used?

R119. Offset arrangements are the jurisdiction of the Board of Grievances. The Board examines these requests by concerned parties on a case-by-case basis.

Q120. Are the lists of products reserved for local industry (referred to in question 206 of L/7645) available?

R120. No such lists are prepared, but all products procured locally are chosen according to the same set of criteria, namely, availability, quality, and the suitability of their prices.

Q121. What are the procedures and the criteria to short-list candidates in the cases of limited tendering (referred to in Article 2b of the Government Purchase Law)?

R121. This approach referred to in Article (2B) of the Law has been discontinued for all bids exceeding one million Riyals. However, criteria and procedures relative to the list of candidates are based upon Article (1C) of the Law. This Article stipulates that any bidder willing to undertake such activities or purchases has to be licensed, classified and registered with the Zakat and Income Tax Department and with the Chamber of Commerce. These criteria and procedures apply to bidders in the cases where bids are advertised in the official gazette as stipulated in Article (2A) of the Law.

Q122. Are the "proformas" (referred to in article 10 of the Government Purchases Law) available in English?

R 122. Only the public Works Contract is available. Other contracts have not been issued yet. Currently, proformas delivered to government agencies are commonly used.

Q123. Do Articles 8-10, which are missing in the (unofficial) English Translation of the Government Purchases Law, exist? If so, what do they regulate? Please provide a translation?

R123. Yes, they are still in force. Article (8) regulates the method of paying entitlements to the contractor with government agencies (the party that has a contract with a government agency). Paragraph (a) allows the administrative agency to make an advance payment of 10% of the contract value. This payment is made in exchange of a bank guarantee issued in an equivalent amount. Advance payment shall be deducted from the performance bond paid to the contractor. Paragraph (b) indicates the method of payment of remaining entitlements; these shall be in the form of instalments, the number of which is to be specified in the contract of two conditions. First, the amount paid should correspond to the amount of work accomplished. Second, a certificate issued by the Zakat and Income Tax Department must be submitted as evidence of payment of Zakat entitlements before the final instalment can be made. This final instalment shall not be less than 10% of the contract amount.

Article (9). Paragraph (a) of this Article Determines the maximum penalty that may be levied on the contractor in case of delay. This maximum is equivalent to 4% of the amount of supply contracts and 10% of the amount of public works, operation and maintenance, or consultancy contracts. Details relative to such penalties are to be specified in the relevant by-laws and in the contract. Article (34), (35), (36) and (37) of the by-laws for government purchases discuss the methods of enforcing penalties in case of delay or default. Paragraph (b) of this Article specifies the cases where the Minister of Head of the independent agency may extend the contract. These cases are as follows: (i) The contractor has been assigned additional works and the order to implement such works was issued in a time frame that does not allow for such implementation during the remaining contract period as agreed upon; (ii) The concerned agency has ordered the interruption of works for reasons that are beyond the control of the contractor with the government. Paragraph (c) of this Article discusses the methods of extension in other cases not stipulated in paragraph (b) and makes such extension conditional upon agreement with the Ministry of Finance.

Article (10). This article explains the ways of filling out proformas for public works, supply and other administrative contracts. It also assigns this responsibility to the Ministry of Finance and National Economy. Authority to issue such forms is vested in the Council of Ministers. As for translation, it may be provided by the Economic Affairs Department.

Q124. Does Saudi Arabia have any purchasing agreements with countries other than GCC countries? If so, with which countries?

R124. No, Saudi Arabia does not have any purchasing agreements with countries other than GCC countries.

Q 125. We noted Saudi Arabia's statement regarding government procurement as described in responses to questions 201-211 (L/7645/Add.1). In the review of the relevant legislation, there does not appear to be any procedures for appeal or bid challenge. Do any procedures exist and, if so, please provide further information.

R 125. Kindly refer to reply 118.

Q 126. It is noted in the Government Purchase Law, Article 2(a), that calls for tender are either published in the Official Gazette or by official letter to those who are invited to tender. What is the percentage of contract value for published calls for tender vis-a-vis invitation letters?

R 126. Kindly refer to reply 115.

Q 127. Article 3 of the same law lists fourteen types of purchases, ten of which involve "invitation to tender" by special agents or contractors. Does Saudi Government maintain source lists and, if so, how are these updated and what is the procedure for being placed on the list?

R 127. The limited tendering method as provided for in Article III of the same law ceased to be effective following the issuance of the Royal order No. 9751 dated 26/4/1403 A.H., which enforces invitation for tenders covering all works, services and purchases through a public tender's invitation announced in all Newspapers.

4. POLICIES AFFECTING FOREIGN TRADE IN AGRICULTURAL PRODUCTS

Q 128. During its presentation on agricultural policy, Saudi Arabia stated that its current domestic agricultural policies are under review by Ministerial Council. We seek more detailed information, as follows:

(a) Please supply a detailed list of currently subsidized agricultural products, and an explanation of how each subsidy program operates, including a description of the policy mechanisms in place.

(b) In order to better understand Saudi Arabia's agricultural policies, we look forward to the information to be provided by Saudi Arabia in response to the questionnaires provided by the Agreements on Technical Barriers to Trade; Sanitary and Phytosanitary Measures; and Import Licensing Procedures; by the Understanding on State Trading; and in WT/ACC/4, the Secretariat note on agricultural subsidies .

R 128. All above requested information are part of previous Saudi Arabia's WTO documents.

Q 129. Please provide information on various forms of support for agriculture in Saudi Arabia in conformity with the outline set out in document WT/ACC/4.

R 129. WT/ACC/4 and supporting tables are attached as Annex (A) to this document.

Q 130. With regard to response 180, has the Ministerial Committee completed its work? If so, please provide details of the conclusions of the committee. If not, please provide an indicative timetable for the completion of the review.

R 130. The Ministerial Committee has no timetable for the completion of its review. Any conclusions reached will be released following the completion of its work.

Q 131. What is the value of Agriculture domestic support compared to the total value of agricultural production.

R 131. Kindly refer to Table 1 of ACC/4 contained in Annex (A).

Q 132. (Qu. 132, 188, 190, L/7645/Add.1). “Saudi Agriculture Bank does not approve agricultural exports”. What is the role/mandate of the Saudi Agricultural Bank? Please provide most recent figures regarding the amount, the terms and value of loans, as well as the type of subsidies disbursed.

R 132. Answer will be given later.

Q 133. “The Saudi Agriculture Bank does not charge interest on loans. Minimum fees are charged to ensure the seriousness of applicants. The loan program is operated out of a revolving fund...”. Please provide more information on that revolving fund: budget, loans, grants, etc. What were the capital and interest subscriptions from the Ministry of Finance in 1994 and 1995?

R 133. Answer will be given later.

Q 134. What proportion of domestic consumption for wheat and barley is supplied by GSFMO?

R 134. Domestic consumption for wheat and barley are supplied by GSFMO with few exception regarding some limited varieties.

Q 135. Please clarify that system of import control applied by GSFMO to avoid abuse of the guaranteed price?

R 135. There are no quantitative import restrictions on wheat, barley, and wheat flour which may be imported freely by the private sector as well as the GSFMO. However, imports of wheat and barley are required to be colored to avoid abuse of guaranteed producer prices for domestic grain.

Q 136. Does Saudi Arabia also export barley?

R 136. Saudi Arabia does not export barley.

Q 137. (Qu. 131, 184, 204, 215, 216, 220, 221, 225, L/7645/Add.1). Please explain how the GSFMO does not “exclusively” control any products, yet it is the only entity which is allowed to import and export wheat?.

R 137. Private traders are allowed to import and export products which have not received consumers subsidies.

Q 138. Please explain how fixed or guaranteed purchase prices by GSFMO (Grain Silos and Flour Mills Organization) are established, using an example?

R 138. GSFMO, purchases the wheat directly from farmers and it does not sell it to consumers as grain but as flour, with reduced price for bread, which is considered a basic food commodity for the population.

The difference between the purchase and sale price is intended to be a consumer subsidy. The domestic price of bakery wheat flour of 75% extraction rate is \$130 per ton which is comparatively lower than the world wheat flour price during the period 1992-1994.

Q 139. What is the value of the payments that have been made since 1992, and for what commodities have they been made?

R 139. Kindly refer to ACC/4 in Annex (A) of this document.

Q 140. One of the goals of the GSFMO is “to meet the goals of the approved agriculture policy”. What are those goals in the context of the GSFMO.

R 140. The Grain Silos & Flour Mills Organization was established by Royal Decree No. M/14 issued on 25/3/1392 H. (Corresponding to Feb. 1972) at a time when agricultural development in the Kingdom of Saudi Arabia was living its early stages of development. The establishment of the Organization reflected the determination of those in charge to transform the traditional agricultural system of Saudi Arabia into a modern mechanized system and to increase the cultivated areas by using modern irrigation methods, and making use of agricultural research and field experiments in the light of government policy, adopted in all fields. GSFMO may be privatized in accordance with Article No. 1B, in the basic by-laws of the Organization.

The objectives of the Organization stipulated in its statute are as follows:

1. to form an integrated industry of grain storage, flour production, processing animal feed and providing local market with imported barley;
2. to establish any other relevant nutrition industries;
3. to market its products inside and outside the Kingdom;
4. to purchase grains and create a convenient reserve stock to face emergency circumstances;
5. to meet the goals of the approved agricultural policy.

Q 141. “... the GSFMO sells improved wheat and barely seed for about SR 1800-1900 pr ton.” (during the 1990-1995 Development Plan). Are these prices currently paid?

R 141. GSFMO does not sell improved wheat and barley seeds.

Q 142. “Purchase price for wheat are currently fixed at SR .5 pr kg for large agricultural companies, and SR 2 per kg for other producers”. Are these prices currently paid by the GSFMO to purchase these products?

R 142. GSFMO is currently purchasing wheat from producers at SR 1.5 per kg.

Q 143. “Government payments to GSFMO to cover the general shortfall between GSFMO sales realizations and payments to farmers are not related to export volume”. What was the value of government payments made in each of the last three years?

R 143 Kindly refer to Supporting Tables DS: 4 and DS: 5 in ACC/4 which is Annex (A) of this document.

(b) Export Subsidies

Q 144. We would appreciate it if Saudi Arabia could complete the questionnaire on agricultural export support subsidies and domestic support (document WT/ACC/4).

R 144. This is already completed and submitted to the WTO Secretariat.

Q 145. We welcome the statement made in the first working party that Saudi Arabia does not maintain any export subsidies. Please explain how the export of wheat is possible without granting export subsidies, given that the GSFMO offers a uniform guaranteed price to producers and that the prices offered to the farmers for wheat and barley are generally higher than world market prices.

R 145. Saudi Arabia does not confer an export subsidy on wheat. In terms of Article No. 9 of the Agreement on Agriculture, the GSFMO operations and financing are thus similar to those of typically agricultural marketing boards in developed countries.

Q 146. We note that Saudi Arabia has no agricultural export subsidies. Can Saudi Arabia provide an assurance that it will not introduce export subsidies?

R 146. Saudi Arabia can give assurance that its agricultural incentives and support policies will be consistent with its WTO commitment.

Q 147. Has the Ministerial Committee tasked to review the system of support for the agricultural sector completed its deliberations? If so, could Saudi Arabia provide details of its findings? If the review has not been completed, we would appreciate an indication of when it is expected to be completed?

R 147. Kindly refer to reply 130.

Q 148. Are the actual levels of subsidies provided under the Government's system of support for the agriculture sector still in excess of budgeted levels?

R 148. Kindly refer to reply 68.

Q 149. What will be done to ensure that outlays on subsidies are confined to budgeted levels when Saudi Arabia accedes to the WTO?

R 149. It would be premature to comment on this question since the government support to agriculture sector is under review.

Q 150. What factors are taken into account and what objectives are to be set in determining future budgeted levels of outlays on subsidies?

R 150. Kindly refer to the objectives section of reply 154.

Q 151. Will the setting of future budgeted levels of outlays on subsidies take account of the implications of such outlays for the conduct of fiscal policy, the fiscal burden on the community, allocative efficiency in the economy and environmental degradation?

R 151. As mentioned in the Memorandum on Foreign Trade Regime (L/7489), the system of support is under review and this exercise will take account of the implications of such outlays for the conduct of fiscal policy, burden on community, allocative efficiency, in the economy and environmental degradation.

Q 152. How is the export of wheat possible without granting export subsidies (with domestic granted prices higher than world prices)?

R 152. Kindly refer to reply 145.

Q 153. (Qu. 179-190, L/7645/Add.1). “Agricultural subsidies are provided for the following types of projects: irrigation, acquisition of farm machinery, poultry and dairy farm equipment, imports of cows, animal feed, and potato seed.”

Please provide a full list of subsidy measures currently in place, with, for each type of subsidy program, total value of subsidies, with volumes of quantities subsidized, for the last three years, by HS Code. Does the operation of these programs require the restriction or limitation of imports of certain agricultural products?

R 153. Kindly refer to ACC/4 contained in Annex (A).

Q 154. “The Kingdom’s agricultural policy is implemented on the basis of several objectives, including diversification of the economy, the achievement of higher growth rates in other sectors of the economy, combating desertification, raising the income level and welfare of rural inhabitants, and contributing to the security of the nation’s food supply?

What measures are taken to meet those objectives?

R 154. Planning in Saudi Arabia is indicative whereby the plan sets the aims and the implementation is left to the working of the market forces. The 6th development plan projects the annual rate of growth of the added value in the agricultural sector at 3.1% . So it is expected that the agriculture’s contribution to non-oil GDP to be 9.9% at the end of the plan.

Development Strategy: The development of the agricultural sector shall be achieved by adopting the following objectives and policies.

Objectives: The Plan sets the following overall objectives for the agricultural sector:

- to achieve food security in the Kingdom;
- to increase and diversify agricultural products;
- to achieve satisfactory rate of growth in producing main agricultural crops, animal products and fish, at least cost and low rate of water use;
- to contribution to the creation of jobs and improve their standard of living;
- to achieve a reasonable rate of growth in the agricultural labor productivity and realize high Saudization rates in Agriculture;
- to raise economic efficiency in the agricultural sector in general.

Policies: To achieve these major objectives for agricultural development, the following policies are to be implemented:

1. Encouraging large-scale agricultural feasible projects which depend on renewable water resources and which use advanced irrigation technology.
2. Diversify agricultural lands use, especially in areas with high potential renewable water resources.
3. Support programs for agricultural inputs and services will be continued, including those relating to the distribution of seeds, seedlings and extension services.
4. Marketing channels will be improved by the provision of storage facilities for small farmers.
5. Training of Saudi agricultural manpower will be intensified at all levels.
6. Encourage the diversity of agricultural production through utilization of comparative advantage.
7. Research support will be provided for studies on problems specific to the Kingdom’s agriculture.
8. Improve the basic data and information base.
9. Encourage the private sector to establish feed-mills using imported raw materials.
10. Joint studies will be conducted with GCC member countries to promote inter-regional cooperation.

11. The continuity of protecting and safeguarding different kinds of animal, plants and maintaining the ecological balance through combating desertification.

Q 155. "... the system of support is currently under review by a Ministerial Committee ... there is no timetable set for the completion of the review." Could Saudi Arabia provide any indication of the review findings and recommendations to date?

R 155. Kindly refer to reply 130.

(c) Export Prohibitions and Restrictions

Q 156. We note that Saudi Arabia applies restrictions on the export of some products (reply 129, L/7645/Add.1). These restrictions would appear to be inconsistent with GATT Article XI:1. Does Saudi Arabia intend to bringing its export licensing regime into conformity with GATT Article XI:1 on accession to WTO?

R 156. The Kingdom does not apply the export licensing regulation effective in other countries which is different from the concept contained in para.1 of article 11 as the reason for requiring an approval or an export permission is that some commodities are subsidized by the government or exempted from customs duties. So this does not mean prohibition or restriction of trade. A duty of SR 2000/ton is levied on untanned skins which is in line with article 11 of the GATT.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

Q 157-175.

R 157-175. Replies will be provided in the next consolidated answers.

IV. TRADE-RELATED SERVICES REGIME

Q 176-182.

R 176-182. Replies will be provided in the next consolidated answers.

VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

Preferential Regional Trading Agreement

Q183. We would appreciate responses to the following questions on the trade preferences extended by Saudi Arabia to other Arab League countries under the Agreement Facilitating and Developing Trade among Arab Countries.

Could Saudi Arabia please explain the discrepancy that seems to exist in relation to statements concerning the presence of non-tariff concessions in trade preferences under the Agreement Facilitating and Developing Trade Among Arab Countries? We refer to the apparent inconsistency on this point in response 74(c) on page 29 of L/7645/Add.1 and response 260 on page 92.

Could Saudi Arabia provide details of all non-tariff concessions in trade preferences under the Agreement Facilitating and Developing Trade Among Arab Countries? We would appreciate

details in relation to each country regarding the type of preferential non-tariff concession and the tariff lines to which each type of non-tariff concession applies.

Could Saudi Arabia provide an assurance that it will abolish all of the preferential non-tariff concessions provided under the Preferential trading arrangements in which it is involved upon concession into the WTO, or otherwise explain how these non-tariff concessions would be consistent with the WTO Agreement?

R 183. In reply to Q.74, para (c), it was meant the reciprocal preferential treatment between the Kingdom and some Arab countries within the framework of the Arab league. Reply to Q260 was referring to the Commercial Exchange Facilitation and Development Agreement among the Arab countries and the reciprocal preferential treatment granted under that agreement in the field of trade in goods and services.

Q 184. Saudi Arabia has been involved in the process of forming a free trade area under the auspices of the Unified Economic Agreement of the Cooperation Council of the States of the Arab Gulf.

(a) Could Saudi Arabia please report on the progress that it has made on the formation of a free trade area under the auspices of the Unified Economic Agreement of the Cooperation Council of the States of the Arab Gulf. When will the arrangement for this free trade area be complete?

(b) Could Saudi Arabia indicate which tariff lines will be duty free when the current stage of the formation of the free trade is complete? What percentages of Saudi Arabia's current exports to and imports from its Gulf Cooperation Council partners are covered by such duty free access?

(c) We would appreciate clarification of the precise sense in which the customs tariff under Unified Economic Agreement of the Cooperation Council of the States of the Arab Gulf is being unified, and details of the unification.

(d) Does "unification of the customs tariff" mean that Saudi Arabia's imports from other members of the agreement in tariff lines affected by unification are duty free, while imports from third countries in the same tariff lines are not duty free and enter subject to the unified tariff? Or does "unification of the customs tariff" mean that duties are applied to Saudi Arabia's imports from other members of the Agreement in tariff lines which are exempt from duty free access? If so, which tariff lines are affected and at what unified rates?

R 184. (a) The GCC member states have been able to reach the agreement on a free trade area in an early stage of the implementation of the Unified Economic Agreement which represents the work plan of the GCC in the economic arena. The most important achievements in this field are as follows: Liberalization of the GCC member states' inter-trade in agricultural, animal and industrial products of the national origin from all duties as of March 1983.

Agreement on enforcing a floor and a ceiling of customs duty for imported goods from third countries (i.e. 4%-20%) as a first step towards the unification of customs' tariffs vis-a-vis the Non- GCC countries.

Giving the GCC nationals the right to move, work and reside in any of the GCC member states while enjoying equal rights as regards proprietorship; inheritance; the movement of capital as well as the free practising of the economic or commercial activities they choose (except for some limited fields such as banking and insurance). In addition, they are allowed to own securities and real estate according to certain rules while enjoying the same tax treatment.

There are other achievements which surpass the stage of the free trade area such as establishing joint ventures and making efforts for the unification and convergence of laws and policies in all fields.

(b & c) The GCC member states have accomplished some results in their talks, many studies have been made in the field of unification of customs tariffs vis-a-vis third countries. Discussions covering dividing goods to three categories according the harmonized system are expected to be finalized shortly. The categories of goods are:

- exempted goods: not subject to duties.
- primary goods: subject to duties greater than that applied to primary goods.
- other goods: subject to duties greater than that applied to primary goods.
- goods of special nature: such as Tobacco and its products which are subject to high customs' duties.

Talks are held among the GCC member states to determine the rates of customs' duties imposed on such goods. It is expected that an agreement will be reached in this regard soon due to the completion of all requirements necessary for this achievement. There are other procedures and policies relating to the unification of tariffs such as:

The one entry post system which allows the free movement of goods after entering, and the application of a joint system to collect customs' revenues in order to be allocated among member states. The draw back system applied to re-exports among member states. The agreement on a unified custom' system.

As to the second part of para. (b) which asks about the Saudi to other GCC member states exports to imports ratios, the average ratio during the last six years (1990-1995) was about 175% of national goods. This is attributed to the large industrial base of the Kingdom compared with other GCC member states.

(d) The intended meaning of the question conveyed in para. (d) is not clear. However, it can be said that all trade exchange of goods of national origin among the GCC member states are fully exempt from customs duties. As regards to imports from countries other than the GCC countries, they are subject to different rates of customs duties. Should such imported goods move from one to other GCC member state(s), they should be subject to customs' duties more than once. In case of applying the unified tariffs, such goods will counter one tariff only.

Q 185. For each of the bilateral agreements which Saudi Arabia has indicated that it has concluded with other Arab League nations, please provide a complete list - to HS 6-digits - of products subject to tariff preferences (indicating the nature of the preference).

R 185. For the GCC, Article 2.1 of the Unified Economic Agreement of the GCC provides for full exemption from customs duties and relevant fees on all goods originating in the GCC countries. As for the Arab League preferences please see reply 74 (b) of document no. L/7645/Add.1. Additional information will be provided later.

Q 186. (a) Please provide a copy in a WTO language of the text of the GCC Free-Trade Agreement. When was this Agreement signed? Ratified?

(b) Has the GCC FTA been notified to the WTO under Article XXIV by those participants which are WTO members? If not, why not?

(c) Please provide details of the plan and schedule provided for in the Agreement as required by Article XXIV.5.(c) of the GATT 1994.

(d) Please provide a written up-date on the development of the GCC Customs Union.

R 186. (a) Please find enclosed a copy (in English) of the Unified Economic Agreement duly signed on 11/11/1981, which came into effect after 4 months from signing, as per the Article 26 of the Agreement enclosed a copy thereof.

(b) Yes, the GATT Secretariat was notified by Kuwait in 1982.

(c) Article 24, para. 5.c does not currently apply to the GCC member countries since all of them, at present, are not members at the WTO.

(d) The technical committee formed for this purpose is still pursuing the task of preparing a draft agreement for classification of goods, to be agreed later thereon, among the GCC countries. The fact that the GCC countries are applying the HS based Tariff shall foster the task of agreement on the unified nomenclature of the goods.

ANNEX (A)**Information On Domestic Support And Export Subsidies In Agriculture**

TABLE 1
DOMESTIC SUPPORT
TOTAL AGGREGATE MEASUREMENT OF SUPPORT

Million (US\$)

Year	local wheat	local barley	imported barley	feed (for corn and soya bean)	Agri. sub	opp. cost (loans)	sub total	agricultural domestic product	sub to A.D.P %
1986	820.19	-	522.75	46.08	158.40	21.23	1568.65	4229.60	37.10
1987	972.21	12.67	648.19	63.49	89.17	17.89	1803.62	4883.20	36.90
1988	1162.67	15.36	425.04	177.60	81.12	16.32	1878.11	5572.00	33.70

Sources:

1. Saudi Arabian Monetary Agency
2. Ministry of Agriculture and Water
3. Ministry of Planning
4. Saudi Arabian Agriculture Bank
5. Grain Silos & Flour Mills Organization.

Note: All related SR. figures have been translated to US dollars at the exchange rate of 1US\$ = SR 3.75.
Difference in totals are due to rounding figures to the nearest two decimal points.

TABLE 2
THE OPPORTUNITY COST FOR THE MEDIUM TERM LOANS
GRANTED BY THE SAUDI AGRICULTURAL BANK

Year	Amount of Medium Term Loans Million US\$	Average Interest Rate	Opportunity Cost Value Million US\$
1986	270.67	7.84 %	21.23
1987	223.65	8.00 %	17.89
1988	200.83	8.13 %	16.32

SUPPORTING TABLE DS: 1

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Measures exempt from the reduction commitment - “ Green Box “

Thousand (US\$)		Monetary value of measure in year			Data sources
Measure type	Name and description of measure with reference to criteria annex 2 of the Agreement on Agriculture	2	3	4	
1					4
(a) General Services:	Research, pest and disease control, training, extension, inspection services, and infrastructural services				
1986			69,410		Ministry of Agriculture & Water
1987			79,920		
1988			55,431		
	Storage and Overhead Costs				
(b) Public stockholding for: food security purposes:					
1986			8,094		Grain Silos & Flour Mills Organization (GSFMO)
1987			9,553		
1988			11,902		
(C) to (L)	NIL		NIL		

SUPPORTING TABLE DS: 2

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year , marketing year , etc.
Measures exempt from the reduction commitment Special and Differential Treatment - Development Programs

Million (US\$)				
Measure type	Name and description of measure with reference to criteria annex 2 of the Agreement on Agriculture	Monetary value of measure in year in question		Data sources
1	2	3	4	
(a) “Investment subsidies generally available to agriculture”				
a.1	Opportunity cost for Agric. Loans			
	1986			
	1987			
	1988			
		21.23		Saudi Arabian Agricultural Bank
		17.89		
		16.32		
a.2	Bad Debts for Agric. Loans			
	1986			
	1987			
	1988			
		106.67		
		106.67		Saudi Arabian Agricultural Bank
		106.67		
(b)	“Input subsidies generally available to low-income or resource-poor producers”		NIL	
(c)	“Support to encourage diversification from growing illicit narcotic crops.		NIL	

SUPPORTING TABLE DS: 3

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Measures exempt from the reduction commitment - Direct Payments under Production - Limiting Programs - "Exempt Direct Payments"

Measure type	Name and description of measure with reference to criteria annex 2 of the Agreement on Agriculture	Monetary value of measure in year in question	Data sources
1	2	3	4
"Payments based on fixed area and yields"	NIL	NIL	
"Payments based on 85 percent or less of the base level of production"	NIL	NIL	
" Livestock payments made on a fixed number of head"	NIL	NIL	

SUPPORTING TABLE DS: 4

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Calculation of the Total Aggregate Measurement of Support

Million US\$	Current Total AMS (aggregate)			
Description of basic product (including non-product specific AMS)	Product-specific AMS (from Supporting Tables DS-5 to DS-7 below)	Product-specific measurement of support (from Supporting Table DS - 8 below)		
1	2	3	4	
			1986	1987 1988
Product A Wheat (Local)			820.19	972.21 1162.67
Product B Barley (Local)			---	12.67 15.36
Product C Barley, (Imported)			522.75	648.19 425.04
Feed (corn and soya bean)			46.08	63.49 177.60
Other Product			89.31	42.40 33.92
Non-product-specific AMS			69.09	46.77 47.20
Opp. Cost for loans			21.23	17.89 16.32

SUPPORTING TABLE DS: 5

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Product-Specific Aggregate Measurements of Support: Market Price Support

Description of basic products	Calendar/ marketing year beginning.	Measure type (s)	Applied administered price (U.S.\$)	External reference price (U.S.\$)	Eligible production (Ton)	Associated fees/levies	Total market price support Million (U.S.\$)	Data sources
1	2	3	4	5	6	7	8	9
Wheat	1986	Market p.s	533.33	128.00	2,023,484		820.19	Grain Silos & Flour Mills
	1987		533.33	110.00	2,296,587		972.21	Organization
	1988		533.33	124.00	2,840,453		1162.67	
Barley	1986		--	--	--		--	Grain Silos & Flour Mills
	1987		266.67	121.00	87004		12.67	Organization
	1988		266.67	147.00	128294		15.36	
Barley (imported)	1986	Market p.s	80*		6534.442		522.75	Grain Silos & Flour Mills
	1987		80		8102.467		648.19	Organization
	1988		80		5312.953		425.04	

* The amount of the subsidy was fixed at US\$80.0 per ton during the period 1986-1988.

(1000 US\$)

[illegible]

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Product-Specific Aggregate Measurements of Support: Other Product Specific Support and Total Product-Specific AMS

Description of basic product	Calendar / marketing year beginning	Measure type(s)	Other product specific budgetary outlays	Other product specific support include calculation details)	Associated fees/ levies	Total other product specific support	Market price support (supporting Table DS-5)	Non-exempt direct payments (supporting Table DS-6)	Total AMS	Data sources
1	2	3	4	5	6	7 (4+ 16)	8	9	10 (7+ 8+ 9)	11

NIL

SUPPORTING TABLE DS: 8

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Product-Specific Equivalent Measurements of Support

Descrip- tion of basic products	Calendar/ marketing year beginning	Measure type(s)	Applied administ- ered price	Production eligible to receive the applied administ- ered price	market price support budgetary outlays	Equivalent measure- ment of support (include calculation details)	Non- exempt direct payments	Other product - specific support	Associated fees/ levies	Total monetary value of equivalent commit- ment	Data sources
1	2	3	4	5	6	7	8	9	10	11 (7+ 8+ 9+ 10)	12

NIL

SUPPORTING TABLE DS: 9

DOMESTIC SUPPORT :
REPORTING PERIOD : calendar year, marketing year, etc.
Product-Specific Aggregate Measurements of Support: Non-Exempt Direct Payments

Measure Type(s)	Calendar / Marketing year beginning	Non-Product specific support (include calculation details)	Other non-product- specific support (include calculation details)	Associated fees /levies	non-product-specific support	Total non-product-specific support Million (US\$)	Data sources
1	2	3	4			6	7

Engines, pumps and Agric. machinery	1986				69.09		Saudi Arabian Agricultural Bank
	1987				46.77		
	1988				47.20		