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**Working Party on the Accession
of the Kingdom of Saudi Arabia**

**DRAFT REPORT OF THE WORKING PARTY ON
THE ACCESSION OF THE KINGDOM OF SAUDI ARABIA
TO THE WORLD TRADE ORGANIZATION**

Revision

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INTRODUCTION

1. On 13 June 1993, the Government of the Kingdom of Saudi Arabia (hereinafter referred to as Saudi Arabia) requested accession to the General Agreement on Tariffs and Trade (GATT 1947). At its meeting on 21 July 1993, the GATT 1947 Council of Representatives established a Working Party to examine the application of the Government of Saudi Arabia to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession. Membership of the Working Party was open to all contracting parties indicating the wish to serve on it. In pursuance of the decision of the General Council of the World Trade Organization (WTO) of 31 January 1995, the GATT 1947 Accession Working Party was transformed into a WTO Accession Working Party. The terms of reference and the membership of the Working Party were reproduced in document WT/ACC/SAU/2/Rev.17.

2. The Working Party met on 2 and 3 May; 6 and 8 November 1996; 29-30 May; 2 and 4 December 1997; 17 and 19 November 1998; 22 September 1999; 5 April 17 October 2000; and 23 October 2003 under the Chairmanship of H.E. Ambassador Mr. J. Weekes (Canada), and on 23-24 October 2003 and [...] under the Chairmanship of H.E. Ambassador Mr. Munir Akram (Pakistan).

DOCUMENTATION PROVIDED

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Saudi Arabia (L/7489) and the questions submitted by members on the foreign trade regime of Saudi Arabia, together with the replies thereto, (L/7645 and Add.1; WT/ACC/SAU/3; WT/ACC/SAU/6, Add.1-3 and Add.3/Corr.1; WT/ACC/SAU/8 and Corr.1; WT/ACC/SAU/10; WT/ACC/SAU/13, Add.1, Add.1/Corr.1 and Rev.1; WT/ACC/SAU/29, Add.1-4, and Corr.1 and 2; and, WT/ACC/SAU/35 and Corr.1). The Government of Saudi Arabia also provided the Working Party with information regarding the following:

Economic Development Plans

- Sixth Development Plan, Decree No. 142 of 19/11/1413 (10 May 1993)
- Seventh Development Plan, Decree No. 126 of 28.05.1421 (29 August 2000)

Economic Policies

- **Pricing Policies**
 - Council of Ministers Resolution of November 1992

- Council of Ministers Resolution No. 19756/R dated 21/11/1422 (4 February 2002) (cancelling Council of Ministers Resolution of November 1992)
- Privatization
 - Economic Reform Program of the Kingdom of Saudi Arabia, WT/ACC/SAU/54 (4 April 2003)
 - Council of Ministers Resolution No. 60 of 1.4.1418H (1997)
 - Council of Ministers Resolution No. 257 dated 11.11.1421H (5 February 2001)
 - Royal Approval issued in 1417 (1997)
 - Council of Ministers Resolution issued in 1419 (1999)
 - Council of Ministers Resolution 169 of 11/8/1419 (30 November 1998)
- Investment Regime
 - New Foreign Investment Law, replacing the Foreign Capital Investment Law, promulgated by Royal Decree No. M/1 of 9 April 2000 (5.1.1421 H)
 - "Negative List" (issued by Supreme Economic Council Decision No. [...] under Article 3 of the Foreign Investment Law)
 - Implementing Regulations for Royal Decree No. M/1 of 9 April 2000 (issued 24 June 2002)
 - First Foreign Investment Law, 1979
 - Capital Market Law, issued under Royal Decree No. M/30, dated 02.06.1424 H (13 July 2003)
 - Council of Ministers Decision No. 50, dated 21.4.1415 (27 September 1994)
 - Council of Ministers Bureau Letter 8/490, dated 28.6.1414 (13 December 1993)
 - Guide to the Licensing of Foreign Investment in Saudi Arabia
 - Information on Foreign Investment by Sectors
 - Information on Recent Foreign Investments Granted Licenses

Framework For Making and Enforcing Policies

- Basic Law of Government, Royal Decree No. A/90 dated 27 Shaaban 1412 H (1 March 1992)
- Consultative Council Law
- Council of Ministers Law
- GCC Common Customs Law and its Rules of Interpretation
- Commercial Register Law and its Implementing Regulations
- Commercial Agencies Law and its Implementing Regulations
- Companies Law and its Implementing Regulations
- Law on Import Licensing Procedures and the Import Licensing Guide
- Combat of Commercial Fraud Law and its Implementing Regulations
- Negotiable Instruments Law and its Implementing Regulations
- Trade Names Law and its Implementing Regulations
- Board of Grievances Law of 17.1.1402 H (14 November 1981)
- Council of Ministers' Resolution No. 165 dated 24.6.1423 H (1 September 2002)

Policies Affecting Trade in Goods

- Trading Rights
 - Law on Commercial Names issued pursuant to Royal Decree No. M/15 dated 12/08/1420 H (20 November 1999) and the associated rules and regulations

- Professional Companies Law
- Customs Tariffs
 - Customs Law and Implementing Regulations
 - Customs Tariff
- Import Licensing Systems
 - Council of Ministers Decision No. 84 (July 2000)
 - The Import Licensing Law issued vide Council of Ministers Decision No. 88 of 6.4.1432H (July 2002)
 - Telecommunications Act, Article 39
 - Information on the Application of Import Licensing
 - Information on Preferential Trading Arrangements
 - Response to Questionnaire on Import Licensing Procedures
- Quantitative Import Restrictions, Including Prohibitions and Quotas
 - Ministry of Commerce and Industry Decision No. 1308, dated 27.5.1424H (27 July 2003)
- Customs Valuation
 - Royal Decree No. 190 dated 16 Dhu Al-Hujah 1409H (19 July 1989)
 - Royal Decree No. 425 dated 5/3/1372H (22 November 1952)
 - Response to Questionnaire on Customs Valuation Procedures
- Other Customs Formalities
 - Council of Ministers Order No. 5, dated 3.01.1406H (10 September 1985)

Internal Policies Affecting Trade in Goods

- Industrial Policy, Including Subsidies
 - Saudi Industrial Development Fund Law
- Technical Barriers to Trade
 - List of SASO standards that had been based upon CODEX standards, together with a complete list of the 1,323 Saudi standards including a cross-reference to the international standards adopted in their entirety as SASO standards, WT/ACC/SAU/34
 - List of standards deemed to be equivalent to Saudi standards, WT/ACC/SAU/15
 - SASO standards, adopted as GCC Standards and thereby incorporated as national standards in other GCC Countries, WT/ACC/SAU/29 (Annex III)
 - Procedures for the development of SASO standards, WT/ACC/SAU/29 (Annex IV)
 - Comprehensive Guidelines and Procedures concerning the ICCP
 - Appeals procedures, included as an Appendix to the ICCP Guidelines
 - Saudi Conformity Assessment Program
 - SASO Comprehensive Directive of July 2000 (circulated to Working Party members in October 2000)

- Regulated Product Categories Applicable Standards
- Pre-shipment Inspection
 - Council of Ministers Decision No. 213 dated: 3.8.1424H (30.9.2003) cancelling the ICCP
- Sanitary and Phytosanitary Measures
 - Shelf life of food products, WT/ACC/SAU/27
 - Council of Ministers Decision No. 109, dated 34.4.1424H (30 June 2003)
 - Council of Ministers Decision No. 85, dated 01.04.1421H (04 July 2000)
- Agricultural Policy
 - Tables on domestic support and export subsidies, WT/ACC/SAU/19 and 28; and WT/ACC/SPEC/SAU/1/Rev.6 and Corr.1
 - Royal Decree No. 58 issued on 3/12/1382 founding the Saudi Arabian Agricultural Bank
 - Royal Decree No. 4/B/49434, dated 8.12.1423H (10 February 2003)
- Trade Related Intellectual Property Regime
 - The Law for the Protection of Copyrights (Old)
 - New Copyright Law Issued vide Council of Ministers' Decision of 9 June 2003
 - Trade Marks Law
 - Council of Ministers' Decision No. 140 of 5 August 2002 (New WTO-consistent Trade Marks Law)
 - Companies Law
 - Labour Law
 - Banks Control Law
 - Geographical Indications Law
 - Copyright Law
 - GCC Patent Law
 - Saudi Patent Law
- Policies Affecting Trade in Services
 - Council of Ministers Resolution No. 190 of 16.11.1409 H (concerning Rules and Procedures to be Followed by the Board of Grievances and the Board of Grievances Law)
 - Law of Residency
 - Labour and Workers Regulations
- GCC Documents
 - Unified Economic Agreement, signed 11 November 1981 under the Gulf Cooperation Council
 - Information on Non-Oil Exports to Gulf Cooperation Council States
 - Rules for the Coordination of Industrial Establishments in the Gulf Cooperation Council States
 - Standard Rules for Giving Priority in Government Purchases to National Products and Products of National Origin of Gulf Cooperation Council States

- GCC Common External Tariff
- Domestic Development Measures and Documents
 - Law for the Protection and Encouragement of National Industries
 - Saudi Industrial Development Fund Law
 - Banking Control Law (Articles 1-4)
 - Information on Saudi Industrial Development Fund Loans
 - Information on Saudi Agriculture Bank Loans
 - Information on Agricultural Subsidies Disbursed through the Agriculture Bank
 - Information on Agricultural Domestic Support
- Sector-Specific Measures
 - Ministerial Resolution by the Ministry of Communications concerning Applications for Licenses by Maritime Companies and Firms for Carrying on Maritime Carriage (Articles 1-7)
 - Ministerial Resolution No. 4104/20/M dated 4.11.1408 H (18 June 1988) concerning the Implementing Regulations to the Private Medical Establishments Law (Articles 1-2)
 - Implementing Regulations to Regulation of Technical Institutes and National Occupational Centres (Articles 1-9)
 - Resolution from His Royal Highness the Minister of Defence and Aviation concerning the Regulation of Tourism and Travel Agencies and Companies engaged in Air Transport (Articles 1-4 and 13)
 - Ministerial Order No. 264 of 16.9.1402H (7 July 1982): Organization of the Practice of the Profession of Engineering Consultancy (Part I and III)
 - Law of Certified Accountants (Articles 1-2) and Ministerial Order No. 595 of 13.11.1395 (16 November 1975) enacting the Implementing Regulations of the Accountants Law
 - Ministerial Order No. 1190 of 16.2.1402 (13 December 1981) Pertaining to the Regulation of Carrying on the Profession of Legal Consultancy (Articles 1-2, 4-7)
 - Law concerning the Carrying on of the Profession of Pharmacy and Trading in Medicaments and Medical Preparations (Articles 1.5)
 - Government Purchases Law and Implementing Regulations
- Grievance/Dispute Measures
 - Rules and Procedures of the Board of Grievances
 - Law of Arbitration and Implementing Regulations to the Law of Arbitration
- Other Measures and Documents
 - Import Statistics
 - Royal Decree M/10 of 3.3.92 H (16 April 1972) and Council of Ministers Resolution No. 1 172 of 25.2.92 H (9.4.1972)
 - Council of Ministers Resolution No. 124 of 29.5.1403 (13 March 1983)

4. The representative of Saudi Arabia stated that over the last 30 years, Saudi Arabia had become a State with a strong economy increasingly based on the private sector with a sophisticated infrastructure. At the same time, government initiatives had been used to influence economic activity

when necessary, in order to ensure the protection of the Islamic values of Saudi Arabian society. Economic development of Saudi Arabia had largely depended on the utilization of its large oil and gas reserves. Saudi Arabia was the largest producer of oil in the world and one of the world's largest producers of natural gas. The availability of these resources had given rise to an economy typical of oil-producing developing countries characterized by a major concentration of exports on a single exhaustible resource and a high propensity to import.

5. The representative of Saudi Arabia informed members of the Working Party that Saudi Arabia had adopted free market principles ensuring that private enterprise would always be the main focus of economic activity, and established an indicative planning approach to economic and social development based on Islamic values and principles, which guide the development in a coordinated and balanced direction. Economic indicative planning in the Kingdom provided an appropriate conceptual, practical and organizational framework for the development process, with all of its economic, social and institutional dimensions. In addition to the underlying objectives of the preservation of Islamic values and the provision of national security, the consecutive five-year indicative plans aspired to achieve a number of other broad goals. These included diversification of the economy, particularly through laying more emphasis on industry and agriculture, and developing mineral resources, improvement of living standards and quality of life, achievement of balanced growth throughout all regions of the Kingdom, strengthening the role of the private sector, through encouraging its participation in various socio-economic development projects, achievement of social and economic integration among GCC countries, and support economic cooperation with other countries. Other objectives include development and sustenance of the country's physical infrastructure, protection of the environment and development and utilization of human resources through increasing the absorptive capacity of educational institutions. The First and Second Plans laid the foundation for the Kingdom's rapid transformation into a modern industrialized state, focusing on the provision of basic infrastructure, improved government services and the establishment and expansion of supporting institutions. Rapidly rising oil revenues during the period covered by these two Plans, further helped to accomplish their objectives including the creation of jobs in both public and private sectors. The Third and Fourth Plans emphasized the diversification of the economy by concentrating on the completion of major infrastructure projects to meet the rapidly increasing demand for improved educational, health, training and other social services, and by encouraging the growth of the private non-oil sector. The Fifth Development Plan enhanced and broadened the main objectives of the previous plans, through appropriate regulatory policies and support measures. It accorded highest priority to the private sector's role in accelerating the process of economic diversification.

6. He further recalled that the Sixth Development Plan, continued to enhance and broaden the main objectives of the previous development plans. It set out to meet the Kingdom's development needs through maximizing the private sector's contribution in the provision of jobs, diversifying the economy to lessen its dependence on oil, building new physical infrastructure, improving social services, expanding job opportunities for the Saudi labour force, raising the per-capita income of the population and maintaining a balanced budget over the Plan's period. The development of the country's scientific and technological capabilities and the protection of the environment against pollution as well as the preservation of the country's natural resources, were also among the general objectives of the Sixth Plan, and later plans. Over the past three decades, non-oil GDP increased more than five-fold and private investment increased seven-fold. Infant mortality rates dropped by over 80 per cent; the ratio of physicians per person improved by more than 95 per cent. Over the same period, school enrolment rose from 600,000 to more than 4.7 million and Saudi Arabia had among the lowest pupil-teacher ratios in the world.

7. The representative of Saudi Arabia further added that Saudi Arabia had also improved its trade with other nations of the world. In 2003, he reported, Saudi Arabia was the world's 25th-largest importer/exporter, with a foreign investment balance of US\$78 billion. The Kingdom's gross domestic product grew from US\$20 billion in 1970 to US\$190 billion in 2002. Also, he stated, Saudi Arabia maintained one of the least restrictive exchange and trade systems in the world. There were no exchange restrictions and no trade restrictions were imposed for balance-of-payments reasons. Indeed, currently trade restrictions were only imposed for religious, health or security reasons.

8. Members of the Working Party asked Saudi Arabia to provide information regarding the most recent Development Plans. In response, the representative of Saudi Arabia noted that the Seventh Development Plan, Decree No. 126 of 28.05.1421 (29.08.2000), covered the years 2000 through 2004. The Plan focused on increasing the size and strength of the private sector, and developing Saudi Arabia's human resources. In addition, the Plan emphasized increasing the level of efficiency of Saudi Arabia's industrial sector. As with prior plans a primary goal of the seventh Plan had been to diversify as well as grow Saudi Arabia's economy.

9. The representative of Saudi Arabia also described aspects of the Eighth Development Plan, covering the years 2005-2009, which was still being prepared. He noted that, under the Plan, Saudi Arabia would continue to focus on higher growth rates and increasing investment, foreign as well as domestic. As with the previous Plan, Saudi Arabia would continue to develop its human resources. The Eighth Development Plan would likely have additional emphasis on commitment to a

long-term development strategy linked to time frames and quantitative objectives. This aspect of the Plan, he said, would allow Saudi Arabia to measure its progress and ensure that its policies were appropriate and were assisting the Kingdom in achieving its goals.

10. The representative of Saudi Arabia stated that the diversification of the economy could only be achieved through much broader private sector participation in the economy. The private sector had already begun to pursue a wide range of business opportunities unrelated to government expenditures and this trend was expected to accelerate as private sector management, production and marketing capabilities strengthened and the competitive atmosphere improved. Institutional support for private sector-led growth and diversification would be provided by the Government, through liberalization and facilitation of investment and rapid development of Saudi Arabia's financial sector. Saudi Arabia also recognized the need to build a technology base. Whilst Saudi Arabia had kept up to date with global scientific and technological developments, this had largely been through the import of sophisticated technology owned by foreign partners. Saudi Arabia still needed to improve its indigenous technological capabilities to the level of that existing in developed countries. The Government planned to assist through the expansion and improvement of educational courses and facilities related to science and technology at all levels, as well as improvement of the overall structural support for private sector initiatives. In addition, Saudi Arabia was aware of the need to impart to its citizens the knowledge and skills that would enable them to participate effectively in all social, economic and cultural activities, as well as to further develop vocational and technical education so that the country's skilled manpower needs could be met.

11. In their opening remarks, members of the Working Party welcomed Saudi Arabia's decision to accede to the WTO and to implement the WTO Agreements expeditiously through the establishment of institutional arrangements and the amendment and adoption of the required legislation and regulations. It was noted that Saudi Arabia had played and was expected to continue to play a significant role in contributing to maintain economic and financial stability and growth, both in the region and globally. Saudi Arabia's accession would reinforce the universality of the WTO and strengthen the multilateral trading system.

12. The Working Party reviewed the economic policies and foreign trade regime of Saudi Arabia and the possible terms of a draft Protocol of Accession. The views expressed by members of the Working Party and the various aspects of Saudi Arabia's foreign trade regime, and on the terms and conditions of Saudi Arabia's accession to the WTO, are summarized below in paragraphs 11 to [...].

ECONOMIC POLICIES

Monetary and Fiscal Policies

13. The Saudi Arabian Monetary Agency (SAMA) is charged with carrying out the Kingdom's monetary policy. The objective of monetary policy is the maintenance of domestic price and exchange rate stability. To promote domestic price stability, SAMA takes measures to ensure that the growth in domestic liquidity is broadly in line with the growth and availability of goods and services in the economy and the banking system is endowed with adequate liquidity so that the credit needs of all the sectors of the economy are adequately met. For maintaining the stability of the fixed exchange rate, SAMA monitors the Riyal market to ensure its smooth functioning and takes corrective measures if there are any disruptive activities. SAMA has been highly successful in achieving these objectives over the years. The domestic price situation has remained highly stable for years, with the average annual increase in the cost of living index recording an average rise of less than one per cent per annum over the last two decades. The exchange rate of the Riyal vis-à-vis the U.S. dollar has also been maintained at SAR 3.75 per U.S. dollar since 1986. The sustained stability in domestic prices and the exchange rate over a prolonged period of time has greatly facilitated the growth process of the Saudi economy.

14. The primary objective of Saudi Arabia's fiscal policy is to broadly encourage economic growth and thereby create new and more diverse job opportunities. This, in turn, will contribute to living standards. To accomplish these goals, Saudi Arabia will direct government expenditures towards the expansion and diversification of the economic base and educational opportunities and towards improving public services.

15. One of the keys of the fiscal policy involves increasing economic diversification. By diversifying the economy and reducing Saudi Arabia's reliance on petroleum production, Saudi Arabia is committing to long-term economic growth not dependent on petroleum. This will strengthen the Saudi Arabian economy in the present as well as for the long-term future. In addition, by encouraging the development of non-petroleum sectors, Saudi Arabia will, of necessity, speed its integration into the global economy by increasing its participation in sectors on which other countries have focused, i.e., the technology and communications sectors, as well as the basic industrial sectors. This also will yield significant related benefits, such as strengthening Saudi Arabia's technical infrastructure and capacity. It also will help Saudi Arabia develop a broader base of skills and expertise in the Saudi work force and strengthen and diversify Saudi educational institutions, both of which are exceedingly important aspects of Saudi's long-term economic development. These

capacities must be strengthened to allow Saudi Arabia to compete successfully in the long term in global markets.

16. Saudi Arabia's accession to the WTO, though not tied directly to its fiscal policy, is exceedingly important to achieving the goals of the policy. By undertaking the reforms necessary for accession, Saudi Arabia already has vastly improved the climate not merely for foreign investment and trade, but also for domestic investment and trade. These reforms, in and of themselves, are increasing Saudi Arabia's ability to achieve its developmental goals. Saudi Arabia anticipates that accession, when realized, will result in further benefits.

17. The national budget for 2003 projects revenues of SAR 170 billion and expenditures of SAR 209 billion, resulting in an estimated SAR 39 billion deficit. The budget estimates represented increases of 8.3 per cent and 3.5 per cent in total revenue and total expenditure respectively from those in the preceding year that placed revenue at SAR 157 billion, expenditure at SAR 202 billion and deficit at SAR 45 billion. The deficit of SAR 39 billion would be covered through domestic borrowing. The policy objective in 2002 was to achieve a balanced budget. However, that objective was not achieved because of the drop in oil prices and the increase in the payroll where the government paid 13-month salaries instead of 12 month salaries per annum due to the transfer from the Hijri calendar to the Gregorian calendar.

Taxation and Zakat

18. Some members of the Working Party requested information on "Zakat" applied to Saudi Arabian citizens and income tax applied to foreigners. These members noted that it appeared that the Zakat and income tax were applied in such a manner that foreign investors typically carried a higher total tax burden than Saudi citizens. The representative of Saudi Arabia stated that there was a general misunderstanding about Zakat and income tax. It was not correct to say that the tax burden (as distinct from the nominal rates) was higher for foreigners than for Saudi nationals or Saudi companies. The percentage of tax to net profit of a non-Saudi did not exceed 30 per cent, while the percentage of Zakat may reach or even exceed 100 per cent of net profit. Zakat was a religious tax. Because its rate and basis of collection was prescribed by religion, it could not be altered.

19. According to the representative of Saudi Arabia, the main features of Zakat were the following:

- Zakat was applied at a flat rate of 2.5 per cent on the total assets of Saudi natural persons, wholly Saudi-owned companies and Saudi partners in joint ventures (except

for rain-fed agricultural products and irrigated agricultural products, for which the rate was 10 per cent and 5 per cent, respectively).

- The base for levy of Zakat, i.e., the assessable amount, was not the income or profits of the assessee. It was much larger and included: capital, statutory reserves, circulated profits, partners' credit account for one year or longer (treated as capital), loans from partners (treated as capital and additional financing for the company), and long-term loans from other sources for the purpose of capital base expansion. There were no exemptions.
- Zakat was payable even if the company did not make a profit.
- Zakat was payable even if the company ceased its activities; it was non-payable only when the company was liquidated.

20. In contrast, he noted, income tax and corporate tax had the following features:

- The maximum rate of corporate tax on net profit had been reduced from 45 to 30 per cent, and now stood at 20 per cent as per Council of Ministers Decision on 12.1.2004.
- Income tax was payable by foreign natural persons, foreign partners and foreign shareholders in business entities on their net income. However, wages and salaries were exempt from taxation.
- Corporate tax was payable by non-Saudi corporations operating inside Saudi Arabia or both inside and outside of Saudi Arabia at the same time based on: (i) the total share of foreign partners in the net profits of Saudi corporations (limited liability companies and joint stock companies); and (ii) the total shares of foreign partners in the net profit of Saudi partnerships.
- Corporate tax was payable on net profit (unlike Zakat, which was payable on total assets).
- Unlike Zakat, corporate tax was not payable in relation to any year in which the company did not make a profit or was not in operation.
- There was a provision for carry forward of losses for unlimited number of years.

Foreign Exchange and Payments

21. The exchange rate policy of the Kingdom has for a long time been geared to maintaining a stable relationship with the U.S. dollar, which is the intervention currency. As already mentioned, the exchange rate of the Riyal has been kept unchanged at SAR 3.75 to the dollar since 1986. This has created a stable exchange rate environment for the private sector and has also been conducive to foreign investment.

22. The exchange rate of the Riyal is determined by SAMA in light of the economic, trade and balance of payments situation both at home and abroad. Until the end of 2002, the Riyal was effectively (informally) anchored to the U.S. dollar, within the framework of an official link to the SDR. In pursuance of a decision taken by the GCC heads of states in December 2001, the Riyal, along with other GCC currencies, has become officially (formally) pegged to the U.S. dollar as from the beginning of 2003 in preparation for the monetary union and the single currency for the GCC countries by the year 2010. The choice of U.S. dollar to serve as a common denominator is based on

the fact that the U.S. dollar is the intervention currency for all the GCC countries and their foreign reserves for currency cover and balance of payments purposes are largely held in U.S dollars. Moreover, a stable relationship with the U.S. dollar is of crucial importance not only for fiscal management but also for the traders in their business planning.

23. Since the early 1960s, when Saudi Arabia undertook the obligations of convertibility under Article VIII of the Articles of Agreement of the IMF, the Saudi Riyal has remained fully convertible, with no taxes or subsidies on the purchase and sale of foreign exchange. There are no restrictions on payments in Saudi Arabia. Imports, exports, remittances and capital movements from, or to, the Kingdom are free from restrictions. There are also no controls that have a direct impact on imports, e.g., there are no surrender requirements, prior deposit for importation, import prepayment requirements or acquisition fees.

24. Saudi Arabia is a market economy with liberal trade and payment policies. There are no restrictions on import and export of goods and services. Remittances by expatriate workers are also free of restrictions. These totalled US\$15.9 billion in 2002, equivalent to roughly 8.4 per cent of the nominal gross domestic product (GDP). There are no restrictions on capital movements.

25. Saudi Arabia's balance of payments position has improved remarkably over the past few years. The current account has been in surplus since 1999. The surplus has risen from 0.3 per cent of GDP in 1999 to 6.3 per cent of GDP in 2002 and is expected to rise further in 2003. Exports of goods and services during 2002 amounted to US\$ 81.4 billion, approximately 43.2 per cent of GDP. Imports of goods and services stood at US\$ 53.6 billion, or 28.5 per cent of GDP. Over the years 1999-2002, the net foreign assets of SAMA, the central bank of the Kingdom, have increased from US\$ 37.9 billion to US\$ 42.0 billion. This amount is sufficient to cover 9.4 months' of imports of goods and services.

Competition Policies

26. The representative of Saudi Arabia stated that, with the exception of certain sectors discussed below, Saudi Arabia's competition policies were based on free-market principles. A draft law on competition policy is currently in the legislative process. The draft Law was currently before the Shoura Council; it would then be transmitted to the Council of Ministers. The draft Law contained provisions, *inter alia*, on cartel and monopoly-type practices, on mergers and on unfair commercial practices.

Pricing Policies

27. Members of the Working Party requested information regarding restrictions on prices maintained by the Kingdom of Saudi Arabia. In response, the representative of Saudi Arabia reported that prices for goods and services in every sector in Saudi Arabia were freely determined by market forces with the exception of the goods listed at Annex A of this Report, which were subject to price regulation within the Kingdom to maintain price stability. These policies were pursued to secure the needs and welfare of consumers and preserve important social interests of the Kingdom.

28. The representative of Saudi Arabia further reported that the price regulations were applied on a non-discriminatory basis, regardless of whether a product or service was supplied by the government or by the private sector and regardless of the nationality of the supplier. He confirmed that the price controls were applied in a WTO-consistent fashion and that Saudi Arabia would publish the list of goods and services subject to price control requirements, as well as any modifications, in the official gazette, the *Umm Al-Qura*.

29. In response to a question from a member of the Working Party, the representative of Saudi Arabia stated that all petroleum-based and natural gas-based products in the Kingdom were made available to industrial users regardless of whether the users were Saudi or foreign owned. Exports of these products, he confirmed, were based entirely on international market conditions. He further stated that the prices of certain petroleum-based and natural gas-based products to domestic industries and consumers were set in a manner consistent with WTO rules. The same prices applied to all users in the Kingdom, whether Saudi or non-Saudi. Therefore, there was no violation of the national treatment provisions of Article III of the GATT 1994. The representative added that the Kingdom would ensure that its price control mechanisms conformed to Article III of the GATT 1994 and the transparency requirements of the WTO.

30. Some members of the Working Party requested information on the pricing of certain feedstock, in particular, methane, ethane, butane, propane and natural gas or liquefied petroleum gas. In response, the representative of the Kingdom of Saudi Arabia noted that pricing of natural gas, including methane and ethane, was quite different from the pricing of butane and propane and natural gasoline. Natural gas was not sold for export and therefore had no international reference price in the Gulf region. Similarly, there were no exports of methane or ethane from Saudi Arabia, due to the high costs of liquefying, transporting and re-gasifying such gases. Previously, methane and ethane had been burnt as waste products. Recently, it had been decided to make methane and ethane available to all interested users on a non-discriminatory basis (whether Saudi or non Saudi) currently at a price of US\$0.75 per million BTU. This decision was taken based on a combination of

commercial reasons and environmental concerns. Rather than burn valuable natural resources, the Kingdom had taken steps to conserve and market those resources consistent with WTO disciplines. Methane and ethane were used by many industries and sectors, including power companies, desalination plants, cement manufactures and petrochemical plants.

31. The representative of Saudi Arabia originally had noted that for butane, propane or natural gasoline (NGLs), the Council of Ministers Resolution of November 1992 set prices lower than the export prices. This was done to take account of the costs associated with NGL exports to world markets, including refrigerating, storage, mooring and marketing. The products were available to all industries and all users within the Kingdom whether Saudi or non-Saudi. All other products were priced at arm's length, and there were no specific discounts. Butane, propane and natural gasoline were made available to industrial consumers in Saudi Arabia at a price 30 per cent lower than the lowest export price charged for those products. Heavy naphta was not subject to any discount and was priced at the prevailing international price.

32. At a later stage, the representative of Saudi Arabia confirmed that the Council of Ministers Resolution of November 1992 on the government pricing system of butane, propane, natural gasoline had been cancelled by Council of Ministers Resolution No.19756/R dated 21/11/1422 (4 February 2002), which required that pricing of NGLs supplied to domestic industries be commercially based.

Privatization

33. The representative of Saudi Arabia stated that a very important component of the Economic Reform Program of the Kingdom of Saudi Arabia (circulated to WTO Members WT/ACC/SAU/54 (4 April 2003)) was privatization. An ambitious privatization strategy was issued by the Council of Ministers on 4 June 2002, to ensure a continued increase in the share of the private sector and to expand its participation in the national economy. This would be achieved by adopting the best available modality including transferring certain types of economic activity to the private sector, enhancing the participation of the private sector in economic development and enabling it to carry out its investment and financing role in accordance with the national development plans. The Council of Ministers had approved the privatization of the following 19 small, medium and large state-owned enterprises and activities:

- Water and sewage.
- Desalination.
- Communications.
- Air transportation and services.

- Railways.
- Roads, including management, operation, maintenance and construction.
- Airport services.
- Mail services.
- Grain silos and flour mills.
- Port services.
- Services for industrial cities.
- Government-owned hotels.
- Sports clubs.
- Municipal services, including slaughterhouses and waste removal.
- Educational services, including school construction and transportation and recruitment of Saudis into the private sector.
- Agricultural services, such as quarantine and operation of laboratories and clinics.
- Health services, such as operation of health facilities and patient transportation.

34. The representative of Saudi Arabia added that the Saudi Government also decided to sell state-owned shares in the following joint stock companies: the Saudi Arabian Basic Industries Corporation (SABIC), the Saudi Electricity Company (SEC), the Saudi Arabian Mining Company (Ma'aden), the Saudi Telecommunications Company (STC), Saudi Arabian Airlines and the National Commercial Bank.

- Legal Basis for Privatization

35. In response to questions from members of the Working Party, the representative of Saudi Arabia stated that the legal basis for the privatization program was the Council of Ministers Resolution No. 60 of 1.4.1418H (1997). According to this Resolution, the objectives of the privatization strategy were as follows:

- i. Improving the efficiency of the national economy and enhancing its competitive ability to meet the challenges of regional and international competition.
- ii. Encouraging private sector investment and effective participation in the national economy, and increasing its share of domestic production to achieve growth in the national economy.
- iii. Enlarging the ownership of productive assets by Saudi citizens.
- iv. Encouraging domestic and foreign capital to invest locally.
- v. Increasing employment opportunities, optimizing the use of the national work force, and ensuring the continued equitable increase of individual income.
- vi. Provide services to citizens and investors in a timely and cost-efficient manner.
- vii. Rationalizing public expenditure and reducing the burden on the government budget by giving the private sector opportunities to finance, operate, and maintain certain services that it was able to provide.
- viii. Increasing government revenues from returns on participation in activities to be transferred to the private sector, and from financing compensation obtained, for example, from granting concessions and from the proceeds of the sale of part of government shares.

According to Council of Ministers Resolution No. 257 dated 11.11.1421H (5 February 2001), the Supreme Economic Council of Saudi Arabia was responsible for supervising the privatization program and monitoring its implementation.

36. He further noted that the basic principles that were taken into consideration when implementing the privatization process were:

- i. Disclosure and transparency.
- ii. Expeditious implementation.
- iii. Changing the management pattern.
- iv. Creating a regulatory framework for privatized sectors.

37. He continued that according to the Privatization Strategy, the criteria for determining priorities in selecting enterprises to be privatized were based on:

- i. Positive effect on the national economy.
- ii. Readiness of enterprise for privatization.
- iii. Social benefits of privatizing the enterprise.
- iv. Inadequacies of the services provided by the public enterprises.
- v. The absorptive capacity of the capital market.

38. In response to further questions from some members of the Working Party, the representative of Saudi Arabia stated that the methods of privatization included the following:

- i. Management Contracts.
- ii. Lease Contracts.
- iii. Financing Contracts.
- iv. Sale Contracts.

- Status of Privatization

39. The representative of Saudi Arabia informed members of the Working Party that the public enterprises privatized so far included the following:

- a) Saudi Electricity Company.
- b) Saudi Arabian Fertilizer Company.
- c) Saudi Arabian Basic Industries Corporation (SABIC).
- d) Saudi Telecommunications Company.

40. The representative of Saudi Arabia stated that the following implementation steps had been completed to date:

- i. Tasks related to the management, operation and maintenance of port berths, as well as the provision of associated equipment, had been assigned to the private sector in accordance with the Royal Approval issued in 1417 (1997) and the Council of Ministers' resolution issued in 1419 (1999) which assigned to the private sector a

- greater role in the management and operation of ports, and called for a review of organizational structures and related procedures, a feasibility study on establishing free trade areas at the ports and the linking of the two ports of Jeddah and Dammam by a railroad.
- ii. Efforts are underway to attract private-sector investment in a North-South railroad connection to increase Saudi Arabia's ability to develop its mineral resources.
 - iii. The education sector received applications from the private sector to finance the construction of schools and to participate in providing higher education services through private colleges.
 - iv. Saudi Arabia has announced that it will privatize Saudi Post. Competition will be allowed in this sector.
 - v. The Council of Ministers' resolution 169 of 11/8/1419 (30 November 1998) approved the restructuring of the electricity sector. Initial investments are to be made within the next few years.
 - vi. A Saudi Joint Stock Utility Company had been established in the twin industrial cities of Jubail and Yanbu to operate, maintain, manage and expand the tasks of infrastructure utilities as part of the privatization program.
 - vii. The Saudi Telecommunications Company was established as a business-oriented stock company providing all telecommunications services previously provided by the MOPTT. In 2002, a 30 per cent stake was sold to Saudi nationals in the private sector.
 - viii. In Jeddah Industrial City, a concession structured on a BOT (build-operate-transfer) basis was granted to a private entity to rehabilitate, maintain and expand a waste-water treatment facility. This was completed in March 2002.
 - ix. In Jubail, a pilot concession on a build, renovate and transfer basis was being pursued as a part of a joint venture with a salt water concession company. This model will be used for future desalinization plants.

State-Owned Enterprises

41. The representative of Saudi Arabia gave the following information on Saudi Arabia's state-owned enterprises:

i. Saudi Arabian Basic Industries Corporation (SABIC):

SABIC was established in 1976 with paid-up capital of SAR 15 billion, of which 70 per cent was owned by the Saudi government and 30 per cent by Saudi nationals and GCC countries' citizens. The extensive industrialization program undertaken by SABIC is a milestone in the Kingdom's industrial development process. By the end of 2001, SABIC completed operation of 16 world-class industrial companies in Jubail and Yanbu, most of which are joint ventures with international companies, with actual production of about 34.4 million metric tonnes of basic chemicals and intermediate chemicals.

ii. Saudi Arabian Oil Company (Saudi Aramco):

The Saudi Arabian Oil Company (Saudi Aramco) was a state-owned company established by Royal Decree in 1988. The objective and purpose of Saudi Aramco was the exploitation of

crude oil and natural gas. Saudi Aramco produced crude oil and natural gas in the Kingdom. It also refined and marketed products within Saudi Arabia and entered into joint ventures in these activities with local and international oil companies. Although owned by the government, it was run by an independent management and board of directors.

iii. Saudi Arabian Mining Co. (Ma'aden):

Ma'aden was established in 1996 as an autonomous joint stock company, owned by the government with a capital of SAR 4000 million, which would be privatized gradually. The company undertakes several mining activities related to all stages of the mining industry, including development and improvement of the mining industry and products as well as related industries. The company operates on a commercial basis to realize profit.

iv. Saudi Arabian Airlines (SAUDIA):

SAUDIA initially was 100 per cent owned by the Saudi government. The first steps to privatize SAUDIA were taken in 1994, when SAUDIA laid the ground work to allow it to operate in accordance with commercial principles in order to meet the challenges of competition in the market. In this respect, SAUDIA restructured its administrative and executive sectors.

v. Specialized Financial Institutions (SFI):

In the financial sector, there are two government-owned SFIs:

- a. The Saudi Agricultural Bank.
- b. The Saudi Industrial Development Fund.

Investment Regime

42. The representative of Saudi Arabia informed the Working Party that a new Foreign Investment Law, replacing the Foreign Capital Investment Law, had been promulgated by Royal Decree No. M/1 of 9 April 2000 (5.1.1421 H). Implementing Regulations under the new Foreign Investment Law had been issued on 24 June 2002. In response to questions from Members of the Working Party, the representative of the Kingdom of Saudi Arabia noted that the Kingdom had started the process of attracting FDI long ago when it issued the first Foreign Investment Law in 1956. Another Law followed in 1962, and, in 1979 Saudi Arabia issued a more comprehensive Law, which included wide-ranging incentives for investment, such as exemption of custom duties for production inputs, nominal rental rates for land for the establishment of projects, financial assistance in the form of soft loans and exemption of exports from taxes and duties. The 1979 Foreign Investment Law had

granted industrial and agricultural projects a 10-year tax holiday and a 5-year tax holiday for other projects, provided that national capital formed 25 per cent of the project capital and on condition that this percentage did not decrease during the holiday period. The Law was amended to grant an additional 10-year tax holiday to expansions of existing projects. But, to enjoy the incentives, the 1979 Law required that foreign investments be: (i) at least 25 per cent Saudi; (ii) among the specified projects of the national development plans; and (iii) of high technical content with foreign expertise to facilitate the transfer of technology.

43. The representative of Saudi Arabia clarified that, to address developments that took place in the international and regional economic landscape, the investment laws were overhauled in April 2000, by the enactment of a new foreign investment law to build on the strengths of the old law and provide additional incentives to increase the level of FDI in the Kingdom. The new 2000 Foreign Investment Law provided the legal structure necessary to attract additional investment. One of the features of the new Law was its departure from tariff incentives and use of other FDI-promoting measures in conformity with the recent global liberalization of trade and investment. A comparison of the old 1979 Law and the new 2000 Law is attached as Annex B.

44. Members of the Working Party requested information on whether GCC nationals received preferential treatment in Saudi Arabia. The representative of Saudi Arabia replied that GCC nationals are treated as Saudi nationals for the purposes of investment.

45. Some members of the Working Party requested clarification whether there were any formal requirements setting a minimum level of Saudi participation in any business venture. The representative of Saudi Arabia stated that under the new law on foreign investment there was no requirement of a minimum share for Saudi investors. Therefore, foreign investors are no longer required to take local partners and are permitted to own real estate for company and housing purposes. There is a minimum capital investment requirement of SAR 25 million for agricultural projects, SAR 5 million for industrial projects and SAR 2 million for services projects. The minimum capital investment requirement could be reduced by the Board of Directors of SAGIA for projects established in specified areas, for projects requiring a high degree of technical expertise or for export projects. Under the new Foreign Investment Law, a foreign investment may take one of the two following forms:

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

46. The Saudi representative stated that a project, whether wholly-owned by foreign investors or a joint-venture, licensed in accordance with the Law, enjoyed all benefits, incentives and guarantees available to a national project. Foreign investment was permissible in all activities, except a short negative list, which would be revised and shortened periodically. Under the new Law, a foreign investor was entitled to transfer, outside the Kingdom of Saudi Arabia, the proceeds from the sale of his shares or the excess funds from the liquidation of his assets or the profits earned by the enterprise or from the disposal of the business in any other legal manner. Further, the investor was entitled to transfer outside the Kingdom of Saudi Arabia the required funds to settle any contractual obligations related to the project. Article 11 of the new Foreign Investment Law provided legal safeguards against confiscation or expropriation of foreign investments. It was not permissible to confiscate foreign investments, wholly or partially, except by a court order. In addition, it was not permissible to expropriate the ownership of foreign investments, wholly or partially, except for the public interest, and on payment of reasonable compensation in accordance with the law.

47. Some members of the Working Party requested clarification of the incentives offered by Saudi Arabia to foreign investors to invest in Saudi Arabia in order to support the inflow of technology and expertise, in particular whether technology transfer was in any way a condition for investment approval in all or certain areas. The representative of Saudi Arabia replied that under the new Foreign Investment Law of 9 April 2000, technology transfer was not a condition for investment approval. A foreign investor had to approach only one authority - the Saudi Arabian General Investment Authority (SAGIA) - to obtain a license. SAGIA was required to decide on the investment application within 30 days from the date all required documents were submitted. SAGIA would also serve as the enquiry point on laws, regulations and procedures relating to foreign investment. The SAGIA license provided the foreign investor all of the privileges held by local investors. In response to a question from a member of the Working Party regarding whether the SAGIA license was the only license or approval required by a foreign investor, the representative from Saudi Arabia stated that, after obtaining the SAGIA license, the foreign investor was treated the same as any local investor and, thus, for certain businesses, must apply for other registrations and/or permits depending upon the nature of the business. For example, a company seeking to establish a company and set up a hospital—whether backed by a national or a foreign investor—would need to obtain a company registration and permit from the Ministry of Commerce and Industry and a health practice permit for hospitals from the Ministry of Health. The new Foreign Investment Law and the implementing regulations provided that foreign investment ventures had the right to own real estate necessary to carry out their licensed activities or to accommodate their employees, in accordance with regulations of property ownership for non-Saudis. Further, it was provided that foreign investors had the right to sponsor and bring their non-Saudi employees subject to numerical limits.

48. The representative of Saudi Arabia further noted that the Foreign Investment Law allowed foreign investors to invest in local or foreign ventures, provided that general conditions applicable to new investments were met. A foreign investor could apply for multiple licenses permitting different activities, provided that the foreign investor was not the owner of or a shareholder in a project which was in financial default. The Law laid down that the amount of capital to be invested in a licensed project must not be less than 5 million Saudi Riyals for industrial projects, not less than 25 million Saudi Riyals for agricultural projects (traditional agricultural production, excluding food processing) and not less than 2 million Saudi Riyals for other projects.

49. Some members of the Working Party asked whether the government had issued licenses to 100 per cent foreign-owned operations. In response the representative of Saudi Arabia stated that 1,278 licenses had been issued for wholly foreign-owned enterprises. In response to further questions, he noted that under the new Foreign Investment Law of April 2000 "national treatment" was given to foreign investors. He further stated that the Foreign Investment Law was fully consistent with the WTO Agreement on Trade-Related Investment Measures, and reiterated that Saudi Arabia did not apply any TRIMs prohibited by the WTO Agreement on Trade-Related Investment Measures.

50. In response to questions from some members of the Working Party concerning whether the Government of Saudi Arabia planned to liberalize its stock market and open it to non-Saudi investors, the representative of Saudi Arabia stated that Saudi Arabia was gradually changing its regulations concerning participation of foreign investors in the shares market. Although direct share trading in Saudi Arabia was restricted to Saudi and GCC nationals, there were no restrictions on investment by foreign investors in Government Bonds, Treasury Bills or Saudi mutual funds. There were non-GCC nationals that held shares of joint stock companies which were traded in the equity share market but those non-GCC nationals were required to receive permission from concerned authorities, such as the Saudi Arabian Monetary Agency and the Ministry of Commerce and Industry, prior to buying or selling their shares. In its continuous review and assessment of the development of the financial market, the Kingdom of Saudi Arabia had allowed the establishment of a close-ended fund (SAIF) listed on the London Stock Exchange through which international investors could participate in the Saudi shares market. In November 1999, Saudi Arabia had made further changes to its regulations and now permits foreigners to invest in open-ended mutual funds managed by banks that invest in the Saudi equity shares market.

51. In response to questions from members of the Working Party, the representative of Saudi Arabia reported that the newly adopted Capital Market Law, promulgated by Royal Decree No. M/30, dated 02.06.1424H (13 July 2003), established a strong government regulatory body, the

Capital Market Authority (CMA). The CMA had rule-making and enforcement powers necessary to guarantee that the Kingdom's security market was fair, efficient and vibrant. The CMA had the authority to promulgate and enforce rules for the disclosures necessary in connection with the offering of securities, the continuous disclosure obligations of publicly traded companies, disclosures and practices in connection with takeovers of public companies, the regulation of proxy solicitations and to define and police insider trading and other abusive securities practices. Most notably, the CMA had powers to license non-bank financial intermediaries engaged in investment banking activities, such as corporate finance, asset management and brokerage activities. Non-bank financial intermediaries had been required to incorporate as a joint stock company, with a minimum capital of SAR 50 million.

52. The representative of Saudi Arabia further noted that the new Capital Market Law also stipulated the creation of the Saudi Arabian Securities Exchange. The Exchange was the exclusive securities market of the Kingdom. Its nine-member board of directors included three public directors representing the Ministry of Finance, SAMA and the Ministry of Commerce and Industry. In addition, the Law empowered the Exchange to establish professional and ethical standards for brokers and required the Exchange to establish as one of its departments the Securities Deposit Centre, which had responsibility for the clearance and settlement of all securities transactions executed on the Exchange. The Centre also maintained the record of ownership for all securities traded on the Exchange. The law also called upon the CMA to establish and maintain a tribunal with exclusive jurisdiction to resolve all disputes involving securities. (The provisions of the Capital Market Law are summarized at Annex C.)

53. Some members of the Working Party asked whether Saudi Arabia planned to remove its restrictions on foreign investment in exploration and extraction of hydrocarbons. The representative of Saudi Arabia replied that significant investments by foreign investors relating to the upstream development of non-associated gas had been approved; others were underway. He noted that, for reasons of important national policies, restrictions on foreign investment in the upstream sector, though relaxed, could not be completely removed.

54. Some members of the Working Party sought a clarification about an Article of the Implementing Regulations which said that licenses granted must not violate Saudi Arabia's regional or international Agreements and asked Saudi Arabia to indicate where this might occur. They further requested Saudi Arabia to clarify the relationship of Implementing Regulations to the Foreign Investment Law and enquired whether there were current plans for any additional elaboration of the Regulations. In response to these, the representative of Saudi Arabia stated that Article 5 of the

Implementing Regulations provided that granting a foreign investment license must not contravene international or regional treaties signed by the Kingdom of Saudi Arabia. These included the WTO Agreement, the GCC and other treaties signed by Saudi Arabia. He explained that, for example, Saudi Arabia would not issue any license to produce chemicals or materials that were restricted under regional or international Agreements to which Saudi Arabia was a party. Similarly, Saudi Arabia would not issue licenses to produce materials that were in breach of a regional or international Agreement on environmental protection to which Saudi Arabia was a party. With regard to the observations of Working Party members on Implementing Regulations, the representative of Saudi Arabia explained that Implementing Regulations were in the nature of by-laws issued by SAGIA, under Article 17 of the Foreign Investment Law, to implement the Law. He stated that there were no current plans for additional elaboration of the Implementing Regulations.

55. Members of the Working Party also inquired as to the specific content of the "negative list." In response, the representative of Saudi Arabia provided the following information. The negative list, which was issued by a decision of the Supreme Economic Council under Article 3 of the Foreign Investment Law, did not target specific companies; rather, it applied to certain limited industrial and services sectors. The Saudi Representative reported that many of the items on the list would be removed upon accession, to reflect the commitments in the Services Schedule. He further noted that, following accession, Saudi Arabia would remove additional items from the negative list each year (beyond Saudi Arabia's WTO commitments), to further liberalize the economy. The list, including significant exceptions allowing the provision of certain printing and publishing services and certain telecommunications services, follows:

I. Industrial Sectors

- a. Oil exploration, drilling and production, except the services related to the mining sector listed at 5115 and 883 in International Industrial classification codes.
- b. Manufacturing of military equipment, devices and uniforms.
- c. Manufacturing of civilian explosives.

II. Services Sectors

- a. Catering to military sectors.
- b. Security and detective services.
- c. Insurance services (until the issuance of the new Insurance Act)
- d. Real estate investment in Makkah and Madina.
- e. Tourist orientation and guidance services related to Hajj and Umrah.
- f. Recruitment and employment services including local recruitment offices.
- g. Real estate brokerage.
- h. Printing and publishing, except the following activities:

- Pre-printing services (CPC 88442)
 - Printing presses (CPC 88442)
 - Drawing and calligraphy (CPC 87501)
 - Photography (CPC 875)
 - Radio and Television Broadcasting Studios (CPC 96114)
 - Foreign media Offices and Correspondents (CPC 962)
 - Promotion and Advertising (CPC 871)
 - Public relations (CPC 86506)
 - Publication (CPC 88442)
 - Press services (CPC 88442)
 - Production, selling and renting of computer software (CPC 88)
 - Media consultancies and studies (CPC 853)
 - Typing and copying
- i. Distribution services, wholesale and retail trade, including medical retail services and private pharmacies, and commercial agencies, except franchise rights listed at CPC 8929, with foreign ownership not exceeding (49 per cent), and the granting of one franchise to each area.
- j. Audio-visual and media services.
- k. Telecommunications services, except the following activities:
- Telex services (CPC 7523)
 - Telegraph services (CPC 7522)
 - Electronic data interchange (CPC 7523)
 - Enhanced/Value-Added facsimile services, including storage, forwarding, and retrieving (CPC 7523)
 - VSAT services (CPC 75291)
 - Fax services (CPC 7529 and 7521)
 - GMPSCS services (CPC 75299)
 - Internet Service Provider services (CPC 75299)
 - Electronic Mail (CPC 7523)
 - Provision of online information and database retrieval (CPC 7523)
 - Information provision and online retrieval and/or processing, including transaction processing (CPC 843)
- l. Land and air transport.
- m. Satellite transmission services.
- n. Services provided by midwives, nurses, physiotherapists and paramedics (CPC 93191).
- o. Fisheries.
- p. Blood banks, poison centres and quarantines.

56. Members of the Working Party asked that Saudi Arabia clarify its rules regarding employment of Saudi nationals. In response, the representative of Saudi Arabia noted that Council of Ministers decision No. 50, dated 21/4/1415 (27 September 1994), and Council of Ministers Bureau Letter 8/490, dated 28/6/1414 (13 December 1993), set forth requirements regarding the hiring and employment of Saudi nationals. He emphasized that the rules were necessary to increase the employment of Saudi nationals in the Kingdom. The rules were as follows:

- i. Companies of all types and activities should endeavour to attract and retain nationals.
- ii. Companies employing 20 or more people should increase the proportion of nationals employed by 5 per cent each year. The 5 per cent figure is subject to modification according to workforce availability, the nature and condition of the work and the availability of Saudis to fill the particular position(s).
- iii. Companies should, while working to reach this average, employ nationals in a variety of positions.
- iv. Companies should not appoint a non-Saudi as a human resources department chief, a company employment official, a receptionist, a commentator, a treasurer or a civil guardian.
- v. Violations of i-iv, above, could result in penalties ranging from suspension of approval of requests for workers to deprivation of credit or removal from consideration for the governmental tenders or bids.

57. In addition, the Saudi representative reported, under Decision No. 50 and Council Letter No. 8/490, the Ministry of Labour and Social Affairs had established a Committee to implement and oversee the provisions set forth above. The Committee was headed by the Deputy Minister or a person he appointed, and comprised delegates from the Ministry of Interior and the Ministry of Commerce and Industry.

58. The representative of Saudi Arabia noted that, upon accession to the WTO, the hiring and employment restrictions set forth above would be modified to comply with the provisions of the Saudi commitment on services.

FRAMEWORK FOR MAKING AND ENFORCING POLICIES

59. The representative of Saudi Arabia explained that the Basic Law of Government, instituted by Royal Decree No. A/90 dated 27 Shaaban 1412 H (1 March 1992), set down the law concerning political authority within Saudi Arabia. Article 56 of the Basic Law of Government stated that the King was the Chairman of the Council of Ministers and was assisted by Ministers in the performance of his duties. The Basic Law of Government also stated that the Law of the Council of Ministers laid down the powers of the Council regarding internal and external policies, the organization and coordination of the various Government authorities; and the conditions to be satisfied by, the powers of, the method of responsibility and all affairs of the Ministers.

60. He recalled that pursuant to Article 17 of the Consultative Council Law, resolutions passed by the Consultative Council were forwarded to the Chairman of the Council of Ministers, who passed them to the Council of Ministers for consideration. When the points of view of both Councils were in Agreement they were enacted after being approved by the King. In case of a difference of opinion, the King approved what he considered appropriate. Article 70 of the Basic Law of Government and Article 20 of the Council of Ministers Law provide that laws, treaties and international Agreements

and concessions were enacted and amended by Royal Decrees after having been considered by the Consultative Council and the Council of Ministers respectively. In general, no initials could be affected on any Agreement or obligation until approved by the Council of Ministers. In conclusion, he added that the Kingdom of Saudi Arabia would do whatever was required, whether through Royal Decree, Council of Ministers Decree or Ministerial Orders to bring its trade regime into conformity with its WTO obligations.

61. In response to a question from the members of the Working Party, the representative of Saudi Arabia confirmed that, under Article 70 of the Basic Law of Government (Royal Decree No. A/90 dated 27/8/1412H (1 March 1992)), Royal Decrees were the legal instrument by which international Agreements and treaties were implemented into domestic law. In accordance with the lawmaking process described above, international Agreements and treaties were first referred to the Council of Ministers and the Consultative Council for approval. Upon receiving approval of both bodies the relevant Agreement or treaty became part of domestic law by means of Royal Decree. International Agreements and treaties did not take precedence over other provisions of domestic law, nor did other provisions of domestic law take precedence over international Agreements or treaties. Rather, conflicts or inconsistencies between international Agreements and treaties and other provisions of domestic law were resolved in accordance with the same rules of interpretation that were applied to domestic legislation.

62. In response to a question from members of the Working Party, the representative of Saudi Arabia stated that the implementation of trade policies was by means of the enactment of an appropriate new law (*nizam*). As part of the lawmaking process, the draft legislation was prepared by the relevant government agency (e.g., the Ministry of Commerce and Industry), which then submitted it to the Council of Ministers and the Consultative Council for comments. Both bodies reviewed the draft law and either agreed the text put forward by the government agency or proposed changes to it. If the Council of Ministers and the Consultative Council had divergent views of the draft legislation then those views were communicated to the King who resolved the matter by deciding which view should prevail. The final text of the legislation was then promulgated in the official gazette (*Umm Al-Qura*). The representative of Saudi Arabia further explained that a new law would originate in the ministry having authority over the subject matter of the law. The ministry would submit the draft law to the Council of Ministers, which would conduct an initial review. If the Council approved the draft, it would send the draft to the Bureau of Experts. The Bureau of Experts would review the draft to ensure that the draft would accomplish its purpose and comply with international legal and/or technical norms. If the Bureau approved the draft law, it would submit it to the Shoura Council, Saudi Arabia's consultative legislative council. The role of the Shoura in this process was to ensure

the compatibility of the draft law with international legal norms and with Saudi Arabia's local and international policies. The Shoura Council would then send the law to the Council of Ministers for its final approval. Last, the Council of Ministers, having approved the draft law, would submit it to the King for his assent. After the King issued a Royal Decree enacting the law, the law was returned to the ministry that drafted the law. Subject to the law and the Royal Decree, the ministry would be responsible for all aspects of implementation, including the promulgation of implementing regulations required for implementation within the time period specified in the law and the Royal Decree and, in some cases where necessary, additional laws (subject to approval of the Council of Ministers).

63. The representative of Saudi Arabia further clarified that a law itself specified the date on which it took effect (typically on a certain date after publication in the official gazette). It also specified the agency or agencies that were responsible for drafting and approving the implementing regulations. The purpose of the implementing regulations was to set out the procedural and administrative details by which the provisions of the new law were implemented. They were drafted by the relevant government agency and published in the official gazette. A function of the legislative process was to identify potential conflicts and inconsistencies between the proposed new law and other applicable laws. Therefore the new law, when finally promulgated, generally dealt with such matters. An old law that clearly conflicted with the new law was repealed. Occasionally laws and implementing regulations required further interpretation. These interpretations took the form of ministerial decisions or directives and were generally limited to matters that were not legally significant. The representative of Saudi Arabia confirmed that the process of lawmaking and regulation preparation and drafting that applied to the implementation of trade policies was the same process that applied to the implementation of purely domestic policies.

64. The representative of Saudi Arabia described the role and functions of the following cabinet-level councils and authorities:

- i. The Supreme Economic Council (SEC) was established in August 1999 to evaluate economic, trade, industrial, agricultural and labour policies to assess their effectiveness. The SEC also oversaw economic restructuring and privatization aimed at opening Saudi markets and attracting investment.
- ii. The Saudi Arabian General Investment Authority (SAGIA) was created to further promote foreign investment and serve the business community as a one-stop shop.
- iii. The Supreme Commission of Tourism was established to promote the tourism sector.
- iv. The Food and Drug Authority was established to secure consumer protection regarding the safe use of all foodstuffs, pharmaceuticals and medical equipment.

65. The representative of Saudi Arabia stated that the role and functions of different Ministries and agencies concerned with WTO issues was as follows:

- i. The Ministry of Commerce and Industry was the principal government agency concerned with formulation and conduct of trade policies, and with the development, support and encouragement of commercial activities within the Kingdom. It implemented the laws and regulations relating to trade, in particular the Companies Law, the Law on Commercial Registration and the Law on Commercial Agencies. The Ministry also formulated policies and procedures for the development and promotion of industries. It was responsible, through the Saudi Arabian Standards Organization (SASO), for standards and technical regulations and for ensuring that imported and domestically produced goods meet the standards. The Ministry was also responsible for applying the Trade Marks Law.
- ii. The Ministry of Finance was concerned with formulation and conduct of financial and fiscal policies and with international economic issues. It was also the parent Ministry of the Department of Customs, which was charged with the responsibility of implementing the Customs Law and the Customs Tariff of Saudi Arabia.
- iii. The Ministry of Petroleum and Mineral Resources formulated and implemented the oil policies of the Kingdom and supervised concessions in the oil and mining sectors.
- iv. The Ministry of Agriculture was the principal government body responsible for the development and encouragement of the agricultural sector in Saudi Arabia. It formulated and implemented agricultural policies and was responsible for matters relating to sanitary and phytosanitary measures.
- v. The Ministry of Health was responsible for supervising the health industry and for matters related to the import and sale of medicines and medical supplies.
- vi. The Ministry of Information and Culture was responsible for implementation of the Copyright Law and matters relating thereto.
- vii. The Saudi Arabian Standards Organization (SASO) established and approved national standards for imported and domestically produced goods. It was also concerned with the sampling, inspection and testing of goods to ensure conformity with standards.
- viii. The Saudi Arabian Monetary Agency (SAMA) acted as the central bank of Saudi Arabia. It was responsible for monetary and exchange rate policies and the supervision of banks.

66. Members of the Working Party inquired as to the role of the Chamber of Commerce in Saudi Arabia. In response, the representative of Saudi Arabia reported that each of the principal commercial centres in Saudi Arabia had its own Chamber of Commerce. Each local Chamber was a private association to which local businesses (including traders, professionals and industrialists) belonged. The Chambers funded their operations by means of annual membership subscriptions, which varied depending on the size of the member business. Hence larger businesses paid higher membership subscriptions than smaller ones. Membership in the local Chamber was compulsory because each business (apart very small businesses) was required to produce evidence of Chamber of Commerce membership as part of the process of obtaining Commercial Registration. Each Chamber was governed by a Board of Directors, which was largely elected by the membership. The activities of the Chambers were supervised in part by the Ministry of Trade, which also had the right to appoint representatives to the Boards of Directors.

67. In response to questions from members of the Working Party, the representative of Saudi Arabia stated that the primary legal basis for the trade regime of Saudi Arabia was provided by the following laws, decrees and implementing measures:

- i. Companies Law and Implementing Regulations
- ii. Professional Companies Law and Implementing Regulations
- iii. Commercial Register Law and Implementing Regulations
- iv. Commercial Agencies Law and Implementing Regulations
- v. Trade Names Law and Implementing Regulations
- vi. Negotiable Instruments Law
- vii. Trade Marks Law and Implementing Regulations
- viii. Composition with Creditors Law
- ix. Combat of Commercial Fraud Law and Implementing Regulations
- x. Commercial Statements Law
- xi. Import Licensing Guide
- xii. Import Licensing Procedures
- xiii. Patents of Inventions Law and Implementing Regulations
- xiv. GCC Common Customs Law and Implementing Regulations

The Saudi representative reported that a complete list of the principal laws and regulations that form the basis of the Saudi trade regime appears at paragraph 3, the Documentation section, above.

68. The representative of Saudi Arabia stated that Saudi Arabia provided for a wide range of judicial, arbitral and administrative procedures with respect to trade matters. An aggrieved party had a final right of appeal against all administrative decisions in matters of trade to a judicial body known as the Board of Grievances. The first channel of redress was to appeal administrative bodies. For example, with regard to matters under the jurisdiction of the Customs Directorate, such as classification and valuation, there was an administrative system for appeal against rulings. Disputes pertaining to Article VII related to valuation of goods for customs purposes were under the authority of the standing Committee within the Customs Department. Similar dispute settlement systems had been established, for example, with regard to sanitary and phytosanitary measures, licensing, standards, and intellectual property rights. Ministries and/or Agencies involved had established internal standing committees of senior officials to review initial administrative decisions. All decisions made by these "standing Committees" could be appealed to the head of the Ministry or Agency concerned.

69. He further stated that if the decision under appeal was maintained by the head of the Ministry or Agency concerned, these decisions were subject to appeal to the Board of Grievances under Article 8(a) of the Board of Grievances Law of 17.1.1402 H (14 November 1981). The Board of Grievances was an independent tribunal to which appeals were made from all governmental administrative decisions, and addressed the obligation in Article X:3 of the GATT 1994 to provide for

a right of appeal of administrative decisions to an independent tribunal. The jurisdiction of the Board included appeals against all administrative decisions of Government Departments and Government officials, and its decisions were binding on the government office concerned. It was composed of a President, Vice-Presidents and Members. The President was appointed by and reported to the King. The Vice-Presidents and Members were appointed by Royal Decree on the recommendation of the President. The time frames for hearing of appeals and handing down of decisions depended on the volume of work with the Board and on the nature of appeals. Although there were no fixed time frames, the Board was required to supply to all parties to any appeal a judicial judgment which included the reasons for the decision. The time required depended upon the complexity of the case and similar other factors. Article (47) of the Board of Grievances Law provided for the publications of the judicial decisions.

70. He also noted that the Board's decisions could be challenged and appealed to the Appeals Court (Scrutiny Commission) within the Board of Grievances, which would either confirm or reverse appealed decisions. In all cases, the Appeal Commission's decisions were final and enforceable.

71. The representative of Saudi Arabia confirmed that from the date of accession, Saudi Arabia's laws would provide for the right to appeal administrative rulings on matters subject to WTO provisions to an independent tribunal in conformity with WTO obligations, including but not limited to Article X:3(b) of the GATT 1994. The Working Party took note of this commitment.

72. In response to further questions, the representative of Saudi Arabia stated that Article 70 of the Basic Law of Government provided that international Agreements entered into force as domestic laws following their ratification by Royal Decree and enactment by the Consultative Council and Council of Ministers. As a general rule, should Saudi Arabia's laws or other acts be found to contradict international treaties or Agreements, Saudi Arabia would bring its laws or other acts into conformity with such treaties or Agreements. He noted, however, that this principle did not apply in respect of fundamental religious rules and principles, such as prohibiting the consumption of alcohol and pork. To bring its Laws and Regulations into conformity with WTO Agreements, Saudi Arabia had already enacted or would enact Laws and amendments to existing Laws in relation to the various substantive provisions of the WTO Agreements, such as TRIPS, Customs Valuation, SPS, TBT, Import Licensing, including transparency provisions.

73. The representative of Saudi Arabia confirmed that the Kingdom had acceded to the Vienna Convention on the Law of Treaties 1969 vide Council of Ministers' Resolution No. 165 dated 24.6.1423 H (1 September 2002).

74. In response to questions from members of the Working Party, the representative of Saudi Arabia indicated the Ministry of Commerce and Industry would continue to oversee and coordinate within the Saudi Government matters relating to the WTO, including implementation and interpretation issues.

75. In response to questions from members of the Working Party, the representative of Saudi Arabia confirmed that only the central government had authority over matters covered by the WTO Agreements and that the central government was superior in authority to sub-central governments. The authority of sub-central governments in Saudi Arabia, he noted, was quite limited in comparison to the situation in many countries. For example, even as regards issues typically classified as local issues, e.g., local construction projects and water and sewage treatment, to the degree that sub-central governments had any role whatsoever, the role was limited by and exercised within tight constraints set by the central government.

76. The representative of Saudi Arabia confirmed that the provisions of the WTO Agreement, including Saudi Arabia's Protocol, would be applied by the central government uniformly throughout Saudi Arabia's customs territory and other territories under Saudi Arabia's control, including in regions engaging in border trade or frontier traffic, special economic zones, and other areas where special regimes for tariffs, taxes and regulations were established. The Working Party took note of these commitments.

POLICIES AFFECTING TRADE IN GOODS

Trading Rights (The Right to Import and Export)

77. The representative of Saudi Arabia noted that members of the Working Party had, in connection with trading rights (the right to import and export), requested an explanation of: (i) the requirements for approval; (ii) the grounds for disapproval; and (iii) whether a license was granted automatically upon satisfaction of (i). The representative of Saudi Arabia stated firstly, by way of clarification, that Saudi businesses and foreign companies with branches or offices in Saudi Arabia must apply for Commercial Registration under the Law on Commercial Registration described above. This was a general requirement which applied to all businesses (except for the smallest) irrespective of whether they were engaged in import or export trade. Commercial Registration was largely a routine procedure that involved the completion of an application form, the payment of a fee and the submission of documentation to the Ministry of Commerce.

78. The representative of Saudi Arabia confirmed that there were no substantive requirements to register with the Ministry of Commerce and Industry in order to import, although there was a requirement to obtain Commercial Registration for the carrying on of business, whether manufacturing, retailing or trading. In order for a foreign business to obtain a Commercial Registration for the carrying on of business in Saudi Arabia, it had to first obtain a foreign investment license from the Saudi Arabian General Investment Authority (SAGIA). Upon receiving a foreign investment license from SAGIA, the foreign business would apply to obtain a commercial registration from the Ministry of Commerce and Industry. The rules and procedures for obtaining commercial registration were set forth in the Law on Commercial Registration issued pursuant to Royal Decree No. M/1 dated 21/02/1416 H (19 July 1995) and the Law on Commercial Names issued pursuant to Royal Decree No. M/15 dated 12/08/1420 H (20 November 1999) and the rules and regulations promulgated thereunder. In respect of commercial registration, separate forms were to be filled in depending on the form of entity to be given commercial registration. The procedure in commercial registration further provided payment of a registration fee (for a registration valid for five years) of SAR 1,000 in case of establishments, SAR 4,000 in case of partnerships, SAR 6,000 in case of limited liability companies; and SAR 8,000 in case of joint stock companies. In the case of limited liability companies, draft articles of association were required to be submitted to the Ministry of Commerce and Industry for review. Once such forms had been duly prepared, they were checked and authenticated by a notary public. Having been signed, authenticated and legalized, these documents were then published in the official gazette (*Umm Al-Qura*). In the case of limited liability companies, after printing and formal signing of the articles of association before a notary public, such articles were submitted to the Ministry of Commerce and Industry and commercial registration was issued.

79. The representative of Saudi Arabia also noted that "commercial registration" was a separate procedure and different from registration as a "commercial agent". Registration as a commercial agent was not necessary for the right to import or export. Any company, whether Saudi or foreign, which was commercially registered in the field of import trade could import goods without the need to get any further permission or authorization, except for items which required an import license or were otherwise subject to import restrictions or prohibitions. A firm that wished to be legally eligible to import goods should formally incorporate the activity of importing within its "scope of business" clause of its articles of association.

80. The representative of Saudi Arabia confirmed that the Ministry of Commerce had no discretion to deny Commercial Registration to a legitimate business, provided that the application form had been correctly completed and was accompanied by the correct fee and supporting

documentation. A legitimate business was one whose contemplated activities did not contravene Saudi laws or regulations (e.g., those prohibiting the production and distribution of pork products).

81. The representative of Saudi Arabia confirmed that the Commercial Registration set out the scope of business activities of the registered entity. A company that wished to carry out activities not covered by its Commercial Registration could amend its articles of association to include the new activities and apply to the Ministry of Commerce for its Commercial Registration to be amended so as to permit those new activities.

82. In response to a question from a member of the Working Party, the representative of Saudi Arabia stated that Saudi Arabian law permitted a wide range of business entities, all of which were subject to the Law on Commercial Registration. Those entities included sole traders (the most common form of business vehicle), general partnerships, limited partnerships, joint ventures, joint stock companies, partnerships limited by shares, limited liability companies and professional companies.

83. The representative of Saudi Arabia informed the Working Party that Commercial Registration was a distinct procedure from registration as a "Commercial Agent". In Saudi Arabia "commercial agency" described a business activity in which a natural or legal person acted as the agent or distributor of a producer, typically a foreign producer. The law governing the registration of Commercial Agents was set out in the Commercial Agencies Law (Royal Decree No. M/11 dated 20/2/1382H) and its Implementing Regulations (Ministerial Resolution No. 1897 dated 24/5/1401H). He clarified that only Saudi nationals or Saudi legal persons could be registered as Commercial Agents. The capital of the business had to be wholly Saudi and its directors, managers and authorized signatories had to be of Saudi nationality. This restriction, he explained, was necessary to protect consumer interests. For example, the Saudi agent or distributor was liable for the duration of the agency and one year thereafter to provide at all times such spare parts, as are usually required by consumers, at reasonable prices. In addition, the Saudi agent or distributor must provide such maintenance as the products may require at suitable cost and warrant the quality of the manufacture of the products.

84. In addition to having Saudi nationality, the requirements for approval as a Commercial Agent under the above measures were: (i) a Commercial Registration certificate giving commercial agency as one of the applicant's business activities; (ii) a certificate from the Chamber of Commerce confirming that the applicant had paid his Chamber of Commerce subscriptions; and (c) the submission of an application form and supporting documentation to the Ministry of Commerce and Industry, including a copy and a certified Arabic translation of the commercial agency or distribution

contract which complied with the conditions set out in the law. The Saudi representative confirmed that the Ministry of Commerce and Industry had no discretion to deny registration of an entity as a Commercial Agent provided that the above requirements were satisfied and a registration fee was paid.

85. The representative of Saudi Arabia noted that the Commercial Agencies Law did not require a foreign manufacturer/supplier to appoint an agent or distributor in Saudi Arabia. Any company, whether Saudi or foreign, which was commercially registered in the field of import trade, could import goods without the need to get any further permission or authorization, except for items which required an import license.

86. In essence, the representative of Saudi Arabia reported, the distinction between Commercial Registration and registration as a Commercial Agent is that Commercial Registration is an essential requirement to the conduct of any significant business activity in Saudi Arabia whereas Commercial Agency is a particular type of business activity.

87. In response to a question, the representative of Saudi Arabia stated that foreign companies holding commercial registration in Saudi Arabia could directly import goods, for their own use or as inputs, without going through a commercial agent.

88. In response to a specific question, the representative of Saudi Arabia confirmed that no special or unique "activity license" requirements existed for foreign or domestic persons or firms engaging in importing or exporting goods. He confirmed that individuals and firms were not restricted in their ability to import or export goods except as described in their scope of business or their registration, and that they could easily change their registration to allow for trade. He further confirmed that there were no restrictions, such as capital or nationality requirements, on firms wishing to engage in foreign trade, and that the criteria for registration were published in the official gazette and generally applicable to all.

89. In response to specific questions, the representative of Saudi Arabia recognized the distinction drawn in the WTO between the right to import and export under the GATT and the right, under the GATS, to provide services such as distribution and transportation, with respect to imported goods. Saudi Arabia would, in implementing its obligations under GATT 1994, ensure that the relevant laws, regulations and requirements permit foreign firms to register strictly to engage in importation without limitation on equity or requirement to invest in Saudi Arabia. Commercial distribution in Saudi Arabia of imports as well as domestically produced goods would remain subject to the current requirements for commercial registration under the relevant laws, and to the Kingdom's commitments

under the GATS. Moreover, Saudi Arabia maintained the right to require importers that were not registered to engage in commercial distribution to provide information in their customs document regarding the further disposition of the goods, once they entered Saudi Arabia.

90. The representative of Saudi Arabia said that Saudi Arabia's requirements on the right to trade would not contradict Articles III, VIII and XI of GATT 1994. The representative of Saudi Arabia confirmed that there would be no restrictions on the right of foreign and domestic individuals and enterprises to import and export goods to and from Saudi Arabia, except as provided in WTO Agreements. Saudi Arabia emphasized that foreign enterprises and individuals had to comply with all WTO-consistent requirements related to importing and exporting, such as those concerning import licensing, TBT and SPS. However, foreign enterprises and individuals would not have the right to distribute goods within Saudi Arabia. Providing distribution services would be done in accordance with Saudi Arabia's Schedule of Specific Commitments on Services. The representative of Saudi Arabia confirmed that individuals and firms were not restricted in their registered scope of business and the criteria for registration of companies in Saudi Arabia were generally applicable and published in the Official Gazette.

91. The representative of Saudi Arabia confirmed that from the date of accession Saudi Arabia would ensure that its laws and regulations relating to the right to trade in goods and all fees, charges or taxes levied on such rights would be in full conformity with its WTO obligations, including Articles VIII:1(a), XI:1 and III:2 and 4 of the GATT 1994 and its commitments in its Schedule on Services, and that it would also implement such laws and regulations in full conformity with these obligations. The Working Party took note of this commitment.

IMPORT REGULATION

- Import Regime

92. In response to a specific question, the representative of Saudi Arabia stated that the application of secondary and tertiary boycotts had been terminated by the Council of Ministers Decision No. (5) dated 13 June 1995.

- Customs Tariff

93. The representative of Saudi Arabia informed members of the Working Party that, according to Article 20 of the Basic Law of Government, the authority for setting customs tariffs and for any changes thereto, and for levying any surcharges, rests with the Council of Ministers. Imposition,

amendment or abrogation of customs tariffs requires issuance of a Decree by the Council of Ministers that is endorsed by a Royal Decree.

94. The representative stated that Saudi Arabia used HS 2002 for classification of goods for customs purposes. There were 7,177 tariff lines at the 8-digit level. The first six digits corresponded to the HS while the last two digits were specific to Saudi Arabia.

95. The representative of Saudi Arabia said that customs tariff rates of Saudi Arabia had been declining. When Saudi Arabia applied for accession in 1993, about 75 per cent of its tariff lines were subject to tariffs of 12 per cent, while about 6 per cent of its tariff lines carried duties of 20 per cent or 50 per cent. Since 1 January 2003, Saudi Arabia had applied the GCC common external tariff within the framework of the GCC Customs Union. More than 85 per cent of the tariff lines carried duties of 5 per cent or 0 per cent. Of the remaining (roughly) 14 per cent of the lines, 7 per cent carried duties of 12 per cent, 6 per cent carried duties of 20 per cent and 20 tariff lines (i.e., tobacco and tobacco-related products) carried duties of 100 per cent. Imports of the remaining 70 lines (i.e., alcohol and pork) were banned for religious reasons. In response to a question from a member of the Working Party, he said that duties were applied on CIF basis.

96. The representative of Saudi Arabia stated that taking into account its own needs and the interests of members of the Working Party, his Government had offered extensive bindings in its tariff, on practically all tariff lines. The only exceptions were the tariff lines concerning pork and alcohol, the production, consumption, import and sale of which was prohibited in Saudi Arabia for religious reasons.

97. [Following the completion of bilateral negotiations with WTO Members, Saudi Arabia's Schedule of Concessions and Commitments on Goods will be reproduced in Part I of the Annex to the Protocol of Accession of Saudi Arabia.]

Tariff Rate Quotas and Tariff Exemptions

98. In response to questions raised by members of the Working Party, the representative of Saudi Arabia stated that Saudi Arabia did not apply tariff rate quotas and had no intention to do so in the future, except as might be permitted under Article XIX of the GATT and the WTO Agreement on Safeguards.

99. The representative of Saudi Arabia further stated that Section VIII, Articles 98 to 105 of the Common Customs Law of the GCC States, adopted 27-29 November 1999 (implemented from 2002), provided for the following tariff exemptions:

- i. Imports by diplomatic missions and by diplomats.
- ii. Imports of arms, ammunition, military equipment and other materials by military forces and by internal security forces.
- iii. Imports by philanthropic societies.
- iv. Goods exported or re-exported from Saudi Arabia and subsequently returned to Saudi Arabia (Returned Goods).
- v. Personal effects and household items imported as passenger's baggage.

Other Duties and Charges

100. The representative of Saudi Arabia stated that Saudi Arabia was applying "other duties and charges" within the meaning of Article II.1(b) of the GATT 1994 on 22 tariff lines in HS Nos. 2401, 2402 and 2403, which had been shown in Saudi Arabia's revised offer of June 1999. The representative of Saudi Arabia confirmed that ODCs on these 22 tariff lines would be bound at the rates shown in its June 1999 offer.

101. He further confirmed that Saudi Arabia would not list other duties and charges in its Schedule of Concessions and Commitments on Goods under Article II.1(b) of the GATT 1994 on all other tariff lines, except the 22 tariff lines of HS Chapter 24, and would bind such other duties and charges at zero. The Working Party took note of this commitment.

Fees and Charges Connected with Importation (for Services Rendered)

102. The representative of Saudi Arabia stated that Saudi Arabia did not impose or charge any fees or charges for port clearance, customs processing, customs inspection or import or export licenses. He said that there was a small fee of SAR 20, which corresponds to the costs of the customs declaration form and use of Customs' computers to complete the declaration form. He said that fees for loading, unloading and handling of import and export cargoes were charged by private-sector operators. These fees were not imposed by the government.

103. The representative of Saudi Arabia stated that if goods were left in the Customs sheds and were not cleared after a delay of 13 days from the date of unloading, storage charges at the following nominal rates were levied:

- i. SAR 10 per ton per day for the first month of delay (after 13 days).
- ii. SAR 20 per ton per day for the second month.
- iii. SAR 40 per ton per day for subsequent months.

However, no charges were levied if the delay was not caused by the importer, e.g., the delay in clearing the goods was due to:

- i. The Customs Department.
- ii. A natural disaster.
- iii. An official holiday.

104. In response to questions from members of the Working Party, the representative noted that the fees described in the section on Other Customs Formalities also reflected the costs of services rendered and that, in accordance with Article VIII:3 of the GATT 1994, Saudi Arabia would not impose substantial penalties for minor Customs breaches.

105. Members asked about fees imposed by Saudi Arabia for notarization or consularization of documents. In response, the representative of Saudi Arabia stated that authentication of certificates of origin and of invoices by Saudi consulates or by Chambers of Commerce was a general requirement imposed pursuant to Council of Ministers Order No. 5 dated 3.01.1406H (18.09.1985). He noted that the requirement applied to various types of documents, not merely to trade documents. The fee collected by the Ministry of Foreign Affairs for consularization was nominal, at US\$ 8 per document. The practice was necessary, he said, to combat commercial fraud and to ensure that products prohibited for health reasons were not exported to Saudi Arabia.

106. A member of the Working Party asked Saudi Arabia to explain requirements that are applied to imports of non-unitized cargo such as rice, in particular the port levy fee that is applied to such cargo. In response, the representative of Saudi Arabia stated that this levy was applied to compensate for the labour costs involved in unloading containers for customs inspection. The Member further asked whether such inspection was necessary given more modern methods of inspection, and asked Saudi Arabia to review these requirements. The representative of Saudi Arabia stated that Saudi Arabia would review its inspection system in the context of its ongoing process of modernization.

107. The representative of Saudi Arabia confirmed that any fees or charges on imports for services rendered would be in accordance with Article VIII of the GATT 1994. The Working Party took note of this commitment.

Import Licensing Systems

108. In addition to information contained in the Memorandum on the Foreign Trade Regime, the representative of Saudi Arabia provided a detailed description of the import licensing procedures prevailing in Saudi Arabia in document WT/ACC/SAU/30, together with the justification for the measures in document WT/ACC/SAU/29/Add.3. He also noted that additional information could be obtained from the concerned department or division of the respective Ministry or from the

Information Centre of the Ministry. The information could also be obtained from the Chamber of Commerce and Industry. He also noted that any person with a Commercial Registration (i.e., registration to do business), whether an individual or an entity, could apply for import license.

109. Some members of the Working Party requested information on the proportion of Saudi imports subject to licensing. In response, the representative of Saudi Arabia stated that no statistics were available to answer that question.

110. The representative of Saudi Arabia confirmed that in addition to the Ministry of Agriculture, Ministry of Commerce and Industry, Ministry of Health, Ministry of Information and Culture, Ministry of Interior, and Ministry of Petroleum and Natural Resources, the Ministry of Education (Department of Museums and Archaeology), the Ministry of Telecommunication and Information Technology, and the National Commission for Wild Life Conservation and Development (NCWCD) and the Chivalry Club all had responsibilities concerning the approval of import licenses. He also confirmed that there were no substantive requirements to register with the Ministry of Commerce and Industry in order to import, although there was a requirement to obtain Commercial Registration for the carrying on of business, whether manufacturing, retailing, trading, or professional. Any company, whether Saudi or foreign, which was commercially registered in the field of import trade could import goods without the need to get any further permission or authorization, except for items which required an import license.

111. In response to further questions, he noted that the Chivalry Club would grant an import license for the importation of non-Arabian horses, after clearance by the Department of Animal and Plant Quarantine at the Ministry of Agriculture and Water, within 30 days of receipt of a complete application. In this connection, some members of the Working Party requested additional information on the time limits for grant of other import licenses. These members noted, in particular, that Article 3.5(f) of the Agreement on Import Licensing provided that ordinarily an import license must be granted within 30 days of receipt of a complete application. These members noted that for some categories of goods, import licenses took longer than 30 days, in particular, radio communication apparatus (one to two months) and network equipment (six to twelve months). These members noted that the importation of such products was also subject to approval by the Frequency Department of the Department of Post, Telegraph and Telephone. In response, the representative of Saudi Arabia stated that the Frequency Department ordinarily completed its review in one week. If a product met the frequency and necessary technical specifications, the Licensing Committee would ordinarily decide whether to grant an import license within 30 days.

112. In response to further questions from a member of the Working Party regarding import licensing for telecommunication equipment, the representative of Saudi Arabia furnished the following information:

- (i) In accordance with Article 39 of the Telecommunication Act and Article 3 of the Rules and Procedures of Pleading before the Bureau of Grievances, the procedure of appeal for a license applicant would be 90 days, starting from the day the appeal was submitted to the Minister of Telecommunication and Information Technology. The appeal must be submitted within 60 days of the applicant's notification of the rejection of his/her application. If the 90 days expired with no response, the appeal would have been rejected.
A case may be filed before the Bureau of Grievances to invalidate the Minister's decision within 60 days of the applicant's notification of the rejection of his/her appeal, or of the expiration of the 90 day period with no response. The time for the Bureau of Grievances to issue a decision depends on the nature of each case.
- (ii) ITU standards are generic and cover a wide range of specifications. Saudi Standards are in line with the ITU Standards, and cover local requirements.
- (iii) If an allocated frequency is not used in two months' time, it will be recovered. However, if it is used within that period, the license of the radio communication set and frequency will be extended 12 months.

113. Members of the Working Party also asked Saudi Arabia to clarify the grounds for, and particulars of, its import licensing regime for Chivalry Club. The representative from Saudi Arabia clarified that the regime was necessary to preserve a policy of great importance to the Kingdom. The regime allowed the Saudi authorities to closely monitor the importation of non-Arabian horses to ensure the preservation of the blood lines of the Arabian horse stock in Saudi Arabia. He explained that, only by closely monitoring imports of live horses, could this be ensured.

114. In response to requests for information concerning the fees payable for obtaining an import license, the representative of Saudi Arabia stated that there were no fees payable for the obtaining of an import license; Saudi ministries, including the Ministries of Agriculture, of Health and of Commerce and Industry, did not charge fees for import licensing procedures, including the application process. Companies or persons wishing to import merchandise for display at a trade fair were granted import licenses that permitted the importation of all necessary samples, subject to the condition that the samples not be offered for direct sale.

115. Some members of the Working Party requested information on the precise laws and regulations governing the time limits for issuing an import license. In response, the representative of Saudi Arabia stated that there were no laws or administrative orders governing the issuing of import licenses. Average time periods for the issuing of import licenses were around 30 days. In the event of an unsuccessful application for an import license, the person requesting the license could appeal the refusal to the Board of Grievances.

116. A member of the Working Party asked about the timing of appeals of decisions by particular ministries to reject an application. The Saudi representative confirmed that the entire procedure for appeal (including re-appeal) to the Ministry of Health generally would take thirty working days to complete. He further stated that the process of appeal at the Ministry of Commerce and Industry depended upon the completion of the licensing requirements by the importer, i.e., if the importer were to complete the requirements, the license would be issued upon completion. In the case of chemicals, he reported, the issuance process would take one day; for distillation equipment, the process would require from two to three days. With regard to appeals to the Ministry of Agriculture, he stated that the process for the procedure of appeal, when the documents are correct and complete, requires only one day in most instances.

117. In response to further requests for information, the representative of Saudi Arabia noted that decisions to not grant an import license could first be appealed to the Minister of the concerned Ministry or to the head of the Agency concerned. Any subsequent appeal would be to the Board of Grievances. (See paragraphs 69 and 70 regarding the composition and workings of the Board of Grievances.)

118. Some members of the Working Party asked whether petroleum and natural asphalt were subject to import licensing and requested that Saudi Arabia provide the justification pursuant to the relevant provisions of the WTO Agreement for the maintenance of import licensing on those products. In response, the representative of Saudi Arabia stated that petroleum products, including asphalt, were previously subject to import licensing, but now there was no WTO-inconsistent restriction on such imports.

119. In response to questions from some members of the Working Party, the representative of Saudi Arabia stated that the import of fire extinguishers required a license from the Ministry of Interior. He also noted that high-quality photocopiers required an import license from the Public Security Department of Forgery. This was because such photocopiers could produce extremely high-quality reproductions of documents, making it hard to differentiate between the original and the photocopies of paper currency and official documents, certificates, passports, maps and stamps. He also noted that burglar or fire alarms required an import license to prevent misuse by criminals or terrorists. For this reason import licenses were only issued to government enterprises, public enterprises and firms or individuals who had a contract with the government to supply such security devices from inside the Kingdom or abroad. Some members of the Working Party requested additional information on the justification for the import licensing requirements for security reasons. The representative of Saudi Arabia stated that those measures were necessary in order to prevent

import and the misuse of the items by persons who could pose a security risk. The Ministry of the Interior was the agency that determined whether the importer posed a security risk or not. The list of items subject to import licensing was under review, and in this context he noted that the requirement for import licensing of fire fighting equipment had recently been lifted. Fire-fighting equipment could now be imported without a license, following a customs examination to determine compliance with Saudi or international standards.

120. Some members of the Working Party requested information on the system for licensing the importation of agricultural machinery. The representative of Saudi Arabia stated that the import licensing system for import of agricultural equipment was operated in order to administer a system of subsidies paid to importers of such equipment. The import license was required even if the importer did not intend to apply for a subsidy payment.

121. One member of the Working Party inquired as to the procedures for medical products, including pharmaceuticals. In response, the representative of Saudi Arabia stated that no import license is required for approved pharmaceutical and medical products. He reported that pharmaceutical or medical products not previously approved are subject to an approval process designed to evaluate the product and ensure that the manufacturer follows good manufacturing practices (GMP). The representative reported that this process may take up to 18 months.

122. One member of the Working Party inquired as to the procedures for medical products, including pharmaceuticals. In response, the representative of Saudi Arabia stated that no import license is required for approved pharmaceutical and medical products. He reported that pharmaceutical or medical products not previously approved are subject to an approval process designed to evaluate the product and ensure that the manufacturer follows good manufacturing practices (GMP). The representative reported that this process may take up to 18 months.

123. A member of the Working Party observed that commercial importers of chemicals required a license from the Ministry of Commerce whereas importation of chemicals for factories required a license from the Ministry of Industry and Electricity. The member observed that the same chemicals were imported for both commercial and factory purposes and that the treatment for the two should not be different. The representative of Saudi Arabia explained that the procedures had now been streamlined and that now the Ministry of Commerce and Industry was responsible for licenses for import of chemicals for company and factory use.

124. A member of the Working Party asked Saudi Arabia to explain its reasons for requiring import licenses for certain "distillation equipment." In response, the representative of Saudi Arabia

stated that, in the past, imported distillation equipment had been used to produce alcoholic beverages. He explained that, as the production of alcoholic beverages was prohibited under Saudi law (Shariah), the Kingdom of Saudi Arabia had decided to regulate imports of distillation equipment to address the problem.

125. A member of the Working Party inquired as to procedures regarding pesticides. The representative of Saudi Arabia replied that import licenses for pesticides are valid for six months (or for the remainder of the registration period) because this assists the Ministry of Agriculture in tracking the quantities of imports of potentially harmful substances, and for statistical tracking purposes. Also, he reported, the system helps ensure that importers' registration documents are valid during the period. He further stated that, if an application is rejected for any reason, the applicant can appeal the decision to the Ministry, which will issue a license as soon as the applicant had satisfactorily completed the necessary documentation.

126. A member of the Working Party asked for details regarding the licensing procedures for veterinary drugs, vaccines, feeds and domestic animals. In response the representative of Saudi Arabia reported that, if the documents are correct and complete, the process for appeal and issuance of the license by the Ministry of Agriculture would take one day. He further explained that the use of the term "feed additives" indicated that the provision in question applied only to feed additives and did not apply to feeds, and that a license was required to import other domestic animal related products.

127. A member of the Working Party asked Saudi Arabia to clarify its regime as it applies to seeds and fertilizers. In response, the representative of Saudi Arabia noted the process of the Ministry of Health's examination and approval of an application for import license, or of an appeal (re-appeal), would take only one day where the documentation was complete. He reported that organizations permitted to provide a health certificate for seeds and fertilizers included the governmental authorities in the country of origin, as well as official laboratories in the country of origin that had been approved by the Ministry of Agriculture. Also, he reported, such certificates are issued by the Saudi Ministry of Health and are easily obtained where the products are free of pests and diseases. Regarding the specifications used by SASO to determine whether to approve an application for import license for seeds, the representative confirmed that the list of requirements had been submitted to the Working Party ("SASO Seed Specifications," attached to the Working Party Report at Annex D). The time limits for import licenses were based on the need to ensure that the Ministry of Agriculture could ensure the validity of importers' registration documents and to allow Saudi authorities to track import levels of seeds and fertilizers for statistical purposes.

128. In response to questions from some members of the Working Party, the representative of Saudi Arabia provided an Action Plan for the Implementation of the Import Licensing Agreement in document WT/ACC/SAU/40. At a later stage, he stated that the Action Plan had been fully implemented and that the Council of Ministers issued Decision No. 84 in July 2000 and Decision No. 88 in July 2002 to implement the WTO Agreement on Import Licensing Procedures. The Import Licensing Law issued vide Council of Ministers Decision No. 88 of 6.4.1432H (July 2002) incorporated into Saudi law the provisions of the WTO Agreement on Import Licensing Procedures. The salient features of the new Law were:

- i. Persons, firms and institutions eligible to make applications for import licenses are: (a) Saudi, foreign or joint venture companies registered under Saudi laws; (b) natural persons registered in the Commercial Register; and (c) Saudi nationals and non-Saudis holding residence permits, without commercial registration, provided they apply to import goods for their personal use.
- ii. Imports by categories (a) and (b) will be limited to goods related to the scope of business inscribed in their commercial registration.
- iii. Applications for automatic import licensing may be submitted on any working day prior to the customs clearance of goods. License will be issued within a maximum of 10 days from the date of application.
- iv. Applications for non-automatic import licences may be submitted within 21 days prior to the closing date of applications. Licenses will be issued within a period of 30 days from the date of application.
- v. Applications would not be rejected for minor variations in value or minor documentation errors.
- vi. License applicants have to approach only one administrative body. If necessary, that body would coordinate with other administrative bodies.
- vii. Non-automatic licensing is required for imports subject to quantitative or other restrictions (Saudi Arabia applies no quotas).
- viii. Article 9 of the Law contains detailed provisions on allocation of quotas in line with the provisions of Article 3 of the Agreement on Import Licensing Procedures (Saudi Arabia applies no quotas).
- ix. The Law requires publication in the Official Gazette of the amount of quotas and any changes thereto at least 30 days prior to the date of application (Saudi Arabia applies no quotas).
- x. In case of refusal of applications, the reasons for refusal will be provided upon request of the applicant.
- xi. Right of appeal to the Head of the administrative body is provided for, within a period of 15 days from the date of refusal. A further right of appeal to the Board of Grievances against the decision of the Head of the administrative body is provided for, within 30 days from the date of the decision.

129. Members of the Working Party asked Saudi Arabia to provide a list of products subject to automatic and non-automatic import licensing requirements. The representative of Saudi Arabia stated that Saudi Arabia did not subject any imports to automatic licensing; a list of imports subject to non-automatic licensing requirements was attached at Annex E. In addition, he confirmed that

Saudi Arabia had appended to the Working Party Report its response to the questionnaire "Information on Import Licensing Procedures."

130. The representative of Saudi Arabia confirmed that Saudi Arabia would, from the date of accession, eliminate and not introduce, re-introduce or apply non-tariff measures such as licensing, permits, prior authorization requirements, licensing requirements and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement. Any further amendments to the import licensing regime after accession would be fully in accordance with all relevant provisions of the WTO, including the Agreement on Import Licensing Procedures. The representative added that Saudi Arabia no longer required licensing for "milk for industrial use." He further confirmed that any discretionary authority permitting officials of the Kingdom of Saudi Arabia to suspend imports and exports or licensing requirements that could suspend, ban, or otherwise restrict the quantity of trade would be applied from the date of accession in conformity with the requirements of the WTO, in particular Articles XI, XII, XIII, XVIII, XIX, XX and XXI of the GATT 1994, and the Agreements on Agriculture, Application of Sanitary and Phytosanitary Measures, Import Licensing Procedures, Safeguards and Technical Barriers to Trade. The Working Party took note of these commitments.

Quantitative Import Restrictions, Including Prohibitions and Quotas

131. In response to questions from members of the Working Party, the representative of Saudi Arabia supplied details regarding quantitative restrictions maintained in Saudi Arabia. In addition to information contained in the Memorandum on the Foreign Trade Regime, the representative of Saudi Arabia provided a list of restricted (banned and controlled) items in Saudi Arabia, together with the justification for the measures in document WT/ACC/SAU/29/Add.3. This list was later updated by the list of banned imports attached at Annex F. He also noted that additional information could be obtained from the concerned department or division of the respective Ministry or from the Information Centre of the Ministry. The information could also be obtained from the Chamber of Commerce and Industry.

132. Certain members of the Working Party requested further details of quantitative import restrictions, including those on certain imports of the following products: long-life pasteurized milk in packing exceeding 1 litre (tariff item 0401.00.00); dates; rice; poultry, beef and lamb; offal; therapeutic medicines used in animal feed; lentils; and certain tires. The representative of Saudi Arabia noted that Saudi Arabia had taken a series of actions to comply with WTO provisions. He provided the following responses:

- i. Long-Life Pasteurized Milk - Saudi Arabia had removed the import ban and replaced it with a tariff.
- ii. Dates - Saudi Arabia had removed the import ban and replaced it with a tariff.
- iii. Rice from the United States - Saudi Arabia did not ban imports of rice from the United States.
- iv. Poultry, Beef and Lamb from the United States - Saudi Arabia did not ban imports of poultry, beef or lamb from the United States.
- v. Offal - Ministry of Commerce and Industry Decision No. 1308, dated 27.5.1424H (27.7.2003), permitted imports of offal from countries with livestock free of infectious diseases.
- vi. Therapeutic Medicines Used in Animal Feed - The Ministry of Agriculture was studying this issue to ensure the protection of domestic livestock.
- vii. Lentils from Australia - The ban on lentils from Australia had been lifted after the Agreement between Saudi Arabia and Australia had been signed. The ban, and the problem that occasioned it, had been the subject of successful bilateral discussions between Saudi Arabia and Australia. Saudi Arabia and Australia had agreed that the ban would be lifted and that Australia would certify future shipments.
- viii. Tires - The Ministry of Commerce and Industry had banned imports of certain tires following a series of fatal accidents in the United States caused by design and/or manufacturing issues. The action had been taken due to public safety concerns and in light of the fact that, given the climate of Saudi Arabia, similar accidents would be even more likely to occur there than in the United States. The Ministry requested the investigation results from the concerned U.S. authorities and, in the meantime, took the prudential action of banning imports of those tires, pending review of the results. The ban was limited to those tire models, produced at specific facilities, which were most similar to the tires involved in the accidents. The ban, therefore, applied only to the certain tire models and sizes, produced at certain facilities. The representative of Saudi Arabia noted that specific information was available on request.

133. The representative of Saudi Arabia confirmed that Saudi Arabia would, from the date of accession, eliminate and not introduce, re-introduce or apply quantitative restrictions on imports or other non-tariff measures such as licensing, quotas, bans, permits, prior authorization requirements, licensing requirements and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement. Any further changes to Saudi law after accession would be fully in accordance with all relevant provisions of the WTO. He further confirmed that any discretionary authority permitting officials of the Kingdom of Saudi Arabia to suspend imports and exports or otherwise restrict the quantity of trade would be applied from the date of accession in conformity with the requirements of the WTO, in particular Articles XI, XII, XIII, XVIII, XIX, XX and XXI of the GATT 1994, and the Agreements on Agriculture, Application of Sanitary and Phytosanitary Measures, Import Licensing Procedures, Safeguards and Technical Barriers to Trade. The Working Party took note of these commitments.

Customs Valuation

134. Some members of the Working Party stated that the system of valuation described in the Memorandum on the Foreign Trade Regime, in Annex 4 to document WT/ACC/SAU/4 and in

document WT/ACC/SAU/18 did not appear to fully comply with certain requirements of the Customs Valuation Agreement. Some members requested that a number of areas of the customs valuation regime receive further elaboration so that they were in conformity with the WTO Agreement on Implementation of Article VII of the GATT 1994, its Interpretative Notes, and relevant decisions and declarations. In particular, members noted that in addition to problems related to transparency or predictability, Saudi Arabia's valuation system relied on the "nearest equivalent value" as an alternative to transaction value. This could give customs officials excessively wide discretion in their determination of customs value of the imported goods. In response, the representative of Saudi Arabia stated that from the date of accession to the WTO, Saudi Arabia's system of Customs Valuation would be in full conformity with the provisions of the WTO Agreement on Customs Valuation.

135. Concerning Article 11 of the Customs Valuation Agreement and the right of appeal to a judicial authority, the representative of Saudi Arabia stated that appeal rights for a relevant person before an independent judicial body (i.e. the Board of Grievances) was guaranteed by Royal Decree No. 190 dated 16 Dhu Al-Hujah 1409H (19 July 1989). This applied to the Customs Department. The requirements of Article 12 concerning publication of laws, regulations, and decisions were satisfied by provision 65 of Royal Decree No. 425 dated 5/3/1372H (22 November 1952), which required that such information be published in the official gazette *Umm Al-Qura* along with all other government notices such as changes in rates of duty. The representative of Saudi Arabia noted that Article 26 of the Customs Valuation Law and Article 1.3 of the Rules of Implementation of the Customs Valuation Law implemented Article 11 of the Customs Valuation Agreement. He confirmed that Decisions 3.1 and 4.1 of the Customs Valuation Committee would be implemented through executive order not later than the date of accession.

136. Concerning the use of minimum values for customs purposes, the representative of Saudi Arabia stated that Saudi Arabia would wish to make a reservation under paragraph 2 of Annex III to the Agreement on Customs Valuation to continue the use of minimum values for a handful of products now under this system. This would be necessary, because although Saudi Arabia would ultimately discontinue the system, it would need a transitional time for this purpose as it would have to study carefully the implications of the change, and to devise procedures for checking practices which necessitate the use of minimum values. The flexibility required would be needed for two years from the date of accession to the WTO. In the interim, Saudi Arabia would undertake a careful study in the first year of implementation to devise procedures for discontinuing the minimum values. In response to questions from members of the Working Party, the representative of Saudi Arabia stated

that Saudi Arabia was using and wished to continue using minimum values for the following products:

- HS 21.02 - Yeast
- HS 40.11 - Tires
- HS 57.01 - Carpets
- HS 57.02 - Carpets
- HS 60.01 - Blankets
- HS 85.25 - Mobile phones

137. Members asked the reason why Saudi Arabia was seeking a reservation to allow it to maintain minimum values for these products. In response, the representative of Saudi Arabia cited the massive under-valuation of imports of these items. Saudi Customs authorities have found it exceedingly difficult to check the undervaluation, despite the provisions of Article 17 of the Customs Valuation Agreement and paragraph 6 of Annex III to this Agreement. Therefore, the reservation was necessary to assist Saudi authorities in this effort.

138. The representative of Saudi Arabia also noted that Saudi Arabia would seek a reservation under paragraphs 3 and 4 of Annex III to the Customs Valuation Agreement. The justification for that request was that, because the Customs Administration of Saudi Arabia had not reached the level of sophistication and expertise of developed countries, it would not be possible for it to apply the relevant provisions of the Customs Valuation Agreement before that date. The reservation would continue to be applicable for an indefinite period. Following accession to the WTO, Saudi Arabia would undertake studies to determine if it was feasible to lift the reservations.

139. At a later stage, the representative of Saudi Arabia stated that the Action Plan on Implementation of the Customs Valuation Agreement circulated in document WT/ACC/SAU/38/Rev.1 had been completed, that Customs officials and brokers had been trained and necessary laws and regulations on Customs Valuation had been promulgated. He confirmed that Saudi Arabia was able to implement the Customs Valuation Agreement from the date of its accession to the WTO. The representative of Saudi Arabia submitted the Common Customs Law of the GCC States and the Rules of Implementation, which contained the new WTO-consistent system of valuation. Articles 26, 27 and 28 of the Law and Article 1 of the Rules of Implementation deal with customs valuation. These were consistent with the provision of the Customs Valuation Agreement. The representative said that Saudi Arabia had applied the new Common Customs Law and the Rules of Implementation with effect from 1 January 2003. Saudi Arabia thus already had implemented the WTO Customs Valuation Agreement, except in regard to the minimum values for the products noted above.

140. The representative of Saudi Arabia stated that, with regard to Article 20 of the Customs Valuation Agreement, the Kingdom of Saudi Arabia would implement the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994 (concerning customs valuation) in full from the date of accession to the WTO, without recourse to any transition period. (Saudi Arabia would avail itself of a transition period for use of minimum values and would seek a reservation with regard to paragraphs 3 and 4 of Annex III of the Customs Valuation Agreement, as noted above.) In this regard, the Customs Law and implementing regulations fully reflected the requirements of Annex 1 of the Interpretative Notes of the Agreement on the Implementation of Article VII of the GATT 1994 and Decision 4.1 on the Valuation of Carrier Media Bearing Software for Data Processing Equipment. He stated that all methods of valuation used would be in strict conformity with those provided for in the WTO Agreement on the Implementation of Article VII of the GATT 1994. The Working Party took note of this commitment.

Rules of Origin

141. The representative of Saudi Arabia stated that Saudi Arabia did not have rules of origin for non-preferential trade but any future rules would be implemented in accordance with the WTO Agreement on Rules of Origin. In response to requests for information, the representative of the Kingdom of Saudi Arabia stated that certificates of origin attested by the Saudi Embassy or Consulate were necessary for importation of preferential trade items. Where no Saudi Embassy or Consulate existed, such certificate would be attested by the Chambers of Commerce in the exporting country. Other requirements included minimum content from within the preferential system. From 1996 all imports of expensive textile products had been required to have the origin of the goods printed or stamped thereon with indelible print. This requirement was introduced to protect consumers against misleading or deceptive practices. A textile product was deemed to be "expensive" depending on an analysis of factors such as the quality the brand name, texture, design and the price relative to other fabrics.

142. The representative of Saudi Arabia stated that, from the date of accession, Saudi Arabia's preferential and non-preferential rules of origin would comply fully with the WTO Agreement on Rules of Origin. The requirements of Article 2(h) and Annex II, Paragraph 3(d) of the Agreement would also be fully implemented prior to accession. He also stated that in any event, from the date of accession, the Customs authorities would provide an assessment of the origin of the import upon the request of an exporter, importer or any person with a justifiable cause. Any request for such an assessment would be accepted even before trade in the goods concerned began. Any such assessment would be binding for three years. The Working Party took note of these commitments.

Other Customs Formalities

143. Some members of the Working Party stated that consular authentication of customs documents in the country of export was a common practice in Saudi Arabia's region. Such requirements were often unnecessary burdens placed on exports and used to collect additional consular fees. They requested Saudi Arabia to confirm that authentication of customs documents by its consulates or Chambers of Commerce was not required in the exporting country and that no additional fees were charged. In response, the representative of Saudi Arabia stated that authentication of certificates of origin and of invoices by Saudi consulates or by Chambers of Commerce was a general requirement imposed pursuant to Council of Ministers Order No. 5 dated 3.01.1406H (18.09.1985), that applied to various types of documents, not merely to trade documents. The fee collected by the Ministry of Foreign Affairs for consularization was nominal, at US\$ 8 per document. The practice was necessary, he said, to combat commercial fraud and to ensure that products prohibited for health reasons were not exported to Saudi Arabia.

Other Border Measures

144. Members of the Working Party asked Saudi Arabia to describe the new customs procedures, following the establishment of the GCC Customs Union, particularly as they related to goods first imported through other GCC member states. One member of the Working Party observed that in some cases Saudi Arabia had turned back imports destined for its market that first entered through and paid duties in other GCC member states. The representative of Saudi Arabia stated that all customs procedures (i.e., lodgment of the customs declaration, inspection of the goods, assessment and collection of customs duties) were conducted in the first GCC member state where the goods entered from outside the GCC. Goods destined for another GCC member state, after completion of customs formalities in the first GCC state, were allowed to leave after affixing customs seals and accompanied by a copy of the customs import declaration showing the value of the goods and payment of duty. There was no further assessment and collection of duty in the country of final destination. The representative said that in the absence of specifics and details it was difficult to say if and why the imports were turned back. It might be that the seals were not intact or the consignment was not accompanied by the customs declaration or, for example, the import of goods were banned in Saudi Arabia but not in the GCC state of first importation (*e.g.*, alcoholic beverages).

145. Members of the Working Party asked Saudi Arabia to describe how duties collected were apportioned to various GCC member states. The representative of Saudi Arabia explained that for the first three years following the establishment of the GCC Customs Union, the duties would be

apportioned according to the final destination of the goods. The arrangement would be reviewed after the transitional period of three years.

Application of Internal Taxes

146. A member of the Working Party asked whether Saudi Arabia would abide by the non-discrimination provisions of Articles I and III of GATT 1994 in relation to internal taxation from the date of accession. In response, the representative of Saudi Arabia stated that Saudi Arabia did not impose a value added tax (VAT) or an excise tax on either domestically produced or imported products.

147. The representative of Saudi Arabia confirmed that in case internal taxes were introduced, Saudi Arabia would apply these taxes in compliance with Articles I and III of the GATT 1994. The Working Party took note of this commitment.

Anti-Dumping, Countervailing and Safeguard regimes

148. Some members of the Working Party raised concerns regarding the law for the Protection and Encouragement of National Industry. The representative of Saudi Arabia stated that the law would be reviewed to ensure consistency with WTO requirements by the date of accession at the latest.

149. Members also noted that Saudi Arabia did not currently have any trade remedies legislation permitting the imposition either of anti-dumping or countervailing duties or of safeguard measures. Those members requested that Saudi Arabia undertake to not impose such measures until appropriate WTO-consistent legislation had been enacted. The representative of Saudi Arabia informed the Working Party that a trade remedies law, which includes provisions on Anti-Dumping, Countervailing and Safeguard Measures, had already been passed by the Shoura Council and had been submitted to the Council of Ministers. The draft trade remedies law was consistent with WTO provisions. After the enactment of the Law through a Royal Decree, the Implementing Regulations would be issued. The Implementing Regulations also would be consistent with the provisions of the relevant WTO Agreements. In response to questions from members of the Working Party regarding to what imports the law would be applied, the representative of Saudi Arabia stated that the law was not adopted to target specific imports and would provide remedies only in situations foreseen by the WTO Agreements on Anti-Dumping, Countervailing Measures and Safeguards. Copies of the Law and the Implementing Regulations would be made available after their issuance.

150. The representative of Saudi Arabia said that Saudi Arabia would not apply any anti-dumping, countervailing or safeguard measures to imports from WTO Members until it had notified and

implemented appropriate laws in conformity with the provisions of the WTO Agreements on the Implementation of Article VI, on Subsidies and Countervailing Measures and on Safeguards. He confirmed that Saudi Arabia would ensure that such legislation would be in full conformity with the relevant WTO provisions, including Articles VI and XIX of the GATT 1994 and the Agreement on the Implementation of Article VI, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards. After such legislation was implemented, Saudi Arabia would only apply any antidumping duties, countervailing duties and safeguard measures in full conformity with the relevant WTO provisions. The Working Party took note of these commitments.

EXPORT REGULATIONS

Export Restrictions

151. Some members of the Working Party enquired whether the Kingdom of Saudi Arabia maintained any export controls. In response, the representative of Saudi Arabia stated that Saudi Arabia maintained no export bans, except on some items such as date seedlings, breeding horses, wheat and wheat flour. Some members of the Working Party asked whether Saudi Arabia intended to remove those bans prior to its accession to the WTO. In response, the representative of Saudi Arabia stated that there were no bans on the export of wheat and wheat flour, unless the wheat and wheat flour had been subsidized. He further added that Saudi Arabia banned the export of date seedlings and breeding horses because the local breeds and varieties of these two items were pure and rare. The representative indicated that a list of banned exports was attached to the Working Party Report at Annex G; a list of exports subject to authorization/licensing was attached at Annex H. He added that upon accession to the WTO, Saudi Arabia would do whatever was required under applicable WTO rules.

152. A member of the Working Party commented that food imported into Saudi Arabia could not be re-exported without approval, and receiving approval involved a time-consuming process. The member requested that all prior approval requirements for the re-exportation of imported food be abolished by the date of accession. The representative of Saudi Arabia said that the requirement of approval to re-export food would be abolished as from the date of accession. The re-export of subsidized food items would be subject to repayment of the amount of subsidy. The Working Party took note of this commitment.

153. The representative of Saudi Arabia confirmed that from the date of accession Saudi Arabia would ensure that its laws, regulations and requirements relating to the right to export and all fees, charges or taxes levied on such rights would be in full conformity with its WTO obligations, including

Articles VIII:1(a), XI:1 and III:2 and 4 of the GATT 1994 and that it would also implement such laws and regulations in full conformity with these obligations. The Working Party took note of this commitment.

154. The representative of Saudi Arabia also confirmed that any export control requirements remaining in place on the date of accession would be fully consistent with WTO provisions, including those contained in Articles XI, XVII, XX and XXI of the GATT 1994. The Working Party took note of this commitment.

Export Duties

155. Some members of the Working Party requested information on export duties applied by Saudi Arabia. Those members noted that the export duties applied by Saudi Arabia appeared to be imposed only for revenue purposes and would have trade distorting effects. In response, the representative of Saudi Arabia stated that Article XI of the GATT 1994 expressly permitted the imposition of export duties, and did not restrict the right to impose such duties. Export duties applied only to un-tanned hides and skins, falling under HS No. 4101, 4102 and 4103. The rate of export duty was Saudi Riyals 2000 per ton.

Export Subsidies

156. Members of the Working Party asked for information regarding export incentives and subsidies. In response, the representative of Saudi Arabia stated that Saudi Arabia neither maintained nor had any intention to provide any prohibited incentives or export subsidies.

157. The representative of Saudi Arabia confirmed that Saudi Arabia did not maintain subsidies including export subsidies that met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures and that it would not introduce such prohibited subsidies in the future. The Working Party took note of this commitment.

INTERNAL POLICIES AFFECTING TRADE IN GOODS

Industrial Policy, Including Subsidies

158. In response to requests for information concerning interest free loans provided by the Saudi Industrial Development Fund, the representative of Saudi Arabia stated that wholly-owned foreign companies, like Saudi owned companies, were also eligible for a loan of up to 50 per cent of the project cost. The representative of Saudi Arabia stated that the loan programme conducted by the

Saudi Industrial Development Fund was entirely consistent with the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures. The loans were not contingent upon export performance nor were they contingent upon the use of domestic over imported goods. The decision to provide a loan was made on the basis of the facts appropriate to that particular case within the parameters of the Saudi Industrial Development Fund Law. Article 2 of the Law provided that the Fund could provide medium or long term loans to (1) new industrial enterprises established in Saudi Arabia, and (2) existing private industrial enterprises for the extension of their activities or the replacement of their equipment and introduction of modern methods thereto. Article 4 of the Law stated that the Fund should carry out a full evaluation of the economic benefits of the enterprise required to be financed, taking into consideration the soundness of its management in order to ascertain the benefit of the industrial enterprise from economic, financial and technical aspects. In addition, the Fund was required to examine whether the financing required for the whole of the enterprise had been reasonably obtained and whether the volume of the Fund's aid represented a reasonable percentage of the total financing needs of the enterprise, and the Fund was required to obtain sufficient financial guarantees for the financing given by the Fund.

159. In response to questions from members of the Working Party, the representative of Saudi Arabia stated that no WTO-inconsistent support or subsidies had been approved or sanctioned for projects involving the creation of production capacity for refined petroleum and petrochemical products.

160. The representative of Saudi Arabia confirmed that any subsidy programmes would be administered in conformity with the Agreement on Subsidies and Countervailing Measures and that all necessary information on programmes would be notified to the Committee on Subsidies and Countervailing Measures in accordance with Article 25 of the Agreement upon entry into force of Saudi Arabia's Protocol of Accession. The Working Party took note of this commitment.

Technical Barriers to Trade

161. The representative of Saudi Arabia provided the Working Party with information on standards, technical standards and its International Conformity Certification Programme (ICCP) in documents WT/ACC/SAU/21, 26, 29, 34, 36, 37 (Revised Comprehensive Procedures and Guidelines concerning the ICCP) and 41 (Action Plan for the Implementation of the TBT Agreement).

- Description of Saudi Regime

162. The representative of Saudi Arabia further informed members of the Working Party that Saudi Arabia had established and was implementing a TBT regime consistent with the provisions of the TBT Agreement. This had been done by issuing and implementing the SASO Technical Directive (having the force of law) on 18 July 2000. The major features of the system were:

- i. All SASO standards, technical regulations and conformity assessment procedures were and would remain fully compatible with the TBT Agreement.
- ii. SASO had established a single contact point for information (Enquiry Point) vide Part Four of the Technical Directive. It also would provide relevant documents upon request.
- iii. The Ministry of Commerce and Industry was the authority responsible for making notifications to the WTO.
- iv. Item 2 of Part Four of the Technical Directive required a non-discriminatory and cost-based fee structure.
- v. Items 4/5/1 of Part Two of the Technical Directive required publication of notices of proposed technical regulations, standards and conformity assessment procedures in the journal issued by SASO.
- vi. Items 3/3/1 and 4/5/4 of Part Two of the Technical Directive provided for a 60-day comment period and non-discriminatory consideration of comments in the preparation of final regulations.
- vii. Item 4/8 of Part Two of the Technical Directive provided for a reasonable period of time between the final publication and entry into force of a technical regulation.
- viii. Item 2/1 of Part Two of the Technical Directive stated that SASO would follow the Code of Good Practice for the preparation, adoption and application of standards issued by ISO.
- ix. Item 2/3 of Part Two of the Technical Directive and Item 2 of Part Three of the Technical Directive provided for national treatment and non-discrimination with respect to products in the context of development and application of technical regulations and conformity assessment procedures.
- x. Item 2/4 of Part Two of the Technical Directive states "Saudi voluntary and mandatory standards shall not create unnecessary barriers to international trade except what violates the Islamic legislation, national security requirements, prevention of deceptive practices, and the protection of human health or safety, animal or plant life or health or the protection of environment".
- xi. Item 4/9 of Part Two of the Technical Directive provided for on-going review of technical regulations to ensure they are appropriate to achieve the desired legitimate objectives.
- xii. Items 3/1 and 4/1 of Part Two of the Technical Directive required SASO to consider relevant international standards as a basis for preparing Saudi technical regulations and standards unless these international standards or their parts are ineffective or inappropriate means for achieving the intended, legitimate objectives. This, for example, could be due to their inconsistency with Islamic law or due to climatic, geographical factors or basic technical problems.
- xiii. Items 3/2 and 4/4 of Part Two of the Technical Directive declared that, whenever possible, technical regulations and standards should be prepared on the basis of product performance requirements rather than in terms of design or descriptive characteristics.

- xiv. Item 4/3 of Part Two of the Technical Directive required SASO to consider equivalent technical regulations of other Members unless they were ineffective or inappropriate for achieving the intended legitimate objectives.
- xv. Item 2 of Part Three of the Technical Directive required SASO to accept the results of conformity assessment procedures conducted by bodies in exporting Member countries provided that relevant Saudi Arabian national deviations were taken into account.

163. In response to questions from some members of the Working Party, the representative of Saudi Arabia stated that importers in Saudi Arabia had been required to comply with Saudi law which required all products, imported as well as domestic, to be in conformity with Saudi standards. Unless specified otherwise, compliance with Saudi standards was an implied condition of any contract between buyer and seller. Saudi Arabia's standards were internationally harmonized to the most feasible degree possible, and Saudi-specific standards were only adopted in cases where the international standards would be an ineffective or inappropriate means for the fulfilment of the legitimate objectives pursued (Islamic legislation, national security requirements, fundamental climatic, geographical or technological problems), because of Saudi Arabia's fundamental climatic, geographical or technological problems, as allowed under TBT Agreement Article 2.4. Consequently, Saudi Arabia considered that the use of a pre-shipment inspection scheme to verify conformity to Saudi standards met the criteria of the PSI Agreement Article 2.4 and footnote 2.

164. In response to questions concerning the conformity of Saudi technical standards with international norms, the representative of Saudi Arabia stated that deviation of Saudi requirements from other national standards due to Saudi Arabia's fundamental climatic, cultural and national security specific conditions rendered ISO 9001 alone inadequate to provide sufficient confidence in the quality, safety and conformity of goods. In this connection, he noted that Saudi Arabia was a member of ISO, IEC, OIML and CAC. All Saudi standards were notified to all other members of those international organizations. A high percentage of Saudi standards used international standards and other widely accepted national standards as references. He provided members of the Working Party with a list of SASO standards that had been based upon CODEX standards, together with a complete list of the 1,323 Saudi standards including a cross-reference to the international standards adopted in their entirety as SASO standards (in document WT/ACC/SAU/34).

165. Some members of the Working Party requested a list of the standards deemed to be equivalent to Saudi standards. In response, the representative of Saudi Arabia stated that the Saudi Arabian Standards Organization had published the list of standards, and in this connection referred to the information in document WT/ACC/SAU/15. He further recalled his earlier statement that Saudi Arabia's standards were internationally harmonized as far as possible. Certain Saudi standards had a corresponding ISO or IEC equivalent which was indicated in the published list of SASO

standards. Other Saudi standards used international standards or other recognized national standards as a reference. He noted that a predetermination of the equivalency of such standards was not feasible, due to the diversity and incorporation of the national requirements and deviations of various countries. The registration process under ICCP provided a mechanism for the case by case evaluation and determination of equivalency of the standards to which compliance was declared by exporters, or recognition of the relevant elements in the standards that partially satisfy the requirements of the Saudi standards. As additional standards were evaluated progressively, a data base was established and referred to in any successive assessment of equivalency.

166. In response to questions from members of the Working Party, the Saudi representative noted that type testing was the ideal additional assuring factor, particularly when it was the most widely used and accepted method to verify the conformity of the design as required under Module H. Nevertheless, in lieu of type testing, the ICCP would accept Module H plus additional documentation which demonstrated that the Saudi requirements were typically known, understood and taken into account by the manufacturer in all phases within this system, from contract review through design, production, inspection, testing and acceptance.

167. Some members of the Working Party stated that the recent exemption of GCC members from the ICCP and its implied recognition of equivalency of all GCC members' inspection, enforcement, and compliance to relevant elements of GCC and/or SASO standards raised questions under Article 4 of the SPS Agreement and the transparency provisions of the WTO. Those members asked whether GCC member states were obliged to adopt the GCC standards in full or in part. In response, the representative of Saudi Arabia stated that GCC Members were not exempted from the ICCP. He added that Article 5.4 of the Regulations of the "Standardization and Metrology Organization for GCC Countries" stipulated that mandatory Gulf Standards were adopted by consensus of all members, while voluntary or guideline standards were adopted by majority. Some members of the Working Party also requested a list of GCC member countries that had officially adopted and incorporated SASO developed standards, by product category, (in full or in part) into their national standards. In response, the representative of Saudi Arabia provided a list of SASO standards which had been adopted as GCC Standards and thereby incorporated as national standards in other GCC Countries in Annex III to WT/ACC/SAU/29.

168. Some members requested further information on the manner in which SASO developed technical standards. In response, the representative of Saudi Arabia stated that standards considered vital for achieving legitimate objectives, such as safety and health, and of concern to a wide spectrum of interested parties and economic sectors were referred to "technical committees". However, recent

policy within SASO had been to refer most standards to technical committees irrespectively. All parties concerned with the subject matter of the draft standard were normally represented on the relevant "technical committees" as active members; they included pertinent governmental, academic, industry and trade sectors. For this reason, only one draft circulation period was necessary to provide adequate opportunity for comments by other interested parties. In case of development of draft standards by the SASO technical staff, the first draft circulation period provided the opportunity for comments raised by all concerned parties to be taken into consideration in the preparation of the second draft. He also provided the Working Party with a copy of the procedures for the development of SASO standards in Annex IV to document WT/ACC/SAU/29.

169. Following further comments on the draft Comprehensive Guidelines and Procedures concerning the ICCP, some members of the Working Party asked whether Saudi Arabia envisaged making further changes to the ICCP prior to WTO accession. In response, the representative of Saudi Arabia stated that after careful analysis and consideration of the comments made by WTO Members, further revisions were made, as set out in documents WT/ACC/SAU/34, 36 and 37. Saudi Arabia did not foresee the need for any exemption or transition periods in relation to any WTO provisions in connection with the ICCP. Nevertheless, Saudi Arabia reserved the right to seek such exception at any time during its accession negotiations, should the need arise.

170. In response to further questions, the representative of Saudi Arabia stated that customs valuation was not assessed under the ICCP. He noted also that appeals procedures were included as an Appendix to the ICCP Guidelines and following the suggestions of WTO Members had been revised to include recourse to independent review procedures in accordance with Article 4 of the PSI Agreement.

171. In response to comments of various members of the Working Party regarding the ICCP, the representative of Saudi Arabia reported that the ICCP will be phased out pursuant to Council of Ministers Decision No. 213, dated 3.8.1424H (30.9.2003), and gradually as we have introduced the law on the accreditation of the private laboratories. Applications have already been received from a number of business community wishing to participate in this scheme. Moreover, the procedure for operating private laboratories has already been established and approved in April 2002, by the appropriate authority. The objective of this scheme is to perform testing on both domestically produced as well as imported products.

172. Some members of the Working Party asked whether testing laboratories and conformity assessment bodies could be accredited by the authorities administering the ICCP. In response, the representative of Saudi Arabia stated that Saudi Arabia recognized conformity assessment bodies in

other countries via acceptance of accreditation as an indication of adequate competence, and hence as an eligibility criteria for approval. In other countries that did not have accreditation bodies, recognition of conformity assessment bodies was achieved by extending invitations to all trading partner countries to nominate their own laboratories for approval under their governments' responsibility. Any required formalities were kept to the minimum level necessary to achieve the objectives of the Programme. In fact, the procedures were fully streamlined as evidenced by the virtual non-existence of delays or complaints by exporters.

173. He later added that the approval procedure was very simple and straight forward. Laboratories seeking SASO approval were required to complete the "SASO/ICCP Laboratory Application Form" (which was supplied to members of the Working Party in document WT/ACC/SAU/34). He noted that the form provided SASO with information about the accreditation that the laboratory already had and the type of ICCP Regulated Products that it had the capabilities to test in whole or in part. The information was evaluated and verified and the laboratory was approved accordingly. In countries that did not have Nationally Recognized Laboratory Accreditation Bodies that accredited laboratories in accordance with ISO Guide 25, a higher degree of scrutinizing was conducted in order to gain assurance of the laboratory's competence. There were no costs involved for laboratories seeking SASO approval.

174. Members of the Working Party asked Saudi Arabia to clarify the process by which a Certificate of Conformity could be obtained. The representative from Saudi Arabia clarified that an exporter of regulated products to Saudi Arabia could obtain a Certificate of Conformity via three ways: (i) Pre-shipment Compliance Verification (for non-registered/non-verified products); (ii) Registration and Pre-shipment Inspection; or (iii) Type-Approval Licensing. He noted that the last option allows manufacturers that have achieved full compliance with the relevant standards to export their products with minimum intervention by the program. Full compliance should be proven through type testing of the product(s) at a SASO-approved laboratory, in addition to assessment, approval and surveillance of the manufacturer's quality-control system to ensure continuous compliance. Once the manufacturer's quality-control system is licensed and approved by SASO, there would be no pre-shipment inspection requirement for each consignment. Once a manufacturer had been issued a Type-Approval License, pre-shipment inspection for each consignment was no longer required. He stated that the compliance procedure for Certificates of Conformity was incorporated in the ICCP Comprehensive Procedures and Guidelines Attachment to Appendix D, Request for Certification.

175. Some members of the Working Party requested additional information on the possible cancellation of certificates of conformity in the event that products enjoying the benefit of a certificate

of compliance were found to be non-compliant. The representative of Saudi Arabia stated that in such a case Saudi Customs would withhold the certificate of compliance number, and suspend the certificate of compliance. Thereafter, Customs would notify SASO and the manufacturer. An expedient investigation was then carried out and appropriate action taken on the basis of the findings. Depending on the severity, frequency, and cause of the discrepancy, appropriate action could include suspension or withdrawal of the Type Approval License. The action taken was always proportionate to the seriousness of the facts at hand on a case-by-case basis. Suspension (which may be temporary) or withdrawal of the License was only a possibility in extreme cases, such as fraud or material inaccuracy.

176. Some members of the Working Party asked whether certificates granted by other national or international certification bodies were taken into consideration by the ICCP Regional Licensing Centres. In response, the representative of Saudi Arabia stated that test reports or certificates issued by accredited bodies for the regulated product under another national or international conformity assessment or certification scheme could be submitted by exporters as documents substantiating their compliance. Full recognition was duly given to those reports/certificates in so far as they satisfy the Saudi requirements. Where the full Saudi requirements were met, the role of the ICCP Regional Licensing Centre would be limited to evaluation, verification, administration, issuance and validation of the confirming Statement of Registration or Type Approval License. The SASO Country Office would still carry out the required PSI associated with Registration and issue the final Certificates of Conformity. For products holding a SASO Type Approval License, certificates of conformity could be issued by the manufacturers themselves, i.e., pre-shipment inspection of each consignment is not required. This applied to all products and countries.

177. In response to questions from some members of the Working Party, the representative of Saudi Arabia stated that SASO was the sole standardization body in Saudi Arabia. Its Board of Directors consists of all concerned Ministries, Government Agencies and the Private Sector. There was coordination between SASO and other Saudi authorities on issuing any regulations that may have an effect on international trade of Saudi Arabia with other countries. He said that technical committees made recommendations to SASO whether a standard should be voluntary or mandatory. The criteria for adopting a standard as mandatory would be based on the fulfilment of legitimate objectives as provided in the TBT Agreement, such as protection of health, safety, national security, public morals, the environment and prevention of deceptive practices. In reply to a question whether guidelines and/or criteria would be developed to assist in determining whether an existing standard should remain mandatory when it was reviewed, the representative of Saudi Arabia stated that the criteria for adopting mandatory standard would also apply to a review of the existing standards.

178. Some members of the Working Party requested Saudi Arabia to confirm that access to the SASO Quality Mark would be on a non-discriminatory basis and without distinction to the origin of the product. In response, the representative of Saudi Arabia stated that access to Saudi Quality Mark, a voluntary program, would be on a non-discriminative basis, without distinction as to the origin of the products. In response to an additional question, the representative confirmed that domestic and foreign suppliers could apply to obtain the Quality Mark for imported products. Use of the Quality Mark would be granted in a non-discriminatory fashion to those domestic and foreign suppliers that met the requirements of the program.

179. A member of the Working Party requested Saudi Arabia to explain its rice labelling requirement that information be printed on at least 50 per cent of the surface of the rice package. In response, the representative of Saudi Arabia stated that this requirement no longer existed, as the Kingdom had withdrawn it.

180. Members of the Working Party asked Saudi Arabia to confirm that the Saudi Conformity Assessment Program (SCAP) that Saudi Arabia was developing would comply with WTO rules and that any fees charged for assessing the conformity of the products originating in the territories of other Members were equitable in relation to any fees chargeable for assessing the conformity of like products of national origin or originating in any other country, as foreseen in the TBT Agreement. The representative from Saudi Arabia stated that Saudi Arabia would ensure the compliance of SCAP with all the relevant WTO requirements relating to national treatment, including fees charged. The representative of Saudi Arabia stated that SCAP would be implemented to ensure compliance of domestically produced products with the national standard. He stated that the ICCP ensured compliance of regulated imported products with relevant standards. Thus, the two programs, SCAP and ICCP, would continue in parallel, and would ensure the concept of equivalency of procedures for imported and domestically produced products.

181. In response to a question from members of the Working Party, the representative of Saudi Arabia noted that a list of items subject to mandatory certification had been attached to the Working Party Report at Annex I.

Transparency

182. Some members of the Working Party requested that the Government of Saudi Arabia publish draft standards in a single official journal or other publication that was available to the general public, and other interested parties. In response, the representative of Saudi Arabia stated that this would be done. He noted that SASO would start publishing all draft standards in a single official journal issued

during the first half of 2004. He also confirmed that, until this goal was reached, all Saudi draft standards would continue to be announced in all Saudi newspapers and circulated to all foreign embassies in Saudi Arabia. The Working Party took note of these commitments.

Implementation of TBT Agreement Obligations

183. In response to the above explanations and clarifications provided by the representative of Saudi Arabia, members of the Working Party requested that Saudi Arabia provide a description of the steps being taken to ensure full implementation of the Agreement on Technical Barriers to Trade. In response, in document WT/ACC/SAU/41, the representative of Saudi Arabia provided the Working Party with a comprehensive Action Plan for the Implementation of the TBT Agreement. The representative of Saudi Arabia noted that the Action Plan cross-referenced the various requirements of the TBT Agreement, and described the existing provisions or practices in Saudi Arabia and also described any planned improvements, including the enactment of implementing legislation. The Action Plan had been fully implemented and necessary legislation to implement the TBT Agreement had been issued under the SASO Comprehensive Directive of July 2000, copies of which had been circulated to Working Party members in October 2000.

184. The representative of Saudi Arabia stated that Saudi Arabia would comply with all obligations under the WTO Agreement on Technical Barriers to Trade from the date of accession without recourse to any transition period. The Working Party took note of this commitment.

Preshipment Inspection

185. Some members of the Working Party stated that the ICCP program mentioned above operated as a PSI scheme. They noted that although most of the requirements of the Agreement on Pre-shipment Inspection appeared to have been complied with, some elements of the ICCP continued to raise concerns. Some members of the Working Party expressed concern that the *ad valorem* fee charged for conformity assessment was not consistent with the requirements of Article VIII of the GATT 1994. In response, the representative of Saudi Arabia stated that Article VIII of GATT 1994 aimed to ensure that fees did not include incremental charges imposed by Governments on top of the cost of services rendered. The ICCP fees were paid in their entirety by exporters directly to the entities contracted by SASO to cover actual inspection, registration licensing and certification services rendered only. No part of the fees was paid or allocated to SASO or any other Government Body, and thus no protection to domestic industry was afforded nor taxation levied. He added that the fees charged were not required to equate exactly with the exact cost of services rendered; a degree of reasonable approximation was allowed. Global PSI Programmes were utilized by 33 WTO Members,

and *ad valorem* was the consistently predominant fee scheme prior to the PSI Agreement. Since the PSI Agreement did not specifically address the issue of fees, this implied the acceptance, versatility and legitimacy of the prevailing *ad valorem* method, and affirmed its consistency with the original GATT 1994 Article. Otherwise, the 33 WTO Members would be in direct violation of the WTO Agreement.

186. He further added that the application of *ad valorem* PSI fees by WTO user Members of PSI Programmes had not been raised as the subject of dispute at the WTO to date. He added that the PSI Agreement further acknowledged that Governments normally contracted PSI Programmes to PSI Entities as Saudi Arabia had. Fees required by all reputable PSI Entities (IFIA members) for delivering professional global PSI services were based on the *ad valorem* scheme. Saudi Arabia was not operating in a vacuum and could not unilaterally impose on the PSI industry an entirely odd scheme contrary to the practice prevailing throughout that industry. Nevertheless, Saudi Arabia had succeeded in introducing reasonable modifications to the fixed *ad valorem* method by adopting a cost responsive graduated percentage of FOB fee structure which was amongst the lowest in the world coupled with shipment aggregation, resulting in a much higher degree of approximation of the cost of services as well as higher equitability. Saudi Arabia had further made adjustments to situations where a disparity existed between the cost of PSI services and the percentage of FOB value of the product, e.g., the fees for inspection of cars had a maximum ceiling of US\$48.00 per car.

187. He further added that if a consensus of WTO Members determined that the *ad valorem* scheme was not appropriate, and if an amendment was made to the existing PSI Agreement prescribing an alternative fee scheme, Saudi Arabia would be ready to follow the course of prevailing international practice and comply accordingly. He also noted that any unfavourable consideration of its ICCP Regime on grounds of its inspection fee structure would be discriminatory in nature, in light of the WTO's acceptance of some Members' application of the fixed *ad valorem* scheme. There was consensus that Saudi Arabia would continue to apply *ad valorem* fees under the ICCP, while WTO Members reserved their right to settle this issue through the WTO dispute settlement provisions.

188. In response to comments of various members of the Working Party regarding the role of the ICCP and pre-shipment inspection, the representative of Saudi Arabia reported that the ICCP was being phased out pursuant to Council of Ministers Decision No. 213, dated 3.8.1424 H (30.9.2003). The representative of Saudi Arabia confirmed that its pre-shipment inspection regime would be temporary and would only operate until such time as the Saudi Customs authorities were able to carry out the functions presently performed by pre-shipment inspection service providers, which would occur when the term of the existing contracts expired.

189. In response to a request by members of the Working Party, the representative of Saudi Arabia stated that a list of items subject to pre-shipment inspection had been attached to the Working Party Report at Annex J.

190. The representative of Saudi Arabia stated that from the date of accession to the WTO Saudi Arabia would ensure that the requirements of the Agreement on Pre-shipment Inspection were met in full. He further confirmed that Saudi Arabia would ensure that the operations of any pre-shipment inspection companies retained by Saudi Arabia met the requirements of the WTO Agreement, including the establishment of charges and fees consistent with Article VIII of the GATT 1994, and would comply with the due process and transparency requirements of the WTO Agreements, in particular Article X of the GATT 1994, and the Agreement on the Implementation of Article VII of the GATT 1994. The Working Party took note of these commitments.

Sanitary and phytosanitary measures

191. In response to requests for information, the representative of Saudi Arabia supplied detailed information on the Saudi Arabian Sanitary and Phytosanitary (SPS) regime in document WT/ACC/SAU/17. In addition, he also submitted information on the shelf life of food products in document WT/ACC/SAU/27.

192. The representative of Saudi Arabia stated that one of the legal bases for SPS requirements in Saudi Arabia was the Royal Decree number M/10 on 3/3/1392 H (16 April 1972) developed by the competent standardization body (i.e. Saudi Arabian Standards Organization, SASO). Saudi standards covered sanitary requirements for food products by means of the following measures:

- i. Measures following the standards and guidelines of Codex Alimentarius.
- ii. Measures not covered by the standards and guidelines of Codex Alimentarius were based upon scientific studies or the most appropriate measures of other WTO Members.

193. In addition, the representative of Saudi Arabia stated that the veterinary quarantine bylaw issued vide Council of Ministers Decision Number 109, dated 34/4/1424H (30.06.2003), covered sanitary and veterinary requirements and measures pertaining to animals and animal products conforming to the ruling of the International Zoosanitary Code specifying the regulations recommended for international trade with regard to animals and animal products issued by the Office International des Epizootics. He noted also that the agricultural quarantine bylaw issued by the Decree of the Council of Ministers Number 207, dated 26/1/1396 H (28 January 1976), set out requirements and phytosanitary measures conforming to the rules issued from IPPC initially based on

FAO publications. Periodic preventive health circulars issued by the Ministry of Health pursuant to the weekly epidemiological circular issued by the WHO were also concerned with sanitary and phytosanitary measures.

194. In response to further requests for information regarding the role of the GCC and risk assessment, the representative of Saudi Arabia stated that, in regard to Saudi Arabia's quarantine system and associated risk assessment, the Council of Ministers had issued Decision No. 109, dated 30.04.1424H (30 June 2003). Through Decision No. 109, Saudi Arabia had adopted the veterinary quarantine system applicable to GCC countries. (He reported that a revised plant quarantine system was still under consideration.) The representative noted that the Customs Union of the GCC countries had adopted a system of one port of entry for all goods imported to GCC countries. According to the system, any item that was allowed to enter any GCC port was allowed to enter all GCC countries and customs procedures such as inspection, laboratory analysis and customs fees were handled in the first port of entry. Thus, this system of risk assessment in all GCC countries was unified.

195. A member of the Working Party asked how Saudi Arabia would ensure that measures applied in each GCC country would meet the requirements of Article 5 of the SPS Agreement (i.e., that the measures applied in each member were not more restrictive than is necessary to deal with the risks faced by that particular member). The representative of Saudi Arabia explained that, because there was free movement of goods between GCC countries due to the establishment of the customs union, it was not feasible to restrict imports in one GCC country and to allow imports in other GCC countries.

196. The representative of Saudi Arabia further reported that Saudi Arabia earlier had issued sanitary and quarantine measures for animal health, living plants and seeds, measures for the prevention of epidemic diseases spread and the control on the use of veterinary medicines and pesticides were administered by the Ministry of Agriculture, as well as the Ministry of Commerce and Industry and the Ministry of Municipalities. Sanitary measures for fresh vegetables and fruits were governed by SASO standards and applied by the Ministry of Agriculture. When no approved international standards applied to these products, the Kingdom of Saudi Arabia approved the standards applied in EU member States and Members of the WTO. Standards concerning sanitary measures for food commodities (meat, meat products and processed foods) are approved by SASO but applied by the Ministries of Industry and Commerce on locally made products, and by the Ministry of Commerce and Industry on imported products. The Ministry of Municipalities participated in internal control of products in the markets which were mainly controlled by the Ministry of Commerce. Measures relating to effects on the human health and its relation with animal sanitary and

phytosanitary and food safety were imposed by the Ministry of Health through the issuing of periodic preventative circulars to inform and caution other concerned bodies about relevant risks.

197. He further noted that sanitary measures of Saudi Arabia were consistent with the SPS Agreement and also with the recommendations and guidelines issued by international and regional organizations. Saudi Arabia was a permanent and active member in the international organizations on plant and animal regulations, including FAO, the Codex Alimentarius Commission (CAC) and the International Office of Epizootics (IOE). Saudi Arabia's SPS measures did not arbitrarily or unjustifiably discriminate between different countries where identical or similar conditions prevail. Such measures also did not discriminate between the territory of Saudi Arabia and other countries where identical or similar conditions prevailed. Saudi Arabia's SPS measures were not applied in a manner which constitutes a disguised restriction on international trade.

198. In response to requests for information on the transparency of Saudi Arabia's SPS measures, the representative of Saudi Arabia stated that Saudi Arabia's SPS measures were published in advance of their application. The Kingdom of Saudi Arabia had an established system for informing governments and other standards organizations of changes, and full sets of guidelines detailing all requirements were freely available to any interested parties. Saudi Arabia's SPS measures and requirements were notified to the Embassies in the Kingdom and to Saudi Chambers of Commerce. In addition, the representative noted that, as with TBT standards, SASO currently is in the process of publishing Saudi food draft standards in a single journal issued by SASO. (Until this goal is reached, all Saudi SPS measures would continue to be disseminated as described above.)

199. Members of the Working Party asked Saudi Arabia to identify any additional steps taken to implement obligations in the SPS Agreement regarding transparency and risk assessment. The representative of Saudi Arabia stated that SPS obligations had been implemented by recent decisions by the Council of Ministers. In particular, he noted that Council of Ministers Decision No. 85, dated 01.04.1421H (4 July 2000), included a number of provisions implementing obligations of the SPS Agreement. First, Decision No. 85 required the Ministry of Commerce and Industry to notify the WTO and all WTO Members of all actions relating to SPS issues and to respond to any inquiries regarding the same. Second, under the Decision, a Technical Standing Committee was established to monitor Saudi SPS measures and ensure that they are implemented in accordance with Saudi Arabia's WTO obligations. The Technical Standing Committee comprised representatives from the Ministry of Commerce and Industry, the Ministry of Agriculture, the Ministry of Health, SASO and the Customs Department. Third, Decision No. 85 required the Ministry of Commerce and Industry to prepare a list of all Saudi SPS measures; this list is attached as Annex K.

200. Some members of the Working Party stated that the information on Saudi Arabia's SPS measures gave a good overview of the regime. They sought confirmation that measures were based on risk assessments carried out in accordance with Article 5 of the SPS Agreement. In response, the representative of Saudi Arabia confirmed that Saudi Arabia's SPS measures conformed to all standards, guidelines or recommendations issued by the international bodies specifically designated by the SPS Agreement, *i.e.*, the Codex Alimentarius Commission, the International Office of Epizootics and the International Plant Protection Conventions. Saudi Arabia was a member of all three organizations. In accordance with Article 3.2 of the SPS Agreement, these SPS measures were fully consistent with the SPS Agreement. For SPS measures related to risk assessment not covered by the above three organizations (such as microbiological risks and shelf life of food products), Saudi Arabia relied on scientific studies, guidelines and recommendations either carried out by specialized internationally accepted research institutes, universities or scientific references or, in limited cases, by itself. The appropriate level of protection adopted by Saudi Arabia was consistent with the guidelines and recommendations issued by these internationally recognized bodies and Saudi Arabia had thus taken into account the objective of minimizing negative trade effects. He confirmed that Saudi Arabia's SPS measures were based on risk assessment in accordance with Article 5 of the SPS Agreement.

201. Some members of the Working Party identified certain possible areas of inconsistency with the requirements of the SPS Agreement, such as the Council of Ministers Resolution No. 207 (26.1.1396H) (28 January 1976) "Agricultural Quarantine Regulations" requirement in Article 6 that products be free of all weed seeds, regardless of whether such weed seeds were quarantine significant, in accordance with relevant international guidelines. Some members also noted that the Council of Ministers Decision No. 109 dated 30.04.1424H (30 June 2003), "The Statutory Instrument of the Veterinary Quarantine", Article 3 stated that "no animal may be admitted ... from any country that was infected with any epidemic disease ...". These members were of the view that this requirement was inconsistent with Article 6 of the SPS Agreement. In response the representative of Saudi Arabia stated that upon accession, the Kingdom of Saudi Arabia would comply with the relevant WTO obligations. In response for further information concerning the importation of seeds, he noted that there was no fee charged for the inspection of seeds. The seeds were first subject to a visual examination to check for impurities and to ensure that the phytosanitary information in the import documents was correct. Thereafter samples of the seeds were sent to laboratories to check for aflatoxins.

202. One member of the Working Party asked for a clarification of Saudi Arabia's treatment of meat in sealed containers, where the meat had first entered another GCC country. The representative

from Saudi Arabia noted that Saudi Arabia understood the importance of this issue and that the issue had been taken up by the Ministry of Commerce and Industry. The Ministry was studying the issue and was expected soon to take a decision.

203. Some members of the Working Party stated that certain laws, such as the "Approval of Importing Alfalfa and Vegetable Seeds from Non-Arab Countries", and "Approval of Importing Flower and Forage Crop Seeds from Non-Arab Countries" appeared to only apply to "non-Arab" countries, which suggested problems in relation to the consistency of these regulations with the principle of most-favoured-nation treatment. In response to further questions, the representative of Saudi Arabia stated that upon accession, the Kingdom of Saudi Arabia would comply with the relevant WTO obligations. Some members of the Working Party stated that position appeared inconsistent with the SPS Agreement's requirement that, in applying SPS measures, WTO Members recognize "regional conditions" affecting human, animal and plant health risks. In response, to these and further concerns expressed by Working Party members about particular regulations and practices in the Saudi Arabian SPS regime, the representative of Saudi Arabia stated that those regulations would be reviewed.

204. Some members of the Working Party noted that the time limits relating to shelf life in Saudi Arabia appeared to be unduly short. In response, the representative of Saudi Arabia stated that Saudi Arabia was revising its shelf-life requirements to ensure they comply with the provisions of the SPS and TBT Agreements.

205. He further stated that Saudi Arabia's shelf-life standards originally had been adopted in the light of Saudi Arabia's extreme climate and other conditions specific to Saudi Arabia. Saudi Arabia's shelf-life determinations were based on scientific investigations and on international and other countries' national standards, scientific studies and reports conducted/issued by specialized internationally reputable research institutes and universities, and international scientific references. The final determination of shelf life was based on studies for which "the stated storage conditions" most closely resembled Saudi Arabian conditions. These conditions had been thoroughly investigated and surveyed by Saudi Arabia in the report entitled "Proceedings of Symposium on the Transportation, Handling and Storing of Food Products in the Kingdom, Part I and II dated 26-28 February 1989". In this connection, he noted that Codex defined "Use-by-Date" as "the date which signifies the end of the estimated period under any stated storage condition after which the product probably would not have the quality attributes normally expected by the consumers. After this date, the food should not be regarded as marketable". He further added that the term "unacceptable to the consumer" and "unfit for human consumption" respectively corresponded to, and

were self evident from the above definition. He further added that Saudi Arabia relied for the determination of the shelf life of food products on available scientific studies by specialized, internationally recognized bodies and on references, based on research conducted for academic or industrial/commercial purposes. The fact that part of this research was conducted by manufacturers demonstrated that Saudi Arabia took into consideration differences in manufacturing and packaging processes. This wide spectrum of scientific basis did not affect Saudi Arabia's right to engage in shelf life determination as an SPS measure for perishable food products and as a TBT technical regulation appropriate to Saudi Arabia's climatic conditions for shelf stable food products.

206. In response to further questions he noted that manufacturer determined shelf life practices that were followed in other countries were neither uniform nor could be considered as official SPS measures by governments. Nevertheless, shelf life periods of perishable food products were not imposed unilaterally, but rather adopted in accordance with the same open process applicable to standards, i.e., through technical committees entrusted with the preparation of the standard whose diversified membership included representatives of the industrial and commercial sectors. He considered that those members had the opportunity to influence the decision on shelf life determination and insure its responsiveness to the needs of the industry, not to mention the period afforded for consultation and comment by any interested parties. In addition, SASO administrative procedures and directives provided the opportunities for manufacturers to submit at any time the scientific basis for their own determined shelf to SASO for evaluation. If those manufacturers could demonstrate objectively that their shelf life periods were appropriate to Saudi Arabia's level of SPS protection as well as the food quality criteria, Saudi Arabia would revise its shelf life standards accordingly.

207. In response to further questions, the representative of Saudi Arabia noted that the same shelf-life periods were applied to domestic and imported food products alike. In the case of shelf-stable products, the TBT Agreement granted Saudi Arabia the right to take into account the effect of the country's specific climatic and infrastructural conditions (i.e., transportation, storage and handling conditions). However, climatic conditions were the major factor considered by SASO in determining shelf life. In rare cases covering particular products where non-concurrence or differences were found between the internationally recognized studies and references, the tendency had been to rely more heavily on the shorter shelf life periods determined by these studies as an indirect compensation for not specifically accounting for infrastructural factors. With the improvement of the infrastructural factors, a less-stringent system would be adopted.

208. In response to additional inquiries by members of the Working Party, the representative of Saudi Arabia confirmed that Saudi Arabia was in the process of revisiting the shelf-life requirements. There is a technical committee from different Government Ministries (Ministry of Commerce and Industry, Ministry of Health, Ministry of Agriculture, Ministry of Municipality, Universities and SASO) to revise the Saudi mandatory standards of the shelf-life of food products according to SPS, TBT, Codex Alimentarius Commission, International Scientific References, Research and Field Scientific Studies carried out in the Kingdom of Saudi Arabia or abroad. We will send the revised draft to the concerned bodies for comments for a period of two months, any comments will be studied by the technical committee to prepare the final draft, which will be approved by the SASO Board of Directors. The Technical Committee will study also the deletion of the statement of not allowing any food product which overpasses more than half of its shelf-life from the Saudi standard "Shelf-life for food products". We hope to conclude all mentioned steps in the first half of year 2004.

209. Some members of the Working Party noted that the SPS Agreement required that WTO Members accept the SPS measures of other members, subject to confirming objectively that those measures were adequate to achieve the importing country's level of SPS protection. In response, the representative of Saudi Arabia stated that upon accession, Saudi Arabia would accept the certification of exporting countries in accordance with the requirements of the SPS Agreement.

210. Some members of the Working Party requested that Saudi Arabia identify all areas of inconsistency and provide a timetable for bringing the Saudi Arabian regime into conformity with the requirements of the SPS Agreement. In response, the representative of Saudi Arabia stated that an internal review had already been commenced into Saudi Arabia's SPS regime guided by the comments of the WTO Working Party in this respect. At a later stage, the representative of Saudi Arabia provided members of the Working Party with a comprehensive Action Plan for the Implementation of the SPS Agreement in document WT/ACC/SAU/42. Later, he informed the Working Party that the Action Plan had been fully implemented by issuance of the Council of Ministers' Decision No. 85 of July 2000 and the Council of Ministers' Decision No. 943 of 1 July 2003 on SPS law titled "Sanitary and Phytosanitary Unified Procedures" which was in compliance with the provisions of the WTO SPS Agreement. In reply to questions from some Working Party members, the representative of Saudi Arabia stated that the new SPS law also incorporates revisions of the "Agricultural Quarantine Regulations" and the "Statutory Instruments of Veterinary Quarantine" ensuring conformity with the requirements of the SPS Agreement. He reported that the salient features of the new Saudi Law include the following:

- i) Saudi Arabia shall apply SPS measures consistently with the provisions of the WTO Agreement on SPS Measures (Article 2.1 of Saudi Law).

- ii) SPS measures shall be limited to the extent necessary to protect human, animal or plant life or health. (Article 2.2 of Saudi Law).
- iii) SPS measures shall be based on scientific rules and principles and shall not be maintained without sufficient scientific evidence (Art. 2.2).
- iv) There will be no unjustified discrimination between WTO Members and between Saudi Arabia where identical or similar conditions prevail (Art. 2.3).
- v) SPS measures shall not be applied in a way that constitutes a disguised restriction on international trade (Art. 2.).
- vi) SPS measures taken by Saudi Arabia shall be based on international standards, guidelines or recommendations, except where there is a scientific justification for a measure resulting in a higher level of protection (Art. 3.1 of Saudi Law).
- vii) Saudi Arabia shall accept the SPS measures of other WTO Members as equivalent where those measures achieve the protection level of Saudi Arabia (Art. 4.1).
- viii) Article 5 of Saudi Arabia's SPS Law follows the provisions of Article 5 of the WTO SPS Agreement.
- ix) Article 6 of Saudi Arabia's law follows the provisions of Article 6 of the SPS Agreement.
- x) Articles 7 and 8 of Saudi Law follow the provisions of Articles 7 and 8 of the SPS Agreement.

211. The representative of Saudi Arabia stated that Saudi Arabia's sanitary and phytosanitary standards system would be in compliance with WTO provisions under the Agreement on the Application of Sanitary and Phytosanitary Measures as of the date of accession to the WTO, and that Saudi Arabia would apply all measures of the Agreement on the Application of Sanitary and Phytosanitary Measures in the least trade-distorting manner from the date of accession without recourse to any transition period. The Working Party took note of these commitments.

Trade Related Investment Measures

212. Some members of the Working Party congratulated Saudi Arabia on its generally very liberal investment regime and asked whether there were any measures in place in Saudi Arabia that were inconsistent with the requirements of the Agreement on Trade Related Investment Measures (TRIMs). In response, the representative of Saudi Arabia stated that there were no measures in place in Saudi Arabia that were inconsistent with the requirements of the Agreement on Trade Related Investment Measures (TRIMs). He noted that in particular, there were no measures in place in Saudi Arabia that were of the kind described in the "Illustrative List" in the Annex to the Agreement on TRIMs. Some members of the Working Party enquired whether Saudi Arabia imposed any transfer requirements in relation to technical or management know-how or upon foreign investors. In response, the representative of Saudi Arabia stated that no precise requirements on such transfers had been specified.

213. The representative of Saudi Arabia stated that Saudi Arabia would not maintain any measures inconsistent with the TRIMs Agreement and would apply the TRIMs Agreement from the date of

accession without recourse to any transition period. The Working Party took note of this commitment.

State Trading

214. Some members of the Working Party asked the representative of Saudi Arabia whether there were any enterprises operating within the Kingdom of Saudi Arabia that enjoyed any exclusive or special privileges within the terms of the definition set down in Article XVII of GATT 1994. In response, the representative of Saudi Arabia stated that the Grain Silos and Flour Mills Organization (GSFMO) was established by a Royal Decree in 1973 in order to support the development of the domestic agricultural sector, particularly wheat production for national security reasons, by forming a grain storage and flour production conglomerate, as well as by creating a stable market for grains in order to safeguard farmers from price fluctuations. It was the only organization allowed to import grains, flour and animal feed. GSFMO used to be the only organization to import wheat and barley. The import regime for these products had now been liberalized. Importers in the private sector could import wheat and barley. GSFMO no longer imports these products. It was no longer a state-trading import enterprise. In response to a question, the representative of Saudi Arabia stated that 18 private firms were importing wheat and barley following the termination of GSFMO monopoly. Saudi Arabia confirmed that GSFMO was no longer a state-trading import enterprise.

215. The representative of Saudi Arabia confirmed that after accession to the WTO, Saudi Arabia would observe WTO provisions, in particular, Article XVII of the GATT 1994, the WTO Understanding on that Article, and Article VIII of the GATS regarding state trading, with respect to the State-owned enterprises and other enterprises and entities with special or exclusive privileges identified above, in particular abiding by the provisions for notification, non-discrimination, and the application of commercial considerations for trade transactions. The Working Party took note of these commitments.

Free Zones

216. The representative of Saudi Arabia stated that Saudi Arabia had no free zones or free economic zones. He further stated that, if any were established, Saudi Arabia would administer them in compliance with WTO provisions, including those addressing subsidies, TRIMs and TRIPS, and that goods produced in these zones under tax and tariff provisions that exempt imports and imported inputs from tariff and certain taxes and charges would be subject to normal customs formalities when entering the rest of Saudi Arabia, including the application of tariffs and any taxes and charges. The Working Party took note of these commitments.

Trade in Transit

217. The representative of Saudi Arabia informed the Working Party that goods in transit through Saudi Arabia received duty free treatment under Articles 69-73 of the Common Customs Law of the GCC member states which was applicable in Saudi Arabia. The Kingdom's policy regarding goods in transit was to allow them to be transported through Saudi Arabia without any discrimination as to the kind of goods or their origin or destination. He said that goods transiting Saudi Arabia bound for other countries were subject to the following conditions:

- i. Banned goods were prohibited to transit Saudi Arabia, according to the GCC Common Customs Law.
- ii. The types and marks of the goods should be specified in the accompanying manifest.
- iii. The goods should be transported in modular containers having only one access and duly equipped with a lock to allow effective placement of Customs seals; the Customs seal should not be broken.
- iv. Transit of the consignment across Saudi Arabia must be covered by the guarantee of a customs broker at the port of entry.
- v. The consignment must exit within the period specified by the port of entry.

218. In response to a question from a member of the Working Party, the representative from Saudi Arabia confirmed that Saudi Arabia's law and practice governing trade in transit would be applied in full conformity with the provisions of the WTO Agreement, in particular Article V of GATT 1994. The Working Party took note of this commitment.

Agricultural Policy

219. The representative of Saudi Arabia provided information on its agriculture sector, including tables on domestic support and export subsidies in documents WT/ACC/SAU/19 and 28, and WT/ACC/SPEC/SAU/1/Rev.6 and Corr.1.

220. Some members of the Working Party requested that Saudi Arabia provide detailed information on the role of the Saudi Agricultural Bank, in particular in the area of its mandate with regard to providing agricultural loans and subsidies. In response, the representative of Saudi Arabia stated that the Saudi Arabian Agricultural Bank (SAAB) was founded by the Royal Decree No. 58 issued on 3/12/1382. It was a government financial institution specializing in providing funding to the agricultural sector in order to assist in the development of agriculture, and improve agricultural productivity through the deployment of state of the art scientific and technical methods. The Bank granted loans through 13 branches, with 57 offices throughout the Kingdom in order to facilitate provision of services to farmers in their regions. The Bank grants farmers, agricultural projects, fishermen, bee keepers and farm cooperatives two types of agricultural loans free of interest.

However, there were unseen costs borne by agricultural investors in order to acquire a loan from SAAB. These costs were reflected in the number and amount of loans shown in the table below. The time needed to process the application and approve the loan was long due to bureaucratic formalities. Therefore, the opportunity costs for agricultural loans were very low.

Year	No.	Total Amounts (thousands SARs)
1992	4374	775,150
1993	4429	930,561
1994	3822	670,556
1995	2642	412,589
1996	3065	431,708
1997	3942	626,956
1998	5607	897,310
1999	6628	903,010
2000	6147	1,112,221
2001	8037	1,444,925

Source: Saudi Arabian Agricultural Bank, Annual Report No. 38, 1421/1422 (2001).

221. He added that the Bank had also been responsible for the disbursement of a package of agricultural subsidies incurred by the government towards reduction of agricultural expenditures in order to increase the average return on agricultural production. These subsidies included: engines, irrigation pumps, agricultural machinery, poultry equipments, dairy production equipment, in addition transport costs from the country of origin of high breed cows imported to the Kingdom were also paid. The following table shows total agricultural subsidies disbursed through the bank during the period 1992-2001:

Year	Total subsidies (Thousands SARs) (US\$1 = SARs 3.75)
1992	677,902
1993	248,624
1994	355,434
1995	0 (no subsidies)
1996	296,937
1997	229,376
1998	225,492
1999	197,358
2000	228,960
2001	249,880

Source: Saudi Arabian Agricultural Bank, The Annual Report, No: 38, 1421/1422 (2001).

222. In response to further questions, the representative of Saudi Arabia stated that in pursuance of the current Development Plan, Saudi Arabia would distribute land in areas where suitable quantities of water resources were available. Investment would be encouraged in large agricultural projects that depend on renewable water resources, using modern irrigation systems that consume low quantities of

water. Domestic production of vegetables and fruits grown in green-houses would be encouraged, as would the fishing industry using advanced technology. As planned, wheat production was gradually reduced from more than 4 million tons before 1994 to 2.8 million tons in 1994, 2 million tons in 1998 and 1.8 million tons in 2001. The production of barley was also reduced from 2 million tons in 1994-1995 to 1 million tons in 1998, and to less than 200,000 tons in 2001. Domestically produced barley was purchased by the GSFMO, and then sold to livestock producers at the fixed price of US\$ 133 per ton. The representative of Saudi Arabia stated that GSFMO stopped receiving domestic barley according to Royal Decree No. 4/B/49434, dated 8.12.1423H (10 February 2003). The farmers were advised to convert to other products that consume less water.

223. Some members of the Working Party asked whether there was any support to the dairy sector. In response, the representative of Saudi Arabia stated that there was no specific support for the dairy sector, except for transportation cost of the imported cows under special conditions.

224. In response to questions concerning the provision of irrigation water for crop production, the representative of Saudi Arabia stated that irrigation water for crop production was provided by private farmers, and not by the Government. He noted that there were no subsidies associated with the running of irrigation equipment.

225. Some members of the Working Party requested that the representative of Saudi Arabia clarify the role of the GSFMO in the export and subsidization of wheat. In response, the representative of Saudi Arabia stated that since 1995 the GSFMO had not exported wheat or barley. Export controls were maintained for subsidized wheat and barley through export licenses. In response to further questions, he added that the exportation of date palm seedlings, barley, corn maize and soy beans was conditional upon the repayment of subsidies intended for the support of domestic production.

226. Saudi Arabia's commitments on [agricultural tariffs on] domestic support and export subsidies for agricultural products are contained in the Schedule of Concessions and Commitments on Goods (document WT/ACC/) annexed to Saudi Arabia's draft Protocol of Accession.

Trade in Civil Aircraft

227. Some members of the Working Party asked that Saudi Arabia enter a commitment to accede to the Agreement on Civil Aircraft from the date of entry into force of its Protocol of Accession. In response, the representative of Saudi Arabia stated that Saudi Arabia had no present intention to accede to the Agreement on Civil Aircraft.

Trade Related Intellectual Property Regime

General

Industrial Property Protection

228. The representative of Saudi Arabia confirmed that the policy objective in the area of intellectual property was to provide effective and adequate protection to all categories of intellectual property in conformity with the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights. In addition to the Memorandum on the Foreign Trade Regime, the representative of Saudi Arabia provided the Working Party with a Supplementary Memorandum on Trade Related Intellectual Property Rights (WT/ACC/SAU/5). The representative of Saudi Arabia provided the Working Party with the texts of the Trademarks Regulations, Patents Law and the Law for the Protection of Copyrights (L/7645/Add.1).

229. Some members of the Working Party congratulated Saudi Arabia on its generally high level of protection of intellectual property rights. They noted that Saudi Arabia had taken significant steps towards making its trade regime fully consistent with the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), but that some problems remained. Some members asked that Saudi Arabia take immediate steps to address problems in its intellectual property regime, and asked also that Saudi Arabia commit itself to full implementation of the TRIPS Agreement without a transitional period. In particular, some members of the Working Party expressed concerns in relation to the protection of copyrights; the duration of patent protection; protection of plant varieties; length of time before compulsory licensing and working requirements were applied; protection for sound recordings and audiovisual works; protection for broadcasts and satellite transmission; explicit protection for computer software programs; implementation of Articles 1-21 of the Berne Convention; and the protection of well-known marks. In response, the Representative of Saudi Arabia reaffirmed Saudi Arabia's commitment to meeting the obligations of the TRIPS Agreement and provided additional relevant information as set forth below.

Agencies Responsible for Policy Formulation and Implementation

230. In response to questions from members of the Working Party, the representative of Saudi Arabia confirmed that different Saudi agencies were responsible for different aspects of intellectual property formulation and implementation, depending on the precise nature of the issue involved. For example, the Ministry of Commerce and Industry was responsible for implementing the Trade Marks Law and for formulating and implementing policy regarding the protection of

undisclosed information, pursuant to the Companies Law, the Labour Law, the Banking Control Law and the new Unfair Competition Law, currently under consideration, that would deal comprehensively with this issue. He further stated that the King Abdulaziz City for Science and Technology (KACST) was responsible for implementing policy regarding Patents, the Protection of Industrial Designs, Plant Varieties and Layout of Integrated Circuits. He added that the Ministry of Culture and Information was responsible for implementing the Copyright Law.

Membership in International Intellectual Property Conventions

231. In response to questions from the members of the Working Party, The representative of Saudi Arabia confirmed that Saudi Arabia was a member of a number of intellectual property conventions, including:

- i. The Convention Establishing the WIPO.
- ii. The Berne Convention.
- iii. The Paris Convention.
- iv. The Universal Copyright Convention.
- v. The Arab Regional Copyright and Related Rights Agreement.

Application of MFN and National Treatment to Foreign Nationals[Error! Bookmark not defined.](#)

232. In response to a question from the members of the Working Party, the representative of Saudi Arabia stated that the Kingdom provided MFN and National Treatment in accordance with the provisions of Articles 3 and 4 of the TRIPS Agreement.

Fees and Taxes

233. In response to a question from members of the Working Party, the representative of Saudi Arabia gave the following information on fees and charges:

Copyrights: No fees or charges

Trade Marks, Including Service Marks

-	Application Fee:	SAR 1,000
-	Registration Fee:	SAR 3,000
-	Renewal of Registration:	SAR 3,000
-	Changes or Modifications to Registration:	SAR 1,000
-	Late Fee for Delayed Renewal:	SAR 3,000

Substantive Standards of Protection, Including Procedures for the Acquisition and Maintenance of Intellectual Property Rights

Copyright

234. With reference to copyright, some members of the Working Party considered that Saudi Arabia's laws did not fully reflect its obligations under the Universal Copyright Convention. In addition, the provisions of the Saudi laws did not provide protection for sound recordings. Saudi Arabia had not yet joined the Berne, Paris, or Geneva Phonograms Conventions. Membership in such multilateral intellectual property Agreements demonstrated a strong commitment to protection and supports local enforcement. Other apparent deficiencies included the fact that there were no laws that protect broadcasts and satellite transmissions, and that the term of protection for audiovisual works was 25 years, not 50 years as called for in the TRIPS Agreement. Saudi Arabia's laws also appeared to lack sufficient legal penalties to deter piracy, e.g., substantial fines or prison sentences. In response, the representative of Saudi Arabia stated that Saudi Arabia's intellectual property regime would be brought into full conformity with the requirements of the Agreement on TRIPS, from the date of Saudi Arabia's accession to the WTO. In document WT/ACC/SAU/39, the representative of Saudi Arabia provided members of the Working Party with a detailed plan on the steps being taken to ensure full implementation of the TRIPS Agreement according to the Action Plan. The representative stated that Saudi Arabia had joined the Bern and Paris Conventions.

235. In response to questions from members of the Working Party, the representative of Saudi Arabia stated that ongoing reviews of the WTO conformity of Saudi law had so far revealed that there were some areas of incompatibility that would need to be rectified either through amendment of existing legislation or enactment of new laws. It would also be necessary to introduce the administrative machinery to ensure the enforcement of TRIPS standards. Later, the representative of Saudi Arabia informed Working Party members that Saudi Arabia had enacted a new Copyright Law, which was in full conformity with the provisions of the TRIPS Agreement. The new Copyright Law was issued vide Council of Ministers' Decision of 9 June 2003. The main features of the new Law were: (1) more explicit protection for computer software and data bases; (2) more specific protection to audio-visual works and sound recordings, including protection for 50 years; (3) legal use of foreign works such as translations and copying would be clarified according to the TRIPS Agreement; (4) duration of protection of all artistic and literary works would be provided according to the requirements of the Berne Convention. In the area of enforcement, the new Law provided in detail for all types of infringements and piracies and strengthened penalties (including provisions for imprisonment) to meet the requirements of the TRIPS Agreement.

Patents

236. Concerning patents, the representative of Saudi Arabia noted that in general, patentable subject matter in Saudi Arabia was consistent with the requirements of Section 5 of the TRIPS Agreement. Processes (methods of manufacturing) were patentable, and were protected from infringing use. Plant varieties were not currently patentable, even though the TRIPS Agreement required the protection of plant varieties (Article 27(3)). The representative of Saudi Arabia stated that the protection of plant varieties would be provided in accordance with the provisions of Article 27(3)(b) of the TRIPS Agreement. Patent holders in Saudi Arabia would be accorded the rights mentioned in Article 28 of TRIPS. A patent holder was required to make full industrial use of the patent in Saudi Arabia within two years. Although the current Patent Law conferred a term of protection of 15 years with the possibility of a five year extension, the representative of Saudi Arabia stated that it was foreseen that the period of protection for nationals of WTO Members, could be automatically granted a five year extension after the elapse of the initial 15-year protection period. The representative of Saudi Arabia confirmed that amendments of the Patent Law would include a term of protection of 20 years.

237. As to compulsory licensing, the representative of Saudi Arabia stated that the amendment of the Patent Law would conform national law and practice to the requirements of Article 31 of the TRIPS Agreement. The review of the Patent Law had revealed that, in comparison with Article 27(3) of the TRIPS Agreement, the exclusion of patentability contained in paragraphs (a) and (b) of Article (8) was in accordance with Article 27 (1) of the TRIPS Agreement which limits the patentable inventions to those which were related to products or processes; paragraph (c) of Article (8) was in full compliance with subparagraph (b) of Article 27(3) of the TRIPS Agreement except that paragraph (c) did not exclude "micro-organisms" from "plants and animals" and did not include "non-biological processes" as processes excluded from "biological processes for the production of plants and animals"; and that paragraph (d) of the Patent Law was in full compliance with sub-paragraph (a) of Article 27(3) of the TRIPS Agreement. The representative of Saudi Arabia informed Working Party members that the draft Law was at an advanced stage in the legislative process. He said that the draft Law was in full conformity with the provisions of the TRIPS Agreement and included provisions not only on Patents, but also on Industrial Designs, Plant Varieties and Layout Designs of Integrated Circuits.

	Individuals	Companies
	SAR	SAR
Application Fee	400	800
Patent Grant and Publication	500	1,000
Annual Fees	400	800

	Individuals	Companies
	SAR	SAR
Amendments/Additions to Patent Applications	100	200
Change of Ownership	200	400
Certified Copies from Register	50	100
Grant of Compulsory Licence	4,000	8,000
Registering Licence Agreement	400	800

Trademarks

238. In response to requests for information concerning the protection of trademarks in Saudi Arabia, the representative of Saudi Arabia gave a description of various provisions of the existing Trade Marks Law and their relationship to the respective provisions of the TRIPS Agreement. In response to questions from Working Party members, he stated that geographical names could not be registered as a trademark under Saudi Arabia's Trademarks Regulations if their use caused a misunderstanding as to the source of products or services, or their origin. Since the production, sale, consumption and import of alcoholic beverages were prohibited in the Kingdom for religious reasons, geographical indications of origin of wines and spirits were not protected in Saudi Arabia. Some members of the Working Party noted that the period of protection for a trademark when the requirement of use was not fulfilled was five years, two years more than the period required by Article 19 of the Agreement on TRIPS. These members noted also that the initial and renewable period of period of protection for trademarks where the requirement of use was fulfilled was ten years, three years more than the period required by Article 18 of the Agreement on TRIPS. Later, the representative of Saudi Arabia stated that a new WTO-consistent Trade Marks Law was issued vide Council of Ministers' Decision No. 140 of 5 August 2002, to bring Saudi Arabia's trademarks regime into compliance with the provisions of the TRIPS Agreement.

Geographical Indications, Including Appellations of Origin

239. Members of the Working Party asked for details regarding Saudi Arabia treatment of geographical indications. In response, the representative of Saudi Arabia stated that the new WTO-consistent Trade Marks Law, which also contained provisions regarding geographic indications, was issued vide Council of Ministers' Decision No. 140 of 5 August 2002. The new Trade Marks Law, he said, was consistent with WTO TRIPS Agreement and contained provisions on protection of geographical indications.

Industrial Designs

240. In response to requests for information concerning the protection available for industrial designs, the representative of Saudi Arabia responded that industrial designs would be protected by the industrial designs provisions in the draft Law on Patents, Industrial Designs, Plant Varieties and Layout Designs of Integrated Circuits, to be implemented by The King Abdulaziz City for Science and Technology (KACST).

Layout Designs of Integrated Circuits

241. In response to requests for information concerning the protection available for layout designs, the representative of Saudi Arabia noted that protection of layout designs of integrated circuits was covered by the draft Law on Patents, Industrial Designs, Plant Varieties and Layout Designs of Integrated Circuits, consistent with WTO obligations.

Plant Variety Protection

242. In response to questions from members of the Working Party, the representative of Saudi Arabia stated that protection of plant varieties was provided by the draft Law on Patents, Industrial Designs, Plant Varieties and Layout Designs of Integrated Circuits.

Undisclosed Information

243. Some members of the Working Party requested information on the protection available for undisclosed information. The representative of Saudi Arabia stated that although undisclosed information was currently protected by the Companies Law, Labour Law and Banks Control Law, work was underway to prepare an Unfair Competition Law that would deal comprehensively with this issue. That law would be implemented by the Ministry of Commerce and Industry. He added that anti-competitive practices would be covered by the law as well.

Enforcement

244. Some members of the Working Party noted the steps being taken by Saudi Arabia to eliminate some problems in the area of enforcement, in particular the piracy of intellectual property. It was clear that much of the necessary legislation was in place, but that was experiencing difficulty in fully implementing and enforcing the new laws. These members of the Working Party urged Saudi Arabia to work towards full conformity with the Agreement on TRIPS from the date of Saudi Arabia's accession to the WTO. In response to comments concerning the enforcement of border measures, the

representative of Saudi Arabia stated that border measures in Saudi Arabia were broadly consistent with the provisions of the TRIPS Agreement which authorized judicial or administrative bodies to issue a provisional seizure decision pursuant to Article 22.7 of the Copyright Law and Article 49 of the Trade Marks Law. Moreover, Customs authorities, in coordination with the Ministry of Commerce and Industry and the Ministry of Culture and Information, seized consignments infringing intellectual property rights, according to the applicable laws in Saudi Arabia. In connection with the enforcement of border measures, Saudi Customs was in the process of establishing an IPR Unit, which would serve as a database on forged and counterfeit goods.

245. The representative of Saudi Arabia stated that it was the intention of Saudi Arabia to fully comply with the requirements of the Agreement on TRIPS as soon as possible. Much of the required legislation was already in place. In addition, Shariah provided significant protection of intellectual property rights. Saudi Arabia was working towards codification of all laws required by the Agreements on TRIPS.

246. In response to requests from members of the Working Party, the representative of Saudi Arabia stated that the Action Plan for the Implementation of the TRIPS Agreement presented in document WT/ACC/SAU/43, was being implemented. Some TRIPS laws, for example, Trade Marks Law, including Geographical Indications, Copyright Law and the GCC Patent Law (applicable to Saudi Arabia also) had already been enacted, while other IP laws, including the draft Law on Patents, Industrial Designs, Plant Varieties and Layout Designs of Integrated Circuits, were at an advanced stage in the legislative process and would soon be enacted.

247. The representative of Saudi Arabia stated that Saudi Arabia would apply fully all the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights from the date of accession to the WTO, without recourse to any transition period. The Working Party took note of this commitment.

POLICIES AFFECTING TRADE IN SERVICES

248. In addition to the Memorandum on the Foreign Trade Regime, the representative of Saudi Arabia provided the Working Party with information on the services regime in Saudi Arabia in a Supplementary Memorandum on the Foreign Trade Regime, (WT/ACC/SAU/5); as well as supplementary background notes and information in documents WT/ACC/SAU/23 and 24.

249. Some members of the Working Party congratulated Saudi Arabia on its very liberal services regime. They noted, in particular, the high number of foreign workers and service providers already resident within Saudi Arabia.

250. Some members of the Working Party requested clarification of the roles of various government agencies in the approval of new investments of foreign capital in the services sector. In response, the representative of Saudi Arabia stated that all foreign investment was to be approved by the newly created Saudi Arabian General Investment Authority (SAGIA) as a one-stop shop, except those activities listed in the negative list or where the power to license was assigned to an agency other than SAGIA.

251. Some members of the Working Party requested information on the regulation of the financial services sector and in particular requested information on the conditions under which a foreign bank could obtain a licence to establish a branch within Saudi Arabia. In response, the representative of Saudi Arabia stated that banking firms' activities were regulated by the Banking Control Law. Under Article 2 of the Banking Control Law, a natural or legal person was required to have a license to engage in a banking business. Under Article 3 of the Law, the licensing requirements for a Saudi national bank stipulated, *inter alia*, that it must be a Saudi joint stock company. This included joint venture banks. A foreign bank could be granted a licence to establish branches in Saudi Arabia if it satisfied the conditions determined by the Council of Ministers upon the recommendation of the Minister of Finance. The representative of Saudi Arabia added that the Saudi Arabian Monetary Agency (SAMA) always acted consistently with the requirements of Articles XVI and XVII of the GATS when considering an application for a new licence. Upon the recommendation of the Saudi Arabian Monetary Agency, the Minister of Finance and the Council of Ministers would evaluate the recommendation taking into account the following objective considerations: the macroeconomic needs of the financial and banking system; the development of new products and services; the level of existing competition in the market; the benefits to the consumer; the introduction of new technologies; the impact on the financial stability and soundness of the banking system; the professional and business standing of the founders and members of the Board of Directors; and the capital adequacy of the proposed enterprise.

252. He further added that Saudi Arabia provided for a wide range of judicial, arbitral and administrative procedures with respect to trade in services. Saudi Arabia had administrative procedures for the review of administrative decisions affecting trade in services. Such decisions could be appealed to the Board of Grievances under the Council of Ministers Resolution No. 190 of 16.11.1409 H Concerning Rules and Procedures to be Followed by the Board of Grievances and the

Board of Grievances Law. Commercial disputes were generally covered by the Board of Grievances and some other standing and ad hoc committees. Some members of the Working Party asked the representative of Saudi Arabia to provide information on the review of decisions concerning the licensing of service providers in Saudi Arabia. In response, the representative of Saudi Arabia stated that a number of Ministries and Agencies were involved in approval of the right to provide a service in Saudi Arabia; for example: the Ministry of Commerce and Industry for engineers, legal practitioners, accountants and insurers; the Ministry of Defence and Aviation for civil aviation, tourism and travel agents; the General Organization for Technical Education and Occupational Training for technical institutes and national occupational centres; the Ministry of Health for medical practitioners, pharmacists, hospitals; the Ministry of Communications for maritime transport; and the Saudi Arabian Monetary Agency for banks and cooperative insurance companies. In all cases, the Ministries and Agencies involved had internal standing committees of senior officials to review initial administrative decisions pertaining to licensing. Decisions of standing committees could be appealed to the responsible Minister or Agency head. Administrative Decisions involving potential civil suits against the government could be brought before the Board of Grievances.

253. In response to requests for information on the nature and extent of incentives, tax exemptions and subsidies available to service providers in Saudi Arabia, on a national treatment basis, the representative of Saudi Arabia stated that no tax holidays were now available within the new Foreign Investment Regulations of April 2000

254. In response to requests for information concerning restrictions on the provision of professional services, the representative of Saudi Arabia stated that all professional services were treated in the same manner. A licence was required to provide professional services. To be eligible for a licence the company was required to be: reputable and well recognized in the field of its profession; to have been registered and successfully practising in the field for at least ten years; and to be prepared to participate in the training and the building of Saudi nationals' experience and introducing relevant technology. In addition, the foreign company should employ or have at least one representative in Saudi Arabia. That representative should stay in Saudi Arabia for a period not less than nine months per year; have at least a university degree in the field of the company specialization; and have not less than ten years experience successfully. In response to requests for further information concerning the conditions required to be fulfilled in order to be eligible for grant of a licence, the representative of Saudi Arabia stated that a foreign company would be considered as reputable, well recognized and practising in the field successfully if it was registered under the companies law of its home country, was certified as financially viable by its bankers, produced copies of audited balance sheets for the last two years, produced a list of previous contracts/assignments,

outside Saudi Arabia, certified by the Chamber of Commerce and Industry in the company's home country, and also produced certificates of satisfactory completion of assignments from former clients. Concerning the participation in training and the introduction of technology, the applicant company should give an undertaking that it would train Saudi nationals and would introduce the new technologies and know-how that it employed in its home country. He also added that the foreign existing companies already licensed to operate in Saudi Arabia had a period of one year to fulfil those conditions. If they do not do that, the licence may be cancelled. New companies had to fulfil the conditions from the beginning of their business activities.

255. Some members of the Working Party asked whether Saudi Arabia planned to liberalise the limitations placed on the participation of foreigners in security underwriting, commodity brokerage services and currency exchange operations, as well as the limitations placed on the participation of foreigners in land transportation and professional services. In response, the representative of Saudi Arabia stated that although there were limitations on the participation of both foreign and domestic individuals in providing security underwriting, commodity brokerage services and currency exchange operations, there were no such limitations on domestic and foreign banks, except the requirements to be licensed. There were no plans to liberalise those conditions.

256. Some members of the Working Party asked whether there were any instances of less than national treatment for foreign service providers. The representative of Saudi Arabia stated that only Saudi Arabian nationals were allowed to participate in commercial agencies, customs clearance agencies, real estate agency, transportation (land based transport and coastal shipping services) and civilian security. Postal services, basic telecommunications services, radio and television transmission services were reserved to the State. He further added that under Article 8 of the Unified Economic Agreement of the Gulf Cooperation Council, national treatment was provided for Gulf Cooperation Council nationals in, among other things, freedom of movement, work and residence, right of ownership and freedom of exercising economic activity, including service activities and free movement of capital. Saudi Arabia, together with the other Gulf Cooperation Council members, was in the process of implementing this Agreement. In addition, some bilateral Agreements signed by Saudi Arabia conferred preferred or reciprocal supplier status on companies from signatory countries with regard to certain services. Agreements with Egypt and Jordan conferred reciprocal supplier status for cross-border truck and public transportation vehicles; Agreements with Egypt and Tunisia granted preference to national shipping and transport modes in bilateral trade; Agreements with Lebanon, Syria and Turkey provided for reciprocal treatment with regard to transportation and transport vehicles; and an Agreement with Morocco included reciprocal airline privileges.

257. In response to requests for information concerning the rules governing temporary residence in Saudi Arabia by foreigners, the representative of Saudi Arabia stated that the Law of Residency was enforced by the Ministry of Interior. In addition, the Ministry of Labour approved applications for the presence of foreigners who work or were given licence to practice work in the private sector. Some members of the Working Party requested information on the system followed for employment of foreign employees and investors. The representative of Saudi Arabia stated that once a foreign employee was offered a contract, a visa would be granted. Business visitors would, however, require a letter or invitation or a copy of the relationship or Agreement with a Saudi party.

258. In response to questions concerning the limitations placed upon the total number of natural persons employed in particular sectors, the representative of Saudi Arabia stated that as a matter of principle, work was considered a Saudi citizen's right. Consequently, a foreigner would not be employed when to do so would displace a Saudi worker. The Labour and Workers Regulations required that any enterprise, Saudi or foreign owned, would ensure that the percentage of the Saudi workers engaged by the employer should not be less than 75 per cent of the total workforce. However, the Regulations also permitted the Minister of Labour to reduce the required percentage in circumstances where qualified Saudi workers were not available. Foreign workers were required to obtain work permits from the Ministry of Labour, and an application for a permit was required to be accompanied by a submission from the proposed employer confirming the non-availability of qualified Saudis for the work. All service providers activities, regardless of ownership were obliged to reserve certain positions for Saudis, including personnel officers, recruitment offers, receptionists, treasurers, civilian security guards, and transaction follow-up clerks to government departments.

259. Some members of the Working Party requested clarification of the qualification requirements and procedures for approval of foreign service providers. In response, the representative of Saudi Arabia stated that different categories of services required different types of approval. For example, for medical services, the service provider should have a medical degree from a recognized institution. For educational services, the service provider should have adequate academic qualifications in the relevant disciplines from a university or a recognized institution. For the provider of accounting and auditing service, the provider should be a certified accountant from a recognized institute. In addition, all foreign companies should possess the necessary technical expertise, financial capabilities, and occupational proficiency.

260. In response to questions concerning restrictions placed on foreign service providers procurement of business inputs, the representative of Saudi Arabia stated that all non-Saudi contractors must assign not less than 30 per cent of the works included in their contract to wholly-

owned Saudi companies. All contractors were obliged to purchase the tools and equipment that they procure for performance of their contracts from Saudi agents for these tools and equipment in Saudi Arabia. Contractors were required to obtain the following services from local Saudi establishments: transportation services for goods and services within Saudi Arabia, (if the contractor did not perform this service by itself directly by equipment owned by the business and with personnel directly employed by the business) banking services; services for the leasing and purchase of land and buildings; and catering services and supply of foodstuffs.

261. Some members of the Working Party asked whether permission for a foreign owned service provider to own real property was automatic once the licence to engage in business activities as a foreign establishment in Saudi Arabia was obtained. In response, the representative of Saudi Arabia stated that foreign establishments authorized to carry on their activities in the Kingdom under the Foreign Investment Law may own real estate only for a specific use related to the licensed project, in accordance with the rules on foreign ownership of real estate. The concerned Minister's approval of a request to own real estate is a prerequisite before its review by a Ministerial Committee headed by the Minister of Interior.

262. In response to questions from members of the Working Party, the representative of Saudi Arabia provided the following information regarding the Kingdom's insurance regime. He stated that Cooperative Insurance in the Kingdom was undertaken through registered insurance companies operating in a cooperative manner as provided within the articles of the Law on Supervision of Cooperative Insurance Companies and in accordance with the principles of Islamic Shari'a. Cooperative Insurance operated with the purpose of maintaining an efficient, fair, safe and stable insurance market for the benefit and protection of policyholders and shareholders. Cooperative insurance aimed to strengthen values like cooperation and social solidarity (takaful) among the insured by indemnifying those among them who sustain losses insured against as well as sharing equitably the amount of such losses among themselves.

263. The representative of Saudi Arabia further stated that cooperative insurance companies offered both policyholders and shareholders the opportunity to benefit from their contributions and investments through the distribution of the surplus of insurance operations between the shareholders and policyholders. To facilitate a clear accounting for the distribution of the surplus, the insurance and re-insurance operations accounts were kept separate from the shareholders investments accounts. Insurance operations accounts were maintained from the contributions paid to the company by policyholders and were reserved for payments of claims and expenses of the company's operation. Policyholders were entitled to a percentage of the surplus from the income generated from the

operations and the return on investment from the policyholders' contributions at the end of the year in the form of reduction of premium or by monetary distribution. Shareholders investments accounts were maintained from the investment of the shareholders' capital and the insurance operations' fund. The net investment returns from the insurance operations fund were added as investment return to the insurance operations accounts and the rest was available for the shareholders.

264. The Implementing Regulations of this Law were to be issued by an order of the Minister of Finance and would specify the insurance activities covered in this Law. The implementing regulations would provide transparency by making public all rules and regulations affecting the insurance and reinsurance industry, would promote competition in the market place and would provide consumer and private-sector protection.

265. Subject to the provisions of the Cooperative Health Insurance Law, promulgated by Royal Decree M/10, dated 1/5/1420H, the Cooperative Insurance Law granted the Saudi Arabian Monetary Agency (SAMA), through a clear, transparent and consistent regulatory and supervisory process, the powers to:

- i. Review applications for licenses and issue recommendations for licensing to the Ministry of Commerce and Industry.
- ii. Authorize suspension and withdrawal of regulatory permission.
- iii. Approve board members of insurance and reinsurance companies, and external auditors.
- iv. Monitor solvency of insurance and reinsurance companies through the establishment of general rules to ensure credit-worthiness, capital adequacy, soundness of assets and technical provisions and ability to meet obligations to policyholders.
- v. Inspect records directly or through auditors and request regulatory information.
- vi. Approve mergers and acquisitions of insurance and reinsurance companies.
- vii. Regulate and approve rules of investment in insurance and reinsurance operations.
- viii. Establish minimum deposit limits and the amount of funds to be deposited in local banks to exercise each insurance activity.
- ix. Approve policy forms.
- x. Establish investment policy for insurance and reinsurance companies.
- xi. Intervene following violations of the rules, including requiring liquidations.
- xii. Establish the pre-conditions for granting licenses to provide insurance-related services, in particular: insurance brokers, insurance consultants, inspectors and loss adjusters, experts in settling insurance claims and actuaries.

266. The main object of the insurance and reinsurance companies was to engage in insurance and reinsurance activities, not to undertake any other activities unless they are complementary or necessary. Insurance and reinsurance companies could not directly own brokerage companies or establishments. Reinsurance companies could not own reinsurance brokerage companies or establishments. However, insurance companies could, subject to obtaining the SAMA's approval, own companies or establishments engaged in reinsurance brokerage activities.

267. The capital of the insurance company should not be less than SAR 100,000,000 and the paid-up capital of a reinsurance company or an insurance company engaged at the same time in reinsurance activities should not be less than SAR 200,000,000. The minimum capital should not be altered without the SAMA's approval and in accordance with the Companies Law.

268. Following the completion of bilateral negotiations with WTO Members, the schedule of specific commitments on services of Saudi Arabia would be reproduced in Part II of the Annex to the Protocol of Accession of Saudi Arabia.

Government Procurement

269. Some members of the Working Party requested that Saudi Arabia undertake to accede to the Agreement on Government Procurement upon accession to the WTO. The representative of Saudi Arabia replied that the Agreement on Government Procurement was a multilateral Agreement, adherence to which was not a precondition for accession to the WTO.

270. Members observed that government procurement accounted for a major part of Saudi Arabia's imports, and that Saudi participation in the Agreement on Government Procurement was an important issue. The benefits of joining the GPA included lower procurement costs and greater transparency. In particular, the transparency provisions of the Agreement could be useful to Saudi Arabia in ensuring the least cost/best quality outcome for procurement in covered agencies.

271. The representative of Saudi Arabia stated that, upon accession, his Government would seek observer status in the Government Procurement Committee and would follow the work of the Working Group on Transparency in Government Procurement Procedures. The Working Party took note of this commitment.

Transparency

272. Some members of the Working Party requested information on Saudi Arabia's implementation of the transparency requirements prescribed in Article X of the GATT, Article III of the GATS and other WTO Agreements. They asked whether a legal obligation existed in Saudi Arabia to publish in an official journal all laws, regulations, judicial decisions and administrative orders or rulings of general application or other measures having similar effect relating to trade or economic policy "in such a manner as to enable governments and traders to become acquainted with them"; to what extent publication occurred prior to entry into force; and whether any such measures could enter into force without being published in the official journal.

273. In response, the representative of Saudi Arabia stated that Article 71 of the Basic Law requires that all laws be published in *Umm Al-Qura*, the Official Journal, before they entered into effect, and that laws become effective on the date of publication unless a later date was specified. He added that the *Umm Al-Qura* also is the official journal for publication of regulations, implementing regulations, decrees, decisions, Ministerial orders, international Agreements and concessions, which also could not come into effect prior to publication there. These rules, however, do not extend to administrative orders. He further added that Article 47 of the Board of Grievances Law required the publication of judicial decisions. There were no other requirements for publication or notification currently in effect. He also confirmed that his government has set up operational enquiry points in conformity with the requirements of Article III of the General Agreement on Trade in Services and the WTO Agreements on TBT and SPS.

274. A Member stated that timely review of legislation published in *Umm Al-Qura* was difficult, as copies were not immediately available to the general public and many private-sector entities were unable to obtain copies of laws and regulations with sufficient time to become acquainted with their provisions prior to the date of implementation. In addition, although all laws and regulations were published in the Journal, the non-publication of administrative orders presented problems of adjustment in cases of new import or export requirements. This Member suggested that Saudi Arabia consider posting the *Umm Al-Qura* on the internet to improve access by the public to laws, regulations, judicial decisions and administrative rulings of general application, and welcomed any other practical steps taken by Saudi Arabia to ensure prompt and accessible publication of legislation and regulations in the Official Journal.

275. The representative of Saudi Arabia confirmed that from the date of accession his government would fully implement Article X of the GATT 1994, Article III of the GATS and the other WTO transparency requirements, including those requiring notification and publication. As such, all laws, regulations, decrees, judicial decisions and administrative rulings of general application pertaining to or affecting customs issues, trade in goods, services, intellectual property and the control of foreign exchange would be published promptly in the *Umm Al-Qura* in a manner that fulfils the WTO requirements and no such law, regulation or other normative act or measure would become effective or be enforced prior to such publication. He further confirmed that the government also had decided to expand the transparency provided with regard to legislation and measures having similar effect in the areas of trade and investment. In this regard, Saudi Arabia would, from the date of accession, establish or designate an official website (and possibly a supplemented official journal or an expanded *Umm Al-Qura*), updated on a regular basis and readily available to WTO members, individuals and enterprises, dedicated to the publication of all regulations, decisions, orders, administrative rulings of

general application, and other measures pertaining to or affecting trade in goods, services, and TRIPS prior to enactment. The publication of such regulations and other measures would include, as appropriate, the names of the authorities (including contact points) responsible for implementing a particular measure and the effective date of the measure. Also, it would list the products and services affected by the particular measure, identified by appropriate tariff line and classification. He added that Saudi Arabia intended to post the contents of current and past editions of the Official Journal on this website as well, and keep them current. The Working Party took note of these commitments.

Notifications

276. The representative of Saudi Arabia said that, upon entry into force of the Protocol of Accession, Saudi Arabia would submit all notifications required by any Agreement constituting part of the WTO Agreements. Any regulations subsequently enacted by Saudi Arabia which gave effect to the laws enacted to implement any Agreement constituting part of the WTO Agreements would also conform to the requirements of that Agreement. The Working Party took note of these commitments.

Trade Agreements

277. In response to questions the representative of Saudi Arabia submitted the text of the Unified Economic Agreement signed on 11 November 1981 under the Gulf Cooperation Council. He said that the free-trade Agreement met all the requirements of Article XXIV of GATT Agreement 1994, including in particular paragraphs 5 (b) and 8(b) thereof. The free-trade area had eliminated duties and other restrictive regulations of commerce and also all the trade between the members of the Gulf Cooperation Council in the products originating in the member states and work was proceeding to further harmonize trade and commercial policies. He also submitted the programme for the implementation of the Agreement Facilitating and Developing Trade Exchange among Arab States to create a Free Trade Area and the Agreement Facilitating and Developing Trade Exchanges among Arab States. Saudi Arabia would notify these Agreements upon becoming a WTO Member.

278. In response to further questions, the representative of Saudi Arabia stated that the GCC Customs Union had been established and was operative since the beginning of January 2003. Saudi Arabia and other GCC member states were applying the GCC common external tariff. The rates of common external tariff for more than 85 per cent of the tariff lines were 5 per cent or 0 per cent. He said that future plans included the application of common external tariff to all items and steps towards a common market and a common currency.

279. The representative of Saudi Arabia stated that implementation of the Arab Free Trade Area was progressing with the aim of having a full-fledged free trade area from 2005. Tariffs of member countries in the context of the Arab Free Trade Area had been reduced by 80 per cent. Future plans included negotiations to create a customs union.

280. Saudi Arabia and other GCC member states have discussed with the European Communities the possibility of establishing a free trade area.

281. The representative of Saudi Arabia stated that his Government would observe the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in its trade Agreements, and would ensure that the provisions of these WTO Agreements for notification, consultation and other requirements concerning free trade areas and customs unions of which Saudi Arabia was a member were met from the date of accession. He confirmed that Saudi Arabia would, upon accession, submit notifications and copies of the GCC Customs Union and the Arab League Free Trade Area for review by the Committee on Regional Trade Agreements (CRTA). The Working Party took note of these commitments.

CONCLUSIONS

282. [The Working Party took note of the explanations and statements of Saudi Arabia concerning its foreign trade regime, as reflected in this report. The Working Party took note of the assurances given by Saudi Arabia in relation to certain specific matters which are reproduced in paragraphs [...] of this report. The Working Party took note of the commitments given by Saudi Arabia in relation to certain specific matters which are reproduced in paragraphs [...] of this report. The Working Party took note that these commitments had been incorporated in paragraph 2 of the Draft Protocol of Accession of Saudi Arabia to the WTO.]

283. [Having carried out the examination of the foreign trade regime of Saudi Arabia and in the light of the explanations, commitments and concessions made by the representative of Saudi Arabia, the Working Party reached the conclusion that Saudi Arabia be invited to accede to the Marrakech Agreement Establishing the WTO under the provisions of Article XII. For this purpose, the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this report, and takes note of Saudi Arabia's Schedule of Concessions and Commitments on Goods [to be prepared] and its Schedule of Specific Commitments on Services [to be prepared] that are annexed to the Protocol. It is proposed that these texts be adopted by the General Council when it adopts the report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Saudi Arabia which would become a Member thirty days after it accepts the said

Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Saudi Arabia to the Marrakech Agreement Establishing the WTO.]

[TO BE COMPLETED.]

ANNEXES

- Annex A: List of Items Subject to Price Controls
- Annex B: Comparison of the Old 1979 Foreign Investment Law and the New 2000 Foreign Investment Law
- Annex C: Summary of the Provisions of the Capital Market Law
- Annex D: SASO Seed Specifications
- Annex E: List of Products Subject to Non-Automatic Import Licensing Requirements
- Annex F: List of Banned Imports
- Annex G: List of Banned Exports
- Annex H: List of Exports Subject to Authorization/Licensing
- Annex I: List of Items Subject to Mandatory Certification
- Annex J: List of Items Subject to Pre-shipment Inspection
- Annex K: List of SPS Measures Maintained by the Kingdom of Saudi Arabia (to be submitted)

ANNEX A

List of Items Subject to Price Controls

No.	Item	Controlled Price
1.	Wheat	SAR 20/21 per 40 kg
2.	Fuel oil	6–12 Halalas/Litre
3.	Gasoline	90 Halalas/Litre
4.	Diesel	37 Halalas/Litre
5.	Kerosene	43.5 Halalas/Litre
6.	Liquefied Petroleum Gas (LPG)	72 Halalas/Litre
7.	Asphalt	300 SAR/Metric Ton

(1 SAR = 100 halalas)

The Council of Ministers is the responsible legal authority.

ANNEX B

Comparison of the Provisions of the Old and New

Foreign Investment Laws In Saudi Arabia

The old Foreign Investment Law was enacted in 1979. The new Foreign Investment Law was enacted vide Royal Decree No. M/1 dated 9 April 2000 to replace the 1979 law. Under the old Law, the licensing authority for foreign investment was the Foreign Investment Secretariat of the Ministry of Industry and Electricity. Under the new law, the licensing authority is the Saudi Arabian General Investment Authority (SAGIA). The primary other differences between the old and the new laws are as follows:

Authorities Providing Services to and Regulating Investors

Old Law: Several Ministries and Government Agencies.

New Law: Saudi Arabian General Investment Authority (SAGIA) Investor Service Centres (One-Stop-Shop). (SAGIA comprises representatives from nine investment-related ministries.)

Investment Fields Open to Foreign Investors

Old Law: The Old Law required that the project be a development project approved under the National Development Plan and that the project be accompanied by foreign technical skills and expertise to facilitate technology transfer and be approved as viable by the Foreign Investment Bureau.

New Law: All fields are open for investment, except those included in the negative list.

Period for Taking a Decision on the Investment Application

Old Law: Not specified.

New Law: Maximum 30 days.

Possibility of Obtaining More Than One License

Old Law: Restricted, had to be in the same activity.

New Law: The foreign investor may obtain more than one license in diverse activities.

Type of Foreign Investment

Old Law: Law favoured joint ventures over 100 per cent foreign-owned projects.

New Law: 100 per cent foreign-owned projects are allowed by the new law, in addition to joint ventures.

Incentives

- Old Law: Foreign capital enjoyed the incentives offered to national capital only in manufacturing industries. The Saudi share in ownership had to be 25 per cent or greater.
- New Law: The foreign investment project enjoys all of the incentives and privileges offered to local projects.

Investment Guarantees

- Old Law: None were specified. No expropriation cases since 1957.
- New Law: The foreign investor has the right to transfer his share derived from selling his equity or profits out of the Kingdom, as well as any amounts required for the settlement of contractual obligations pertaining to the project. Investment related to the foreign investor shall not be confiscated without a court order. They may not be subject to expropriation except for the public interest and in exchange for an equitable compensation according to regulations.

Real Estate Ownership

- Old Law: Foreign ownership of real-estate by foreign investors was prohibited.
- New Law: The foreign facility licensed under the Foreign Investment Act is entitled to any real-estate for practicing the licensed activity and for the housing of staff. Also the Real-Estate Regulation allows foreign investment in real-estate worth SAR 30 million or more.

Penalties for Violations

- Old Law: Kingdom could cancel of license or deny of incentives, after investor received warning from the Ministry of Industry and Electricity to correct the violation within a certain period. Investors could appeal to the Board of Grievances within 30 days.
- New Law: A petition against any penalty may be brought by the investor before the Board of Grievances. Possible penalties include:
- Withholding incentives offered to the foreign investor.
 - Imposing a fine not exceeding SAR 500.000.
 - Cancellation of license in case of continuity of violation after a written notification to rectify the violation within a certain period specified by SAGIA.

Tax Exemption

- Old Law: Industrial and agricultural projects were offered a ten year tax holiday and other projects a five year holiday, provided that the local share forms 25 per cent of the project capital. The tax on profits was up to 45 per cent.

New Law: Taxes on profits were reduced to 30 per cent and losses may be transferred to coming years. A further tax reduction is under discussion.

Sponsorship

Old Law: Foreign investors had to be sponsored by a Saudi citizen.

New Law: The requirement of the old law was removed. The foreign investor and his non-Saudi staff shall be sponsored by the licensed investment project.

ANNEX C

Summary of Provisions of the Capital Market Law

Chapter 1 sets out the definitions of the terms used in the law. The Capital Market Authority (CMA) has rule-making authority to further define what is or will not be deemed a security. This assures necessary flexibility and certainty. The CMA is formally created in Chapter 2, which also sets forth the CMA's extensive rule-making powers, organizational structure and duty to report annually to the President of the Council of Ministers. Chapter 3 creates the Saudi Arabian Securities Exchange as a joint stock company and empowers it to adopt by-laws for the purpose of establishing and enforcing high professional and ethical standards for brokers. The CMA is also required to establish and maintain a Securities Violation Tribunal with jurisdiction over all disputes.

Chapter 4 requires the Exchange to establish the Securities Deposit Centre, which will be the exclusive organization for clearing, settling and registering ownership of securities traded on the Exchange. Chapter 4 provides that the records of the centre are conclusive evidence of ownership for securities traded on the Exchange and authorizes the Exchange to adopt rules necessary to assure efficient and reliable clearance, settlement and registration. Under Chapter 5, brokers must be licensed. Licensing requirements are established and administered by the Exchange but the actual issuance of license is by the CMA based on a recommendation by the Exchange. Chapter 6 provides that, commencing in 2005, the CMA has the authority to adopt rules regulating enumerated aspects of the activities of investment funds, collective trusts, investment managers and investment advisers. Until 2005, the regulation of these entities (Bank Investment Funds) and parties will remain with the present regulators.

The disclosure procedures for public offers of securities and the on-going disclosure requirements for the issues of publicly traded securities are set forth in Chapter 7. No sales through a public offer of a security can occur until a prospectus is published and the CMA has approved the prospectus. Such approval is granted upon the CMA being satisfied that the prospectus fulfils the disclosure requirements as set forth in the CMA's regulations. Chapter 8 authorizes the CMA to issue rules defining what constitutes manipulation, as well as insider trading and tipping of inside information.

Advance notice of a possible takeover is the subject of Chapter 9; anyone who increases his ownership of a class of equity security listed on the Exchange so that he will own 10 per cent or more of a company must file certain information about himself and such other information as the CMA's regulations require. These provisions are similar to early-warning disclosures in other countries. Chapter 9 authorizes the CMA to adopt a range of substantive protections for the shareholders of the firm that is the target of a takeover. Chapter 10 is the final chapter of the Capital Market Law. It sets forth the CMA and private investor action that can be brought for violations of any provision, rule or regulation of the Capital Market Law.

ANNEX D

SASO Seed Specifications

1. Seed must be true to type, from the first generation certified and produced directly from registered seed and the product of the preceding growing season.
2. Each consignment must include a certificate indicating the following:
 - Date and place of production (name of country, state or province and city)
 - Purity percentage
 - Germination percentage
 - Vitality of the seeds
 - Inert matter percentage
 - Weed seeds (including number of seeds and varieties in a sample of 2 kg)
 - Barley seeds (include number of seeds in a sample of 2 kg wheat seeds)
 - Moisture percentage

The certificate must be from a national lab or an authorized government lab (including a state lab if the seeds are imported from the US).

For seeds imported from Canada or Europe, the ISTA (International Seed Testing Association) Orange Certificate must be presented.

3. The seeds must be treated with either:
 - fungicide Triadimenol (commercially known as Baytan) (15 - 30 per cent); or
 - a mixture of Triadimenol 7.5 per cent and Imazalil 3 per cent at the rate recommended by the US EPA; or
 - fungicide Brochlorda 10 per cent and Carbendazim 40 per cent (commercially known as Prelude) at the rate of 2 kg/ton of seed; or
 - fungicide Carboxin 17 per cent and Thiram 17 per cent (commercially known as Vitavax 200) at the rate of 2.5 kg/ton of seed.
4. All growing seeds must be red in colour and homogeneously treated in order to differentiate them from consumption seeds.
5. The consignment must follow all the rules and international regulations of ISTA concerning seed testing and seed bag markings. The information on the bags must be clear in the English and Arabic languages and must specify that the seed was treated with poisonous chemicals and is not fit for human or animal consumption. The skull and cross-bones danger sign must be printed on the bags.

Conditions and Requirements

1. The release of any consignment or shipment depends on the result of the analysis of a random sample taken by the technician of MOA at the arrival port. The MOA technician will determine the fitness of the seeds.
2. Each consignee must submit the following documents:
 - a) Complete name and address of the importer
 - b) Name and address of the seed exporter

- c) Name of the seed variety(ies)
 - d) Quantity imported (net weight)
 - e) Price CIF arrival port
3. The consignee also must submit the following certificates:
 - a) Field inspection certificate from the authorities in the country of origin indicating that the fields were inspected and determined to be fit for seed production.
 - b) Certificate of origin issued by the government authorities in the exporter's country.
 - c) Legalized certificate from the authorities indicating the name of the fungicide used for the treatment of the seeds and the rate, method and date of application.
 - d) If the seeds are imported from Europe, a certificate stating that they are free from radiation. This certificate must be legalized by the Saudi Embassy in the exporter's country.
 4. The importer may not use or sell the seeds unless it receives a letter from MOA's Director of Research including the results of the analysis performed pursuant to paragraph 1, above.
 5. A seed consignment must be inspected before shipment to confirm that it fulfils the specifications and conditions for importation. This can be done by sending a representative from the importing company or through an independent lab.
 6. A letter of credit must be opened at a bank in Saudi Arabia.
 7. The last date for the arrival of a seed shipment to Saudi ports is within the time frame of the importing license.
 8. No seed consignment shall be released without a letter issued by the Director of Plant Quarantine stating that the above conditions have been satisfied.

Conditions for Rejection of a Shipment

1. Any shipment imported without prior permission from MOA, or not fulfilling the specifications and conditions set out in the previous section, will be rejected. The importer of the seeds will be fully responsible for all necessary actions, including the re-export of the seeds to his country.
2. Any consignment will be rejected if the percentage of the following is less than recommended.
 - a) Purity percentage less than 98 per cent
 - b) Germination percentage less than 92 per cent
 - c) Inert matter percentage not more than 1 per cent
 - d) Moisture percentage not more than 12 per cent
 - e) Barley seeds percentage (in shipments of wheat seed) – not more than five kernels of barley in a 2 kg sample.
3. Any shipment that contains weed seeds that are especially difficult to control, such as Avenasp – lolium, phalaris spp, or parasitic herbs such as cuscuta spp obanche spp, striga spp, or bromus spp, shall be rejected.
4. Any shipment in which the total weed seeds (other than those mentioned above) is more than five seeds per kg of wheat or barley will be rejected.

5. Any shipment will be rejected unless the lab test shows it is free from the following diseases:
- a) Ergot attack of wheat and barley caused by fungus *claviceps purpurea*.
 - b) Karnal bunt attack of wheat and caused by fungus *neovossia indica*.
 - c) Southern blight attack of wheat caused by *sclerotium rolfsii*.
 - d) Loose smut attack of wheat caused by *ustilago tritici*, and of barley caused by *ustilago nuda*.
 - e) Semi-loose smut attack of barley caused by *ustilago nigra*.
 - f) Flag smut attack of wheat caused by *urocystis agropyri*.
 - g) Cover smut attack of wheat caused by *tilletia* spp and in barley caused by *ustilago hordia*.
 - h) eptoria leaf and glume blotch attack of wheat and barley caused by *septoria* spp.
 - i) Helminthosporium spot blotch attack of wheat and barley caused by *helminthosporium satirium*.
 - j) Barley scald attack of barley caused by *rhynihosporium secalis*.
 - k) Net blotch attack of wheat caused by *helminthosporium teres*.
 - l) Barley stripe attack of barley caused by *helmunthosporium granineum*.
 - m) Scab or head blight attack of wheat and barley caused by *Fusarium* spp.
 - n) Take all attack of wheat and barley caused by *gacumannomyces graninis vartriaci*.
 - o) Snow mold attack of wheat caused by *fusarium nivale*.
 - p) Black point attack of wheat caused by *alternaria*, *helminthosporium* and *fusarium* spp.

Bacterial Diseases

- 1. Bacterial leafstreak or black chaff attack of wheat and barley caused by bacteria *xanthomonas translucens*.
- 2. Bacterials leaf blight attack of wheat and barley caused by bacteria *pseudomonas syrinag*.
- 3. Bacterial spike blight attack of wheat and barley caused by bacteria *corynebacterium tritici*.
- 4. Bacterial basal glume rot attack of wheat and barley caused by *pseudomonas atrofaciens*.

Viral Diseases

- 1. Barley stripe mosaic virus.

Nematodes Diseases

- 2. Ear cockle caused by *Anguina tritici*.
- 3. In addition, a shipment can be rejected if there is evidence of attack by any other seed transmission diseases where the number of attack seeds is at least 5 seeds/kg.
- 4. A shipment or consignment can be rejected if there is evidence of attack by any kind of insects at any stage.

ANNEX E
List of Imports Subject to Non-Automatic Licensing

S. No.	HS Code	Description	WTO Justification
1.	01 01 10 10	Horses	GATT Art. XI:2(b)
2.	01 01 90 10	Horses	
3.	01 01 90 20	Horses	
4.	Chapters 28 and 29	Chemicals	GATT Art. XXI
5.	30.03	Medicines	GATT Art. XX(b)
6.	30.04	Medicines	
7.	31 02 30 00	Explosives,	GATT Art. XXI
8.	31 02 50 00	fireworks,	
9.	36 01 00 00	gunpowder,	
10.	36 02 00 00	potassium chlorate,	
11.	36 03 00 10	gelatin, radiating	
12.	36 03 00 20	element, sodium	
13.	25 01 00 30	chloride, paraffin,	
14.	35 03 00 10	sodium nitrate, and	
15.	90 22 19 10	ammonium nitrate	
16.	90 22 19 90		
17.	27.12, except 27 12 10 00		
18.	31.02	Chemical fertilizers	GATT Art. XXI
19.	31.03	Chemical fertilizers	
20.	31.04	Chemical fertilizers	
21.	31.05, except 31 02 30 00 and 31 02 50 00	Chemical fertilizers	
22.	36 04 10 00	Lighting fireworks for	GATT Art. XXI
23.	36 04 90 00	Occasions	
24.	38 08 30 00	Herbicides, anti-sprouting products, plant-growth regulators	GATT Art. XX(b)
25.	58 07 10 00	Military uniforms, badges of	GATT Art. XXI
26.	85 07 90 00	ranks, chevrons and military	
27.	85 08 90 00	accessories such as clichés,	
28.	73 26 90 99	protective suits, electric batons,	
29.	93 04 00 90	night vision binoculars,	
30.	90 05 10 00	and helmets etc., for	
31.	65 06 10 30	any of the military sectors	
32.	83 01 40 90	Security equipment such as security surveillance	GATT Art. XXI
33.	85 25 40 00	cameras, CTV systems, anti-theft alarm systems,	
34.	85 31 10 00	magnetic card or thumb impression operated	
35.	90 22 19 90	access/exit doors and equipments, metal	
36.	90 22 19 10	detecting doors and equipments, baggage	
		screening equipments	
37.	84 19 40 00	Distillation equipment	GATT Art. XX(a)
38.	84 59 61 00	Key cutting, copying and repairing machines	GATT Art. XX(d)
39.	84 59 69 00	and instruments of any type	
40.	84 72 30 00	Postage franking machines	GATT Art. XX(d)
41.	85 25 20 11	Transmission apparatus	GATT Art. XXI

S. No.	HS Code	Description	WTO Justification
42.	85 25 20 19		
43.	85 25 20 20		
44.	85 25 20 30		
45.	85 25 20 40		
46.	85 25 20 50		
47.	85 25 20 60		
48.	85 25 20 90		
49.	85.26 in addition to any other relevant heading		
50.	87.03	Armored vehicles	GATT Art. XXI
51.	89 02 00 00	Fishing vessels	GATT Art. XXI
52.	Chapter 93	Arms and ammunitions	GATT Art. XXI
53.	Different headings	Wild animals and products thereof, according to CITES	GATT Art. XX(b)
54.	Different headings	Cultural and archeological property	GATT Art. XX(f)
55.	Different headings	Products containing currency pictures, models or wrappers in shape of currency or otherwise.	GATT Art. XX(d)

ANNEX F

List of Banned Imports

S. No.	HS Code	Description	WTO Justification
1.	01.03	Live swine, meat, fat, hair, blood, guts, limbs	GATT Art. XX(a)
2.	02 09 00 10	and all other products of swine	
3.	02 06 30 00		
4.	02 06 41 00		
5.	02 06 49 00		
6.	02.03		
7.	05 02 10 00		
8.	02 10 11 00		
9.	02 10 12 00		
10.	02 10 19 00		
11.	15 01 00 30		
12.	16 02 41 00		
13.	16 02 42 00		
14.	16 02 49 00		
15.	41 03 30 00		
16.	15 03 00 11		
17.	15 03 00 21		
18.	15 03 00 91		
19.	16 01 00 31		
20.	16 01 00 21		
21.	16 01 00 11, in addition to other relevant headings		
22.	01 06 19 40	Dogs, other than hunting dogs, guard dogs or guide dogs for the blind, accompanied with a certificate from a competent authority at the country of exportation duly qualified by the Saudi Arabian embassy stated therein that the dog to be admitted is a hunting dog, guard dog or guide dog for the blind, in addition to submitting to the veterinary quarantine.	GATT Art. XX(a)
23.	02 08 20 00	Frog meat	GATT Art. XX(a)
24.	09 08 10 00	Narcotics of all types, forms and descriptions	GATT Art. XX(b)
25.	09 08 20 00		
26.	12 07 91 00		
27.	12 07 99 10		
28.	12 07 99 20		
29.	12 11 30 00		
30.	12 11 40 00		
31.	12 11 90 20		
32.	12 11 90 60		
33.	13 02 11 00		
34.	13 02 19 10		
35.	29 39 91 10, in addition to other relevant headings		
36.	31.01	Animal or vegetable raw natural organic fertilizer	GATT Art. XX(b)
37.	12 11 90 90	Goro nut	GATT Art. XXI

S. No.	HS Code	Description	WTO Justification
38.	12 11 90 90	Betel	GATT Art. XX(b)
39.	22.03	Alcoholic beverages and intoxicants of all	GATT Art. XX(a)
40.	22.04	kinds, including those containing alcohol	
41.	22.05	in any intoxicating proportion;	
42.	22.06		
43.	22 07 20 90		
44.	22.08, except 22 08 90 11 and 22 08 90 19		
45.	24 03 99 20	Tobacco snuff – Tobacco "sawika"	GATT Art. XX(b)
46.	25 24 00 00	Asbestos and products thereof	GATT Art. XX(b)
47.	29.31	Sarin toxic gas	GATT Art. XX(b)
48.	36 04 10 00	Fireworks of the kind used by children such as snaps, rockets, sulfuric jitters and night stars, etc, falling within this scope	GATT Art. XX(b)
49.	40.12, except 40 12 90 00	Used and treaded tyres	GATT Art. XX(b)
50.	49 01 99 10	The Holy Quran	GATT Art. XX(a)
51.	49 07 00 11	Saudi Arabian stamps	GATT Art. XX(d)
52.	49 09 00 20	Greeting Cards with electric circuit	GATT Art. XXI
53.	49 11 10 90	Coupons of Hadi (sacrificial animals)	GATT Art. XX(d)
54.	49 11 10 90	Blank invoices of foreign companies abroad	GATT Art. XX(d)
55.	85 12 30 00	Security car radar detection equipments	GATT Art. XXI
56.	85 25 20 90	Video Booster	GATT Art. XXI
57.	85.42	Mobile chips and prepaid mobile cards	GATT Art. XX(d)
58.	85 31 80 90	Apparatus releasing sounds of Police Car sirens or of some animals	GATT Art. XXI
59.	87.03	Damaged cars except if the damage occurred at the port of arrival	GATT Art. XX(b)
61.	88 02 11 00	Remote-controlled airplanes and parts thereof	GATT Art. XXI
62.	88 02 20 00		
63.	95 05 80 00		
64.	97 05 00 00	Mummified animals	GATT Art. XX(a)
65.	Different Headings	All foodstuff containing animal blood in their manufacturing	GATT Art. XX(a)
66.	Different Headings	Drink having description of Zamzam	GATT Art. XX(a)
67.	Different Headings	All types of machines, equipment and tools for gambling or games of chance	GATT Art. XX(a)
68.	Different Headings	Industrial waste and hazardous refuse	GATT Art. XX(b)
69.	Different Headings	Kuwait and Iraq war leftover equipment and machinery	GATT Art. XXI
70.	Different Headings	Publicity material for cigarettes of any kind	GATT Art. XX(b)
71.	Different Headings	Satellite Internet receiver	GATT Art. XXI
72.	Different Headings	Mobile phone fitted with camera	GATT Art. XXI
73.	Different Headings	Products polluted by radiation or nuclear dust (e.g., watches of trademark Trophy)	GATT Art. XX(b)

ANNEX G

List of Banned Exports

S. No.	HS Code	Description	WTO Justification
1.	01.01	Pure-bred horses	GATT Art. XX (b)
2.	01.02	Pure-bred bovine animals	GATT Art. XX (b)
3.	01.04	Pure-bred sheep and goats	GATT Art. XX (b)
4.	0602.2010	Date palm saplings of following types: Khalas, Nabut Saif, Munifi, Safri, Magfizi, Barhi, Sukkari, Shalabi, Safari, Barni, Ajwa, Ambara, Hulwa and Rothana	GATT Art. XX (b)
5.	12.14	Green fodder and hay	GATT Art. XX (b)
6.	22.01	Zamzam water	GATT Art. XX (a)
7.	44.01	Wood	GATT Art. XX (j)
8.	72.04	Scrap iron	GATT Art. XX (d)
9.	8407.2100	Boat engines	GATT Art. XXI
10.	97.06	Antiques, archaeological, and historical items	Art. XX(f) of GATT 1994

ANNEX HList of Exports Subject to Authorization/Licensing

S. No.	HS Code	Description	WTO Justification
1.	01 01 10 10	Horses	GATT Art. XI: 2(b)
2.	01 01 90 10	Horses	
3.	01 01 90 20	Horses	
4.	10.01	Wheat	GATT Art. XX (a)
5.	11.01	Wheat	
6.	Chapter 25	Sand, white rock (silica), base sand, crusher aggregates, limestone and marble stone	GATT Art. XX (i)
7.	25.23	Cement and clinker	GATT Art. XX (i)
8.	27.13	Asphalt, fuel oil, gasoline, diesel, kerosene,	GATT Art. XX (g)
9.	27.14	Liquefied Petroleum Gas (LPG), and Natural Gas (Methane and Ethane)	
10.	27 10 11 41		
11.	27 10 11 42		
12.	27 10 11 49		
13.	27 10 11 14		
14.	27 10 11 31		
15.	27 10 11 32		
16.	27 10 11 33		
17.	27 10 11 39		
18.	27 11 13 00		
19.	27 11 12 00		
20.	27 11 11 00		
21.	27 14 90 10		
22.	27 10 11 29		
23.	27.15		
24.	28.45	Radioactive elements	GATT Art. XX (b)
25.	28.44	Radioactive elements	
26.	90 22 19 10	Radioactive elements	
27.	90 22 19 90	Radioactive elements	
28.	29 03 19 90	Ozone depleting materials	GATT Art. XX (b)
29.	29 03 42 00	Ozone depleting materials	
30.	29 03 43 00	Ozone depleting materials	
31.	29 03 44 00	Ozone depleting materials	
32.	29 03 45 20	Ozone depleting materials	
33.	29 03 69 00	Ozone depleting materials	
34.	29 03 19 90	Ozone depleting materials	
35.	29 03 19 10	Ozone depleting materials	
36.	29 03 14 00	Ozone depleting materials	
37.	29 03 47 00	Ozone depleting materials	
38.	29 03 46 00	Ozone depleting materials	
39.	29 03 30 00	Ozone depleting materials	
40.	85 48 10 00	Ozone depleting materials	
41.	30.03	Medicines	GATT Art. XX (b)
42.	30.04	Medicines	
43.	73 11 00 30	Filled gas cylinders	GATT Art. XXI
44.	84.32	Agricultural equipment	GATT Art. XX (d)
45.	84.33	Agricultural equipment	
46.	84 24 81 10	Agricultural equipment	
47.	Different Headings	Wild fauna and flora, and products thereof	GATT Art. XX (g)

ANNEX I

Items Subject to Mandatory Certification

Item	Harmonised System Commodity Codes
Group I – Toys	
Toys, incl. Video Games and other Electronic Toys	8712.00 / 9501 / 9502 / 9503 / 9504.10 / 9504.90 / 9505 / From 9506.99 /
Playground, Amusement and Fairground Equipment	9508 / From 3407 /
Group II - Electrical and Electronics	
Air conditioning systems up to 60,000 btu (5 tons)	8415.10.20 / 8415.81.20 / 8415.82.20 / 8415.83.20
Combined function audio and/or video systems (non professional)	8518.30 / 8518.50 / 8520.30 /Combinations of II-03, II-04, II-41, II-43
Non professional stand-alone audio products (except radio receivers)	8518.21 / 8518.22 / 8518.29 / 8518.40 / 8519.21 / 8519.29 / 8519.31 / 8519.39 / 8519.92 / 8519.93 / 8519.99 / 8520.20 / 8520.90
Video playing and recording systems (non professional)	8521.10 / 8521.90 / 8525.40 /
Generator sets up to 12 kw	8502.11 / 8502.20
Motors up to 12kw	8501.10 / 8501.31 / 8501.32 / 8501.40 / 8501.51 / 8501
Fax and telex machines	8517.21 / 8517.22
Household cooking appliances	8516.60 / 8516.72
Clothes washing machines up to 10 kg and household dish-washing machines	8450.11 / 8450.12 / 8450.19 / 8422.1
Clothes drying machines up to 10 kg	8451.21
Electric irons, ironers and clothes steamers	8451.30 / 8516.40 / 8516.32
Domestic electromechanical kitchen appliances incl. Food processors, meat choppers and grinders	8509.40 / 8509.80
Personal care/grooming appliances (shavers, hair clippers, hair-removal devices and massagers)	8510.10 / 8510.20 / 8510.30 / 9019.10
Lift and elevator systems	8428.10 / 8431.31
Household microwave ovens	8516.50
Electric ovens up to 10 kw	8516.60
Copy machines and accessories	9009.11 / 9009.12 / 9009.30 / 9009.21 / 9009.22 / 9009.90
Personal computers (desktops/portables), storage units, peripherals and other input/output devices	8471.41 / 8471.49 / 8471.50 / 8471.60 / 8471.70 / 8473.30
Power transformers and distribution transformers up to 1000 kva	8504.21 / 8504.22 / 8504.31 / 8504.32 / 8504.33 / 8504.34
Household refrigerators and freezers up to 40 cu ft incl. Household refrigerating display cabinets	8418.10 / 8418.21 / 8418.22 / 8418.29 / 8418.30 / 8418.40 / 8418.50
Telephone sets, incl.mobile, cordless telephones, and modems	8517.11 / 8517.19 / 8517.50 / 8525.20
Electric wires and cables up to 1000v	8544.51 / 8544.59
Non-industrial vacuum cleaners, water suction appliances and shampoos	8509.10 / 8509.80
Household electric fires and heaters	8516.29 / 8516.21
Drinking water coolers and fountains	8418.69.10
Evaporative air coolers (desert coolers and humidifiers) up to 1.5 kw	8415.10.10 / 8415.82.10 / 8415.82.90 / 8415.83.10 / 8415.83.90
Domestic electric fans	8414.51 / 8414.60
Compressors for cooling units up to 60,000 btu	8414.30
Tea and coffee brewing appliances, and appliances for heating liquids	8516.71
Incandescent, fluorescent and discharge luminaires, fixtures and lampholders	9405.10 / 9405.20 / 8536.61
Manually operated household switches, circuit breakers and fuses up to 40a	8536.10 / 8536.20 / 8536.50
Incandescent, fluorescent and discharge lamps	8539.21 / 8539.22 / 8539.29 / 8539.31 / 8539.32
Ballasts for discharge type lamps (including tubular fluorescent lamps)	8504.10

Item	Harmonised System Commodity Codes
Starters for discharge type lamps (including tubular fluorescent lamps)	8532.10
General use mains plugs, socket outlets and mains configuration adapters	8536.69
Luminaires for road and street lighting	9405.40
Batteries, including rechargeable and automotive	8506.10 / 8506.30 / 8506.40 / 8506.50 / 8506.60 / 8506.80 / 8507.10 / 8507.30 / 8507.40
Immersed swimming pool luminaries	9405.40
Hair care equipment (hand-held hair dryers, hair curlers, waving apparatus and curling tong heaters)	8516.31, 8516.32
Water pumps up to 12 kw	8413.70
TV sets (colour/black and white)	8528.12 / 8528.13
General use mains voltage converters, power supplies and battery chargers	8504.40
Stand alone radio receivers	8527.12 / 8527.13 / 8527.19 / 8527.21 / 8527.29
Storage and instant type water heaters up to 200 litres	8516.10
Watt hour meters	9028.30
Household sewing machines	8452.10
Group III - Automotive	
Passenger automobiles, trucks, buses and multi-purpose vehicles (new)	8701 / 8702 / 8703 / 8704 / 8705
Passenger automobiles, trucks, buses and multi-purpose vehicles (used)	8701 / 8702 / 8703 / 8704 / 8705
Automotive glass (windshield, side and rear glass)	7007.21
Vehicle spare parts (new), including radiators and hoses, brakes and parts, lights, filters, silencers and exhaust pipes, clutches and parts, child restraints, spark plugs, wiper blades and motors, safety belts, fuel tanks, mirrors, bumpers, door locks and hinges, tire tubes, and v-belts, gauges, rims and steering rods.	40.09 / 4010.22 / 4013.10, 4013.90 / 70.09 / 8301.20 / 8302.30 / 8421.23 / 8421.31 / 8501.10 / 8511.10 / 8512.20 / 8512.40 / 8539.10 / 8708.10 / 8708.70 / 8708.21 / 8708.29 / 8708.91 / 8708.92 / 8708.93 / 8708.94 / 8708.99 / 9026.20 / 9026.80 / 9401.20
New tyres for passenger automobiles, trucks, buses and multi-purpose vehicles	4011.10 / 4011.20
Group IV - Chemical	
Engine, transmission, hydraulic, turbine, and transformer oils, brake fluid and anti-freeze/coolant	2710.00.52 / 2710.00.53 / 2710.00.54 / 2710.00.55 / 2710.00.94 / 2710.00.95 / 2710.00.96 / 38.19 / 38.20
Paints	All 3208 / All 3209
Perfumes and cosmetics	3302.90 / All 3303 / All 3304 / All 3305 / All 3306 / 3307.10 / 3307.20 / 3307.30 / 3307.49.10 / 3307.90.10 / 3401.1
Domestic use pesticides and insecticides	3808
Group V - Others	
Aluminium and aluminium alloy products for architectural application	7604 / 7606 / 7608 / 7609 / 7610 / 7616
Steel and iron alloy pipes	7304 / 7305 / 7306 / 7307
Gold and silver jewellery (including gemstones)	7113.11 / 7113.19 / 7113.20 / 7114.11 / 7114.19 / 7114.20 / 7116.10 / 7116.21
Head dress for men - cotton shemagh and ghutras	6505.90.10 / 6505.90.30
Fire extinguishers up to 24kg	8424.10
Cement	2523.21 / 2523.29.10 / 2523.29.20
Safety matches	3605.00
Low pressure regulators and pressure cookers	8481.10 / 7323.93 / 7323.99
Toilet paper and facial tissues, paper towels and serviettes	4818.10 / 4818.20 / 4818.30
Cigarettes only	2402.20

Item	Harmonised System Commodity Codes
Household and camping gas appliances, including heaters, cookers, barbecues and lamps	7321.11 / 7321.81 / 9405.50

ANNEX J

Items Subject to Pre-shipment Inspection

Item	Harmonised System Commodity Codes
Group I – Toys	
Toys incl. Video Games and other Electronic Toys	8712.00 / 9501 / 9502 / 9503 / 9504.10 / 9504.90 / 9505 / From 9506.99 /
Playground, Amusement and Fairground Equipment	9508 / From 3407 /
Group II - Electrical and Electronics	
Air conditioning systems up to 60,000 btu (5 tons)	8415.10.20 / 8415.81.20 / 8415.82.20 / 8415.83.20
Combined function audio and/or video systems (non professional)	8518.30 / 8518.50 / 8520.30 /Combinations of II-03, II-04, II-41, II-43
Non professional stand-alone audio products(except radio receivers)	8518.21 / 8518.22 / 8518.29 / 8518.40 / 8519.21 / 8519.29 / 8519.31 / 8519.39 / 8519.92 / 8519.93 / 8519.99 / 8520.20 / 8520.90
Video playing and recording systems (non professional)	8521.10 / 8521.90 / 8525.40 /
Generator sets up to 12 kw	8502.11 / 8502.20
Motors up to 12kw	8501.10 / 8501.31 / 8501.32 / 8501.40 / 8501.51 / 8501
Fax and telex machines	8517.21 / 8517.22
Household cooking appliances	8516.60 / 8516.72
Clothes washing machines up to 10 kg and household dish-washing machines	8450.11 / 8450.12 / 8450.19 / 8422.1
Clothes drying machines up to 10 kg	8451.21
Electric irons, ironers and clothes steamers	8451.30 / 8516.40 / 8516.32
Domestic electromechanical kitchen appliances incl. Food processors, meat choppers and grinders	8509.40 / 8509.80
Personal care/grooming appliances (shavers, hair clippers, hair-removal devices and massagers)	8510.10 / 8510.20 / 8510.30 / 9019.10
Lift and elevator systems	8428.10 / 8431.31
Household microwave ovens	8516.50
Electric ovens up to 10 kw	8516.60
Copy machines and accessories	9009.11 / 9009.12 / 9009.30 / 9009.21 / 9009.22 / 9009.90
Personal computers (desktops/portables), storage units, peripherals and other input/output devices	8471.41 / 8471.49 / 8471.50 / 8471.60 / 8471.70 / 8473.30
Power transformers and distribution transformers up to 1000 kva	8504.21 / 8504.22 / 8504.31 / 8504.32 / 8504.33 / 8504.34
Household refrigerators and freezers up to 40 cu ft incl. Household refrigerating display cabinets	8418.10 / 8418.21 / 8418.22 / 8418.29 / 8418.30 / 8418.40 / 8418.50
Telephone sets, incl. mobile, cordless telephones and modems	8517.11 / 8517.19 / 8517.50 / 8525.20
Electric wires and cables up to 1000v	8544.51 / 8544.59
Non-industrial vacuum cleaners, water suction appliances and shampooers	8509.10 / 8509.80
Household electric fires and heaters	8516.29 / 8516.21
Drinking water coolers and fountains	8418.69.10
Evaporative air coolers (desert coolers and humidifiers) up to 1.5 kw	8415.10.10 / 8415.82.10 / 8415.82.90 / 8415.83.10 / 8415.83.90
Domestic electric fans	8414.51 / 8414.60
Compressors for cooling units up to 60,000 btu	8414.30
Tea and coffee brewing appliances, and appliances for heating liquids	8516.71
Incandescent, fluorescent and discharge luminaires, fixtures and lampholders	9405.10 / 9405.20 / 8536.61
Manually operated household switches, circuit breakers and fuses up to 40a	8536.10 / 8536.20 / 8536.50
Incandescent, fluorescent and discharge lamps	8539.21 / 8539.22 / 8539.29 / 8539.31 / 8539.32
Ballasts for discharge type lamps (including tubular fluorescent lamps)	8504.10

Item	Harmonised System Commodity Codes
Starters for discharge type lamps (including tubular fluorescent lamps)	8532.10
General use mains plugs, socket outlets and mains configuration adapters	8536.69
Luminaires for road and street lighting	9405.40
Batteries, including rechargeable and automotive	8506.10 / 8506.30 / 8506.40 / 8506.50 / 8506.60 / 8506.80 / 8507.10 / 8507.30 / 8507.40
Immersed swimming pool luminaires	8517.21 / 8517.22
9405.40	
Hair care equipment (hand-held hair dryers, hair curlers, waving apparatus and curling tong heaters)	8516.31, 8516.32
Water pumps up to 12 kw	8413.70
TV sets (colour/black and white)	8528.12 / 8528.13
General use mains voltage converters, power supplies and battery chargers	8504.40
Stand alone radio receivers	8527.12 / 8527.13 / 8527.19 / 8527.21 / 8527.29
Storage and instant type water heaters up to 200 litres	8516.10
Watt hour meters	9028.30
Household sewing machines	8452.10
Group III - Automotive	
Passenger automobiles, trucks, buses and multi-purpose vehicles (new)	8701 / 8702 / 8703 / 8704 / 8705
Passenger automobiles, trucks, buses and multi-purpose vehicles (used)	8701 / 8702 / 8703 / 8704 / 8705
Automotive glass (windshield, side and rear glass)	7007.21
Vehicle spare parts (new), including radiators and hoses, brakes and parts, lights, filters, silencers and exhaust pipes, clutches and parts, child restraints, spark plugs, wiper blades and motors, safety belts, fuel tanks, mirrors, bumpers, door locks and hinges, tire tubes, and v-belts, gauges, rims and steering rods	40.09 / 4010.22 / 4013.10, 4013.90 / 70.09 / 8301.20 / 8302.30 / 8421.23 / 8421.31 / 8501.10 / 8511.10 / 8512.20 / 8512.40 / 8539.10 / 8708.10 / 8708.70 / 8708.21 / 8708.29 / 8708.91 / 8708.92 / 8708.93 / 8708.94 / 8708.99 / 9026.20 / 9026.80 / 9401.20
New tyres for passenger automobiles, trucks, buses and multi-purpose vehicles	4011.10 / 4011.20
Group IV - Chemical	
Engine, transmission, hydraulic, turbine, and transformer oils, brake fluid and anti-freeze/ coolant	2710.00.52 / 2710.00.53 / 2710.00.54 / 2710.00.55 / 2710.00.94 / 2710.00.95 / 2710.00.96 / 38.19 / 38.20
Paints	All 3208 / All 3209
Perfumes and cosmetics	3302.90 / All 3303 / All 3304 / All 3305 / All 3306 / 3307.10 / 3307.20 / 3307.30 / 3307.49.10 / 3307.90.10 / 3401.1
Domestic use pesticides and insecticides	3808
Group V- Others	
Aluminium and aluminium alloy products for architectural application	7604 / 7606 / 7608 / 7609 / 7610 / 7616
Steel and iron alloy pipes	7304 / 7305 / 7306 / 7307
Gold and silver jewellery (including gemstones)	7113.11 / 7113.19 / 7113.20 / 7114.11 / 7114.19 / 7114.20 / 7116.10 / 7116.21
Head dress for men - cotton shemagh and ghutras	6505.90.10 / 6505.90.30
Fire extinguishers up to 24kg	8424.10
Cement	2523.21 / 2523.29.10 / 2523.29.20
Safety matches	3605.00
Low pressure regulators, and pressure cookers	8481.10 / 7323.93 / 7323.99
Toilet paper and facial tissues, paper towels, and serviettes	4818.10 / 4818.20 / 4818.30
Cigarettes only	2402.20
Household and camping gas appliances, including heaters, cookers, barbecues, and lamps	7321.11 / 7321.81 / 9405.50

APPENDIX

DRAFT DECISION

ACCESSION OF THE KINGDOM OF SAUDI ARABIA

Decision of [...]

The General Council,

Having regard to paragraph 2 of Article XII and paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization (the "WTO Agreement"), and the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed by the General Council (WT/L/93),

Conducting the functions of the General Council in the interval between meetings pursuant to paragraph 2 of Article IV of the WTO Agreement,

Taking note of the application of the Kingdom of Saudi Arabia for accession to WTO Agreement dated "date",

Noting the results of the negotiations directed toward the establishment of the terms of accession of the Kingdom of Saudi Arabia to the WTO Agreement and having prepared a Protocol on the Accession of the Kingdom of Saudi Arabia,

Decides as follows:

1. The Kingdom of Saudi Arabia may accede to the WTO Agreement on the terms and conditions set out in the Protocol annexed to this Decision.

DRAFT PROTOCOL

ON THE ACCESSION OF THE KINGDOM OF SAUDI ARABIA

Preamble

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement"), and the Kingdom of Saudi Arabia,

Taking note of the Report of the Working Party on the Accession of the Kingdom of Saudi Arabia to the WTO Agreement reproduced in document WT/ACC/SAU[...], dated [...] (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of the Kingdom of Saudi Arabia to the WTO Agreement,

Agree as follows:

PART I - GENERAL

1. Upon entry into force of this Protocol pursuant to paragraph 8, the Kingdom of Saudi Arabia accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.

2. The WTO Agreement to which the Kingdom of Saudi Arabia accedes shall be the WTO Agreement, including the Explanatory Notes to that Agreement, as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall include the commitments referred to in paragraph [...] of the Working Party Report, shall be an integral part of the WTO Agreement.

3. Except as otherwise provided for in paragraph [...] of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by the Kingdom of Saudi Arabia as if it had accepted that Agreement on the date of its entry into force.

4. The Kingdom of Saudi Arabia may maintain a measure inconsistent with paragraph 1 of Article II of the GATS provided that such a measure was recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

PART II - SCHEDULES

5. The Schedules reproduced in Annex I to this Protocol shall become the Schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to the Kingdom of Saudi Arabia. The staging of the concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

PART III - FINAL PROVISIONS

7. This Protocol shall be open for acceptance, by signature or otherwise, by the Kingdom of Saudi Arabia until [...].

8. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been accepted by the Kingdom of Saudi Arabia.

9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance by the Kingdom of Saudi Arabia thereto pursuant to paragraph 9 to each Member of the WTO and to the Kingdom of Saudi Arabia.

This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at [place] this [date of month in full] day of [month and year in full] in a single copy in the English, French and Spanish languages, each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one of these languages.

ANNEX I

SCHEDULE [...] - THE KINGDOM OF SAUDI ARABIA

Authentic only in the ... language.

(Circulated in document WT/ACC/SAU/[...]/Add.1)

SCHEDULE OF SPECIFIC COMMITMENTS ON SERVICES

LIST OF ARTICLE II EXEMPTIONS

Authentic only in the ... language.

(Circulated in document WT/ACC/SAU/[...]/Add.2)]

APPENDIX

Questionnaire

Information On Import Licensing Procedures

I. OUTLINE OF SYSTEMS

1. The Kingdom of Saudi Arabia maintains a non-automatic licensing system that is administered in accordance with the provisions of the new Law on Import Licensing Procedures, issued by Council of Ministers Decision No. 88, dated 6.4.1423H (June 2002).

II. PURPOSES AND COVERAGE OF LICENSING

1. Identify each licensing system maintained and state what products, appropriately grouped, are covered.

Ans: A list of items subject to non-automatic licensing is attached to the Working Party Report as Annex E.

2. The system applies to goods originating in and coming from which countries?

Ans: The system applies to goods originating in and coming from all countries.

3. Is the licensing intended to restrict the quantity or value of imports, and if not, what are its purposes? Have alternative methods of accomplishing the purposes been considered and if so which? Why have they not been adopted?

Ans: No, the licensing is not intended to restrict the quantity or value of imports. The purpose of licensing is to ensure that goods that do not meet the requirements of different laws, regulations or decisions are not imported. Alternative methods have not been considered.

4. Cite the law, regulation and/or administrative order under which the licensing is maintained. Is the licensing statutorily required? Does the legislation leave designation of products to be subjected to licensing to administrative discretion? Is it possible for the government (or the executive branch) to abolish the system without legislative approval?

Ans: Licensing is maintained under Decision No. 88 of the Council of Ministers, dated 6.4.1423H (June 2002). The list of items subject to licensing requirements may be amended by the Minister of Commerce and Industry on the basis of comments received from respective government agencies. The system can only be abolished by a decision of the Council of Ministers.

III. PROCEDURES

1. For products under restriction as to the quantity or value of imports (whether applicable globally or to a limited number of countries or whether established bilaterally or unilaterally):

(a to k)

Ans: There are no restrictions on the quantity or value of imports ((a) to (k) are thus not applicable).

2. Where there is no quantitative limit on importation of a product or on imports from a particular country:

- (a) How far in advance of importation must application for a license be made? Can licenses be obtained within a shorter time-limit or for goods arriving at the port without a license (for example, owing to inadvertency)?

Ans: Applications for non-automatic licenses may be submitted within 21 days prior to the closing date of applications.

- (b) Can a license be granted immediately on request?

Ans: The maximum period for deciding on license applications is 30 days. However, in practice, licenses normally are granted in a shorter period.

- (c) Are there any limitations as to the period of the year during which application for license and/or importation may be made? If so, explain.

Ans: There are no limitations as to the period of the year during which applications or importation may be made.

- (d) Is consideration of license applications effected by a single administrative organ? Or must the application be passed on to other organs for visa, note or approval? If so, which? Does the importer have to approach more than one administrative organ?

Ans: Yes, by a single administrative body. In some cases, the body may coordinate with other bodies, but the applicant does not have to approach more than one administrative body.

3. Under what circumstances may an application for a license be refused other than failure to meet the ordinary criteria? Are the reasons for any refusal given to the applicant? Have applicants a right of appeal in the event of refusal to issue a license and, if so, to what bodies and under what procedures?

Ans: Applications are not refused other than for reasons of failure to meet the ordinary criteria. Reasons for refusal of a license are given upon request of the applicant. Applicants have a right of appeal in the event of refusal of a license. The initial appeal can be made to the Head of the administrative body within 15 days of the decision. An appeal against the decision of the Head of the administrative body lies to the Board of Grievances within 30 days of the decision.

IV. ELIGIBILITY OF IMPORTS TO APPLY FOR LICENSE

1. Are all persons, firms and institutions eligible to apply for licenses:

- (a) under restrictive licensing systems?
- (b) under non-restrictive systems?

If not, is there a system of registration of persons or firms permitted to engage in importation? What persons or firms are eligible? Is there a registration fee? Is there a published list of authorized importers?

Ans: Eligibility of parties under restrictive and under non-restrictive licensing systems is the same. The eligible categories are as follows:

- (i) Saudi, foreign or joint venture companies registered under applicable Saudi laws.
- (ii) Natural persons listed in the Commercial Register.
- (iii) Saudi nationals and non-Saudis holding residence permits but not registered in the Commercial Register provided the imported goods are for their personal use.

Imports by parties in (i) and (ii) above shall be limited to goods related to the scope of their business as inscribed in the Commercial Register.

VI. DOCUMENTATION AND OTHER REQUIREMENTS FOR APPLICATION FOR LICENSE

1. What information is required in applications? Submit a sample form. What documents is the importer required to supply with the application?

Ans: The applicant has to provide description of the item/s, their value and weight, and copies of the invoice and the bill of lading.

2. What documents are required upon actual importation?

Ans: Documents required are: the import license, original invoice and certificate of origin. The last two are requirements for customs clearance and not requirements of the licensing system.

3. Is there any licensing fee or administrative charge? If so, what is the amount of the fee or charge?

Ans: There are no licensing fees or administrative charges.

4. Is there any deposit or advance payment requirement associated with the issue of licenses? If so, state the amount or rate, whether it is refundable, the period of retention and the purpose of the requirement.

Ans: There are no deposit or advance payment requirements associated with the issue of a license.

VII. CONDITIONS OF LICENSING

1. What is the period of validity of a license? Can the validity of a license be extended? How?

Ans: The period of validity of a license is one year from the date of issue. Extension may be granted if it is in the public interest.

2. Is there any penalty for the non-utilization of a license or a portion of a license?

Ans: There is no penalty for non-utilization of a license or portion of a license.

3. Are licenses transferable between importers? If so, are any limitations or conditions attached to such transfer?

Ans: Licenses are not transferable between importers.

4. Are any other conditions attached to the issue of a license:

- (a) for products subject to quantitative restriction?
- (b) for products not subject to quantitative restriction?

Ans: No other conditions are attached.

VIII. OTHER PROCEDURAL REQUIREMENTS

1. Are there any other administrative procedures, apart from import licensing and similar administrative procedures, required prior to importation?

Ans: There are no other administrative procedures.

2. Is foreign exchange automatically provided by the banking authorities for goods to be imported? Is a license required as a condition to obtaining foreign exchange? Is foreign exchange always available to cover licenses issued? What formalities must be fulfilled for obtaining the foreign exchange?

Ans: There are no foreign exchange restrictions or controls in Saudi Arabia.
