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TRADE POLICY REVIEW

REPORT BY

THE KINGDOM OF SAUDI ARABIA

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

Contents

1 INTRODUCTION

1.1. This is Saudi Arabia's second Trade Policy Review; it covers the period 2011-2016.

1.2. During this period Saudi Arabia has continued to implement its trade policies consistently with its WTO obligations and to pursue best practices in all areas of the management of its international trade. The multilateral trading system is central to Saudi Arabia's conduct of its trade policies. Saudi Arabia has played an increasingly active role in the work of WTO Councils and Committees, as well as the Dispute Settlement Body, with a view to supporting the strengthening of the WTO's roles of consultation, surveillance and dispute settlement so as to improve the implementation, administration and operation of WTO Agreements.

1.3. Saudi Arabia strongly supports all efforts to bring the Doha Development Agenda (DDA) negotiations to a successful conclusion as soon as possible. While Saudi Arabia supports the conclusion of the negotiations on the basis of the existing mandates, the Kingdom made clear at the Tenth Ministerial Conference in Nairobi that, as a recently acceded Member, it will engage constructively this year under the leadership of the Director-General with other Members to find ways to advance the negotiations in all areas in a consensual way. The multilateral trading system remains at the core of Saudi Arabia's trade policy and it is determined to play its part in strengthening it.

1.4. Key developments in the period covered by this Trade Policy Review have been:

a) Steps taken by the Kingdom: to facilitate and promote an increased role for the private sector in the economy; to improve the ease of doing business and to continue to improve the investment climate; to attract foreign investment, including through the introduction of a new modern Companies Law; and other improvements to commercial and tax legislation. The Kingdom is considering the privatization of different government-owned companies as well as privatizing some parts of the Government process;
b) Measures to improve the competitiveness and productivity of the economy under the Ninth and Tenth Development Plans and to diversify economic activity with the aim of transforming the Kingdom into a knowledge-based economy by 2030;
c) As agreed by G20 Leaders, rejection of the imposition of new trade restrictions to help ensure that protectionism does not aggravate the difficult global economic situation;
d) The Kingdom's continued application of relatively low tariffs, avoidance of non-tariff barriers and application of internal measures (such as TBT and SPS) consistently with WTO obligations and in a manner that is as least-trade restrictive as possible. The Kingdom has continued to improve its customs practices and is a strong supporter of the Trade Facilitation Agreement;
e) Further measures to strengthen the services component of the economy, notably the financial services sector where the Saudi Arabian Monetary Authority (SAMA) is paying particular attention to ensuring that the bank and non-bank sectors are well-capitalized, profitable and liquid, and the postal services sector where steps are being taken to prepare Saudi Post for eventual privatization.

1.5. The Saudi Arabian Council of Ministers has recently approved the long-awaited new Companies Law (CL) 1437H/2015G which has been promulgated by a royal decree. The new law is expected to promote the legal environment of investment in the Kingdom. The CL will come into effect within 150 days after publication in the Official Gazette.

1.6. The Ministry of Commerce and Industry and the Capital Market Authority will issue regulations to implement the CL. The CL introduces five corporate forms: (i) general partnership; (ii) limited partnership; (iii) joint-venture company; (iv) joint-stock company, and (v) limited-liability company. The CL will eliminate: (i) cooperative companies; (ii) partnerships limited by shares, and (iii) variable-capital companies.

2 ECONOMIC DEVELOPMENT

2.1 Economic Growth

2.1. Saudi Arabia has adopted a development strategy that has resulted in a positive economic performance in the past few years in terms of GDP growth, moderate inflation, and surpluses in both its overall fiscal position and external current account. Between 2010-2014, the gross domestic product (GDP) increased from US$526 billion to US$746.25 billion.

2.2. In 2015, a new perspective on economic development and policy was introduced with the establishment of the Council of Economic and Development Affairs. The new Council is a high-level government entity that oversees development through mentoring and guiding all stakeholders' participation in the Government. The aim of establishing this Council was overseeing and supervising efforts to enhance the performance of the government sector, ensuring that the economy will be resilient as well as ensuring sustainable economic growth.

2.3. Saudi Arabia is the largest recipient of foreign direct investment in the Arab world. This achievement has resulted from the positive development of the national economy and steps taken by Saudi Arabia to improve its investment climate, including opening certain key economic activities to foreign investment (e.g. mining, petrochemicals and telecommunications).

2.4. The Tenth Development Plan covers the period 2015-2019. It reflects the aim of the Kingdom to ensure sustainable economic development and improve the performance and competitiveness of its economy through developing the government structure and accelerating the pace of the Kingdom's transformation into a knowledge-based economy. The Tenth Development Plan has the following key objectives:

- Economic diversification: building a modern economic structure relying on a broad, diversified base of economic resources and characterized by a high degree of internal integration between its various sectors and activities;
- Improving the productivity and competitiveness of the national economy: accelerating the pace of economic growth and achieving a steady and sustainable increase in real income;
- Transformation into a knowledge economy: by 2030, the Kingdom aims to be a knowledge-based economy with diversified resources driven by productive human capital and an active private sector;
- Development of national human resources: the Plan clearly addresses the issues and challenges, which face the Saudi labor market so as to increase participation of Saudi nationals, particularly women, in economic activity;
- The Plan is also keen to correct the macro and structural distortions of the labor market;
- Administrative and organizational development of governmental agencies. This is to be achieved through improving the efficiency and productivity of the government agencies, developing the civil service system to ensure efficiency enhancing integrity and combating corruption in the system.

2.2 Diversification of the Economy

2.5. Economic diversification as envisaged by the Tenth Plan encompasses structural diversification of economic activities and focuses on three main constituents:

- Diversification of the production base of the economy through increasing the contribution of non-oil sectors to GDP coupled with diversification of sub-activities within these sectors;
- Institutional diversification entails increasing the share of the private sector in economic activity (GDP, investment, exports, employment, etc.);
- Diversification of public revenues and exports.

2.6. Practical steps within the Plan to achieve diversification include:

- Widening the base of non-oil public revenues;

- Improving the efficiency of collection of direct and indirect taxes and government services fees;
- Considering the imposition of charges on some free services;
- Ensuring better collection of Zakat and income tax from all companies and individuals;
- Imposing fees on vacant lands and collecting Zakat on such lands;
- Developing an investment policy for the country's financial reserves with a view to maximize returns and develop the State's resources in order to ensure continuous government expenditure on projects and services directly related to citizens.

2.7. Some of the numerical targets for economic diversification are as follows:

- Increasing the total value added of the non-oil sectors at an average annual rate of 7.9% thereby increasing their contribution to GDP, at constant 2010 prices, from about 59.7% in 2014 to about 66% in 2019;
- Increasing the private sector contribution to GDP, at constant 2010 prices, from about 45.7% in 2014 to about 51.5% in 2019;
- Achieving an average annual growth rate of about 8% in the non-oil manufacturing industries during the Tenth Development Plan period;
- Achieving an average annual growth rate of 8.9% for non-oil merchandise exports during the Tenth Development Plan period;
- Increasing non-oil public revenues at an average annual rate of 11.2% during the Tenth Development Plan period;
- Continuing to increase spending on research, development and innovation, in line with the "National Science and Technology Policy" to reach 2% of GDP by 2025.

2.3 Privatization Strategy

2.8. The kingdom is considering the privatization of various government-owned companies as well as some parts of the Government itself. Privatization on a national level is very important for the country to generate revenue and increase efficiency. Tenth Development Plan clearly envisages accelerating the diversification of suitable government and public services. It also stated the importance of studying the possible privatization of social services. For example, Saudi Post is considered to be a potential short-term privatization target. The Government has also announced commencement of the privatization of international and national airports by the beginning of 2016.

2.4 Investment Regime

2.9. Under the Foreign Investment Law of 2000 and its Implementing Regulations of 2002, and further amendments by SAGIA resolution No. 2/74 in 2014 , foreign investment may be either in firms owned by both a Saudi national and a foreign investor or firms wholly owned by foreign investor.

2.10. The Saudi Arabian General Investment Authority (SAGIA) has launched a number of initiatives and programmes that aim to improve the investment environment in the Kingdom in accordance with the following themes; **first: to improve the investment environment and foster competition**; Royal Decree No. 42563 that was issued on 10/15/1435 H, directed concerned government agencies to continue coordination with SAGIA in order to agree on the appropriate mechanisms to achieve the goal of establishing the Kingdom as among the most competitive economies in the world.

2.11. **Second: directing investments to build a competitive economic sector**; the Consolidated Investment Plan is the most important initiative, which aimed at working closely with all relevant government agencies and the Kingdom's leading companies, in order to promote the integration of investment and direct it to dynamic and promising sectors; and to make the traditional sectors more competitive and productive.

2.12. **Third: marketing and attracting strategies for investments**; SAGIA established initiatives and programmes aimed at marketing the investment environment and the wide range of potential investment opportunities in the Kingdom, for foreign investors and local investors, in cooperation with the Saudi Chambers of Commerce.

3 TRADE POLICY DEVELOPMENTS

3.1 Tariffs, Other Measures Affecting Imports

3.1. The Kingdom has completed the implementation of all its accession obligations in the goods sector with implementation of the sixth and last phase of the reduction of customs duties on 11 December 2015 covering 4 products in Chapter 33 (glass and mirror polishing preparations and metal polishing preparations). The tariff binding for these products is 5.5%, but the applied duty is 5% so that there is no need for any reduction at this stage.

3.2. The applied duty rate on most products imported into Saudi Arabia is 5%, which is relatively low compared to most other Members. In 2014, the simple weighted average of customs duties was 5.3% with total value of customs revenues collected during 2014 was SAR 27.9 billion on total imports, valued at SAR 652 billion (US$173 billion). Customs duty exemptions under to the GCC Common Customs Law amounted to SAR 7.3 billion.

3.3. Saudi Arabia implemented the 2012 Harmonized System (HS) amendments as of 1 January 2012.

3.1.1 Customs procedures

3.4. Over the past few years, Saudi Arabia has substantially modernized its customs procedures. Ratification of the TFA is under active consideration, and the Kingdom has submitted its Category A notification to confirm implementation of all the provisions contained in Section I of the TFA, except Article 2.1 (Opportunity to Comment and Information before Entry into Force) and Article 10.4 (Single Window).

3.5. Saudi Arabia implements the GCC Common Customs Law (CCL) and its Rules of Implementation and Explanatory Notes, and detailed information about the customs procedures applied by the Kingdom are available online (in Arabic and English).[1] In 2015, the Unified Guide for Customs Procedures at First Points of Entry was adopted to facilitate and simplify customs procedures across the GCC Customs Union. This Guide highlights the aim to ensure, under the "single port of entry" principle, that the customs procedures and documentation requirements are the same among the GCC member states.

3.6. The Saudi Customs Department applies a fully automated system in most cases, allowing electronic submission and processing of import declarations. On average, provided relevant requirements (including with respect to documentation) are met, customs clearance of goods takes one day regardless of the mode of transport. Pre-arrival document verification procedures can be applied to certain products to allow direct clearance, and there is the intent to widen the scope of goods covered by such procedures.

3.7. Saudi Customs has also recently adopted an Authorized Economic Operator (AEO) scheme, for which the conditions and requirements are consistent with relevant guidelines established by the World Customs Organization.

3.1.2 Transit procedures

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

[1] See http://www.customs.gov.sa/sites/sc/en/CustomsGuideNew/HQweb/Pages/Pages/LandingPage.aspx.

3.1.3 Rules of origin

3.9. Imported goods are subject to the proof of origin adopted within the framework of international and regional agreements inforce.

3.10. Within the framework of the rules of origin principles under the GCC Customs Union established on 1 January 2003, Saudi Arabia grants preferential treatment to products of national origin from the GCC member states.

3.11. In addition, Saudi Arabia grants preferential treatment to products of national origin from a number of countries in accordance with the origin rule principles established in the Pan Arab Free-Trade Area (PAFTA) Treaty, as well as in FTAs with the European Free Trade Association (EFTA) group of countries and Singapore.

3.1.4 Customs valuation procedures

3.12. Saudi Arabia is implementing WTO Customs Valuation Agreement (CVA) on the basis of the GCC CCL and its Rules of Implementation and Explanatory Notes, and has provided training and pre-education to the customs staff and brokers in order to familiarize them with the principles of the WTO Customs Valuation Agreement.

3.13. Consistent with the WTO CVA, the transaction value (using c.i.f. value) is the primary basis for determining customs value; if transaction value cannot be determined, the basic methods set out in the CVA will be used. No minimum or reference prices are applied.

3.14. To ensure predictability of Saudi Arabia's customs valuation system, all relevant laws, regulations and decisions are published in Saudi Arabia's Official Gazette. Any customs valuation disputes may be appealed to the highest administrative tribunal in Saudi Arabia (i.e., the Board of Grievances).

3.1.5 Exports and free zones

3.15. Saudi Arabia does not apply any export prohibitions or restrictions with respect to any specific country, and no export duties or taxes are applied on products. No export incentives or subsidies are maintained. Export bans are maintained on only a few product categories, while export licensing requirements apply to a set list of products. No fees are charged to obtain an export license.

3.16. The Kingdom continues efforts to diversify its economic base and reduce reliance on oil exports. To this end, two government authorities are important: (i) the Saudi Export Programme (SEP) of the Saudi Fund for Development (SFD); (ii) the Saudi Exports Development Authority ("SAUDI EXPORTS").

3.17. The SEP is the official national export credit agency, which provides financing to Saudi exporters or importers in other countries of non-oil goods from Saudi Arabia. The financing offered by SEP includes finance and credit guarantees on commercial, market-based terms that are similar to, if not more stringent than, those offered by Export-Import banks in other countries.

3.18. The SEDC is a non-profit organization that offers, for example, export consultation services, information, studies and economic reports to affiliated Saudi export companies and factories.

3.19. "SAUDI EXPORTS" is an independent national authority that seeks to develop Saudi non-oil exports. With respect to Saudi exports, this authority is concerned with opening up to global markets, promoting Saudi products in international markets, leveraging competitive capacity, and assisting in the development of new products.

3.20. In order to reach these goals, SAUDI EXPORTS is focusing on the following 3 strategic themes in the Saudi export ecosystem: enhancing SME export readiness, generating opportunities for export ready businesses, and advocating ecosystem efficiency and international market access.

3.21. While the GCC CCL permits the establishment of free zones and special economic zones, there are currently no such zones set up in Saudi Arabia.

3.2 Technical Barriers to Trade (TBT)

3.22. Saudi Standards, Metrology and Quality Organization (SASO) is the National Standards Body (NSB) in Saudi Arabia.

3.23. All SASO activities fulfill all the requirements of the TBT Agreement. SASO is the national Enquiry Point for TBT in Saudi Arabia, and in charge of TBT notifications.

3.24. As of December 2015, the total number of Saudi Standards is 28,924. SASO notified 631 technical regulations and conformity assessment procedures to the WTO in the period from January 2012 to December 2015.

3.3 Sanitary and Phytosanitary Measures (SPS)

3.25. Saudi Food & Drug Authority (SFDA) has issued food Act, which aims to: (i) ensure food safety and improve its quality; (ii) protecting consumer's health through reducing food related risks and increasing nutritional awareness; (iii) protect consumers from harmful, adulterated, or otherwise mislead on foodstuff; and (iv) preventing any barriers to food trade.

3.26. Moreover, Saudi Food & Drug Authority (SFDA) has issued Animal feed Act, which aims to: (i) ensure safety and wholeness of animal feed; (ii) protect animal health; and (iii) safeguarding human and public health against the consumption of foodstuff originating from animals feeding on implicated feeds.

3.4 Taxation

3.27. The Kingdom of Saudi Arabia has undertaken major tax reforms in the last decade. These reforms include tax law and the administration and computerization of tax work. The reforms in the area of administration makes the Kingdom's tax authority fit to administer any future tax revenue-raising instruments that may be decided by the higher political authorities. The utilized advanced information technologies and systems along with continued up-grading of its electronic infrastructure have enabled the tax authority to provide good services to its taxpayers, including comprehensive electronic services such as electronic registration, filing and payment, thus reducing the burden on taxpayers.

3.28. Saudi Arabia adopts self-assessment principle in its tax administration. Taxpayers are required to make their own assessments and pay accordingly. The tax authority requires a certain percentage of taxpayers to be subject to field audits every year. Based on its reviews and audits, the tax authority may reassess taxpayers. Saudi Arabia has a network of Double Taxation Conventions covering 43 jurisdictions 20 other Conventions are awaiting signature and 6 more are being negotiated. Saudi Arabia signed the Convention on Mutual Administrative Assistance in Tax Matters, which will enter into force for Saudi Arabia on 1 April 2016. Once in force, it will provide Saudi Arabia with an Exchange of Information network that covers a total of 102 jurisdictions.

3.29. Saudi Arabia is a member of the Global Forum for Transparency and Exchange of Information for Tax Purposes (the Global Forum). Saudi Arabia has passed the Peer Review (phase 1) conducted by the Global Forum of its members to ensure that they satisfy the world standards of transparency for tax purposes; it is also expected to pass the Peer Review (phase 2) soon.

3.30. Zakat in Saudi Arabia is based on the Basic Law of Governance, Article (21). Saudi persons are subject to zakat in accordance with Islamic Jurisprudence. Zakat is a tax-like fiscal burden on Saudis. It is an annual fiscal duty payable by all Saudi businesses – capital companies, partners in personal companies, sole proprietorships, professionals and tradesmen. Zakat amounts to 2.5% of capital, retained earnings, certain reserves and net profits but excluding fixed assets.

3.31. Like taxpayers, all zakat payers are required to register with the tax authority, the Department of Zakat and Income Tax (DZIT). They are also required to file annual returns showing business results under the self-assessment principle. DZIT reviews filed returns and subjects a certain percentage of them, based on sampling techniques, to field audit zakat is payable even for no-profit periods. It is payable even if the company ceases activities. Company liquidation only stops Zakat liability.

3.5 Trade Remedy Laws (Anti-Dumping, Countervailing, and Safeguard Measures)

3.32. On 3 November 2014, the Kingdom of Saudi Arabia notified the Committee on Anti-Dumping Practices, the Committee on Subsidies and Countervailing Measures and the Committee on Safeguards of the amended GCC Common Law based on the Royal Decree No. M/7 dated 20/3/1434H (corresponding to 1/2/2013AD) implementing the amendments to the GCC Common Law.

3.33. The Rules of Implementation of the Amended GCC Common Law on Anti-Dumping, Countervailing and Safeguard Measures had been translated into English and was notified to the relevant WTO Committees on 13 January 2016.[2]

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

3.6 Government Procurement

3.35. The Kingdom of Saudi Arabia is currently conducting a study to assess the pros and cons of acceding to the new Government Procurement Agreement (GPA) in order to provide a basis for it to initiate negotiations for membership in the GPA and submit an initial entity offer.

3.36. The current Tenders and Government Procurement Law is being amended along with the Administrative Contracts on: Public Construction, Consultation Services and Operating and Maintenance.

3.7 Trade-Related Intellectual Property Rights

3.37. Since the last Trade Policy Review, Saudi Arabia has become a party to the Patent Cooperation Treaty and the Patent Law Treaty (3 August 2013) and it has undertaken significant steps to promote and disseminate intellectual property in the country.

3.38. The Implementing Regulations of the Law of Patents, Layout-Designs of Integrated Circuits, Plant Varieties, and Industrial Designs have been adopted to be more precise and efficient, and to improve protection of IP rights. Saudi Arabia is also proceeding to strengthen the Law of Patents, Layout-Designs of Integrated Circuits, Plant Varieties, and Industrial Designs to meet international requirements.

3.39. Raising public awareness of Intellectual Property rights is an important objective. Saudi Arabia is working with the public through workshops, seminars, webinars and mobile applications to raise awareness of intellectual property rights among the public. Some of the Saudi intellectual property agencies launched their own websites (such as the Saudi Patent Office; http://www.spa.gov.sa/) to simplify administrative procedures for applicants.

3.40. Saudi Arabia has established many committees and applied a set of procedures to enforce the protection of Intellectual Property Rights. The Committee for Examining Patents Lawsuits has the power to grant injunctions to prevent infringements related to patents, industrial designs, Layout-Designs of Integrated Circuits and Plant Varieties. A total 122 cases were filed against the Saudi Patent Office's decisions during the period 2012-2015, of which 93 cases have been resolved.

3.41. The Common Customs Law provides Saudi Customs with the powers to take necessary measures to ensure the protection of Saudi society from hazards endangering its security, health and safety and safeguarding the national economy.

[2] WTO documents G/ADP/N/1/SAU/2/Suppl.1; G/SCM/N/1/SAU/2/Suppl.1; and G/SG/N/1/SAU/2/Suppl.1.

3.42. The Saudi Customs has prioritized tackling commercial fraud and counterfeiting. It prohibits admission of imported goods which do not bear an origin mark in a clear and secure manner, whether engraved, woven, printed or attached to the goods. Goods which do not bear a clear origin mark are not admitted into the country.

3.43. Customs treat cases of fraud and counterfeiting as customs smuggling cases according to the provisions of Articles 142 and 143 of the Common Customs Law, which provide that admission or an attempt to admit goods violating the provisions of prohibition and restriction is considered customs smuggling. The penalties imposed on such violations are those prescribed in Article 145 of the Common Customs Law. The goods shall be confiscated and destroyed on a case by case basis in accordance with the Common Customs Law.

4 SECTORAL DEVELOPMENTS

4.1 Agriculture

4.1. The agricultural sector in the Kingdom of Saudi Arabia has witnessed considerable changes during the last few years. It has undertaken a very important role in the overall development of the Kingdom's economy and has achieved outstanding growth rates for many years. It has also had a significant impact on the standard of living of Saudi people. Historically, notwithstanding the fact that climate conditions are very difficult and not ideal for agriculture, Saudi Arabia has long acknowledged the great importance of the agricultural sector and has given it increasing priority in successive development plans.

4.2. The sector was expected to participate in achieving the goals of economic development plans, such as enhancing food security, diversification of the production base and minimization of the reliance on oil as the main source of national income. Various government policies and programmes have been formulated and implemented in the past so as to permit the successful achievement of such goals.

4.3. In recent years, the agricultural sector has been facing a number of serious challenges, and the Government has increasingly recognized that reform of agricultural policy is essential to face those challenges effectively in parallel with achieving balanced development objectives.

4.4. Reforming current agricultural policy was influenced by two central concerns; the scarcity of water resources and ensuring food security. Considering that the Arabian Peninsula is one of the world's driest regions, with rainfall averaging less than 130 millimeters per year, water is becoming the main determinant and the biggest challenge for the development of the agricultural sector in the Kingdom of Saudi Arabia. Agricultural irrigation relies heavily on limited and non-renewable groundwater resources and accounts for the largest share of water consumption, amounting to 86.5 % of total water consumed in the Kingdom. Consequently, in the absence of alternative water resources, groundwater is being depleted at a very fast rate. The sustainable use of water is thus a top priority for the Kingdom.

4.5. Therefore, the Kingdom has recently made a strong policy shift towards enhancing sustainable development in the agricultural sector, including reform of domestic support policy. This has helped in restructuring the crop cultivation pattern, resulting in reduced areas of high water consuming crops, such as wheat and barley and more recently fodder crops.

4.6. The Ninth Development Plan (2010-2014) aimed to continue restructuring the agricultural sector, in order to enhance production of highly water-efficient crops; develop and improve the efficiency of agricultural markets; and improve the level and effectiveness of extension services, particularly for small farmers. Moreover, the Plan aims to encourage investment in the agricultural sector and improve the entire agricultural value chain, and continue to consolidate regional and international cooperation and partnerships, in order to achieve food security, maintain natural resources and preserve the environment.

4.7. Although the government decision to phase-out wheat production in Saudi Arabia was primarily targeted at saving water resources, the Government realized that many Saudi farmers switched from wheat cultivation to producing fodder crops, such as alfalfa and other green grass, which consume three times the amount of water needed for wheat production. The total area cultivated with fodder crops increased from 161,000 ha in 2007 to 196,000 ha in 2013 and total fodder production has increased from about 3 million MT in 2008 to nearly 4 million MT in 2013. Therefore, the Saudi government has recently issued a new decree to phase-out green fodder production gradually over three years, depending on imports to meet the country's green forages requirements.

4.8. From a future perspective, the Kingdom will continue in its Tenth Development Plan (2015-19) to promote balanced sustainable development by enhancing sustainable water use and achieving significant reduction in water consumption in the agricultural sector. Farmers will, in general, be encouraged to engage in alternative sustainable agricultural activities such as greenhouse farming and organic farming; moving away from traditional open-field cultivation and high water consuming products like wheat or fodders; and, to adopt modern cultivation techniques such as advanced drip irrigation.

4.2 Food Security

4.9. The global food crisis in 2007-08 led to unprecedented spikes and volatility of staple food prices in international commodity markets and provoked substantial food security concerns, particularly in developing and net food importing countries.

4.10. In this context, Saudi Arabia, as a net food importing country, is emphasizing the fundamental priority of ensuring food security.

4.11. In November 2015, the Council of Ministers approved regulatory arrangements for restructuring the Grain Silos and Flour Mills Organization (GSFMO) and for the establishment of four milling companies as part of the Government's privatization strategy. Under this decision the Grain Silos and Flour Mills Organization (GSFMO) will be replaced by the Saudi Grain Organization (SAGO).

4.12. In order to sustain food security objectives, as the Kingdom fully relies on wheat imports. SAGO has been mandated to increase the country's strategic wheat reserves levels to meet annual consumption needs and to face emergency conditions and any possible disruptions in international wheat markets. In the past, wheat strategic stocks were kept at levels sufficient for six months of consumption requirements.

4.3 Fisheries and Aquaculture

4.13. Fisheries sector is one of the basic pillars of the economic development strategy in the Kingdom. As it is contributing, together with the agriculture sector, to the achievement of many goals, most notably, access to the self-sufficiency of fisheries products and enhancing national food security, as well as diversification of the production base for the national economy, optimization of available resources and improving the economic and marketing efficiency.

4.14. Although fisheries is a relatively small sector in Saudi Arabia, the Kingdom has a great potential and extraordinary comparative advantages for fish farming investment practices, considering the characteristics offered by climate, location, land, costal water and market. Most types of tropical aquaculture practices are feasible in the Kingdom and most sorts of aquatic organisms can be cultured successfully.

4.15. Roughly 2,400 km of coastal line is available along the Red Sea and Arabian Gulf, and even if 10% of this area is developed for aquaculture industry, it could earn a billion riyals for investors. The climate also contains appropriate conditions for the economic cultivation of different types of fish, shrimp and other aquatic animals. The strategic geographical location near regional and global marketing centers, infrastructure, and the availability of different means of communications constitute added value to the sector.

4.16. Therefore, the Ministry of Agriculture (MOA) in the Kingdom of Saudi Arabia has identified aquaculture for intense focus, and proposes to enhance the development of investments in all coastal and interior areas. Fisheries resources in the Kingdom include all fisheries products and aquatic animals produced from marine resources and lakes or produced through aqua farming of fish and shrimp species in fresh and marine waters.

4.4 Hydrocarbon and Mining Sectors

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

4.18. Beyond hydrocarbons, the Kingdom is pursuing a successful diversification strategy to reduce the country's dependence on primary products and to encourage the development of higher value-added activities in the areas of services and manufacturing, based in particular on Saudi Arabia's comparative advantage in energy-intensive industries and using trade policy tools and specific measures that are consistent with Saudi Arabia's WTO obligations.

4.19. In 2014, the hydrocarbon and mining sector's share of GDP in 2010 prices is about 39%. The sector is expected to grow in volume terms on average by 6.9% per annum over the next five years, increasing the sector's share to 41%, but because of the forecast decline in nominal prices of hydrocarbon and mining products, the sector's share in GDP is expected to fall from 39% to 29% by 2019.

4.4.1 Hydrocarbon sector

4.4.1.1 Oil

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

4.21. Most production comes from fields in the coastal plains of the Eastern Province in an area extending 300 km. Saudi Arabia's total crude oil reserves at the end of 2014 stood at 266.578 billion barrels and the Kingdom continues to maintain maximum sustainable oil production capacity at 12.5 million bpd. The Kingdom's average daily crude oil production in 2014 amounted to 9.7 million bpd and crude oil exports totaled 2.6 billion barrels to customers around the world.

4.22. Saudi Aramco's exploration programme discovered eight new fields, the most in the company's history: five gas fields, Abu Ali, Faras, Amjad, Badi, and Faris; two oil fields, Sadawi and Naqa; and one oil and gas field, Qadqad.

4.4.1.2 Natural gas

4.23. The Master Gas System (MGS) enables use of nearly all the gas produced. The system adds the equivalent of more than a million barrels of oil a day to the world energy supply and provides fuel and feedstock for Saudi Arabia's rapidly growing industries.

4.24. In 2014, 11.3 billion standard cubic feet per day (scfd) of raw gas were processed with an increase of nearly 3% compared to 2013. The strong growth in gas production capacity will ensure that Saudi Aramco will efficiently meet the Kingdom's rising energy demand with gas for power and industry while also meeting the global call on crude oil.

4.25. Unconventional gas will make a significant contribution in Saudi Arabia's plans to increase overall gas production. The unconventional gas programme continued to gain momentum in 2014. A sizeable investment in this complementary source will help in assessing, developing, and producing gas from shale and tight sand formations in three target areas: northern Saudi Arabia, the greater Ghawar area, and the eastern Jafurah Basin.

4.4.1.3 Downstream

4.26. As stated in paragraph 4.18 above, Saudi Arabia is pursuing a successful diversification strategy to reduce the country's dependence on primary products and to encourage the development of higher value-added activities in the areas of services and manufacturing, in a manner that is consistent with Saudi Arabia's WTO obligations.

4.27. Independent of the Government's diversification initiatives, Saudi Aramco has pursued a commercially based corporate policy of diversifying its operations downstream by increasing production of refined products, such as gasoline, kerosene, and long residue (bunker). A core element of the downstream strategy is integrating chemicals production with refining assets domestically and across key international markets. The cumulative effect of the company's efforts will be a world-leading, fully integrated downstream system that maximizes the value of every hydrocarbon molecule produced and a portfolio that is more robust and resilient to market variability.

4.28. Saudi Aramco worldwide refining capacity stood at 5,375 thousand barrels per day at the end of 2014, consisting of 1,006 thousand barrels per day for wholly-owned domestic refineries, 1,904 thousand barrels per day for domestic joint ventures and 2,464 thousand barrels per day for international joint ventures. Of the total participated worldwide refining capacity, Saudi Aramco's share is 3,104 thousand barrels per day.

4.29. Saudi Aramco has integrated chemicals production in six of its refineries, creating world-class integrated chemicals complexes. In addition, it is currently expanding Petro Rabigh, with partner Sumitomo Chemical of Japan, and building the Sadara Chemical Project boosting its total participated chemicals production capacity to more than 15 million tonnes per year.

4.30. Sadara, which is a Saudi Aramco's joint venture with The Dow Chemical Company was on schedule for an initial startup in Jubail Industrial City in the 4th quarter of 2015. Sadara is to be the world's largest integrated chemicals complex ever built in a single phase, with the production capacity to produce more than 3 million tonnes of diversified chemicals and plastics per year. Fourteen of Sadara's 26 world scale manufacturing plants are new to the Kingdom.

4.31. Rabigh Refining and Petrochemical Company (Petro Rabigh) is another project increasing the value of hydrocarbon molecules by integrating chemicals production with refining. Rabigh Phase II will add specialty ethylene- and propylene-based products by de-bottlenecking the existing steam cracker. In addition, the project will enable the conversion of 4,000 kilo tonnes per year of naphtha into higher value aromatic products.

4.32. The Fujian Refining & Petrochemical Company (FREP), is Saudi Aramco's joint venture with Fujian Petrochemical Company Limited, ExxonMobil, China Petroleum and Petrochemical Company Limited (Sinopec), and the Fujian provincial government. FREP is a key element in Saudi Aramco's Asia chemicals strategy. In 2014, FREP increased its existing steam cracker capacity from 800 to 1,100 metric tonnes per annum and the refinery capacity from 240,000 bpd to 280,000 bpd.

4.4.2 Minerals sector

4.33. The accomplishments of the mineral resources sector include activities in minerals exploited that amounted to 430 million tonnes of mineral ores while the number of mining licenses reached 2094. The number of exploration licenses grew from 119 in 2009 to 416 in 2014. Revenues collected by the Deputy Ministry for Mineral Resources from all levies, severance fees and fines reached SAR 541 million. License holders revenues from this sector amounted to SAR 18 billion, while total revenues by whole sector reached to SAR 70 billion, profits made by license holders only were approximately SAR 8.3 billion based on a total capital investment of over SAR 200 billion. The Ministry of Petroleum and Mineral Resources is keen to increase value-added outputs.

4.34. By 2014, the most important mining production was about 4 million tonnes of phosphate concentrate. Cement production amounted to 56 million tonnes, clinker; ceramics around 70 million m^2; sanitary ware 3.78 million pieces; and gypsum board in excess of 12 million m^2. The exploitation of base and precious metals resulted in the production of 153,000 oz. of gold, 154,700 oz. of silver, 40,000 tonnes of copper concentrate and 33,000 tonnes of zinc concentrate.

4.35. Other minerals produced include 1.7 million tonnes of gypsum products; 1.9 million tonnes of salt; 1.2 million tonnes of limestone for the ornamental stone industry; 1.16 million tonnes of silica sand for glass and chemical industries and construction operations that require building materials free of impurities and oxides; 6.88 million tonnes of clay used in making red bricks and cement; 160,000 tonnes of feldspar for the glass and ceramics industries; 3 million tonnes of crushed marble used in paints; 934,000 tonnes of bauxite used by cement companies; 644,000 tonnes of low grade iron ore used in making cement; 1.1 million tonnes of granite and marble blocks used as ornamental stones; 460,000 tonnes of pozzolan used in light weight concrete; 300 million tonnes of all sizes of crushed gravel; and 29 million tonnes of ordinary sand used in concrete construction.

4.36. The Ministry continued its efforts to:

- Reduce environmental impact using locations for mining investment (named "Mining Complexes"), which were reserved for the exploitation of various types of minerals and rocks (e.g. granite, limestone, aggregates and sand) in 13 regions of Saudi Arabia. A total of 338 mining complexes were reserved throughout the Kingdom; the area of these locations amounted to 65,000 km^2;

- Delineating mining areas in other locations for the exploitation of granite, silica sand, gold, zinc, copper, granite, crusher materials and aggregates. The Ministry focused on encouraging mining investment in exploration and exploitation through its participation in conferences, symposia, workshops and exhibitions inside and outside the Kingdom. The staff of the Ministry conducted follow-up via over 2,000 field trips to mining licensees in remote areas;

- Conduct a mining strategy study for mid- and long- term periods (20 years) in order to increase the sector's contribution to GDP; to improve value chain opportunities in the categories of metals, fertilizers, construction materials, industrial compounds and industrial minerals that will supply downstream industries; to maximize economic development and competitiveness; to develop remote areas; to create jobs; and to ensure environmental sustainability and best in class safety performance.

4.5 Manufacturing

4.37. According to the Tenth Development Plan:

- The manufacturing sector's share of GDP in 2010 prices was about 11% in 2014. The sector is expected to grow by 7.7% per annum on average until 2019. Saudi Arabia's current industrial production includes ceramics, plastics, chemicals, steel, aluminium, building materials, textiles and foodstuffs;
- The average annual growth in the petrochemicals industry is expected to be 6.2% until 2019, which is significantly higher than the 2.3% annual growth recorded during the 2010-2014 period.

4.38. The value added of non-oil manufacturing industries has increased by 6.1% in 2014, and is projected to increase annually by 8.4% until 2019. The share of investment in the overall industrial sector is expected to grow from 31.1% in 2014 to 32.2% in 2019. The share of employment in the industrial sector is projected to drop in 2019 to 7.3% from its 2014 level of 8.5%; however, it is worth noting that the Saudization level in the sector is expected to increase from 15.7% in 2014 to 18.0% in 2019.

4.39. The total number of productive factories that are operating and licensed by the MCI in the Kingdom of Saudi Arabia reached 6,943 at the end of the third quarter of 2015. The total capital of these operating factories amounted to approximately 1,101,509 million (or 1,102 billion) Saudi Riyals (SAR), and their total registered employees reached 973,463 employees.

4.40. The total number of operating factories increased from 4,363 in 2005 to 6,953 at the end of 2014, and their total registered capital increased from approximately SAR 33.6 billion in 2005 to approximately SAR 99.9 billion at the end of 2014. The total employees of operating factories increased from approximately 407 thousand employees in 2005 to approximately 946 thousand employees at the end of 2014.

4.41. According to reports by the Central Department of Statistics and Information (CDSI) of the Kingdom of Saudi Arabia, the value of only manufacturing activities in the Kingdom's GDP during the second quarter of 2015 amounted to SAR 71,599 million at current prices and to SAR 73,023 million 2010-constant prices.

4.42. According to the National Accounts Indicators Report from the CDSI for preliminary annual data indicators, the total value of only manufacturing activities in the Kingdom's GDP at the end of 2014 amounted to SAR 306,189 million and to SAR 279,987 million at 2010-constant prices.

4.43. The CDSI's report indicates that, the annual growth rate of manufacturing activities as a share of GDP from 2013 to 2014 was 10.11% at current prices and 9.54% at 2010-constant prices. Manufacturing activities as a share of the Kingdom's GDP during 2014 was reported by the CDSI to be 10.8% at current prices and 11.5% at 2010-constant prices.

4.6 Services

4.44. The services sector is very important to Saudi Arabia's economy. During the review period it contributes 42% to real GDP and employs about three quarters of the workforce. Saudi Arabia encourages the services sector by providing market access and national treatment to foreign service suppliers. This is reflected by the number of services sub-sectors commitments undertaken by Saudi Arabia during its accession; the Kingdom undertook commitments on 120 Services sub-sectors out of 160.

4.6.1 Financial Services

4.6.1.1 Banking sector

4.45. Since the last trade policy review, the banking industry has been enjoying steady growth and stability as evidenced by a number of key banking indicators. As of October 2015, total bank assets grew by 3.0% year-over-year(yoy) to reach SAR 2.2 trillion. Total bank deposits increased by 3.3% reaching SAR 1.6 trillion while credit to the private sector increased by 5.0% reaching SAR 1.3 trillion.

4.46. Automated teller machines increased by 11.2% to 16,840 while point of sales terminals increased by 57% to 204,175.The branch network increased by 4.4% to 1965 branches. Currently, 24 banks are operating in the Kingdom compared to 21 banks in 2012. Of these, 12 are foreign bank branches and 6 are joint-venture banks, which shows the highly significant foreign presence in the Saudi banking sector. The banking industry is well capitalized, profitable and liquid. The average Capital Adequacy Ratio (CAR) has been maintained between 17-18% since 2012, which is above the Basel regulatory minimum requirement of 8%. As of the third quarter of 2015, the Basel capital and Tier 1 capital adequacy ratios were at 17.8% and 15.8%, respectively. The Basel III leverage ratio was 12.34% compared to the Basel minimum requirement of 3%. Non-performing loans were 1.2% of total Loans and the provisions coverage ratio was 166.7%. Banks recorded strong profitability with an average Return on Equity (ROE) of 15.0% and an average Return on Assets (ROA) of 2.0%. Banks have also maintained an abundant liquidity based on the Basel Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR), which recorded, on average, 177% and 125%, respectively.

4.47. The Banks liquidity ratio recorded 26.3%. The aggregate loan to deposit Ratio was 76.3%, which is still below the regulatory requirement of 85%. The recent stress tests conducted by both the Saudi Arabian Monetary Agency (SAMA) and banks demonstrate that the banking industry is sound, liquid and well equipped to withstand shocks.

4.48. The robustness of the banking industry reflects SAMA's vision and its continuous efforts in maintaining sustainable growth and a stable industry. Furthermore, SAMA has been working on various initiatives such as financial inclusion, financial education and consumer protection to further deepen the Saudi banking industry.

4.6.1.2 Cooperative insurance

4.49. Saudi Arabia's insurance market remains one of the largest and fastest-growing markets within the Gulf region where premiums more than doubled between 2009 and 2014. This growth is expected to continue over the near and medium term driven mainly by the compulsory insurance products. For the period ended September 2015, GWP reached SAR 28.4 billion compared to SAR 23.6 billion in September 2014, which represents a growth rate of 20%. Moreover, the persistent growth in both the Saudi population and GDP continued to spur insurance activities and thereby improved most key insurance indicators such as insurance density and insurance penetration. The insurance density, which indicates gross written premium per person, increased by 64% to SAR 991 in 2014 from SAR 604 in 2010. Insurance penetration, which measures insurance expenditure as a percentage of GDP, also increased to 1.08% in 2014 from 0.97% in 2010. SAMA's vision for the insurance industry is based on the following main objectives: stability, resilience and deepening of the industry. Implementation of various initiatives is underway such as enhancing consumer awareness and enforcement of compulsory lines.

4.6.1.3 Finance

4.50. Three finance laws, namely the Real Estate Finance Law, Finance Lease Law, and Finance Companies Control Law were promulgated in 2012. These laws and their implementing regulations provide the regulatory framework for the real estate finance sector and non-bank finance sector, and entrust SAMA with the regulation and supervision of those two sectors. They provide effective prudential measures that aim at ensuring the stability and soundness of these sectors. The regulatory framework for the real estate finance sector aims at maintaining the stability of the finance sector as well as fostering development and sustainable growth of the sector. The Financial Leasing Law and its Implementing Regulations regulate financial leasing contracts provided by banks and non-bank finance companies licensed to perform leasing activity through setting clear controls in respect of the rights of the lessor and the lessee in a stable and sustainable manner.

4.51. The Finance Companies Control Law and its Implementing Regulations aim to form a new competitive sector to extend credit while facilitating its soundness and stability. Up to November 2015, SAMA has licensed five real-estate finance companies and twenty-one finance companies to carry out one or more of the following finance activities: productive asset finance, small-and-medium enterprise finance, financial leasing, credit card finance and consumer finance. In addition, there are also additional six finance companies in the process of licensing.

4.6.1.4 Capital Market

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

4.53. In 2014, the CMA adopted a policy manual that sets the formal procedures that need to be applied in the consultation exercise on its draft implementing regulations, for the purpose of conducting such exercise by following a formal and methodical approach.

4.54. Since 2012, the following Implementing Regulations were issued by the CMA: (i) Prudential Rules, based on the three-pillar Basel framework, which require Authorized Persons (APs) to maintain adequate financial resources; (ii) Instructions and Procedures related to Listed Companies with Accumulated Losses reaching 50% or more of their capital; (iii) Credit Rating Agencies Regulations; (iv) Rules for Qualified Foreign Financial Institutions Investment in Listed Shares.

4.55. The following Implementing Regulations were amended during the same period: (i) Anti-Money Laundering and Counter-Terrorist Financing Rules; (ii) the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority; (iii) Listing Rules; (iv) Merger and Acquisition Regulations; (v) Authorized Persons Regulations.

4.56. In 2015, The CMA finalized and implemented the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares and allowed qualified foreign investors to invest directly in the shares listed on the Saudi Stock Exchange. These Rules set out the procedures, requirements and conditions for the registration of qualified foreign investors with the CMA, and specify the obligations of APs in their dealings with qualified foreign investors.

4.57. Since its inception in 2004, the CMA has been keen on creating an encouraging environment for listing and investment. Accordingly, the number of listed companies rose from 73 in 2004 to 171 at the end of the third quarter of 2015. Since 2012, money raised from the Saudi capital market has amounted to around US$50 billion through all types of securities offerings.

4.58. The number of Authorized Persons (APs) operating in the Kingdom reached 87 (including local, regional and international affiliates) by the end of the third quarter of 2015 with a total paid-up capital of US$4.2 billion. Products and services are provided by the APs to capital market participants.

4.59. The CMA has been continuing its efforts aimed at making the capital market more stable and supportive of the national economy and more appealing for investment. As part of its role in regulating and developing the capital market and protecting investors, the CMA has developed a comprehensive strategic plan covering the period 2015–2019.[3]

4.6.2 Telecom

4.60. CITC issued new licenses for a number of different services. The total number of licenses issued reached 325 by the end of 2014 compared to 309 at the end of 2013, which demonstrates the attractiveness of investment in Information and Communications Technology (ICT).

4.61. Two licenses were issued in 2014 for Mobile Virtual Network Operator (MVNO) services with a view to promoting competition in the mobile services market, increasing investment in this important sector and enhancing choice for users.

4.62. In addition in 2014, CITC initiated the preparation of necessary documentation for a public consultation on licensing of broadband satellite services with the objective of extending the reach of broadband services that have become essential for e-based applications, in particular e-government applications, and to meet the needs of individuals and businesses.

4.63. Furthermore, pursuant to its mission of promoting competition, protecting the interests of users and encouraging the provision of reliable ICT services at affordable prices, CITC undertook the following initiatives and studies:

- Studied the prices for wholesale termination of voice calls on mobile and fixed telecom networks;
- Initiated a project to update the ICT market definition, designation and dominance report with a view to establishing regulations to prevent anti-competitive behavior;
- Initiated a project to study the ICT market and to develop indicators for that market;
- Worked on updating the Interconnection Guidelines as well as developing Guidelines on implementation of shared fiber infrastructure;
- To further promote competition, implemented new procedures for mobile number portability and worked to resolve related user complaints, which amounted to about 1100 in 2014. This resulted in 500,000 numbers being ported between licensed service providers.

4.6.3 Transportation

4.64. Saudi Arabia has witnessed a notable development in the transportation sector since the first TPR. The road length has increased by more than 8% to reach a total length of 62,735 km, in order to improve mobility, trade, and tourism.

4.65. Saudi Arabia has adopted a national vision, through its National Transportation Strategy (NTS), which is "to develop and maintain a multimodal transportation system, serving the needs of society by ensuring a safe, efficient and technologically advanced transport system that promotes social and economic development and international competitiveness for the Kingdom, and ensures a healthy and secure environment for its citizens".

4.66. Saudi Arabia has adopted five public transport projects in different major cities: Riyadh, Jeddah, Makkah, Dammam and Madinah. The projects will provide the cities with a giant public transport system (metro and buses) to meet their existing and future demand and will be of great benefit to the cities' traffic, economy, society and environment. Currently, the King Abdulaziz

[3] See: http://www.cma.org.sa/En/Pages/CMAStrategicPlan.aspx.

project for Riyadh public transport is under construction, and is expected to be finished over the three coming years.

4.67. The north-south line project, which is 2,400 km long and designed to connect the north-west border of Saudi Arabia (Saudi/Jordan border) via Riyadh to the new port being built on the Arabian Gulf, is partially operational. Also, the Haramain high speed rail project, which is 450 km long and designed to connect Madinah with Makkah through Jeddah and Rabigh on the Red Sea, is expected to be operated at full capacity by the end of 2016.

4.68. Saudi Arabia is currently working on developing many other projects and plans to integrate the national and international freight and passenger transport systems, such as: the GCC railway project, the multimodal logistics development plan and the national transport infrastructure plan.

4.69. The maritime trade law, which regulates the maritime transport and merchant shipping sector in Saudi Arabia, has reached the final procedure to be issued, while the freight forwarder regulation, which regulates marine shipping, has been issued. The participation of the private sector has increased, especially with respect to the provision of port services in Saudi Arabia.

4.6.4 Health and social services

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

4.6.5 Courier

4.71. The Saudi Post is a state-owned government corporation providing services such as: mails, parcels, services, distribution and financial service as its main activities. However, the Board of Directors has made a decision to convert the corporation to a holding company encompassing several companies such as: EMS Company, Ersal Financial Company, and Postal Services Company as a first step in the privatization of Saudi Post.

4.72. In addition, the Kingdom is working to set up an authority for Saudi Post in order to play the role of regulator and operator of mail services in Saudi Arabia. The primary purpose of establishing the Saudi Post Authority is to complete separation between the legislative and implementation authorities, to ensure there is no conflict between the organizer of the postal sector and providers of e-mail services in Saudi Arabia and also to ensure an open market for all companies wishing to exercise a business activity subject to conditions determined by the Authority.

4.73. Saudi Post provides mail services and licenses private companies to transport packages. Approximately nine licenses have been awarded. In addition, Saudi Post provides postal boxes to subscribers in cities and villages.

4.74. Saudi Post has covered all regions by large network of post offices, as well as Sub-owned companies that have a license and owned by private sector. Saudi Post is also providing mobile phone services in the cities and villages. Saudi Post is an active participant in e-commerce and e-government. It dealt with 740 million items in 2014 – 99% of it mailings, 0.5 express mail and the remainder parcels. Saudi post also provides e-services and e-mail service.

4.75. Saudi Arabia has a timetable for the transformation of Saudi Post Corporation to a private company with the introduction of licenses to rival companies to provide postal services in the Kingdom. In addition, it is planned to establish an organization called Organization of the Saudi Mail to act as legislator and sponsor of companies providing mail services.

4.76. The primary purposes of the establishment of an organization of the Saudi mail (the organizer) include, but are not limited to:

- Complete separation between the legislative (the organizer) and the executive (Saudi Post Corporation) and the absence of conflict of interest between the regulator for the postal sector and postal services providers in the Kingdom;

- Regulation, oversight and supervision of the postal sector in the Kingdom (of Saudi Post Corporation and other licensed service providers);
- The development of mandatory standards for the provision of postal services and products via the postal sector in the Kingdom;
- Licensing of providers of postal services in the Kingdom;
- Awareness of the beneficiaries of postal services in all aspects of mail and services;
- Creation of the postal sector in the Kingdom to achieve financial independence, and promoting investment opportunities.

4.6.6 Aviation

4.77. The aviation industry is playing an important role in the growth and development of the Kingdom of Saudi Arabia with a combination of both domestic and international services. Most importantly, the Kingdom has recently decentralized the domestic aviation market: three new domestic air carriers (Al Maya, Saudi Gulf and Nesma) are likely to operate in the domestic market in the near future.

4.78. National Carriers (Saudia and Fly Nas) have initiated Vision 2020 to focus towards capacity expansion, which would lead to a massive fleet expansion programme and would enable Saudi Arabia's air travel market to connect to new international destinations in the years to come.

4.79. As of 2015, the Kingdom of Saudi Arabia connects 70 destinations, 57 on international and 13 on domestic routes. There are 81 international and 2 domestic airlines operating in the Kingdom.

4.80. Saudi Arabia has invested heavily in its aviation infrastructure in recent years, particularly its airports. Airports are also in the phase of development to provide world class services and capacity augmentation. GACA's Vision 2020 includes establishment, development and expansion of 27 regional and major airports, strengthening the capacity of all airports across the Kingdom to handle over 100 million passengers annually.

4.81. KAIA and KKIA airports are under phased development. By 2040 the two airports are expected to handle 127.5 million passengers.

4.82. Economic growth manifests a strong correlation with air transport growth. In the Kingdom, the air travel market has been growing at an average annual rate of 8.2%; 7.68%; and 5.3% in passenger, cargo and aircraft movements respectively during the last four years (2011-2014).

4.83. During the year 2014, the total traffic handled at the Kingdom of Saudi Arabia's airports, was 74.75 million passengers and 0.59 million aircraft movements with a growth of 9.7% and 4.2% respectively over 2013. Cargo traffic has shown a decline of 3.7% during the same period.

4.84. Airlines and airports are acting as a key factor in the development of global competitiveness. They contribute SAR 30.20 billion in absolute terms and 1.8% toward the country's GDP in percentage terms. Saudi Arabian airline witnessed a major leap in its privatization process and is expected to undergo complete privatization in the next few years.

4.6.7 Distribution

4.85. Saudi Arabia recently announced its plan to allow 100% foreign ownership in wholesale and retail services. The change is part of the broader reform agenda that seeks to diversify the economy and decrease its reliance on oil.

4.86. The change should bring more foreign direct investment into the sector but also enable the creation of supply chains and other desirable spill-overs.

5 FREE TRADE AGREEMENTS

5.1 GCC Customs Union

5.1. Saudi Arabia believes that regional trade agreements can be a useful complement to the multilateral system, by deepening the integration of markets, reinforcing the role of trade in economic growth, promoting gains of scale for domestic firms and providing an expanded base to face global competition. Saudi Arabia was one of the six founding States of the GCC in 1981. The basic objectives of the GCC are to effect coordination, integration and inter-connection between member states in all fields, strengthen ties between their peoples, formulate similar regulations in various fields such as economics, finance, trade, customs, tourism, legislation, administration, as well as foster scientific and technical progress in industry, mining, agriculture, water and animal resources, establish scientific research centers, set up joint ventures, and encourage the cooperation of the private sector.

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

5.2 Pan Arab Free-Trade Area (PAFTA)

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

5.4. The treaty also provides for rules of origin requiring the value added not be less than 40% of ex-factory cost. Recently, efforts have been made to include trade in services.

5.3 GCC-Singapore FTA

5.5. The Kingdom grants preferential treatment to the goods of national origin imported from Singapore as of 1 April 2015 within the framework of the free trade agreement between the GCC states and Singapore.

5.4 GCC-EFTA FTA

5.6. The Kingdom also grants preferential treatment to the EFTA group (Iceland, Norway, Switzerland and Liechtenstein) to the goods of national origin within the framework of the free trade agreement between the GCC states and the EFTA as of 1 July 2015.

6 FUTURE DIRECTION OF SAUDI ARABIA'S TRADE POLICY

6.1 Saudi Arabia and the G20

6.1. As a member of the G20, Saudi Arabia has fully endorsed and respected the G20 Leaders' commitment to refrain from imposing protectionist measures on trade in goods and services in order to support global economic recovery and the restoration of sustainable growth. Saudi Arabia has fully supported the WTO Secretariat's exercise of periodically monitoring the imposition of new trade measures by G20 WTO Members and is alone, of all G20 Members, in avoiding such measures since the global financial crisis.

6.2. Saudi Arabia adjusted its Growth Strategy within the G20 framework for the year 2015 and identified 6 key commitments in line with its key national priorities that aim at boosting domestic investment, enhancing competitiveness, and facilitating trade. These key commitments are to: i) reduce the regulatory burden and increase government investment; ii) shift to greater private sector funding and management of investment through PPPs; iii) improve institutional settings including rules and regulations; iv) Enhance technical and vocational training; v) boost female labor force participation; vi) implement trade facilitation agreement and improve port capacity. The choice of those key commitments benefited from technical consultation with the IOs to ensure that the identified commitments are expected to have the greatest impact on growth.

6.2 Saudi Arabia and New Sources of Energy

6.3. In the past four years, Saudi Arabia, represented by the Atomic Energy Sector in King Abdullah City for Atomic and Renewable Energy (KACARE), has worked on several projects to begin defining the objectives of the KSA Nuclear Programme. These projects includes but are not limited to the following:

- Establishing a new atomic energy programme directed to civil purposes and having the following properties:
  - safety first;
  - transparent;
  - worldwide cooperation;
  - highest standards and best practices;
  - clean and environmentally friendly.
- Establishing a new sustainable economic sector characterized by the following properties:
  - based on viable economic business models;
  - managed by a trained and qualified national workforce;
  - having a high rate of technology localization;
  - enabling high participation by the Kingdom's industrial and services sectors, and;
  - using licensed and reliable technologies.
- Creating radiation and nuclear regulatory body that is independent and credible.
- Adapting and developing, in partnership, new atomic energy technologies.

6.4. Today, KACARE:

- Houses an independent regulatory body that is in a developmental stage and is being developed by KACARE. On an interim basis, the competent authority is a unit within the atomic energy sector in KACARE;
- Has a technical partnership with STUK (Finnish Radiation and Nuclear Regulatory Authority);
- Is licensing the LPRR (Low Power Research Reactor) Project;
- Achieved bilateral nuclear cooperation agreements with eight countries.

6.5. In the past four years, Saudi Arabia represented by KACARE, has worked on several projects that are divided into the following three categories: utility scale, water desalination, and small renewable energy applications. Below we briefly describe projects in each category.

6.6. **Utility scale:** this category includes several projects:

- The first project is King Salman's Initiative for Green Energy in Al Madinah. Al Madinah has an abundance of renewable energy resources. Hence, this initiative aims at making Al Madinah a global pioneer in the field of renewable energy;
- The second project is the utilization of the Jeddah old landfill; the aim of this project is to use the generated gases from biodegradable waste known as Landfill Gas (LFG) and to convert the gases into energy.

6.7. The last project is the development and deployment of large-scale renewable energy projects. The aim of this project is to utilize the resources available in Saudi Arabia and to help reduce domestic hydrocarbon demand for electricity generation. The Saudi electricity system is the largest in the Arab world, where peak load in 2014 reached 56,547 Mw and the electricity generation capacity in 2014 reached 76,839 Mw.

6.8. As for Water desalination: KACARE has started working on a feasibility study for using renewable energy resources for water desalination. The aim of this project is to capitalize on the renewable resources available to reduce Saudi Arabia's high oil consumption for water desalination.

6.9. As for the small renewable energy applications: KACARE is working on multiple projects on this regard.

- The first project is to utilize rooftops of buildings to produce energy. This project aims at reducing the electricity demand on buildings, in line with the kingdom-wide energy conservation efforts and to support the grid in peak-load shaving;
- The second project is the use of solar energy with batteries in remote areas. This project aims to support off grid remote locations in the Kingdom of Saudi Arabia with reliable renewable energy solutions.

6.10. KACARE has made great efforts to pave the way for these projects. A concrete milestone was the Resolution of the Electricity Regulator (ECRA) Board of about 20 amendments to enable the integration of renewable energy into the power grid with different technologies and sizes. The technologies that will be used are the following:

1. Photovoltaic (PV);
2. Concentrated Solar Power (CSP);
3. Wind;
4. Geothermal; and
5. Waste to Energy.

6.3 Competition

6.11. The main features of the Competition Law are:

- Expanding the scope of application of the Law to all establishments, organizations and authorities that conduct commercial and economic activities, notwithstanding their ownership;
- Confirming the legal personality and the financial and administrative independence of the Council and that its employees are subject to Labor Law;
- Stipulating the possibility of exemption from the application of the law for some anti-competitive practices, if doing so, would improve the market's performance and generate net benefits for the consumer;
- Determining the competencies of the Board of Directors as a high authority and the competencies of the General Secretariat as an executive body, in a clear way in line with the competition promotion strategy;
- Including an Article that exempts a violating establishment that cooperates in investigations from referral to the Committee for Resolution when such an establishment provides evidence on the violations of the Competition Law that have been committed by its partners. This procedure is in line with the international practices and is considered as a good tool to detect monopolistic entities.

ANNEX

TECHNICAL ASSISTANCE NEEDS OF SAUDI ARABIA

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

    - Agreement on government procurement;
    - Rules of origin;
    - Customs valuation;
    - Trade facilitation;
    - RTAs.

2. Within the context of the ITTC's University Programme, Saudi Arabia is looking forward to WTO assistance to set up a cooperation programme between the WTO and a selected Saudi Arabian University in order to meet the objectives determined for this programme.

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