



## WTO TWENTIETH ANNIVERSARY ACCESSIONS PROGRAMME

### SECOND GLOBAL SEMINAR ON WTO ACCESSIONS SAUDI ARABIA 10-YEAR WTO ACCESSION SPECIAL ANNIVERSARY SESSION ACCESSIONS BOOK LAUNCH BY WTO DIRECTOR-GENERAL ROBERTO AZEVEDO

*Statement by Mr. W. Alfaro, Director, Trade Policies Review Division, WTO*

*Saudi Arabia Special Anniversary Session: 10 Years of WTO Membership:  
Looking back and Looking Ahead*

**Geneva, Tuesday, 29 September 2015, 11:40 – 11:50, Room D**

1. Very pleased and honoured to participate in this session marking 10 years of accession to the WTO of the Kingdom of Saudi Arabia.
2. Following Saudi Arabia's accession and in line with the mandate under the Trade Policy Review Mechanism, its trade policies and practices were reviewed for the first time on 25 January 2012. Given its share in world trade, the Kingdom is under a four-year cycle of reviews. Its next TPR is thus scheduled for April 2016.
3. At the outset, I must underline that the TPRM is a transparency exercise aimed at improving the understanding of Members' trade policies and practices. It is not intended to evaluate compliance with WTO commitments or to impose new obligations on Members. In addition to enhancing transparency, this exercise has become very useful for Members to collectively assess the direction and impact of trade policies. In many cases, the TPR process has also served to improve internal coordination and cooperation between concerned ministries and agencies.
4. The first TPR of Saudi Arabia, as noted by the Chairman of the TPRB, allowed WTO Members to get a better understanding of the evolution of its trade and related policies since its accession to the WTO, and to measure the challenges it faced at that time in maintaining economic prosperity.
5. In 2012, Members noted that Saudi Arabia maintained sound economic policies and an outward-looking trade regime which enabled it to successfully weather the global crisis without backsliding on trade liberalization. Members encouraged Saudi Arabia to continue its structural reforms and development strategy. The Kingdom informed Members that it was taking steps to diversify the economy away from hydrocarbons and ensure intergenerational equity in the exploitation of non-renewable resources through the improvement of education and health services and modernization of its infrastructure. It was noted that a key challenge of Saudi Arabia's development process was to increase the participation of the private sector (local and foreign) in the economy and scale-back reliance on the public sector to absorb domestic labour.
6. Members welcomed Saudi Arabia's commitment to the multilateral trading system and encouraged it to further foster its participation and leadership in the WTO commensurate with its growing importance, regionally, worldwide and not least as a G20 economy.
7. The overall basic message was that Saudi Arabia had an open and relatively transparent trade regime but in several areas policies and practices seemed to somehow lack transparency and application of the law appeared to be somewhat less rigid. In addition, a number of sensitive issues were identified such as state enterprises, government procurement, and policies that favour Saudi nationals.



8. Members encouraged Saudi Arabia to consider improvements in many trade-related areas, such as tariffs (reducing the gap between bound and applied rates), SPS and TBT measures (to allow interested parties more time to review and comment on proposed measures), enhancing WTO notifications, the government procurement regime (removing price preference for domestic and GCC products and acceding to the GPA), broadening the scope of competition legislation, improving the protection of intellectual property rights, and removing foreign ownership and market access restrictions in some services areas (audio-visual and transportation).

9. The preparations of the second TPR of Saudi Arabia are currently under way. This second review will provide an opportunity for all Members to be informed about changes that have occurred over the past 4 years in the Kingdom's trade and trade-related policies. Members' will also be able to assess to what extent their comments during the first review have been taken into consideration.

10. It is too early to list all the recent developments in a comprehensive manner, but we have some ideas of some of the points that could emerge in the second TPR review. These are the following.

11. Although the economy is, and will remain, dependant on crude oil production, Saudi Arabia has succeeded in adding value to its exports through the development of refineries, and production of fertilizers and chemicals. Oil and related products represent nearly all exports and about 80% of Government revenue. Despite official support for diversification, dependence on oil exports will not change significantly in the immediate future as reserves are sufficient for at least 90 years' production. Financial services (including Islamic banking), and religious tourism are also important contributors to the economy.

12. There have been several trade-related developments in Saudi Arabia over the past four years. In particular, improvements in import procedures have reduced the time needed to process import documents from four days to less than one hour. Furthermore, greater use is being made of standards developed by the GCC which apply to each member country, although this has also led to some confusion in notifications of these standards to the WTO by GCC countries.

13. Some sensitive trade and investment-related issues remain. These include: state owned enterprises such as Saudi Aramco which dominates oil production and refining; government procurement which is complex, less transparent and involves several government agencies; and policies that favour Saudi nationals and set targets for their employment in some sectors.

14. Now, regarding the points made by Members during the first review, we have some preliminary observations in some of the areas where changes may have occurred over the past four years.

15. **Diversification:** the ninth development plan, which lasted from 2009 to 2014, included US\$400 billion stimulus spending on infrastructure (high-speed rail networks and urban public transport systems), education and health and job creation. The tenth plan, which is to last from 2015 to 2019, is still under consideration. Some of the main economic policy objectives of the plan are to: (i) enhance economic diversification; (ii) ensure economic growth, stability and competitiveness; (iii) raise value addition of natural resources in the national economy; (iv) develop SMEs and increase their contribution to GDP and Saudization; (v) enhance fiscal and monetary stability; (vi) increase the contribution and productivity of the private sector; (vii) raise the standard of living and improve the quality of life of all segments of society; and (viii) deepen economic integration with GCC and Arab countries.

16. **Increase Saudi participation in the economy:** the government is actively pursuing a Saudization programme. This programme is about the replacement of foreign workers with Saudi nationals in the private sector.



17. **Multilateralism v Regionalism:** Saudi Arabia participates in two overlapping regional trade agreements: the Gulf Cooperation Council (GCC), where full implementation of the customs union is expected to take place by the end of 2015, and the Pan Arab Free Trade Area (PAFTA). Saudi Arabia plays a key role in the GCC, being the largest economy in the group and having the largest population as well. Regarding multilateralism, the government strengthened its WTO team by naming MCI as the focal agency for WTO affairs. Saudi Arabia established a permanent WTO Mission in Geneva in June 2010 to enhance its engagement and ensure its active participation in WTO activities. The Permanent Representative has chaired a number of WTO committees and the Kingdom is an active participant in different WTO committees. The Government also instructed other relevant agencies to establish specialised units for WTO affairs. Further, it established the World Trade Service Center (WTSC) in April 2014 to build the capacity of officials in related ministries and local authorities. The WTSC also hosts the WTO Reference Center.

18. **Tariffs:** Saudi Arabia maintains a relatively low level of tariff protection (applied MFN average tariff rate of 5.2% in 2011), with some products subject to higher tariff rates and peaks of 100% for tobacco products.

19. **SPS and TBT:** Saudi Arabia was encouraged to improve transparency by allowing interested parties more time to review and comment on standards and SPS measures, and eliminate certain technical requirements to further reduce costs for traders. As noted earlier, greater use is being made of standards developed by the GCC which should address some of the concerns.

20. **Investment and business environment:** Members acknowledged the recent measures taken by Saudi Arabia to improve its investment and business environment. They requested Saudi Arabia to communicate this better through actively promoting policy transparency as well as through enhanced WTO notifications, which would further facilitate trade and investment. Saudi Arabia issued the Saudi Arabian General Investment Authority Board resolution No. 2/74, adopted in 2014. Under this regulation, overseas investors looking to launch businesses in the Kingdom of Saudi Arabia will now be able to benefit from a faster and simpler application process with the launch of a new fast track service. Additionally certain activities were removed from the negative list.

21. **Government procurement:** Some Members encouraged Saudi Arabia to amend its government procurement regime to remove the price preferences for domestic and GCC products, and join as soon as possible the Government Procurement Agreement (GPA). This is still work in progress.

22. **Competition:** Saudi Arabia was requested to consider broadening the scope of its competition legislation and to cover public and wholly state-owned corporations given that State ownership remains significant throughout the economy. Again, this is work in progress.

23. To conclude, the Kingdom of Saudi Arabia has fully and actively participated in the TPRM exercise since its accession to the WTO. It has submitted its trade policies and practices to the peer review mechanism of Members and has reflected Members comments and concerns in its trade reform process. Maybe not in all areas, but the trade reforms already undertaken will be appreciated by WTO Members in the context of the Kingdom's TPR review next year.

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