

# Saudi Arabia

## 1. Bilateral trade relations

According to the China Customs, the bilateral trade volume between China and Saudi Arabia in 2006 reached US \$ 20.14 billion, up by 25.3%, among which China's export to Saudi Arabia was US \$ 5.06 billion, up by 32.2%, while China's import from Saudi Arabia was US \$ 15.08 billion, up by 23.2%. China had a deficit of US \$ 10.02 billion. China mainly exported to Saudi Arabia new pneumatic tires of rubber; woven fabrics of synthetic filament yarn; women's or girls' suit, ensembles, jackets, blazers, dresses and skirts; men's or boys' suits, ensembles, jackets, blazers, and trousers; furniture and parts; air conditioning machines; footwear; T-shirts; undershirts; vests; trunks and handbags; sportswear; skiwear; swimwear and etc. China mainly imported from Saudi Arabia crude petroleum oil and crude oil obtained from bituminous minerals; acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives; polymers of ethylene in primary forms; petroleum gases; cyclic hydrocarbons; oil products; propylene, ethers, either alcohols, ether phenol, cross and oxidize alcohol, plural carboxyl acid, acid anhydride, acyl halogenations and sulfur in primary forms; and etc.

According to the Ministry of Commerce (hereinafter referred to as MOFCOM), by the end of 2006, the accumulated turnover of completed engineering contracts by Chinese companies in Saudi Arabia had reached US \$ 1.64 billion, The accumulated volume of completed labor service contracts was US \$ 130 million.

According to MOFCOM, Chinese non-financial direct investment in Saudi Arabia approved by and put on record by MOFCOM reached US \$ 600,000 in 2006.

According to MOFCOM, Saudi Arabian investors invested in 16 projects in China in 2006, with a contractual investment of US \$ 17.40 million and an actual utilization of US \$ 8.16 million.

## 2. Trade and investment regime

### 2.1. Legislation on trade and investment

Over the past few years, the Saudi Arabian government has promulgated a series of laws governing trade and investment, including the Import Licensing Guidelines & Procedures, the Sanitary and Phytosanitary Measures, the Foreign Investment Act, the Law on Ownership of Real Estate by Non-Saudis, the Saudi Arabian Standards Organization Technical Directives, the Negative List excluded from Foreign Investment, the Trade Information Law, the Enhanced Money Laundering Regulations, the Executive Rules of the Foreign Investment Act, the Tax Law, the Real Estate Law,

the Capital Markets Law and the Anti dumping Law.

## 2.2.Trade administration

### 2.2.1Tariff system

The tariff rate in Saudi Arabia averages 5%(ad valorem CIF price). Members of the Gulf Cooperation Council(GCC) are granted duty free treatment when certificate of origin or accreditation certificates are provided.

### 2.2.2Import and export administration

Saudi Arabia applies free trade policy to general products, placing no quantitative or price controls on imports. However, Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, and certain sculptures.

Imported foods are subject to health and sanitation requirements, as well as point of origin labeling.

### 2.2.3Foreign exchange administration

Saudi Arabia imposes no foreign exchange restrictions on capital receipts or payments by residents or nonresidents, beyond a prohibition against transactions with Israel. In practice, Saudi Arabia pegs its currency, the Saudi Riyal, to the U.S.Dollar.

## 2.3Investment administration

According to the Negative List excluded from Foreign Investment issued by Saudi Arabia in 2003, foreign investment is prohibited in three manufacturing sectors, including oil exploration, drilling and production; manufacturing of military equipment, devices and uniforms; and manufacturing of civilian explosives, as well as 16 service sectors, including catering to military sectors, security and detective services, insurance services, real estate investment in Makkah and Madina, real estate brokerage, printing and publishing, and telecommunications services. However, according to the Report of the Working Party on the Accession of the Kingdom of Saudi Arabia to the World Trade Organization, Saudi Arabia has committed to open sectors such as insurance, telecommunications services, wholesale and retail trade. For example, foreign insurance companies will be permitted to open and operate direct branches in Saudi Arabia, or to form a joint venture insurance company with local insurers, in which foreign participation is limited at 60 per cent. In the sector of basic telecommunications, foreign participation in a facilities based joint venture is limited at 49 per cent, 51 per cent by the end of 2007, and 60 per cent by the end of 2008. For wholesale and retail trade, foreign participation is limited at 51 per cent, and 75 per cent after the end of 2008.

According to the Foreign Investment Act, solely foreign funded enterprises or joint ventures are allowed in Saudi Arabia. Except sectors outlined in the Negative List excluded from Foreign Investment, foreign investment is allowed in all other sectors. The minimum level of investment for agricultural projects is SR25 million(approximately RMB 53.33 million), for industrial projects SR5 million(approximately RMB 10.66 million), and for service projects SR2 million(approximately RMB 4.27 million). Foreign investors are not required to look for local partners and are allowed to own company assets. Solely foreign owned enterprises are entitled to apply loans from the Saudi Industrial Development Fund(SIDF).

## 2.4 Competent authorities

The Saudi Arabian Ministry of Commerce & Industry is responsible for foreign trade administration. The Saudi Arabian General Investment Authority(SAGIA), reporting to the Supreme Economic Council(SEC), is responsible for investment administration. The Board of Directors established under SAGIA is made up of deputy ministers and private business representatives.

## 3. Barriers to trade

### 3.1 Technical barriers to trade

The Saudi Arabian Standards Organization(SASO) is the solely organization granted for standards making. Certain imported products must get certificate of the International Conformity Certification Program(ICCPC) before entering the Saudi market. However, the ICCPC is unduly complicated and stringent, with onerous procedures and unclear product coverage. In order to better monitor certain imported products, the Saudi government has started to replace ICCPC with the Certificate of Conformity Program(COCP). The new program will require all exporting companies to provide a certificate of conformity issued by labs recognized in the exporting country with every shipment to Saudi Arabia. China hopes that through bilateral consultations with Saudi Arab, Chinese inspection institutions will be recognized to conduct COCP at an early date.

Besides, the Saudi government has said that such certification would not be required when Saudi Arabia has built its own ability to inspect imported or domestic products. Such changes as regards inspection methods don't mean relaxed requirement on imported products. Saudi Arabia will continue to implement technical standards towards products which must take into account the tough Saudi environment. For instance, auto tires must be able to withstand the high temperatures in summer.

### 3.2 Sanitary and phytosanitary measures

The Saudi Arabian Ministry of Commerce & Industry issued ministerial resolutions in 2000 and in 2003 successively to consolidate the former Agricultural Product

Quarantine Rules and the Animal Product Quarantine Decree into the “Sanitary and Phytosanitary Unified Procedures”, so as to be in line with the requirements of WTO agreements. The new law has pledged to adopt quarantine procedures on food, animals and plants in consistency with WTO agreements, implement the law on the basis of prevailing international standards and procedures, and recognize and adopt quarantine measures suggested by other countries if they are equally effective.

Meanwhile, SASO will put the Food Standard Draft on its website to improve transparency in the making of laws and regulation.

### 3.3 Other barriers to trade

According to the Saudi Labor Law, staff of Saudi nationality should account for a minimum of 75%, and occupy 50% of the total paycheck in various enterprises including solely foreign funded enterprises. This Law also requires that positions such as human resources staff, recruiting officers, receptionists, cashiers, and security staff are open only to Saudi citizens. Besides, the Labor Department is entitled to lower this proportion when there is a shortage of labor force in Saudi Arabia. Foreign nationals need to obtain working permits and guarantee in order to work in Saudi Arabia. A letter of release issued by former employer is needed if a foreign national changes employer. In practice, the Saudi government usually requires that foreign companies must provide 25% or even 30% of their job openings to Saudi citizens. Otherwise foreign staff in foreign companies will be denied working visas.

Female foreign persons face even greater difficulties in obtaining working visas from Saudi Arabia. Particularly there are remote possibilities for women to obtain long term working visas. Besides, the Saudi government places quantitative limits on working visas and prohibits their repeated usage. This has effectively affected the normal business of Chinese companies based in Saudi Arabia.