

Saudi Arabia's Accession to the World Trade Organization (WTO) Services Market Access

As detailed in Saudi Arabia's schedule of services commitments, U.S. services providers will benefit from improved market access and national treatment in Saudi Arabia across a wide range of sectors, including banking and securities, insurance, audio-visual services, telecommunications, energy services, express delivery services, engineering and construction services, and professional services. In addition, Saudi Arabia may provide more liberal access than that specified in its schedule and has agreed to participate actively and constructively in the Doha Development Agenda (DDA) negotiations, including on services. Through the DDA negotiations, Saudi Arabia is open to further liberalizing its economy, including its services sector.

Banking and Securities: Prior to its accession, Saudi Arabia limited foreign banks to a minority shareholding position of 40 percent. Our bilateral market access agreement with Saudi Arabia provides the following improvements:

- Immediately upon Saudi Arabia's accession to the WTO, U.S. and other foreign banks will be able to establish direct branches to be regulated on the basis of world-wide capital. The current foreign equity cap in joint-venture banks will increase from 40 to 60 percent, with the possibility of additional flexibility in equity ownership applied on a case-by case basis. Saudi Arabia has also provided assurances regarding management control.
- Cross-border market access commitments are comparable, or superior, to those of OECD countries. Foreign firms are afforded non-discriminatory treatment, or "national treatment", across all financial services sub-sectors.
- Asset management and financial advisory services may be provided through banks or non-bank financial institutions. Foreign financial institutions will be permitted to provide pension funds supplementary to the public pension scheme at the same time that Saudi financial institutions are permitted to do so.

Insurance: Prior to accession, the traditional insurance business model was prohibited. An alternative insurance concept called "Cooperative Insurance" similar to mutual societies whereby the profits of the company are redistributed to the policyholders was developed. A number of traditional insurance companies have been established and operated in Saudi Arabia under a commercial business license (rather than an insurance license) from the Ministry of Commerce.

After accession, the Saudi Arabian Monetary Authority will issue operating licenses to foreign insurance companies under the following terms:

- Saudi Arabia will allow direct branching by foreign insurance providers. Foreign insurers can also establish a cooperative insurance company in Saudi Arabia with up to a 60 percent equity stake.

- A company may keep 90 percent of the profits and redistribute 10 percent to the policyholders.
- Saudi Arabia also committed to provide foreign insurance companies with national treatment.
- Foreign insurance providers currently operating in the Kingdom are allowed to continue existing business operations without disruption and offer new products and services to new and existing customers until April, 2008, after which time the companies must convert to either a branch of a foreign insurance company or a Saudi cooperative insurance company.
- Foreign insurance providers may now solicit and sell reinsurance and a number of product lines primarily for large sophisticated customers on a cross-border basis from the United States without establishing in Saudi Arabia. These cross-border insurance commitments are comparable to those of OECD countries.
- Furthermore, Saudi Arabia has agreed to implement its commitments in the insurance sector in a manner consistent with internationally recognized industry standards and the financial services transparency code of the IMF.

Telecommunications: Saudi Arabia has committed to market access without limitation for cross-border supply and consumption abroad. Commitments for commercial presence will be phased in, allowing up to 70 percent foreign-equity ownership by the end of 2008. These commitments include both basic telecommunications services and value-added telecom services through any means of technology. These commitments should make it easier for U.S. companies to establish in Saudi Arabia to provide a whole array of new and innovative services to their customers.

Saudi Arabia also accepted the pro-competitive WTO basic telecommunications Reference Paper that establishes an independent regulator and obligations to prevent anti-competitive behavior by the dominant supplier. The Reference Paper establishes certain transparency obligations and interconnection requirements.

Audio-Visual Services: Saudi Arabia's services schedule includes audiovisual commitments that have been carefully crafted to apply to a broad range of audiovisual services of commercial importance today and to new technologies of tomorrow.

Saudi Arabia's commitment for motion picture and home video entertainment distribution services includes video tapes and digitally encoded video (DVDs), while leaving open the door to new home entertainment technologies of the future.

The commitment for radio and television production and distribution services covers both the production of radio and television program and their distribution, i.e., the licensing of radio and television programs, whether live, on tape, or on other recording medium or on digitally-encoded video for subsequent broadcasting by satellite television, by cable, or by other similar medium,

including DTH and DBS. These programs and channels of programming may be for entertainment or promotion purposes, or plays that are normally produced in television studios.

Energy Services: Saudi Arabia has made a broad range of positive commitments resulting in the substantial opening of its energy services market. These commitments will allow U.S. energy services firms to compete on a level playing field for energy services projects associated with oil and gas exploration and development, pipeline transport of fuels, management consulting, technical testing and analysis, and repair and maintenance of equipment, among others.

With one-fourth of the world's proven oil reserves and some of the lowest production costs, Saudi Arabia is a key market for U.S. energy services firms. Saudi Arabia's opening of its energy markets presents major opportunities for U.S. firms.

Express Delivery: Saudi Arabia's membership in the WTO will ensure the unrestricted delivery of documents, parcels, packages, goods and other items through all relevant modes of supply, and guarantee that foreign express delivery operators will receive treatment no less favorable than that accorded to the Postal Office. These commitments provide a solid foundation for a fair and open market for express delivery services, a sector of critical importance to competitiveness in the dynamic global economy.

Transportation Services: Saudi Arabia will open its markets for maintenance and repair of aircraft and computer reservation systems services offering new opportunities for U.S. firms in an important transportation market. Three of the four major global computer reservation services firms are based in the United States.

Business Services: Saudi Arabia will provide improved market access for professional and business service providers, including lawyers, accountants, architects, engineers, consultants, advertising and marketing executives and veterinarians. Following accession, U.S. service providers are guaranteed the right to hold up to 75 percent equity in firms established in Saudi Arabia. Saudi Arabia also made full commitments in the computer and related services sector. This commitment allows 100% foreign equity investment in this fast growing sector, in which U.S. companies are among the best and most innovative in the world.

Distribution Services: Saudi Arabia will liberalize the wholesale, retail and franchise sectors. U.S. service providers may establish joint-ventures and retain a 51 percent-share. Three years after accession, the foreign equity limitation will increase to 75 percent. Saudi Arabia's commitments on wholesaling and retailing also provide for direct sales by individual contractors.

Environmental Services: Saudi Arabia will liberalize their environmental services market. U.S. service providers may now provide a wide range of services, from sewage services to noise-abatement services without limitation on market access or national treatment.

Hotels and Restaurants: Saudi Arabia will open its market to encourage increased U.S. investment in the Saudi lodging industry, as well as opening up opportunities for U.S. hotel management companies.

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