

Highlights of Saudi Arabia's WTO Accession Agreement with the United States

Banking and Securities. Immediately upon Saudi Arabia's WTO accession, the equity cap for joint ventures in banking will increase from the current 40% to 60%, with additional flexibility on equity limitations on a case-by-case basis. More importantly, U.S. and other foreign banks will be afforded the right to establish direct branches, on the basis of worldwide capital of the parent bank; thus securing the full credit backing of the parent bank, attracting clients through the parent's reputation and access to the managerial and technical support of the parent bank.

The Kingdom's cross-border commitments are comparable or superior to those of OECD countries. These commitments secure national treatment in all financial services sub-sectors. Saudi Arabia also provides assurances regarding management control.

Under Saudi commitments, asset management and financial advisory services may be offered through banks or non-bank financial institutions. Foreign financial institutions will be able to provide pension funds supplementary to the public pension scheme at the same time as Saudi financial institutions are permitted to do so.

Insurance. Prior to the issuance of a Royal Decree in April 2005, Saudi insurance legislation did not provide a choice of form of establishment. While companies were permitted to offer both cooperative (mutual-type) and conventional forms of insurance, their mode of operation and business management were required to be consistent with Islamic cooperative principles. Recognizing the value of a choice of corporate form which best suits companies' business models, the Decree permits insurers to operate as direct branches of foreign parents. This progressive legislation sets the stage for what is now a very satisfactory WTO accession agreement on insurance services.

Upon accession, foreign insurers will be extended national treatment, and be able to enter the market as direct branches, or as locally incorporated cooperative insurance companies with up to a 60% equity share. Companies that currently provide insurance will be able to continue operating in their existing business forms and offer new products until April 2008. By that time, they must be licensed either as a branch of a foreign insurance company or incorporated as a Saudi cooperative insurance company in accordance with revised legislation which will be issued by May 2006.

Saudi Arabia's cross-border commitments in insurance are comparable to those of OECD countries. Upon accession, U.S. and other foreign insurers will be permitted to solicit and sell reinsurance and a number of product lines primarily for large sophisticated customers on a cross-border basis, without being established in Saudi Arabia.

In addition, Saudi Arabia has agreed to implement its insurance commitments consistent with internationally recognized standards of the International Association of Insurance Supervisors (IAIS) and the IMF transparency code in financial services.

Telecommunications. Commitments in telecommunications will make it easier for U.S. companies to be established in Saudi Arabia to provide innovative services. These commitments cover basic and value added services through any means of technology, and secure full market access in cross-border trade and consumption abroad. In commercial presence, they will allow up to 70% of foreign equity ownership by the end of 2008.

Saudi Arabia has accepted the WTO basic telecommunications Reference Paper, which stipulates the establishment of an independent regulator and obligations to prevent a dominant supplier's anti-competitive practices. The Reference Paper also provides for transparency commitments and interconnection requirements.

Audiovisual services. Saudi Arabia's audiovisual obligations have been carefully drafted to apply to a broad range of audiovisual services of commercial importance. Commitments for motion picture and home video entertainment distribution services include videotapes and digitally encoded video (DVDs), while leaving open the door to future home entertainment technologies.

The commitment for radio and television production and distribution services covers both the production of radio and television programs 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. These programs and channels of programming may be for entertainment or promotion purposes, or shows that are normally produced in television studios.

Energy Services. With one-fourth of the world's proven oil reserves and some of the lowest production costs, Saudi Arabia is a lucrative market for U.S. energy services firms. Saudi Arabia has made broad commitments which will substantially open its energy services market. U.S. companies will now be able to compete on a non-discriminatory basis for energy services projects in oil and gas exploration and development, pipeline transportation, management consulting, technical testing and analysis, and repair and maintenance of equipment, among others.

Express Delivery. Saudi Arabia's WTO commitments 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 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. U.S. service providers will be able to hold up to 75% equity in firms established in Saudi Arabia. Saudi Arabia has also made full commitments in the computer and related services sector. Upon accession, it will allow 100% foreign equity investment in this fast growing sector, where U.S. companies are among the most competitive and innovative.

Distribution Services. Upon Saudi Arabia's accession, U.S. service providers may establish joint ventures in the wholesale, retail and franchise sectors with 51% ownership, which will be increased to 75% in three years after accession. Commitments on wholesaling and retailing also provide for direct sales by individual contractors.

Environmental Services. Saudi Arabia will liberalize its environmental services market to allow foreign providers in 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.