SAUDI ARABIA

TRADE SUMMARY

The U.S. trade balance with Saudi Arabia shifted from a goods trade surplus of $1.1 billion in 2016 to a goods trade deficit of $2.6 billion in 2017. U.S. goods exports to Saudi Arabia were $16.3 billion, down 9.5 percent ($1.7 billion) from the previous year. Corresponding U.S. imports from Saudi Arabia were $18.9 billion, up 11.5 percent. Saudi Arabia was the United States' 20th largest goods export market in 2017.

U.S. exports of services to Saudi Arabia were an estimated $9.6 billion in 2017 and U.S. imports were $1.2 billion. Sales of services in Saudi Arabia by majority U.S.-owned affiliates were $5.1 billion in 2015 (latest data available), while sales of services in the United States by majority Saudi Arabia-owned firms were $3.5 billion.

U.S. foreign direct investment (FDI) in Saudi Arabia (stock) was $9.8 billion in 2016 (latest data available), a 1.6 percent increase from 2015. U.S. direct investment in Saudi Arabia is led by nonbank holding companies, mining, and manufacturing.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Saudi Arabia is developing and implementing new energy efficiency standards for a variety of products (including vehicles, air conditioners, electrical appliances, lighting, electrical motors, tires, insulation and others) that could serve as unnecessary barriers to trade. The United States continues to press Saudi Arabia to develop and fully implement appropriate mechanisms for stakeholder consultation in regulatory decision-making to help ensure that interested parties have opportunities to provide comments on draft regulations and to provide a reasonable time for those comments to be taken into account.

Over the course of 2017, Saudi Arabia continued to revise technical regulations for a variety of products based solely on standards developed by the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC). Saudi Arabia has not accepted other international standards, such as those developed by U.S.-domiciled organizations through open, transparent and consensus-based processes – and which may meet or exceed Saudi Arabia’s objectives. Saudi Arabia’s refusal to accept these other international standards, which are often used by U.S. manufacturers, creates significant market access restrictions for industrial and consumer products exported from the United States. U.S. Government officials continue to engage Saudi standards bodies on the importance of accepting international standards developed by U.S.-domiciled organizations.

Energy Drinks

In 2016, the six Member States of the Gulf Cooperation Council (GCC), working through the Gulf Standards Organization (GSO), notified WTO Members of a draft regional regulation for energy drinks. The U.S. Government and U.S. private sector stakeholders have raised questions and concerns regarding the draft regulation, including labeling statements regarding recommended consumption and container size, as well as potential differences in labeling requirements among GCC Member States.

Conformity Assessment Marking

In December 2013, GCC Member States issued regulations on the GCC Regional Conformity Assessment Scheme and GCC "G" mark in an effort to "unify conformity marking and facilitate the control process of the common market for the GCC Members, and to clarify requirements of manufacturers." U.S and GCC officials continue to discuss concerns about consistency of interpretation and implementation of these regulations across all six GCC Member States, as well as the relationship between national conformity assessment requirements and the GCC regulations, with the objective of avoiding inconsistencies or unnecessary duplication.

Cosmetics and Personal Care Products

GCC Member States notified WTO Members in April of 2017 of a new GSO proposed regulatory and conformity assessment scheme that will govern market authorization for cosmetics and personal care products. The United States raised concerns that neither the GCC nor its Member States have indicated whether the regional scheme will replace existing national-level registration requirements or will function in addition to national programs, potentially introducing a scenario whereby Member States require duplicative and discordant registration procedures for relatively low-risk cosmetic and personal care products. The U.S. Government and industry have also raised concerns that the measure is inconsistent with relevant international standards for cosmetics' product safety.

Sanitary and Phytosanitary Barriers

In June 2016, the United States and Saudi Arabia announced an agreement to reopen the Saudi market to U.S. beef and beef products from cattle under the age of 30 months, with a phased-in approach for full access for beef and beef products in the future. In May 2012, Saudi Arabia had banned imports of these products following an atypical case of bovine spongiform encephalopathy in the United States. U.S. beef and beef products began shipping to Saudi Arabia in 2017 pursuant to the agreement.

In November 2016, the GCC announced that it would implement a "GCC Guide for Control on Imported Foods" in 2017. The United States has raised concerns about the Guide, particularly regarding the GCC's failure to offer a scientific justification for requiring certain health certificate statements, some of which may not follow relevant guidelines established by the Codex Alimentarius Commission, the International Plant Protection Convention, or the World Organization for Animal Health. The United States has requested that the GCC delay implementation of the Guide until experts are able to address these concerns. As of December 2017, GCC Member States have indefinitely suspended implementation of the Guide.

IMPORT POLICIES

Tariffs

As a member of the GCC, Saudi Arabia applies the GCC common external *ad valorem* tariff of five percent on the value of most imported products, with a number of country-specific exceptions. Tariff rates range from 6.5 percent to 40 percent on goods that compete with domestic industries. The tariff rate for tobacco products is 100 percent.

Excise Taxes and Value-Added Tax

Although GCC Member States agreed to introduce common GCC excise taxes on sweetened carbonated drinks, energy drinks, and tobacco products, implementation varies by Member State. U.S. beverage producers report that the current tax structure both fails to address public health concerns and disadvantages