EU statement at the Trade Policy Review of the Kingdom of Saudi Arabia, 04/04/16

Statement by Ambassador Marc Vanheukelens

European Union

MISSION TO THE WORLD TRADE ORGANIZATION

GENEVA

I would first like to welcome the Delegation of the Kingdom of Saudi Arabia, led by H.E. Dr. Abdolazeez Al Otaibi (Ambassador, Permanent Representative to the WTO) and from capital Dr. Naif O. Al Otaibi (Deputy Minister for Petroleum, Ministry of Petroleum and Mineral Resources).

I would like to thank the WTO Secretariat and the Delegation of Saudi Arabia for their reports which form the basis for our discussion today. My appreciation is extended to the Discussant, H.E. Mr. Alvaro Cedeno Molinari, Ambassador of Costa Rica, for getting us started today with his remarks.

The Kingdom of Saudi Arabia has been one of the fastest growing economies among G20 countries between 2010 and 2014 and, despite the drop in oil prices since middle of 2014, its economic growth is estimated at 3.6 % in 2015. The Kingdom remains the world's top oil exporter and producer, accounting, in 2014, for about 50% of GDP (83% of exports and 90% of government revenue).

The EU acknowledges that Saudi Arabia has continued its efforts and commitments to economic diversification, including diversification of exports and increasing trade's contribution to GDP. The country has also taken important steps to improve the investment climate and to facilitate business cooperation. It is positive that these efforts will continue in the future, as demonstrated by the Tenth Development Plan (2015-2019).

However, despite these long-term commitments, the EU notes that the Saudi economy remains very dependent on crude oil products exports and that the presence of the public sector in the economy is still high. In the EU's view, this could have serious repercussions.

The EU also notes that delays in payments under existing contracts [between EU companies and the Saudi government] are increasingly common. These delays have reduced the Kingdom's attractiveness as a destination for EU foreign investment.

Therefore, we would invite the Kingdom of Saudi Arabia to consider appropriate measures for further diversifying its economy, developing a strong private sector, and opening up to investment. These measures will further support economic growth and employment, and also steer its economy towards sustainable energy sources.

A word, Ms Chairman, on our bilateral relationship. The EU considers its trade relations with the Kingdom of Saudi Arabia to be very important. In 2015, the EU was the main trade partner of Saudi Arabia (1^{st} in terms of imports and 4^{th} in terms of exports), while Saudi Arabia was the EU's 12^{th} largest partner for trade in goods.

Formal relations between the EU and the Kingdom take place mostly in the context of the 1988 EU-Gulf Cooperation Council (GCC) Cooperation Agreement. This Agreement contained a commitment from all parties to enter into negotiations for a free trade agreement. Negotiations have started and been suspended several times since 1990; lately since 2008. The EU remains committed to concluding the EU-GCC Free Trade Agreement negotiations. Both sides are missing out on opportunities that would be created, should the FTA materialise.

At a multilateral level, the EU encourages the Kingdom of Saudi Arabia to pursue its efforts for the quick implementation of the Trade Facilitation Agreement. In this context, the EU acknowledges the notifications of its Category A commitments and is happy to learn that Saudi Arabia is pursuing its internal process toward rapid ratification of the Agreement, which represents a great step forward for international trade.

Mrs Chairman, the EU would like now to raise a couple of concerns.

While the EU notes that a certain number of initiatives have been undertaken to facilitate trade and foreign investment, in the EU's view further efforts would be necessary, in particular in the following areas:

First, the procedures for importing and exporting are still too complicated. We would therefore invite the Kingdom of Saudi Arabia to take the necessary steps to clarify its customs importation processes, in particular with reference to TBT and SPS requirements.

Second, the prevailing local ownership requirements for investment and running businesses in Saudi Arabia continue to represent an obstacle for many. In particular, EU companies still encounter several impediments for obtaining a license by the Saudi Arabian General Investment Authority Board (SAGIA). The EU would therefore invite the Kingdom of Saudi Arabia to streamline its procedures by moving towards a more expeditious and investor-friendly process.

Finally, the EU understands that the Saudisation of the workforce, introduced in 2011 with the Nitaqat programme, is important in order to integrate more citizens into economic activity, especially considering the growing youth unemployment rates in the population. However, it is important to ensure that quotas, rules and procedures for such Saudisation are predictable, transparent, and coherent and supported by a strong qualification and training scheme.

The EU is confident that this review will help the Kingdom of Saudi Arabia in examining its policies so as to ensure that they are most favourable for attaining its economic objectives, while respecting its international commitments in this forum.

On behalf of the EU, I hope this review will be very beneficial and successful for the Kingdom of Saudi Arabia.