

ACCESSION OF THE KINGDOM OF SAUDI ARABIA

Note on Agriculture

The Permanent Mission of the Kingdom of Saudi Arabia has transmitted the following information on Saudi Arabia's agricultural policy with the request that it be transmitted to members of the Working Party.

AGRICULTURE

Introduction

Working Party members have posed a large number of questions on Saudi Arabia's agricultural policy. Replies and other descriptive material are scattered throughout a number of documents. This up-to-date consolidation has been prepared to facilitate discussion in the Working Party.

1. Role of Agriculture in the Economy - Policy Goals

In line with its overall primary economic goal of structural diversification and lowered dependence on petroleum, Saudi Arabia has sought to promote the development of agriculture, including livestock and crops. Although it remains highly dependent on imported foodstuffs, Saudi Arabia has significantly increased agricultural production. Agriculture, forestry and fishing now account for about 4.5 per cent of GDP.

As a General Objective of the Sixth Development Plan, Saudi Arabia will continue to restructure the Kingdom's economy through continuing diversification of the economic base, particularly through greater emphasis on industry and agriculture.

For the foreseeable future, the main agricultural crops will remain wheat and barley which will be marketed primarily to satisfy growing demand in the domestic market.

2. Saudi Arabia - A Major Net Food Importer

Despite development of its agricultural sector, Saudi Arabia remains a major net food importer. Its imports of foodstuffs in 1994 were US\$3.01 billion compared with exports of US\$0.4 billion, a net deficit of US\$2.6 billion. In 1992 and 1993 the deficits were respectively US\$3 billion and US\$2.6 billion.

3. Support Measures

(a) Tariff levels

The structure of duties on agricultural items is currently the same as it is for the industrial sector. Duties on a few items have been established at 20 per cent. Otherwise agricultural items fall into the "general" category of 12 per cent or are permitted entry duty free. The distribution of major items into these categories is as follows:

20 per cent:	poultry meat and table eggs
12 per cent:	wheat, milk, butter, cheese, potatoes, beans onion and most other vegetables and as well as fruits
0 per cent:	beef and mutton (fresh, frozen and chilled), barley, maize, rice, soya cake, coffee and tea

The weighted average tariff for agricultural products in 1994 was 7.5 per cent.

(b) Import and export restrictions

To protect a traditional domestic crop, imports of dates are controlled.

A control is also maintained on bulk pasteurized milk; the purpose of this restriction is to prevent imported milk from being mixed with domestic production and being sold to consumers in small containers as "fresh" milk.

Otherwise, all agricultural products may be imported without restriction. (In the case of wheat there is a requirement that imports be "denatured" with a dye to avoid the risk that the imported product will be presented as "domestic for the purposes of obtaining a subsidy.)

GSFMO has, since 1995, been obliged by a Ministerial Directive not to export wheat. As a matter of practice, GSFMO sells all domestically produced barley on the domestic market.

Private traders may export grain or grain derivatives. However, an export control is maintained to ensure that there are no exports of wheat flour or barley for which a consumer of feed subsidy has been paid.

(c) Domestic support to agriculture

Revised tables on domestic support to agriculture in 1992 to 1994 have been circulated in document WT/ACC/SPEC/SAU/1 and Corrigendum 1.

These tables show that support to agriculture between 1992 and 1994 has declined in absolute terms and relative to total agricultural production. In 1992, domestic support to agriculture amounted to 25.14 per cent of total agricultural production; by 1994 the percentage had declined to 18.9 per cent.

Over the last eight years the ratio of agricultural support to the value of production has fallen significantly; from 37.1 per cent in 1986 to 18.9 per cent in 1994.

The Government of Saudi Arabia closely followed the Uruguay Round negotiations as an observer and, mindful of eventual accession to the GATT/WTO, it had already set in motion a policy and programme of reduction in domestic support levels. In particular, the producer guaranteed price for

wheat has been cut from US\$533 per ton to its current level of US\$400 per ton (26 per cent reduction). As a consequence production of wheat has declined and Saudi Arabia has exited the export market.

(d) Export subsidies

Saudi Arabia provides no export subsidies in the agriculture sector. Wheat purchased by the GSFMO at guaranteed producer prices was, until 1994, disposed of in both the domestic and export markets. However production, not exportation, was the condition for receiving the guaranteed price. As noted above, the GSFMO is now under Ministerial instruction not to export wheat or flour.

3. Preparing for Accession

The Kingdom of Saudi Arabia would be prepared to bind tariffs on all agricultural products (except certain items of which the import and domestic production is banned for religious reasons). Agricultural items will be included in the general tariff offer to be submitted shortly.

In preparing its Schedule offers on both tariffs and domestic support, the Government of Saudi Arabia will take into consideration that Saudi Arabia has a relatively low agricultural base and that producers in the Kingdom operate in a particularly harsh climate and environment. Moreover, support to agriculture is needed to maintain rural living standards so as to avoid further migration to urban areas.