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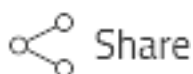
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Questions & Answers

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Trade

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What is the position of the Kingdom of Saudi Arabia from Free Trade Agreements (FTAs)?

The Kingdom of Saudi Arabia as it is a members of the Gulf Cooperation Council (GCC) negotiates free trade agreements with many economic groups and countries many years ago with the an objective that is the two sides should make more concessions than the ones they have provided in their obligations of the World Trade Organization (WTO)

What are the countries with which negotiations have been completed?

- The Great Arab Free Trade Area (GAFTA) that has entered into force, currently it is being negotiated on Trade in Services (Beirut tour) at the level of the Kingdom
- the countries with which negotiations have been completed and sign with them with initials in the framework of GCC, yet did not enter into force are Singapore 2008 and EFTA countries (Switzerland, Norway, Iceland, Liechtenstein) 2008.
- Countries being negotiated in the framework of the GCC are New Zealand, the

European Union, Japan, Australia, China, India, Pakistan, the Mercosur countries (Brazil, Argentina, Uruguay, Paraguay), Turkey, South Korea

What are the negative impacts of the agreements on the multilateral system?

- The fear of lacking harmony and fairness in trading relations, and the possibility of expenses increase.
- When these agreements increased in number, they become more complex and intertwined because the obligations are different, particularly in the developing countries and least developed countries
- The difficulty to effectively apply them
- Do not serve the countries with weak negotiating capacity
- Do not stimulate multilateral negotiations

What are the positive impacts of the agreements on the multilateral system?

- Promote and increase the strength of economic relations between some countries
- Unite scattered economies
- Give businesses more access to international markets
- A transitional mechanism to gradually qualifying economy to global competition, the national economic development strategy point of view of
- More attractive than the multilateral negotiations because these agreements try to cancel the tariff rather than reduce them, which means the potential to create more interests.
- Urge political stability
- Less complex than negotiation
- Attractive for Foreign Direct Investment

I am a supplier supplies particular services to one of WTO member countries, and I am facing an issue related to the Trade in Services Agreements. How can I get help and technical support?

To get such help, you can send an e-mail to the Ministry of Trade and Industry Agency for Technical Affairs at Internationalorg.dept@mci.gov.sa. The agency helps services suppliers in any issues or problems they face in the foreign markets with any one of WTO member countries. The agency also can require these countries to liberalize their markets, and in case the markets have been actually liberalized, yet the country does not fulfill its obligations, this dispute shall refer to the Dispute Settlement Body of the World Trade Organization.

How can the exporter take advantage of Customs Valuation Agreement?

- The exporter will be fully aware of all different ways of valuing the goods.
- In case the importing country violates these valuation ways or discriminate between the suppliers of the same goods, this issue will be solved by sending e-mail to the Ministry of Trade and Industry Agency for Technical Affairs at Internationalorg.dept@mci.gov.sa. to solve the problem within the framework of the Customs Valuation Committee

How can the exporter take advantage of the Agreement on Import Licensing?

- The exporter should be fully aware of all export requirements like information, data, documents and the conditions that must be met to get the import license.
- Benefit from the discussion of the notifications of the member countries in the framework of the of import licensing committee in away licensing proceeding should not be an obstacle to trade
- Trying to solve problems faced by exporters in the framework of import licensing committee through formal or informal meetings with party dispute

I own a company that its activity listed under services category, yet I am facing some problems with foreign markets?

You can take advantage of Trade in Services Agreement provided by the Ministry of Trade and Industry where Saudis negotiators use mechanisms available in the WTO to prepare and submit requirements and recommendation to the Kingdom trading partners to remove the restrictions on market access and the national treatment facing service suppliers when supply to these markets.

My company is classified as a joint-stock entity. What are the conditions to transfer it to a close company?

The conditions are:

- A letter signed by the founders (partners in the case of transferring) includes an approval for the company transformation.
- A copy of family book or a print from the civil registry of the founders individuals showing their professions and a copy of commercial register and memorandum of association (companies founders)
- Reserving a trade name.
- A feasibility study from one of the offices licensed to operate in the kingdom.
- A summary report about the points have been tackled in the study and the based on exact and correct information. The report should comply reporting and study standards.
- A copy of a valid license of the office prepared the feasibility study.
- A copy of memorandum of association (founders approval for transferring) and the company regulation according to the ministry templates.

What are the conditions for trademark registration ?

A trademark application has to be filed with the following information:

- The brand image shown in the picture area in the application
- The applicant information: surname, address, nationality and trade name, if any,
- If the applicant is a representative, his names, family name and address should be written
- Provide a description about the trademark
- Provide a description and the categories of products or the services with connection with the trademark being registered
- The signature of the applicant or his representative. If the request is applied by a legal person, the documents should be signed by who has the right to sign on behalf of him.
- It is required to attach to the form the following documents: - 10 pictures of the trademark matching the one attached in the application form - If the applicant is a representative, a copy of the procuration should be attach (with the original for matching) - Proof of payment of the application fee stipulated in Article (41) of the regulation.

I am a trademark owner and I have a Trademark Registration Certificate, my trademark has been infringed by a corporate. What should I do?

Make a written complaint to the Department of Commercial Fraud- the Ministry of Trade and Industry that includes the following:

- Trademark Registration Certificate.
- purchase invoice of the counterfeit product.
- samples of the original product and the counterfeit product.
- show the differences between the original and counterfeit product.

What are the conditions for commercial agencies registration?

- Commercial Agency Contract concluded between the Saudi agent and the foreign agent attested from the concerned entity.
- A copy of the commercial register of the Saudi agent that allows agency
- A copy of the chamber of the commerce and industry membership certificate
- Filling in registration applications forms of the Ministry of Trade and Industry

What are the required documents for commercial register issuance?

- A copy of ID
- Proof of employment from Civil Affairs. The applicant should not be a government employee or military officer
- Filling in commercial register applications forms

What are the objectives of the Saudi Exports Program?

- The Program aims at realizing several objectives, including:
- Development and diversification of Saudi non-oil exports. Motivating Saudi exporters to discover and enter new markets.
- Maximize the competitiveness of Saudi exports by providing competitive credits terms to Saudi exporters on the one hand and importers from outside the Kingdom on another. Mitigate risks associated with non-payment encountered by Saudi exporters.
- Encourage, activate and increase the participations of the Saudi exporters in the projects funded or managed by SFD.

What are the preliminary steps to apply for the Program financing facilities?

- Submittal of an export financing application to his Excellency the General Manager of the Program. Filling in the appropriate form including integrated information on the exporter, importer, guarantor, types of exports to be financed, rate of local added value, volume of the required finance, payment term and the proposed guarantees to be submitted to the Fund.
- Submittal of audited financial statements for the last three years of the importer, exporter and the guarantor.
- Providing information on the credit facilities granted to the applicant from other banks and finance bodies.
- Providing an acknowledgement and recommendation letter from the banks and bodies with which the beneficiary has previous transactions.
- Providing a copy of the Commercial Register of the importer and the exporter as well as information on their activities.

After fulfilling these requirements, what is the next step of the Program?

The Program shall study the application, prepare an initial offer of the terms of financing and submit it to the applicant. The offer shall include the determination of the payment term (which shall be identified based on the risks accompanying the transaction, types of goods or services and the nature of the transaction), the profit margin and the guarantees which should be presented to the Fund. The terms and conditions of this offer shall be valid for (30) thirty days from the date of its issuance.

Shall the submittal of the initial offer to the beneficiary be considered as a commitment on the part of the Program to provide the required finance?

The submittal of the initial offer shall not be considered as a commitment on the part of the Program to provide the required finance. The target of the initial offer is to get the initial approval of the beneficiary on the financing terms proposed by the Program. Then, the matter shall be referred to the Credit Committee of the Fund. In light of its recommendations, the application shall be referred to the eligible official in the Fund. In case approval to finance is granted, a final offer shall be prepared containing the financing terms which should be approved by the beneficiary. The terms and conditions of this offer shall be valid for (15) fifteen days from the date of its issuance. Thereafter, a draft agreement shall be prepared and the beneficiary is required to agree on its terms and conditions before signing it by both parties.

After signing the agreement, could the beneficiary draw the financing amount?

The beneficiary shall not be able to make use of the funds allocated for financing unless he fulfilled all requirements of validity set forth in the Financing Agreement in accordance with the Program procedures.

How are the procedures of payment made for the Saudi exporter?

Procedures of payment are made for the Saudi exporter once he shipped the goods or offered the required services to the importer. The exporter shall provide the Fund with a copy of the shipment

documents, certificate of origin as well as the other required documents so that the Fund shall pay to the Saudi exporter the value of goods or services so that the funds shall not exceed the agreed-upon financing amount or 100% of the value of the exported Saudi products whichever is less. Then, the importer shall settle the price of goods or services to the Fund on installments in accordance with the Financing Agreement.

How shall the financing cost (the Fund's margin of profit) be identified?

The Program's profit margin is identified either on a fixed or floating rate taking into account the then current financing prices. The Program works on commercial grounds and it strives to strike a balance between its expenditures and revenues. It relies on the commercial principles in assessing risks and pricing financing and guarantee tools. It is to be taken into consideration that the profit margin is calculated on the drawn amounts which have not been repaid from the financing amount.

Does the Program stipulate that the beneficiary shall draw from the financing amount within a specific period of time?

It is possible to draw from the financing amount starting from the date of announcing that the agreement is put into force and this shall last for a period ranging between 6 months and 3 years based on the circumstances and nature of each transaction. In some cases, it is possible to use the financing amount in a revolving manner for a period that shall not exceed in most cases 3 years.

What are the basic terms and conditions of financing adopted in the lines of financing?

- The first transaction shall be conducted within twelve (12) months of the date of signing the line of financing agreement.
- The whole amount shall be utilized within three (3) years of the date of signing the agreement.
- The line of financing agreement shall include the terms and conditions of dealing between the Fund and the bank. As for the terms of dealing between the bank and its client (the importer), they shall be agreed upon between both parties without the least intervention on the part of the Fund.

What is the extent of conducting transactions through partial shipment? What is the minimum transaction eligible for the Program contribution?

Transactions could be conducted through partial shipment so that the minimum transaction eligible for the Program contribution shall be one hundred thousand (100.000) Saudi Riyals or its equivalent in US Dollars.

What are the proposed guarantees to be submitted to the Fund?

The Fund shall fulfill the required guarantees in order to preserve the rights of the Fund as per the type of the transaction and the legal capacity of its parties as well as the credit risks involved. These guarantees shall include by they shall not be limited to:

- The governmental guarantees issued by the Ministries of Finance or Central Banks
- Banking guarantees
- Guarantees issued by trade companies and institutions
- Assignments of account receivables
- Guarantees and insurance documents submitted by the regional and international organizations
- specialized in providing guarantees or insuring the finance of exports
- Personal warranties, order bills of exchange, etc.

Is there a specific format approved by the program for preparing the proposed guarantees?

The Program has several guarantee formats and the beneficiary could get a copy commensurate

with the nature of each transaction.

To whom shall the Letter of Credit used in financing the transaction be opened?

As usual in the export and import transactions, the Letter of Credit shall be opened as per an application filed by the importer to the account of the Saudi exporter. Then, the exporter shall waive the revenues / dues resulting from opening the Letter of Credit in favor of the Fund as a preliminary step for the Fund to pay the prices of exports to the Saudi exporter.

The Program stipulates that the rate of local value added to the exported goods or services shall not exceed 25% of the end-user product. How could this be ascertained?

The Saudi exporter shall submit a Saudi Certificate of Origin duly authenticated by the Ministry of trade and Industry indicating that the exported goods are of Saudi origin and that they contain at least 25% of the local components.

How could the credit ceiling of banks be identified? What is meant by

Identifying the credit ceiling of any bank or financial institution is subject to many criteria such as the credit standing, the bank credit worthiness, the risks of the country where the bank operates, volume of exports to such country and volume of banking credits opened through the bank. Exposure limits shall mean the remaining exposure rate without coverage or external guarantees after calculating coverage (insurance) which the Program could get in order to cover a part of the transaction risks.

What are the types of facilities provided by the Program?

The Program provides the following facilities: • Financing Saudi exporters • Financing local buyers for export purposes • Financing importers (governments of beneficiary countries or foreign public or private sector companies • Pre-shipment financing • Financing lines

What is pre-shipment financing? What is its revenue?

Pre-shipment financing is the process of purchasing locally-manufactured inputs through profit sharing with the ultimate goal of producing export-oriented goods to the account of some importers. The Saudi exporter shall produce such goods in their final form after securing the required manufacturing inputs from Saudi manufacturers and producers. Exports shall include more than 25% of the local added value. This means that the process of manufacturing and producing the goods shall contribute to providing job opportunities to Saudi nationals and achieving financial revenues for the national economy.

Is it possible for the importer to contribute to providing the guarantees required from the Program in case granting facilities to the Saudi exporter or vice versa?

It is not usual for the importer to contribute to providing guarantees to the account of the Saudi exporter except in very rare cases. But the contrary is always possible as the Saudi exporter contributes to providing the guarantees required from the importer to the account of the Fund. This is a positive indicator reflecting serious in completing the import process.

Are there restrictions for the importer's country to deal in the local currency?

As per the general rules of the Program, either the Saudi Riyal or the US Dollar shall be the currency used. Currently, it is not possible to use other currencies.

How could risks be assessed by the Program?

The Program studies the nature of each transaction, the parties contributing in their implementation, evaluation of the credit standing and the credit worthiness of those parties involved. Based on such, the Program shall identify the degree of risk related to the transaction. As for assessing the political and commercial risks of the beneficiary countries, it currently uses a list of assessment containing grades from A to E where A refers to the least risks and E to the highest risks. It takes into consideration the international ratings of risks advocated by COFACE Company and EIU.

Does the Program grant a favor period for the importer or the local buyer according to the type of the granted credit facilities to the effect of postponing payment till the end of the withdrawal period?

The Program could grant a favor period for the transaction to settle the original financing amount in a manner commensurate with the nature of the transaction, the risks involved and the study of its economic feasibility. It is to be taken into consideration that the settlement of the original financing amount shall start around 6 months after the end of the withdrawal period. The settlement of the Fund profits shall start 6 months after the date of the first draw process, and the margin shall apply to all drawn and non-paid amounts. The favor periods range between 6 months and 3 years.

Is it mandatory to identify the type of exports, importers and the targeted countries?

Generally speaking, at least the type of exports should be identified. This provides more comprehensive and larger room for utilizing the financing amount and the opportunity shall be available for any qualified Saudi commodity to make use of the credit facilities provided by the program. It is to be taken into account that the Saudi exporter shall be committed to submit a certificate of origin indicating that the exported goods are of Saudi origin and that they contain at least 25% as local components. As for importers and the countries to receive exports, it is important to identify them as much as possible. Yet, the program takes into account allowing the Saudi exporter more freedom to assist him increase the volume of exports, compete in the world markets and deal with several companies and factories with the aim of developing and diversifying national exports.

Are there countries which the Program bans dealing with them?

There are no countries exempted from the Program services but each application is considered independently as per the conditions and nature of each transaction.

What are the basics on which the program relies in identifying the type of facilities granted to its clients?

The type of facilities is subject to several factors such as the nature of the transaction, the extent of the exporter or the importer to fulfill the Program requirements such as providing documents, guarantees and any other information needed by the program and the evaluation of the transaction. In addition, the Program seeks to provide the client with suitable room of flexibility and assist him in competition. In the light of such, the type of facilities is determined through the mechanism of financing an exporter, importer or even a local buyer for export purposes.

What is meant by using the financing amount in a revolving manner?

It refers to the possibility of making use of the amount settled from the original financing amount through re-drawing it again. This gives the beneficiary the opportunity to expand his export business and it minimizes procedures in the future. It is to be noted that the use of the financing amount in a revolving manner does not represent any added risks or costs on the Fund or the beneficiary.

Are there exported goods or products which are banned or restricted by the Program?

The program does not finance the goods or products which the Customs Authorities either bans or restricts.

What are the deadlines of exports financing tools?

The deadlines of the transactions of financing exports are related to the nature of the exported goods or service. The maximum deadlines are:

- Within two years (short-term) for consumer goods, foodstuffs and industrial raw materials
- Within seven years (medium-term) for durable consumer goods, consultancy and engineering services and maintenance services
- Within fifteen years (long-term) for capital goods, contracting works, projects and turnkey contracts

What is the percentage of the Program contribution in financing the export transactions?

The percentage of the Program contribution in financing any transaction relies on the risks involved. The percentage of financing the export of manufactured goods may reach 100% of the total value of any transaction. As for the percentage of the Program contribution in financing exports such as services, contracting works and turnkey contracts, it is as follows:

- The transactions where the Saudi components represent less than 50% of their total value: The percentage of Fund contribution in financing may reach 100% of the value of the Saudi components according to the type of risks and the nature of work.
- The transactions where the Saudi components represent more than 50% of their total value: The percentage of Fund contribution in financing may reach 100% of the value of the Saudi components or 85% of the total value of the transactions according to the type of risks and the nature of work.

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